

Our responsibility to shareholders and investors

Information disclosure

Kagome 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, financial results briefing, Talks with the President, and production plant tours, among others.

General Meeting of Shareholders

We encourage all shareholders to participate in its General Meeting of Shareholders. This is achieved by disclosing on the Company's website and sending out as early as possible the content of the convocation notice and documents accompanying the convocation notice. On the actual day of the meeting, we provide visual presentations of the Chair's explanations and videos in an effort to make the reports easy to understand. Furthermore, we

stream the meeting live online so that shareholders who are unable to attend may listen in. After the meeting, we promptly disclose details on Q&A sessions and results of questionnaires. In this manner, we are working to enhance and expand communication with shareholders.

Management oversight

Kagome recognizes that management oversight is enhanced through feedback on corporate activities and business performance from the perspective of numerous shareholders. As such, in 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. Today, the number of shareholders stands at around 220,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

Internal Control (Risk Management + Internal Audit)

Internal control

Initiatives based on the Three Lines Model

The Kagome Group conducts measures across the entire Group following the Three Lines Model as a global standard for internal control aimed at expanding its businesses in Japan and overseas to realize its Mid-Term Management Plan. This initiative aims to utilize a mutual check within the organization by separating and allocating functions appropriately to individual departments without overlap and enable optimal response for the entire company by clarifying the responsibility of each job function.

The First Line is responsible for creating demand, production, procurement, primary processing, cultivation, research and development, and developing plant varieties, etc. in Kagome's value chain, namely the frontline of the field. It conducts risk management in daily business activities by assessing the various risks in the execution of job duties at each business site, and implementing an appropriate controlling mechanism for these activities (segregation of duties, rules, documentation, etc.). It also incorporates necessary management systems, such as FSSC 22000 for quality and ISO 14001 for environment, for daily implementation on the first line at each business site.

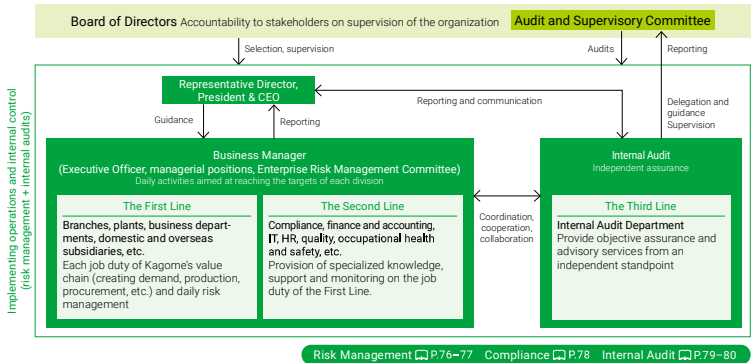
The Second Line is specialized organizations in charge of compliance, finance and accounting, IT, human resources, quality, and occupational health and safety. These organizations determine the basic policies and procedures for risk management activities in their respective risk areas and provide daily support and monitoring to first line organizations. Additionally, the Enterprise Risk Management Committee implements systematic risk management for the entire company.

The Enterprise Risk Management Committee, chaired by the President, oversees risk management activities for the Group as a whole. The committee, which is in charge of the First and Second Lines, monitors the initiatives of each line to implement the PDCA cycle for companywide risk management activities, using integrated perspectives based on management strategies.

Please see page 79 for information about the Third Line's Internal Audit Department.

To learn more about our compliance and internal control, refer to our website. <https://www.kagome.co.jp/english/company/ir/esg/governance/>

Three Lines Model



Risk management

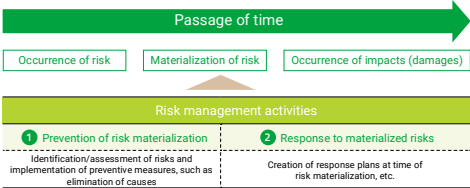
Kagome Group Risk Management Policy

We stand committed to fulfilling our social responsibilities by becoming "strong company capable of sustainable growth, using food as a means of resolving social issues," under our vision of "transforming from a tomato company into a vegetable company." Toward this end, we identify and assess various risks that could occur in the constantly changing external environment or in our own operations, and respond accordingly.

Additionally, we are working to enhance our ability to deal with risks, having established a system that enables us to prevent damages from spreading as well as minimize damages and losses in the event that a serious incident were to occur.

Risk management activities

The primary focus of our risk management activities is the prevention of risk materialization and response to risks that have already materialized. In case of both our initiatives for prevention of risk materialization and response to risks that have already materialized, specific activities entail risk management based on management plans and business targets using the PDCA cycle.



1 Prevention of risk materialization

i) Basic framework

The Company organizes risks concerning corporate activities into the following three categories in order to conduct appropriate management based on the nature and content of risks.

• Strategy risks

Risks designated by the Company as being recognized to have serious impacts based on mid- to long-term management strategies

• Social and environmental risks

Risks generally recognized as force majeure if materialized among those risks caused by external factors such as socioeconomic environment or natural disasters

• Operational risks

All other risks excluding strategy risks and social and environmental risks

Based on the above three categories of risks, those risks recognized individually are separated into the following two risks depending on the impact they have on corporate management.

• Priority risk themes of the Company

Risks from among strategy risks, social and environmental risks, and operational risks that are assessed to have a large impact on corporate management. The Management Meetings and the Enterprise Risk Management Committee designate strategic risks, decide on priority risk themes, point out areas for improvement, and manage the PDCA cycle of risk management activities. In addition, they report to the Board of Directors.

• Risk themes of each organization

Risks other than priority risk themes of the Company. As risk owner, each organization implements risk management activities for these risks using the PDCA cycle.

		Plan Determine a plan and response	Do Implement	Check Check progress	Action Review response to risk
Priority risk themes of the Company	• Strategy risks	Management Meeting			Management Meeting
	• Social and environmental risks		Each organization (PDCA for risk management)		
	• Operational risks	Management Meeting			Management Meeting Enterprise Risk Management Committee
Risks other than those above	• Operational risks		Each organization (PDCA for risk management)		

ii) Priority risk themes for the Company in FY2025

We recognize the following risks as priority risk themes for the Company, which are subject to priority risk management activities. In order to achieve appropriate management based on the nature and content of risks, we classify and disclose risks into three categories: strategy risks (1 to 3), social and environmental risks (4 to 7), and operational risks (8 to 12).

Priority risk themes	Contents
1 Management strategies	<ul style="list-style-type: none">● Deterioration of profits due to gap between budget and actual results● Deterioration in performance and loss of revenue opportunities due to failures or delays in new businesses and/or M&A● Deterioration in profitability and impact on financial condition due to decline in the value of owned assets
2 Human resources strategy	<ul style="list-style-type: none">● Shortage of human resources for growth domains, new businesses, and expansion of overseas business areas● Shortage of human resources in specialized domains (DX, finance and accounting, etc.)● Shortage of human resource development programs● Falling short of targets on diversity and inclusion
3 Establishment of appropriate governance structure	<ul style="list-style-type: none">● Deficiencies in effectiveness of the Board of Directors and Audit & Supervisory Committee● Disabling of internal control caused by management
4 Consumers and public relations	<ul style="list-style-type: none">● Litigation, boycotts, and damage to brand image due to inappropriate advertising or failure to address customer needs
5 Social situation and customer needs	<ul style="list-style-type: none">● Economic recession or decline in demand in Japan or decline in sales due to delays in addressing consumer needs
6 Financial markets	<ul style="list-style-type: none">● Rising capital procurement costs or deteriorating liquidity caused by fluctuations in foreign exchange rates or interest rates
7 Natural disasters and force majeure	<ul style="list-style-type: none">● Suspension of plant operations and other business activities due to disasters such as earthquakes, infectious diseases, conflicts, etc. (BCP)● Stalled raw materials procurement caused by extreme weather
8 Information management and cybersecurity	<ul style="list-style-type: none">● Unauthorized server access due to cyberattack or suspension of business operations, loss and/or tampering of personal information or confidential information due to inappropriate management
9 Health and safety	<ul style="list-style-type: none">● Negative health effects on employees incurred due to occupational accident in the workplace or long working hours or infectious disease, etc.
10 Safety of products and services	<ul style="list-style-type: none">● Possibility of shipment of defective products, negative health effects, and liability costs due to foreign contaminants, labeling errors, inadequate quality inspections, contamination of different varieties of seeds, inadequate quality inspections of non-food products, etc.
11 Supply chain (procurement, production, and logistics)	<ul style="list-style-type: none">● Sudden spikes in demand or shortages of seedlings or other raw materials● Stalled production and/or shipments due to system failures at automated warehouses or in logistics● Instability of product supply due to decreased transport capacity caused by stricter labor management in the logistics industry, etc.● Sudden increases in prices and shortages of raw materials due to natural disasters, conflicts, etc., either in Japan or overseas
12 Regulations and violations of laws/rules	<ul style="list-style-type: none">● Serious violations of laws or rules (Companies Act, tax law, Financial Instruments and Exchange Act, Tokyo Stock Exchange rules, etc.)● Violations of food safety-related regulations, illicit activities of individuals, and scandals involving affiliated companies● Negative evaluations from shareholders and investors because of delayed response to environmental issues (GHG emissions reduction, water resource issues, plastics issues, etc.)● Decline in social trust due to the occurrence of human rights issues (forced labor, harassment, etc.) at the Company and/or business partners● Serious violations of laws, regulations, or customs in the countries where we operate

2 Response to materialized risks

i) Basic framework

In order to respond effectively and efficiently to risk materialization events, the Company classifies these events based on the assessment of their impact and develops a business continuity plan and other response plans according to risk materialization.

ii) Business continuity plan (BCP)

The Company has prepared a business continuity plan based on the scenarios in several individual contingencies anticipated in the future.

A business continuity plan is generally prepared for each business segment. However, since the value chains of multiple business segments overlap or are approximated, the Company has created a business continuity plan for each important product and function.

Along with important products, Kagome's business continuity plan consists of four important functions: procurement, supply

chain management (SCM), finance and accounting, and public relations. Procurement and supply chain management are essential functions for conducting production activities as a food manufacturer. In addition, finance and accounting is the basic function for the survival of the Company, the maintenance of the supply chain, the livelihood of employees, and the other production activities of the Company as a business. Public relations is a function considered important in light of "Corporate openness," forming part of the Company's corporate philosophy. Accountability to internal and external stakeholders is absolutely necessary, especially in emergencies, and public relations is considered an essential function for this purpose.

Through the business continuity plan, Kagome's business activities will continue even in the event of a contingency, or Kagome will promptly recover from the cessation of business operations to preserve corporate value. [Cases](#) [P.80](#)

Compliance

Establishment of Code of Conduct

In recent years, the world is seeing more severe issues in all aspects of society while Japan has been experiencing a continuous super aged society and frequent natural disasters. In light of these, we established our Code of Conduct with a view to realizing a sustainable society for Kagome's survival, looking to the environment that requires a "mutual support" spirit and framework.

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

Compliance promotion system

The Kagome Group has established a Compliance Committee, under the supervision of the Enterprise Risk Management Committee chaired by Kagome's President. 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 Meeting via the Enterprise Risk Management Committee. The Legal Department, which functions as the committee's secretariat, plays the central role in day-to-day compliance operations.

Kagome established the Kagome Compliance Hotline at an outside law firm, 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 (including harassment and corruptions such as bribery) in the workplace. 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 countermeasures. 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 FY2024, the Kagome Compliance Hotline was used 25 times, and each case was resolved.

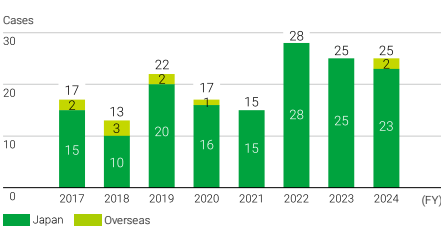
Kagome fully recognizes the importance of compliance in relation to Group companies located overseas as well. An overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

We will continue to strive to prevent and rapidly identify infringements through the appropriate operation of these systems.

In the event of compliance-violation, we will endeavor to accurately gather the facts and investigate the root cause, and take the facts seriously and carry out strict actions to thoroughly prevent recurrence as well as appropriately discipline the employees involved in the violation.

In FY2024, there was no case leading to legal measures, such as bribery or corruption.

Kagome Compliance Hotline Number of Consultations and Reports Received



Initiatives to maintain rigorous compliance

Having formulated the Kagome Group Compliance Implementation Rules, the Kagome Group in Japan implements thorough compliance throughout the Group. At domestic Group companies, the Legal Department, which serves as the secretariat of the aforementioned Compliance Committee, leads these efforts. Compliance implementation activities involve not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, including bribery prevention and consideration of human rights, but also in-house compliance training conducted on an ongoing basis using group training and e-learning for new employees and new managers that incorporate awareness raising, case studies, and group discussions.



In recent years, as an initiative for anti-corruption, which has become an important worldwide issue as indicated in the SDGs, we evaluated the bribery risks of overseas subsidiaries, and formulated the Kagome Group Corruption Prevention Policy to complement the Code of Conduct. In addition, in response to the expansion of business areas such as smart agriculture, we are conducting reviews on the export control system in order to achieve an appropriate import & export control from a security perspective in terms of international peace and security maintenance. We strive to prevent corruption by conducting regular audits on the status of compliance and operation, with the monitoring results reported to the Board of Directors.

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 relationships 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 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 heighten employees' awareness 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.

Internal audit

The Internal Audit Department is currently reorganizing its existing internal audit system and rolling it out in accordance with the Global Internal Audit Standards published by the Institute of Internal Auditors (IIA) in January 2024. Our activities for 2024 to 2025 will be aligned with domains I to V of the new standards as follows:


Domain I Purpose of internal auditing	<ul style="list-style-type: none">The purpose of the organization is to “provide assurance and advisory services on the daily operations (governance, risk management, and control) of each organization within the Group and contribute to the achievement of management targets.” We are involved in a wide range of areas, from defensive (compliance, etc.) to proactive (achieving organizational goals).
Domain II Ethics and professionalism	<ul style="list-style-type: none">The Internal Audit Department is made up of six members with work experience in the First Line (research, production procurement, sales, etc.) and Second Line (risk management, quality assurance, IT, etc.).Approximately 60 competency assessment and training systems have been established within the Internal Audit Department. We have established a system for providing basic training on the Global Internal Audit Standards as well as internal control evaluations and internal audit practices.Each internal auditor voluntarily attempts to obtain qualifications such as Certified Internal Auditor (CIA) and Certified Fraud Examiner (CFE). Currently, there are several employees who have obtained these qualifications. Qualified employees put what they have learned into practice and continue to refine themselves both inside and outside the company.
Domain III Governance over the internal audit department	<ul style="list-style-type: none">The Internal Audit Department’s independence is ensured by two reporting lines: the President and the Audit and Supervisory Committee. Corporate Governance Organizational Chart □ P.70 Three Lines Model □ P.75The Internal Audit Department also serves as the Audit and Supervisory Committee’s secretariat, provides support for the operation of the Audit and Supervisory Committee.
Domain IV Managing the internal audit department	<ul style="list-style-type: none">In 2023, we created an Assurance Map that will provide an overview of the risk categories (44 categories) created by the Enterprise Risk Management Committee and clearly indicate the areas covered by assurance providers, including the Internal Audit Department. This map is updated annually and reflected in the audit plan after approval by the Board of Directors.We will increase the completeness of internal audits and design audit activities to become “trusted advisors” capable of conducting audits that benefit management. Audits at the organizational level also target proactive areas such as “business strategy,” “governance,” and “human resources,” and we create multiple “risk scenarios” for each audit target to dig deeper into significant risks.
Domain V Performing internal audit services	<p>Assurance</p> <ul style="list-style-type: none">We conduct internal control evaluations every year in accordance with the Financial Instruments and Exchange Act and prepare an internal control report.We conduct audits to check 44 risk categories targeting domestic and overseas consolidated subsidiaries and individual organizations. The program is implemented for 10 to 15 organizations per year, including overseas bases, branches, and plants, and the entire organization is tested every three to five years. <div></div> <p>Internal audit at Kagome Foods India Pvt. Ltd. Internal audit at Hibikinada Greenfarm Co., Ltd.</p> <ul style="list-style-type: none">We conduct cross-organizational audits targeting the Group’s priority risks. Audits are conducted every year on two to three themes, such as “governance,” “diversity,” and “information management.”Every year, we conduct an internal control self-check targeting all employees to monitor changes in their awareness and behavior. The results of this check are also used in the audit plan for the same fiscal year. <p>Advisory</p> <ul style="list-style-type: none">We receive 30 to 40 consultations and requests from organizations each year, and provide analytical, advisory and training services to each one.We send out messages about internal control on social media around four times a year to raise awareness among all employees and spread best practices across the company. □ P.80We work with the Enterprise Risk Management Committee and departments in charge to support improvements to companywide issues identified in the previous and current years.

Advisory operations of the Internal Audit Department

The Internal Audit Department not only evaluates the internal controls of each organization and proposes improvements, but also disseminates best practices via in-house social media. In order to raise employees’ understanding and awareness of the importance of internal control, we endeavor to present easy-to-understand case studies, including illustrations.

Part of an in-house social media posting by the Internal Audit Department. Introduces the BCP best practice of the Kozakai Plant to the entire company

About Kozakai Plant’s response to flood damage in June 2023 and review of its actions



A


Good morning, B.

I was reading past audit reports for study purposes, and I was impressed by the **example of flood prevention measures at the Kozakai Plant**. In 2023, there was a series of extreme weather events across Japan, particularly sudden torrential rains. Kagome’s facilities were also affected. However, I was impressed by how quickly the Kozakai Plant responded to the flooding, while also following the emergency manual properly.

The part of the audit report that A was reading was called a “**blue case**.” The Internal Audit Department recognized this as a **good practice that should be rolled out throughout the company**.


At Kagome, the audit report **not only highlights areas for improvement but also good practices**. This is because we want many people to know about these good practices, and **for these good practices to be copied and spread to other departments so that the entire company can improve**.

B
(fourth year with Internal Audit Department)



► The situation at Kozakai Plant

The Kozakai Plant is located in a relatively low-lying area, and there was a long-standing recognition of the risk of flooding if the nearby river (Sana River) overflowed, resulting in damages to production facilities. On the other hand, as our only tomato ketchup production plant, a system was needed to ensure production would continue even in the event of a disaster. As a result, as a BCP measure, from 2021 to 2022, we invested a total of 657 million yen in flood prevention measures at the plant, constructing watertight walls and drainage facilities (see photo at right).



► Overview of response to flooding

On June 2, 2023, torrential rainfall caused by a linear precipitation band hit the Tokai region. The plant implemented the following measures in accordance with the pre-determined plan (see figure below).

Hours	Contents
9:20	Emergency response headquarters established Appointed record keeper to start monitoring water levels and local government information (this is key!)
11:15	Decided to stop opening raw materials
11:33	Started closing the watertight walls
14:30	Ordered employees to return home (leaving only a skeleton crew) Closed the watertight walls in sequence
18:10	Suspended production on all lines
19:30	Completed closure of all watertight walls

► Effects and findings from the countermeasures

Although some accidents occurred, overall the BCP and flood prevention equipment functioned extremely effectively, and **damage to production facilities and products was avoided**.

In addition, when responding to this flood, a “**record keeper**” was appointed within the emergency response headquarters to **keep detailed records of actions and decision-making in real time**. This enabled the Kozakai Plant to verify whether the BCP that had been formulated was functioning effectively, and also identified 28 additional issues.

In addition to responding to the current incident, the Kozakai Plant is also **using this as an opportunity to verify our BCP in order to further improve its effectiveness** in the future.