

Evaluation of the Effectiveness of the Board of Directors

Continuous efforts to enhance the Board of Directors (fiscal year when initiatives commenced)

Kagome has been continuously working to revitalize the Board of Directors.



Results of evaluation of the effectiveness of the Board of Directors

The Company has evaluated the effectiveness of the Board of Directors annually since FY2016. An overview of the results in FY2023 is described below.

1 Methods of evaluation

Conducted questionnaire	We conducted a questionnaire targeting all directors and analyzed the results. <ul style="list-style-type: none"> Questionnaire for Directors Design, operation, proposals, and quality of discussions of the Board of Directors, corporate governance system, comprehensive evaluation, individual themes (strategy, business portfolio, Group governance, ESG, SDGs, etc.) Questionnaire for the Remuneration and Nomination Advisory Committee Questionnaire for the Audit and Supervisory Committee Questionnaire for the Enterprise Risk Management Committee
Deliberations by the Board of Directors taking the above into account	With reference to the summary of survey and interview results, we set up opportunities for deliberation and opinion exchange involving all directors to conduct evaluation on effectiveness of the Board of Directors, identification of issues, assignment of priority for each issue, and discussion of countermeasures.

2 Evaluation results

Based on the above, the Board of Directors also deemed that it has properly met all evaluation items, and agreed that the effectiveness is sufficiently ensured.

3 Topics to consider for further improvement in effectiveness

In previous effectiveness evaluations, "consideration of enhancing corporate value from a long-term perspective" has been recognized as an issue. The Board of Directors has promoted the exchange of opinions from a medium- to long-term perspective in the agenda items related to sustainability and International Business, and outside of the Board of Directors meetings, lectures from outside experts on agriculture and demographics were held along with related discussions. As a result of sharing knowledge and information as a basis for discussion and considering future business directions, the International Business Division was converted into a company in October 2023. Along with this, a new global organization was established to unify agriculture-related business and agriculture-related technology exploration and development. Specific strategies and business activities with a medium- to long-term perspective will continue to be discussed, and the Board of Directors will continue to appropriately monitor and supervise the quick and reliable implementation of strategies and the strengthening of differentiation and uniqueness of business activities.

Regarding the Remuneration and Nomination Advisory Committee, there was an opinion that further improvement of the medium- to long-term succession plan including overseas Group companies and a diverse human resources strategy are urgently needed. Regarding the Audit and Supervisory Committee, there was an opinion that the group governance system including overseas offices should be strengthened and its authority should be more actively and aggressively exercised. The Board of Directors recognizes these issues and will proceed with initiatives to address them.

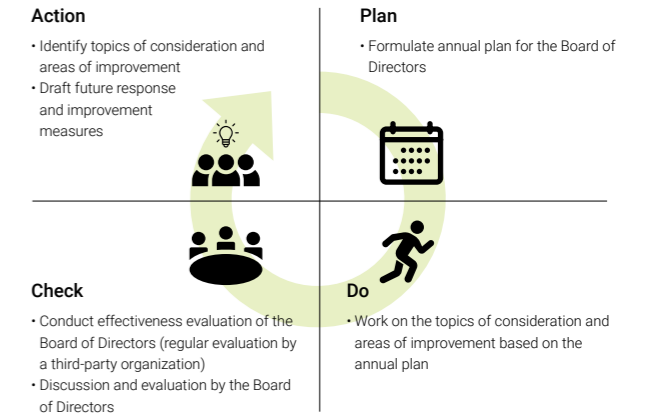
We will seek to further improve effectiveness in light of the results of the latest evaluation.

Succession Plan

The development of management personnel and the realization of highly transparent appointments are important matters required by Japan's Corporate Governance Code. Recognizing that the development of next-generation executive candidates is an important management issue for sustainable value creation through growth, we have established and are promoting a selection and training process.

In the development of management and executive candidates, we use a combination of "education" (off-the-job training and on-the-job training) and "selection" to measure actions to be demonstrated in a hierarchical manner for executives and general managers.

The Human Resource Development Committee, which is an internal decision-making body, conducts the selection, development plan, and review of candidates, while the Remuneration and Nomination Advisory Committee discusses and reviews appointment of officers and management before submitting them to the Board of Directors, thereby enhancing transparency and objectivity.



The Human Resource Development Committee examines, drafts, and promotes the pipeline and development plan for key positions, and the Remuneration and Nomination Advisory Committee confirms and advises.



Directors' Remuneration

The Company's directors' remuneration plan is designed and managed according to the basic policy that it be a remuneration plan suited to a global corporation aimed at the realization of the mid-term management plan and that the results provided to the company and roles expected through the job duties of individual directors are important and that they are evaluated appropriately. Specifically, remuneration comprises basic remuneration and performance-linked remuneration. The proportions of each of the above are determined based on the positions of the directors.

Main Deliberations and Reporting of the Remuneration and Nomination Advisory Committee

	Main deliberations and reporting
First meeting of 2023	Deliberation: consideration of executive bonuses for FY2022, Executive Officer succession plan, committee structure, Board of Directors' skills matrix Reporting: finalization of BIP trust for FY2020 portion
Second meeting of 2023	Deliberation: FY2023 directors' remuneration, overseas CEO remuneration, director succession plan, election of directors who are audit and supervisory committee members
Third meeting of 2023	Deliberation: personnel reshuffle of directors of October 2023, director succession plan
Fourth meeting of 2023	Deliberation: director succession plan, grade rating and remuneration following the personnel reshuffle of directors of October 2023
Fifth meeting of 2023	Deliberation: director succession plan
Sixth meeting of 2023	Deliberation: director succession plan, Board of Directors' skills matrix, special implementation of executive officer terms
Seventh meeting of 2023	Deliberation: personnel reshuffle of directors, Board of Directors' skills matrix, revision of directors' remuneration table, Remuneration and Nomination Advisory Committee schedule for 2024 Reporting: FY2022 market survey of remuneration
First meeting of 2024	Deliberation: consideration of executive bonuses for FY2023, grade ratings for new directors, committee structure Reporting: finalization of BIP trust for FY2021 portion
Second meeting of 2024	Reporting: reshuffle of executive officers and outlook for executive bonuses in FY2024
Third meeting of 2024	Deliberation: directors' remuneration and overseas CEO remuneration for FY2024

Directors' Remuneration

Directors' Remuneration

Category of directors	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)				Number of eligible directors (persons)
		Basic remuneration	Bonus	Stock options	Share-based remuneration	
Directors (excluding Audit and Supervisory Committee members)	257	134	97	—	25	7
External Director	24	24	—	—	—	3
Directors (Audit and Supervisory Committee members, etc.)	52	52	—	—	—	3
External Director	22	22	—	—	—	2

Total amount of remuneration, etc. of individual directors*

Category of directors	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			
		Basic remuneration	Bonus	Stock options	Share-based remuneration
Satoshi Yamaguchi, President & Representative Director	110	43	52	—	14

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

Breakdown of remuneration by position

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

Amount of fixed remuneration by position (excluding Director & Audit and Supervisory Committee member and External Director)

Position	Fixed-amount remuneration (million yen)
President & Representative Director	43
Director & Senior Managing Executive Officer (set according to job grade)	30 to 32
Director & Managing Executive Officer (set according to job grade)	24 to 26

Calculation method of performance-linked remuneration

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

- Standard bonus amount = Total basic remuneration of each position/job grade × Total percentage of performance-linked remuneration
- Total amount of performance-linked remuneration = Standard bonus amount × (Company performance pay coefficient 1*1 [core operating income vs. budget] × Position weighting + Company performance pay coefficient 2*1 [year-on-year consolidated revenue] × Position weighting + Company performance pay coefficient 3*1 [net income attributable to shareholders of parent vs. budget] × Position weighting + Individual performance pay coefficient*2 × Position weighting)

*1 The "Company performance pay coefficient" is determined through a "company performance evaluation" which evaluates the rate of achievement of company performance indicators. The Company has set three indicators as company performance indicators: (1) "Amount of core operating income vs. budget;" (2) "Amount of year-on-year consolidated revenue," and (3) "Amount of net income attributable to shareholders of parent vs. budget."

(1) Amount of core operating income vs. budget

Following our voluntary adoption of International Financial Reporting Standards in FY2019, we have set "feasibility of core operating income" (degree of achievement) compared to the initial budget as one of the Company's performance indicators, which serves as an important measure of consolidated management related to company performance evaluation. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2023 was 263%.

(2) Amount of year-on-year consolidated revenue

We have chosen year-on-year consolidated revenue amount as the second management indicator, which serves as a measure for evaluation in achieving the sustainable growth we aim for. Specifically, the achievement rate of the results versus previous fiscal year's actual results is set as the coefficient. The achievement rate of the results versus previous year's actual results was 109% for FY2023.

(3) Amount of net income attributable to shareholders of parent vs. budget

We set "Net income attributable to shareholders of parent," the ultimate bottom line, as a third management indicator so that we can continually create value for shareholders and achieve a higher level of contributions. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2023 was 254%.

*2 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 Key Performance Indicators (KPIs).

The contents and progress of KPIs are disclosed and disseminated throughout the Company in a way that enhances their transparency and receptivity.

Short-term performance-linked remuneration: Cash bonus

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

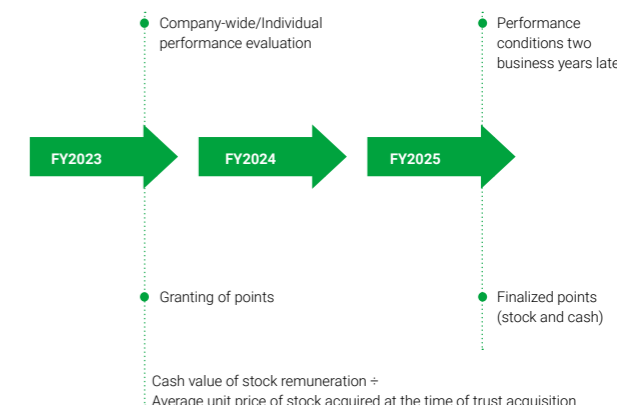
- Cash bonus = Total amount of performance-linked remuneration for single fiscal year × Percentage of total amount of performance-linked remuneration accounted for by cash bonus

Medium- to long-term performance-linked remuneration: BIP trust

Furthermore, we introduced a BIP trust in FY2020 as a medium- to long-term performance-linked remuneration that is highly transparent and highly correlated to shareholder value. In the BIP trust, points are allocated by applying the average unit price of share acquisition at the time of trust acquisition to the cash amount equivalent to stock remuneration determined based on the performance evaluation in a single fiscal year. This mechanism involves granting stock and providing cash decided according to the degree of achievement of the company-wide performance indicator (ratio of consolidated core operating income to consolidated revenue) in two years' time where one point is converted to one share. Since stocks, instead of rights, will be granted directly to directors in the BIP trust, this will increase directors' motivation to create value for shareholders. We also expect the plan and its implementation to be easy to understand and transparent.

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

- Cash value of stock remuneration = Total amount of performance-linked remuneration for single fiscal year × Percentage of stock remuneration in total amount of performance-linked remuneration



Approach to repayment of directors' remuneration

On April 1, 2022, we instituted a Clawback & Malus clause that enables the Company to require all or a portion of the cash bonus and stock options to be repaid, and stop payment of stock options before they are paid out, in the event of a serious accounting error or fraud, serious breach against the delegation contract, or an act that significantly violates the psychological safety that the Company emphasizes. The targets are cash bonuses and share-based remuneration (performance-linked bonuses) of Directors and Executive Officers (persons who have the role and treatment as "directors" responsible for the management of the Company).

The details of the disposal shall be deliberated by the Remuneration and Nomination Advisory Committee on a case-by-case basis followed by reporting to the Board of Directors.

In principle, remuneration paid in the fiscal year in which the applicable event was discovered plus remuneration that trace back to three business years prior are subject to repayment. When requesting repayment, the repayment will be made from cash bonus and stock options for fiscal years starting from FY2022.

Strengthening group governance

In order to enhance the Group's finance and accounting governance, we established a Group-wide accounting, tax and financial management policy in 2019. We are dispatching finance and accounting personnel directly from the head office to major Group companies in order to ensure compliance with these policies.

Domain	Name	Main points
Accounting	Kagome Group Financial Reporting Standards (K-FRS)	<ul style="list-style-type: none"> Conformity with IFRS
Tax	Kagome Group Tax Policy	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Reduction of risk assets and maximization of capital and asset efficiency Risk management and prohibition of speculative financial transactions
	Kagome (Subsidiaries) Financial Management Basic Policy	<ul style="list-style-type: none"> 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 to less than 100 million yen per year. Each year, the Board of Directors meet to deliberate on whether or not to sell shares of suppliers and clients that fall below these standards, determine the shares for sale, and sell some of its cross-shareholdings.

For details on our response to the Corporate Governance Code, please refer to our website.
<https://www.kagome.co.jp/english/company/ir/data/others/>

Kagome's Management

Basic Policy of Corporate Governance

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

Kagome considers further strengthening of "autonomy" complemented by "heteronomy" to be the fundamentals of our corporate governance. This will ensure objectivity and transparency, forming a

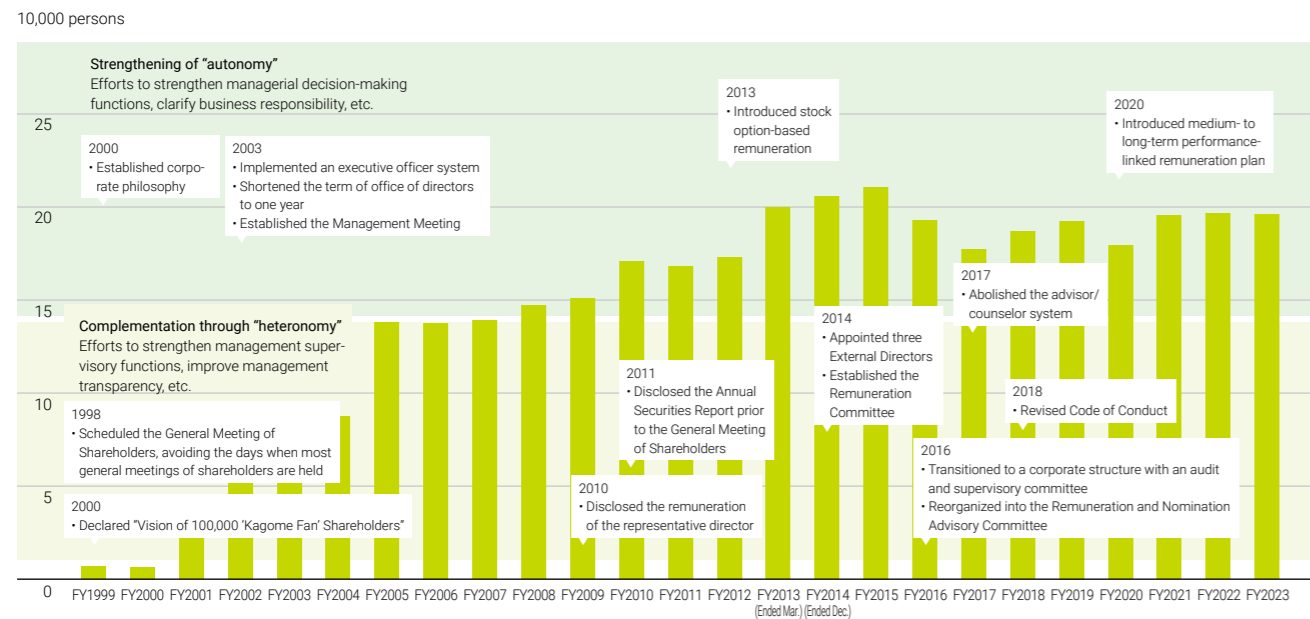
basis by designing its own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more "Kagome Fan Shareholders" and leveraging the function of external directors among other things.

We aim to deliver a high degree of accountability and achieve "corporate openness" in interactions with stakeholders, while employing unique attributes and originality.

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.

Number of shareholders:



Corporate Governance System

Since transitioning to a corporate structure with an audit and supervisory committee in 2016, we have separated executive functions from supervisory functions to accelerate managerial decision-making and help clarify business responsibility. The Company has specified that the Board's primary duties are determining the Company's management strategies and policies and monitoring the implementation of such strategies and policies. 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.

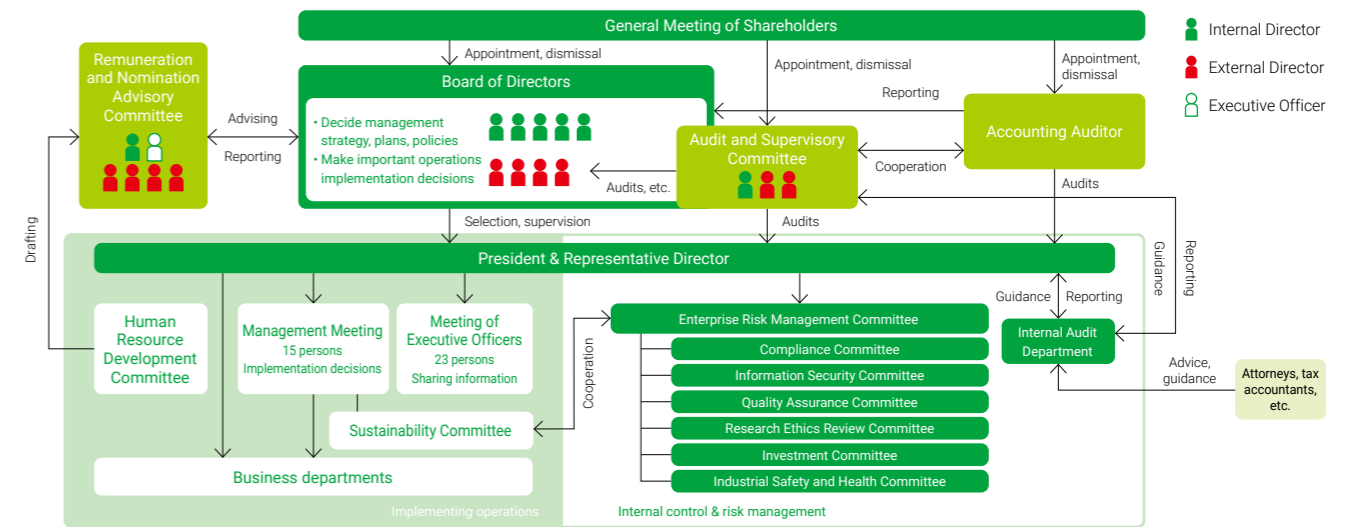
The Audit and Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

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

than half of whose members are independent external directors. 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 regarding the execution of business. In addition, we have established the Meeting of Executive Officers in order to convey and make known Board resolutions and reported matters as well as to facilitate communication and coordination among the executive officers. Furthermore, the Management Meeting has 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 Meeting 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. Such a size achieves a medium- to long-term increase in corporate value by maximizing the advisory and monitoring functions of the Board of Directors. Additionally, the Board 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 nine members, including six directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members, of which four 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.

Board of Directors Skill Matrix

Name	Attributes	Management skills for advancing corporate management					Functions and skills to advance Kagome's business and Mid-Term Management Plan and enhance performance						
		Corporate management	Finance, accounting	Legal and risk management	Human resource development and diversity	Sustainability management	Agriculture, food and nutrition	Research and technology	Marketing and brand management	Production, procurement and quality	Sales and supply chain management	Global business	
Satoshi Yamaguchi President & Representative Director		○		○	○	○	○	○			○		
Hirohisa Kobayashi Director & Managing Executive Officer		○			○			○			○	○	
Yoshihisa Hairo Director & Executive Officer		○							○			○	
Harunobu Okuya Director & Executive Officer		○				○						○	
Hidemi Sato External Director	External Independent						○	○					
Kumi Arakane External Director	External Independent	○		○		○		○	○				
Hitoshi Takano Directors (Audit and Supervisory Committee Member)		○						○			○	○	
Tatsuya Endo External Director (Audit and Supervisory Committee Member)	External Independent		○	○								○	
Asako Yamagami External Director (Audit and Supervisory Committee Member)	External Independent			○	○							○	

For more details on the standards for judging the independence of external officers and the categories, items and definitions of director's skills, please refer to our website. <https://www.kagome.co.jp/english/company/ir/data/others/>