Corporate Governance Report

Last Update: March 2, 2021

Morinaga Milk Industry Co., Ltd.

Michio Miyahara, President & Representative Director
Contact: Hiroko Kuno
General Manager, IR&PR Dept.
Corporate Division
TEL: +81-3-3798-0126
Securities code: 2264
URL:https://www.morinagamilk.co.jp/

The Company's corporate governance is explained below.

I. Basic approach to corporate governance, capital structure, corporate attributes, and other information

1. Basic Approach

The Group has the following Corporate Slogan and Corporate Philosophy as Corporate Mission.

Corporate Slogan: For Ever Brighter Smiles
Corporate Philosophy: Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology

The Group shall contribute to society through its business activities, based on its Corporate Mission, and shall continually work to develop and enhance a highly effective corporate governance system to achieve sustainable growth and increase corporate value, with the following basic policies.

1) Respect shareholders' rights, and ensure equal treatment.
2) Respect the perspectives and rights of various stakeholders including our shareholders, customers, business partners, local communities, employees, and build proper relationships with them.
3) Disclose corporate information appropriately, and ensure transparency.
4) Build a structure in which each of the bodies comprising the corporate governance system organically collaborates, and ensure the effectiveness of functions supervising the execution of operations by the Board of Directors.
5) Aim to achieve sustainable growth and improve corporate value, and have constructive dialogue with shareholders who expect these aims and medium- to long-term profits to be realized.
6) It should be noted that the Company has prescribed the basic Group's corporate governance approach in the form of the Morinaga Milk Group: Corporate Governance Guidelines, which have been published on the Company's website at the URL below.
https://www.morinagamilk.co.jp/english/ir/management/governance.html

[Reasons for not implementing the respective principles of the Corporate Governance Code]

The Company implements all the principles of the Corporate Governance Code.

[Disclosures based on the various corporate governance code principles] **(Updated)**

(Principle 1-4 - Cross-shareholdings)

The Company holds cross-shareholdings only in cases where it deems that doing so will help increase the corporate value of the Company over the medium to long term, only after, however, thoroughly considering the economic rationale and the necessity for business operations.
Each year, the Board of Directors shall examine the significance of having individual cross-shareholdings based on the preceding paragraph, and the Company sells shares that are of little significance in terms of the effect they have on the market.
As a result of this review, the Company sold part of its shareholdings in the fiscal year ended in March 2020
In carrying out this review, the Company evaluates the investment losses/gains for each issue based on certain standards, taking into account the trade's profits, dividend yields, the risk of changes in the market price and capital costs. In addition, the Company considers the economic merits and need of retaining the shares, and makes a decision on whether to continue holding the shares.

The Company appropriately exercises its voting rights for cross-shareholdings after carefully examining whether the content of each proposal is likely to damage the Company's corporate value and whether it can be expected to prove useful for the sound management of the issuing company and increase its corporate value.

(Principle 1-7 – Related party transactions)

All significant or irregular transactions with officers or major shareholders must be approved by the Board of Directors to ensure the common interests of the Company and shareholders are not harmed.

(Principle 2-6 - Function as a Corporate Pension Asset Owner)

The Company has established an Asset Management Committee comprising directors responsible for financial matters and directors responsible for human resources, etc. and shall work to conduct periodic monitoring of asset management in order to invest appropriately in Defined Benefit Corporate Pension Plans. The Company shall allocate personnel with the necessary experience and temperament to responsible departments and strive to develop such personnel.

(Principle 3-1 – Enhancement of information disclosure)

1) Corporate Mission and management plan

The Group's Corporate Mission is as stated in 1. Basic Approach of this Report.

Further information on the management plan is provided on the Company's website at the URL below.

https//www.morinagamilk.co.jp/english/ir/management/plan/

2) Basic approaches and policies in relation to corporate governance

The Group's basic concepts and policies on corporate governance are as stated in 1. Basic Concepts of this Report.

3) Policies and procedures for the determination of management executives and director remuneration by the Board of Directors

Remuneration for executive directors is linked to management performance, such as the realization of medium to long term profit. In the future, the policy will be made into one which can provide the executive directors with further motivation for maximizing the corporate value of the Company. In addition, the remuneration of independent outside directors shall not include stock related remuneration or other business performance linked elements.

In regard to the procedures for determining director remuneration, the Personnel Remuneration Committee conducts a review and provides its opinions, following which the Representative Director determines the amount of monetary remuneration for each director, and the Board of Directors determines the amount of stock remuneration for each director.

The amount of monetary remuneration for each director is determined by the Personnel Remuneration Committee, and the amount of stock remuneration for each director is determined by the Board of Directors following a fair review by and opinions from the Personnel Remuneration Committee.

4) Policies and procedures for when the Board of Directors appoints and dismiss management executives and nominates candidate directors, as well as Audit & Supervisory Board members

The Company selects persons of excellent character and insight who have the professional expertise, extensive business and management experience necessary to maintain the Company's sustainable growth, without regard to gender or nationality, as officer candidates.

Candidates for Director positions are determined by the Board of Directors after an examination and report by the Personnel Remuneration Committee.

Candidates to become Audit & Supervisory Board members (including deputy Audit & Supervisory Board members) are determined by the Board of Directors after an examination and report by the Personnel Remuneration Committee and the approval of the Audit & Supervisory Board.

If there is suspicion of negligence, improper conduct, or serious breach of the law or the Articles of Incorporation in relation to the fulfillment of the duties of officers, or if it becomes difficult for an officer to continue to fulfil duties for health reasons, the content of proposals concerning dismissal of the relevant officer for submission to the General Meeting of Shareholders and whether or not to dismiss the relevant officer from their position as a Representative Director or Executive Director shall be determined by the Board of Directors, following a review by and report from the Personnel Remuneration Committee.

5) Description of each appointed or nominated director and corporate auditor

1.Michio Miyahara（President and Representative Director）

Aside from holding posts in the manufacturing and sales divisions of the Company, Mr. Michio Miyahara has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2007 onward, he has undertaken important duties as Senior Managing Director and Director, Executive Vice

President, Vice President and Representative Director, and since 2012, he has managed the Group as Representative Director and President. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in Group corporate value, and so he was reappointed as Director at the 97th annual general meeting of shareholders held in 2020.

2.Teiichiro Okawa（Executive Vice President and Representative Director）
Aside from holding posts in the R&D division of the Company and involving in overseas business over many years, Mr. Teiichiro Okawa has served as an executive in related organizations in Japan and overseas and possesses specialized knowledge regarding the dairy industry and a wealth of experience both in Japan and overseas.
Additionally, from 2015 onward, he has been involved in management as Managing Director and Senior Managing Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in Group corporate value, and so he was reappointed as Director at the 97th annual general meeting of shareholders held in 2020. Further, as Executive Vice President and Representative Director, he will be involved in Group management.

3.Yoichi Onuki（Senior Managing Director and Senior Executive Managing Officer General Manager of Strategic Planning Division）
Mr. Yoichi Onuki has held posts in the sales and administration division of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2011 onward, he has undertaken important duties as Managing Officer, and from 2015, he has been involved in management as Director, Managing Director and Senior Managing Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in Group corporate value, and so he was reappointed as Director at the 97th annual general meeting of shareholders held in 2020.

4.Tsuyoshi Minato（Managing Director and Executive Managing Officer, General Manager of Special Affairs Division）
Aside from holding posts in the administration division of the Company, Mr. Tsuyoshi Minato has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2010 onward, he has undertaken important duties as Managing Officer, and from 2015, he has been involved in management as Director and Managing Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in Group corporate value, and so he was reappointed as Director at the 97th annual general meeting of shareholders held in 2020.

5.Shigemi Kusano（Managing Director）
Aside from holding posts in the manufacturing division of the Company, Mr. Shigemi Kusano has served as an executive in related organizations, and possesses specialized knowledge regarding the dairy industry. Additionally, from 2013 onward, he has undertaken important duties as Managing Officer, and from 2016, he has been involved in management as Director and Managing Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in Group corporate value, and so he was reappointed as Director at the 97th annual general meeting of shareholders held in 2020.

6.Kenichi Ohara（Managing Director）
Mr. Kenichi Ohara has held posts in the sales division of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2010 onward, he has undertaken important duties as Managing Officer and has been involved in the management of affiliated companies as representative, and from 2016, he has been involved in management as Director. By utilizing this knowledge and experience, the Company expects that he can contribute to further growth and improvement in Group corporate value, and so he was reappointed as Director at the 97th annual general meeting of shareholders held in 2020.

7.Shoji Kawakami（Independent External Director）
Mr. Shoji Kawakami possesses a wealth of experience, having served as General Manager of an Affiliated Business Department, in the Accounting Division of Toyota Motor Corporation. He has had a managerial role at AISAN INDUSTRY CO., LTD. He was also involved in an overseas business at Kuozui Motors, Ltd., and contributing to the management of the Company from an independent position as an External Director of the Company from June 2015.
To continue receiving advice and recommendations toward management from these wide insights, he was reappointed as External Director at the 97th annual general meeting of shareholders held in 2020. The Company registered him with the Tokyo Stock Exchange as an independent director.

8.Takatomo Yoneda（Independent External Director）
Mr. Takatomo Yoneda was engaged in international operations for many years at the Industrial Bank of Japan, Limited, and also served at Nidec Group where he held such positions as the chief executive of Nidec Copal Corporation, and

through which he has acquired high-level insight into corporate management and broad experience both in Japan and overseas. From June 2015, Mr. Yoneda served as an External Audit & Supervisory Board Member」and provided effective advice on the Company's management from an objective perspective. From June 2019, he has been taking an active role in the management of the Company from an independent position as an External Director. The Company expects that he will continue to offer advice and recommendations based on his extensive insight, and so reappointed him as Director at the 97th annual general meeting of shareholders held in 2020. The Company registered him with the Tokyo Stock Exchange as an independent director.

9. Yukari Tominaga (Independent External Director)
Ms. Yukari Tominaga possesses extensive insight into corporate management and a wealth of experience, undertaking important duties in various business fields at Hitachi Solutions, Ltd., and serving as its Chief Diversity Officer since 2019. The Company anticipates that she is capable of playing a role in management of the Company based on her experience, and appointed her as Director at the 97th annual general meeting of shareholders held in 2020. The Company registered her with the Tokyo Stock Exchange as an independent director.

10. Keiki Hirota（Full-time Audit & Supervisory Board Member）
Mr. Keiki Hirota has held posts in the sales division of the Company and possesses specialized knowledge regarding the dairy industry. Additionally, from 2005 onward, he has undertaken important duties as Managing Officer and has been involved in the management of affiliated companies as representative. The Company expects that he will perform effective audits by utilizing high level of information gathering skills thanks to his knowledge and his personal connections and so appointed him as corporate auditor at the 95th annual general meeting of shareholders held in 2018.

11. Mitsumasa Saito (Full-time Audit & Supervisory Board Member)
Mr. Mitsumasa Saito possesses specialized knowledge regarding the dairy industry and, since 2016, has been involved in management of the Company as Director. He possesses capabilities, knowledge, experience and personal connections that will enable him to perform accurate and fair audits of execution of duties. The Company therefore judged that he is suitable as a member of the Audit & Supervisory Board and appointed him to the position at the 97th annual general meeting of shareholders held in 2020.

12.Masahiko Ikaga（Independent External Audit & Supervisory Board Member）
Mr. Masahiko Ikaga has financial and accounting knowledge as a certified public accountant, and a wealth of experience and extensive insight as a corporate manager. He has been providing effective advice concerning management of the Company as an External Audit & Supervisory Board Member of the Company since June 2016. In order for the Company to continue to benefit from his auditing of the Company from an objective and expert viewpoint, he was reappointed as Audit & Supervisory Board Member at the 97th annual general meeting of shareholders held in 2020. It should be noted that the Company has notified the Tokyo Stock Exchange of his position as an independent officer.

13. Mayumi Yamamoto (Independent External Audit & Supervisory Board Member)
Although Ms. Mayumi Yamamoto has no experience of direct involvement in corporate management, she possesses a high level of expertise as an attorney at law and has extensive experience in commercial matters. The Company expects that she will perform audits of the Company's management from an objective and expert viewpoint, and so appointed her as an external Audit & Supervisory Board member at the 96th annual general meeting of shareholders held in 2019. The Company registered her with the Tokyo Stock Exchange as an independent director.

(Supplementary Principle 4-1-1 – Scope of delegation to management level)

The Company clearly defines the scope of delegation so that the matters to be determined by the Board of Directors, as prescribed in Article 362 of the Companies Act, can be effectively done in accordance with the Authority Standards, which are internal regulations of the Company.

(Principle 4-9 – Judgment standards for independence)

The Company has prescribed judgment standards for the independence of outside officers as per the annex.

(Supplementary Principle 4-11-1 – Concepts on the composition creating the Board of Directors)

In accordance with the Articles of Incorporation, the Board of Directors comprises a maximum of 12 Directors and four Audit & Supervisory Board members. The Company selects persons of excellent character and insight who have the professional expertise, extensive business and management experience necessary to maintain the Company's sustainable growth, without regard to gender or nationality, as officer candidates. In addition, in regard to independent outside directors and independent outside corporate auditors, the Company invites the number necessary for the sustainable growth of the

Company, with a minimum of two independent outside directors and a number of independent outside corporate auditors that is greater than or equal to half of the total number of corporate auditors. Furthermore, all outside officers shall meet the judgement standards for independence.
In addition, The Company determines the impartiality of persons in important and newly appointed positions, and personnel who execute business operations and those who do not in consideration of business continuity and development, and the fostering of successors.

(Supplementary Principle 4-11-2 – Concurrent Serving of Independent Outside Officers)

Independent external officers must not hold concurrent positions as officers at other companies if those positions reduce their ability to carry out the roles expected of them at the Company. It should be noted that major concurrent positions of directors and corporate auditors are stated in the convocation notice for annual general meetings of shareholders, and all independent outside officers perform their roles appropriately during their tenure, including participating at all major meetings, such as of the Board of Directors and Audit & Supervisory Board. Notices of the annual general meetings of shareholders are published on the Company's website at the URL shown below.
https://www.morinagamilk.co.jp/english/ir/stock/info.html

(Supplementary Principle 4-11-3 – Effectiveness Evaluation of the Board of Directors)

The Company conducts effectiveness analyses and evaluations of the Board of Directors in order to improve the function of the Board of Directors.
Specifically, using a survey filled out by the directors and Audit & Supervisory Board Members, in regard to general matters relating to the Board of Directors, such as its composition and operating method, deliberations, and collaborations with external officers, an evaluation is conducted by the Board of Directors on the results of this analysis. It should be noted that, in order to obtain unbiased opinions from those taking the survey, the survey is performed through the use of an anonymous questionnaire, and the collection, summary, and analysis of the survey results is contracted out to an external body.
In the results of the evaluation for this year, the effectiveness of the Board of Director was judged to be largely in place as in the previous year.
With respect to issues identified in last year's evaluation (ensuring further independence and diversity of the Board of Directors structure, pushing forward with the separation of management oversight and execution, ensuring that the Personnel Remuneration Committee engages in productive deliberation), it was confirmed that progress has been made in addressing the issues and achieving improvement, although there was still room for further improvement.
Issues for the future include further enhancement of deliberation by the Board of Directors on Group-wide management strategy and planning from a medium to long-term perspective, as well as deepening of discussions at the Board of Directors meetings based on reports by the Personnel Remuneration Committee which, since 2018, has external officers comprising the majority of the membership.
The Company will continue its efforts to address the issues identified in the evaluation in order to enhance corporate governance and further promote management that seeks to raise corporate value on a sustainable basis.

(Supplementary Principle 4-14-2 – Director and Corporate Auditor Training Policy)

The necessary training will be implemented based on prior knowledge and experience, such as legal training on company management by attorneys, and briefings on the Company's management strategy, financial situation, and other important matters, etc., so that officers can appropriately perform their roles and responsibilities. It should be noted that, To foster officers' successors, the Company conducts education and training for acquiring necessary management knowledge depending on the relevant employee's position.

(Principle 5-1 – Policy on Constructive Dialogue with Shareholders)

The Company makes the building of trustworthy relationships with shareholders through constructive dialogue a priority for management. The Company actively strives to understand shareholding structures and works to promote dialogue with shareholders through the Annual General Meeting of Shareholders, financial results briefings, individual visits and meetings, and other such occasions.
Matters in relation to constructive dialogue with shareholders are supervised by the Director in charge of general affairs and the Director in charge of public relations. The contact points for shareholders are the General Affairs Department and the IR & PR Department, and the Company is aiming to improve communication with shareholders through maintaining contact by sharing information, etc., as needed. In addition, in regard to dialogue such as interviews, this is supported by an appropriate framework that considers the purpose, importance of content, and the nature of the interviewee, etc., with the opinions, etc., which are ascertained through dialogue and are reported, shared with the management level and the Board of Directors in accordance with importance and content.

It should be noted that the Company, when engaging in dialogue with shareholders, thoroughly controls insider information in order to ensure fairness, such as by setting a silence period for settlement information.

2. Capital Structure(Updated)

- Non-Japanese shareholding ratio 20% or more, but less than 30%

[Major Shareholder Situation]

Name or Title	Number of Shares Held (Shares)	Ratio (%)
Morinaga & Co., Ltd.	5,249,777	10.61
The Master Trust Bank of Japan, Ltd.（Trust Acct）.	4,827,500	9.75
Custody Bank of Japan, Ltd. (Trust Acct)	3,348,900	6.77
Mizuho Bank, Ltd.	2,445,654	4.94
MUFG Bank, Ltd.	1,388,587	2.81
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1,328,800	2.69
Morinaga Milk Employees' Shareholding Association	981,141	1.98
Mitsubishi UFJ Trust and Banking Corporation	923,400	1.87
The Norinchukin Bank	767,418	1.55
Government of Norway	639,485	1.29

- Presence or absence of controlling shareholder (excluding parent company) -
- Presence or absence of parent company None

Supplementary Explanations

Ratios (%) are calculated on the basis of the total number of outstanding shares excluding treasury shares.

3. Company Attributes

- Listed exchange and market segment: Tokyo First Section
- Settlement Date: March
- Type: Food products
- Number of employees as of the end of the immediately preceding fiscal year (consolidated): 1,000 or more
- Sales in the immediately preceding fiscal year (consolidated): JPY 100 billion or more but less than JPY 1 trillion
- Number of subsidiaries as of the end of the immediately preceding fiscal year (consolidated): 10 or more but less than 50

4. Guidelines on measures for the protection of minority shareholders when transactions, etc., are performed with a controlling shareholder

-

5. Other special circumstances that may have a major effect on corporate governance

None in particular

II. Management decision-making, management organizations for execution and supervision, and other elements of the corporate governance system

1. Organization matters relating to structure, management, etc.

- Organization Form: Company with a board of corporate auditors

[Information on Directors]

- Number of directors under the Articles of Incorporation: 12
- Tenure of directors under the Articles of Incorporation: 1 year
- Chair of the Board of Directors: The Company President
- Number of Directors: 9
- Outside director appointment status: Appointed
- Number of Outside Directors: 3
- Number of outside directors that have been designated as independent officers: 3

Relationships with the Company (1)

Name	Affiliation	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Shoji Kawakami	Alumnus of another company											
Takatomo Yoneda	Alumnus of another company											
Yukari Tominaga	Alumnus of another company											

* Relationship options with the company

* In the event of the person being applicable to an item presently or recently, this is marked with an unshaded circle; if the person has been applicable in the past, this is marked with an unshaded triangle.

* In the event of a relative being applicable to an item presently or recently, this is marked with a shaded circle; if such a relative has been applicable in the past, this is marked with a shaded triangle.

a. An executor of business for a listed company or a subsidiary thereof

b. An executor of business, or a non-executive director, of the parent company of a listed company

c. An executor of business of a fellow subsidiary of a listed company

d. A person that has made a listed company a major trading partner, or who is an executor of business for such a party

e. A major trading partner of a listed company, or who is an executor of business for such a party

f. A consultant, accounting expert, or legal expert that has obtained a large amount of money or other assets from a listed company outside of officer remuneration

g. A major shareholder of a listed company (in the event of said major shareholder being a corporate entity, the executor of business of said corporate entity)

h. An executor of business (the individual only) of a trading partner of a listed company (that which does not fall applicable under d, e, or f)

i. An executor of business (the individual only) at an entity that mutually inaugurates outside officers

j. An executor of business (the individual only) at an entity which receives donations from a listed company

k. Other

Relationships with the Company (2)

Name	Independent Officer	Supplementary Information on Compliance Items	Reasons for Appointment
Shoji Kawamami	✓	-	Mr. Shoji Kawakami possesses a wealth of experience, having served as General Manager of an Affiliated Business Department, in the Accounting Division of Toyota Motor Corporation. He has had a managerial role at AISAN INDUSTRY CO., LTD. He was also involved in an overseas business at Kuozui Motors, Ltd., and contributing to the management of the Company from an independent position as an External Director of the Company from June 2015. To continue receiving advice and

			recommendations toward management from these wide insights, he was reappointed as External Director. In addition, this individual does not fall under any of the a-k relationships with the company, and has absolutely no interests that may conflict with those of the general shareholders. Therefore, this individual has been designated as an independent officer.
Takatomo Yoneda	✓	-	Mr. Takatomo Yoneda was engaged in international operations for many years at the Industrial Bank of Japan, Limited, and also served at Nidec Group where he held such positions as the chief executive of Nidec Copal Corporation, through which he has acquired high-level insight into corporate management and broad experience both in Japan and overseas. From June 2015, Mr. Yoneda served as an External Audit & Supervisory Board Member and provided effective advice on the Company's management from an objective perspective. From June 2019, he has been taking an active role in the management of the Company from an independent position as an External Director. The Company anticipates that he will continue to offer advice and recommendations based on his extensive insight, and so reappointed him as External Director. In addition, this individual does not fall under any of the a-k relationships with the company, and has absolutely no interests that may conflict with those of the general shareholders. Therefore, this individual has been designated as an independent officer.
Yukari Tominaga	✓	—	Yukari Tominaga (Independent External Director) Ms. Yukari Tominaga possesses extensive insight into corporate management and a wealth of experience, undertaking important duties in various business fields at Hitachi Solutions, Ltd., and serving as its Chief Diversity Officer since 2019. The Company expects that she is capable of playing a role in management of the Company based on her experience, and appointed her as Director at the 97th annual general meeting of shareholders held in 2020. The Company registered her with the Tokyo Stock Exchange as an independent director. Ms. Tominaga is designated as independent director as she does not fall under any of the items a to k listed in "Relationship with Company" above and has no interests whatsoever that may conflict with those of the general shareholders.

- Presence or absence of a discretionary committee that corresponds to a nominating or remuneration committee — Yes

Establishment status of discretionary committee, committee composition, and attributes of committee chair (chairperson)

	Committee Name	Number of Members	Fulltime Members	Internal Directors	Outside Directors	Outside Experts	Other	Committee Chair (Chairperson)
Discretionary committee corresponding to nominating committee	Personnel Remuneration Committee	5	2	2	2	0	1	Internal Director
Discretionary committee corresponding to remuneration committee	Personnel Remuneration Committee	5	2	2	2	0	1	Internal Director

Supplementary Information **(Updated)**

The Personnel Remuneration Committee is a voluntary committee in the same manner as the Nominating Committee and Remuneration Committee. It receives requests for advice from the Board of Directors, reviews, and reports to the Board of Directors on matters listed below in order to enhance the transparency and objectivity in election and dismissal of officers, as well as the determination of officers' remuneration.

- Matters related to election, reappointment, and dismissal of directors and Audit & Supervisory Board members.
- Matters related to independence standards of external officers
- Matters related to appointment and removal of representative directors and directors with operational responsibilities
- Formulation and revision or repeal of succession plans for the Company's President, selection and development of candidates under recent and future plans, and other matters related to plan implementation
- Matters related to executive directors' areas of responsibility
- Matters related to remuneration of directors, Audit & Supervisory Board members, and managing officers
- Matters related to treatment of directors and Audit & Supervisory Board members after their retirement
- Other matters for which requests for advice are received from the Board of Directors

From fiscal 2018 the committee composition has been changed, by resolution of the Board of Directors, to have external officers account for the majority of the committee members in order to increase transparency and objectivity of the procedures.

One other person is the Independent External Audit & Supervisory Board Member.

[Information on Audit & Supervisory Board members]

- Presence or absence of the Audit and Supervisory Board — Established
- Number of corporate auditors under the Articles of Incorporation — 4
- Number of corporate auditors — 4

Cooperation situation between corporate auditors, accounting auditors, and Internal Audit Department

Corporate auditors receive regular briefings and reports on audit plans, audit statuses, and audit results from the accounting auditors, exchanging and sharing information as needed. They aim to further improve cooperation concerning the reliability and validity of audits by witnessing cash audits and the securities and physical inventory assets checks performed by the accounting auditors.

Corporate auditors receive regular briefings and reports on audit plans, audit statuses, and audit results from the Audit Department, which is responsible for internal audits, exchanging and sharing information as needed. They endeavor to further improve cooperation in order to improve the reliability and validity of audits.

- Appointment status of outside corporate auditors — Appointed

- Number of outside corporate auditors 2
- Number of outside corporate auditors that have been designated as independent officers 2

Relationships with the Company (1)

Name	Affiliation	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masahiko Ikaga	Certified public accountant													
Mayumi Yamamoto	Attorney													

* Relationship options with the company

* In the event of the person being applicable to an item presently or recently, this is marked with an unshaded circle; if the person has been applicable in the past, this is marked with an unshaded triangle.

* In the event of a relative being applicable to an item presently or recently, this is marked with a shaded circle; if such a relative has been applicable in the past, this is marked with a shaded triangle.

a. An executor of business for a listed company or a subsidiary thereof

b. A non-executive director or an accounting advisor of business for a listed company or a subsidiary thereof

c. An executor of business, or a non-executive director, of the parent company of a listed company

d. An auditor of the parent company of a listed company

e. An executor of business of a fellow subsidiary of a listed company

f. A person that has made a listed company a major trading partner, or who is an executor of business for such a party

g. A major trading partner of a listed company, or who is an executor of business for such a party

h. A consultant, accounting expert, or legal expert that has obtained a large amount of money or other assets from a listed company outside of officer remuneration

i. A major shareholder of a listed company (in the event of said major shareholder being a corporate entity, the executor of business of said corporate entity)

j. An executor of business (the individual only) of a trading partner of a listed company (that which does not fall applicable under f, g, or h)

k. An executor of business (the individual only) at an entity that mutually inaugurates outside officers

l. An executor of business (the individual only) at an entity which receives donations from a listed company

m. Other

Relationships with the Company (2)

Name	Independent Officer	Supplementary Information on Compliance Items	Reasons for Appointment
Masahiko Ikaga	✓	-	Mr. Masahiko Ikaga has financial and accounting knowledge as a certified public accountant, and a wealth of experience and extensive insight as a corporate manager. He has been providing effective advice concerning management of the Company as an External Audit & Supervisory Board Member of the Company since June 2016. In order for the Company to continue to benefit from his auditing of the Company from an objective and expert viewpoint, he was reappointed as Audit & Supervisory Board Member at the 97th annual general meeting of shareholders held in 2020. In addition, this individual does not fall under any of the a-m relationships with the company, and has absolutely no interests that may conflict with those of the general shareholders. Therefore, this individual has been designated as an independent officer.
Mayumi Yamamoto	✓	-	Although Ms. Mayumi Yamamoto has no experience of direct involvement in corporate management, she possesses a high level of expertise as an attorney at law and has extensive experience in commercial matters.

			The Company expects her to perform auditing of the Company's management from an objective and expert viewpoint, and thus appointed her as an External Audit & Supervisory Board member of the Company in June 2019. In addition, this individual does not fall under any of the a-m relationships with the company, and has absolutely no interests that may conflict with those of the general shareholders. Therefore, this individual has been designated as an independent officer.

[Information on Independent Officers]

- Number of Independent Officers 5

Other matters relating to independent officers

All outside officers that meet the qualifications for independent officer have been specified as independent officers.

[Information on Incentives]

- Implementation status of policies relating to granting directors incentives Other

Supplementary description on this matter

Introduction of Restricted Stock Compensation Plan

As a part of the review of the executive compensation scheme, replacement of the existing stock remuneration-type stock option program with a new Restricted Stock Compensation Plan for Directors (excluding External Directors) in order to promote sharing of the merits and risks of stock price fluctuations between the Directors and shareholders and provide the Directors with greater incentives than in the past to contribute to increasing the Company's stock price and enhancing corporate value was approved at the 95th annual general meeting of shareholders held on June 28, 2018.

- The total amount of monetary compensation receivables granted as compensation relating to restricted stocks is no more than 120 million yen annually.
- The total number of restricted stocks granted is no more than 15,000 annually.
  For further details, refer to the April 26, 2018 news released entitled "Notice Regarding Introduction of Restricted Stock Compensation Plan." (The news release can be accessed on the Company Website here: https://morinagamilk.co.jp/english/about/release/pdf/20180426_en.pdf)

- Persons eligible to receive stock options

Supplementary description on this matter -

[Information on Director Remuneration]

- Disclosure situation (of remuneration for individual directors) No disclosure of individual remuneration

Supplementary description on this matter

The total amounts of remuneration, etc., for each officer category in 2019, as well as the total amount by type of remuneration, etc., and the number of eligible officers, are as indicated below.

<Classification>	<No. of Officers>	<Basic Remuneration>	< Restricted stock compensation >	<Total Remuneration, Etc.>
Director (excludes external director)	8	JPY 323 million	JPY 58 million	JPY 381 million
External director	2	JPY 18 million	-	JPY 18 million
Audit & Supervisory Board Member (excludes outside Audit & Supervisory Board Member)	2	JPY 48 million	-	JPY 48 million
Outside Audit & Supervisory Board Member	2	JPY 17 million	-	JPY 17 million

Total	14	JPY 407 million	JPY 58 million	JPY 465 million

Notes 1. The above figures do not include basic remuneration of 10 million yen paid to one member of the Board of Directors, 2 million yen paid to one external director and 2 million yen paid to one external Audit & Supervisory Board member, who all retired effective June 27, 2019.
2. As restricted stock compensation, 13,400 shares of common stock of the Company were allocated to eight directors, in accordance with the resolution of the Board of Directors passed at its meeting held on July 11, 2019.
3. There is no amount representing compensation payable to significant employees.

- Presence or absence of a decision-making policy **(Updated)**
  for the amount of remuneration or the calculation method thereof Presence

The amount of monetary remuneration for each director is determined by the Personnel Remuneration Committee, and the amount of stock remuneration for each director is determined by the Board of Directors following a fair review by and reports from the Personnel Remuneration Committee.

[Support System for Outside Directors (Outside Corporate Auditors)]

There is no dedicated contact person for outside directors and outside corporate auditors.
Information is regularly provided by the General Affairs Department to outside directors, and a prior explanation on the matters to be deliberated is given when the Board of Directors meetings are held.
Outside directors, outside Audit & Supervisory Board Members, and full-time Audit & Supervisory Board Members periodically hold meetings of the Non-Executive Officers Liaison Committee to share information and exchange opinions.
In addition, information is regularly provided by the full-time corporate auditors and the General Affairs Department to outside corporate auditors.

[Status of Persons Who Resigned as President and Representative Director, etc.]

Names and Other Information of Advisors and Counsellors who were Formerly President and Representative Director, etc.

<Name>	<Title & Position>	<Details of Work>	<Employment Format and Conditions (full-time, part-time, whether paid or not, etc.)>	<Date of Resignation as President, etc..>	<Term of Office>
-	-	-	-	-	

- Total number of advisors and counsellors who were formerly president and representative director, etc. : Zero

Other Matters

The Company abolished the advisor system. The counsellor system exists but currently, there is no one who has previously served as president and representative director, etc. The Company has an advisor and counsellor system, but currently, there are no persons who were formerly president and representative director, etc.

2. Matters relating to functions such as business execution, audit and supervision, nomination, and remuneration decisions, etc. (overview of current corporate governance system)

1) Regarding business execution

The Board of Directors is responsible for making important decisions on business execution including defining the broad direction of the Group's corporate strategy, etc. and for supervising the status of business execution. With respect to business execution, responsibilities and authorities are clearly defined by establishing the "Authority Standards" which set out matters to be delegated by the Board of Directors to the Executive Management Committee, the Company President, general managers, responsible department heads, etc. The Executive Management Committee comprises directors (excluding external directors), general managers and other key members engaged in business execution. It is positioned as a body for decision-making, consultation, and communication pursuant to the authorities it has been assigned in the execution of business relating to important management matters, and as such is structured to facilitate and ensure speedy execution of important management issues. The Company also established the CSR Committee with the aim of pursuing various initiatives related to CSR activities.

2) Regarding the audit system

The corporate auditors have established auditing standards, formulated auditing policies, audited plans based on said auditing standards, and audited business executions by the Board of Directors. The Audit Department, which conducts

internal audits, conducts audits on all departments, including subsidiaries, annually and in a planned manner, then exchanges opinions with corporate auditors.

3) Regarding the content of limited liability agreements
Agreements that restrict the liability to compensate for damages as prescribed in Article 423 Paragraph 1 of the Companies Act have been executed between the Company and its outside directors and outside corporate auditors.
The Company amended the Articles of Incorporation at the 89th annual general meeting of shareholders, and established provisions in the Articles of Incorporation relating to limited liability agreements with all outside directors and outside corporate auditors that, in regard to the responsibility of Article 423 Paragraph 1 of the Companies Act, restrict the liability to compensate for damages to the minimum amount of responsibility prescribed in Article 425 Paragraph 1 of the Companies Act, as long as the person concerned has performed their duties in good faith and without gross negligence on their part.

3. Reasons for the selection of the current corporate governance system

The Company selected the framework of a company with an Audit & Supervisory Board to set up a double-checking structure, with the Board of Directors providing supervision and the Audit & Supervisory Board members performing audits of legality and appropriateness. The Board of Directors functions as the highest decision-making body for management and, through organic collaboration with all components of the corporate governance framework, strives to maintain and improve management transparency, fairness and speed, to ensure its effectiveness.

III. Implementation status of policies relating to shareholders and other stakeholders

1. Status of initiatives for the activation of general meetings of shareholders and the facilitation of exercising of voting rights

	Supplementary Explanation
Early issuance of convocation notifications regarding general meetings of shareholders	Notifications are issued at least three weeks prior to the meeting date.
Exercising of voting rights electronically	Voting rights may be exercised via the Internet.
Initiatives for improving participation in platforms for the electronic exercising of voting rights and for improving the environment for the exercising of voting rights of other institutional investors	We are participating in the electronic voting right exercising platform for institutional investors that is operated by ICJ, Inc.
Provision of notifications of convocation (summaries) in English	We create notifications of convocation in English, posting these on our website and on the electronic voting right exercising platform for institutional investors.
Other	We conduct general meetings of shareholders visually. In regard to notifications of convocation, prior to mailing, we post these on our website and on the electronic voting right exercising platform for institutional investors approximately one month prior to the meeting date.

2. Status of IR activities

	Supplementary Explanation	Presence or absence of explanation by representative himself
Creation and publication of disclosure policy	Details are provided in "Chapter 4 Article 15 (Information Disclosure Standards) of Morinaga Milk Group Corporate Governance Guidelines," which is published on the Company's website. https://www.morinagamilk.co.jp/english/ir/management/pdf_governance/guideline_e.pdf In addition, an IR Disclosure Policy has been separately established and published on the Company's website. https://www.morinagamilk.co.jp/english/ir/management/disclosure.php	
Holding of regular briefings for individual investors	Briefing sessions for individual investors are held several times each year.	Presence
Holding of regular briefings for analysts and institutional investors	Briefing sessions for full-year financial results are held in mid-May, and briefing sessions for half-year financial results are held in mid-November, with the President as the presenter. In addition, small meetings are held once a year, with the President as the presenter. Aside from the above, business briefing sessions and tours of facilities are organized approximately once a year.	Presence
Holding of regular briefings for foreign investors	In the major cities of Europe and Asia, executive officers or other personnel visit each area approximately once a year for one-on-one meetings. The Company also participates several times yearly in conferences targeting foreign investors organized in Japan by securities companies. Aside from the above, one-on-one meetings are held as needed.	None
Publication of IR materials on the	Financial results briefs, presentation materials, annual reports, securities reports, integrated reports, business briefing materials, timely disclosure materials, notices of	

website	annual general meetings of shareholders and other materials are posted on the Company's website. In addition, a web page for individual investors has been created, where information such as corporate profile, financial results, and shareholder returns is posted. Japanese site: https://www.morinagamilk.co.jp/ir/ English site: https://www.morinagamilk.co.jp/english/ir/	
Establishment of department (manager) for IR	All important disclosure documents for investors are in principle translated into English and posted on the Company's website simultaneously with the Japanese versions or promptly following disclosure.	

3. Status of initiatives for the respecting of the position of stakeholders

	Supplementary Explanation
Provisions relating to respecting the position of stakeholders pursuant to internal regulations, etc.	Details are provided in "Morinaga Milk Group Corporate Governance Guidelines" under "Chapter 3 Article 12 (Building Favorable and Harmonious Relationships with Stakeholders), which is published on the Company's website. https://www.morinagamilk.co.jp/english/ir/management/pdf_governance/guideline_e.pdf
Implementation of environmental conservation activities and CSR activities, etc.	The Group believes that all practical steps toward realizing its corporate philosophy fall within the scope of CSR. All Group employees contribute to the creation of a society in which people can enjoy happiness and fulfillment through their everyday work activities. The "Morinaga Milk Group 10-Year Vision" announced in 2019 describes the corporate vision for the next 10 years, including the aim "to be a company that persistently helps make social sustainability a reality." Based on this belief, the Company seeks to "perform business with an ESG-focus aligned with our Corporate Philosophy," which is one of the basic policies set out in the three-year Medium-Term Business Plan that runs from the fiscal year ended March 2020 to the fiscal year ending March 2022. Details of activities are presented in the Integrated Report, the Sustainability Report, etc. Integrated Report https://www.morinagamilk.co.jp/english/ir/library/annual.php Sustainability Report https://www.morinagamilk.co.jp/english/csr/sr/ "CSR of Morinaga Milk" website https://www.morinagamilk.co.jp/english/csr/ "CSR of Morinaga Milk – The Environment"website https:/www./morinagamilk.co.jp/english/csr/environment/
Formulation of policies, etc., relating to the provision of information to stakeholders	Details are provided in "Chapter 4 Article 15 (Information Disclosure Standards) of Morinaga Milk Group Corporate Governance Guidelines," which is published on the Company's website. https://www.morinagamilk.co.jp/english/ir/management/pdf_governance/guideline_e.pdf
Other	■Diversity and inclusion activities The Group believes it is important to not only recognize diversity, but to also encourage all employees to fully realize their own individuality and abilities while accepting each other's differences, and to promote corporate activities. The Company has published its "Diversity and Inclusion Declaration" and implements a variety of company-wide measures in this regard. [Morinaga Milk Diversity and Inclusion Declaration] Management and employees will: - Respect the diversity of employees and work to create a workplace in which all employees can maximize their potential. - Support employee "smiles" and "vibrancy," both at and away from work. - Continue to express Morinaga Milk's characteristic values to society through our employees' smiles and vibrant work ethic. ■Various policies relating to stakeholders ・Human Rights Policy https://www.morinagamilk.co.jp/english/csr/humanrights/

	・Basic Policy on Health and Safety https://www.morinagamilk.co.jp/english/about/vision/pdf/Health_and_Safety.pdf ・Environmental Policy https:/www./morinagamilk.co.jp/english/csr/environment/ ・Procurement Policy, Quality Policy https://www.morinagamilk.co.jp/english/csr/supply/ ・Anti-Corruption Policy https://morinagamilk.co.jp/english/about/vision/pdf/Anti_Corruption.pdf ・Voluntary Declaration on Consumer Orientation Japanese site: https://www.morinagamilk.co.jp/information_morinaga/170116.html ・Morinaga Milk Health Declaration Japanese site: https://www.morinagamilk.co.jp/information_morinaga/151110.html

IV. Matters relating to the internal control system, etc.

1. Basic approach to the internal control system and the establishment status thereof

- Basic approach

  The Group promotes the internal control system in pursuit of the stable and efficient performance of its corporate activities, and engages in initiatives to ensure the reliability of its compliance risk management , information security and finance reports. Specifically, control standards have been prescribed and business is executed based on these, in addition to efforts being made to build the Group's internal control system so that each respective department concerned can efficiently hold consultations, share information, and transmit instructions and/or requests relating to internal control. In addition, the Group is endeavoring to establish a system that supports audits in order to ensure the effectiveness of audits performed by corporate auditors.

- Establishment status

  The Group, in order to build internal control, has established the Internal Control Committee at our Company, and the General Affairs Department is the department responsible for this committee. In addition, the Management Department of each group company is responsible for overseeing internal control in each group company. The Internal Control Committee regularly receives control status reports from each of these group companies, conducts verifications, and provides the necessary instructions.

  1) Regarding compliance

  Pursuant to the Code of Conduct, the directors and employees thoroughly perform their duties towards the realization of the corporate philosophy, under the premise that our corporate activities comply with the law, Articles of Incorporation, company regulations, and social ethics. For this reason, we have established the Compliance Subcommittee within the Internal Control Committee, promoting compliance activities throughout the group, endeavoring to expand, permeate, and establish awareness of group compliance, and in addition, have established an internal reporting system as well as operating the "Morinaga Milk Helpline," which serves as an internal reporting and consultation system in which the person making a report can provide information directly to an external attorney, as well as the internal consultation help desk.

  2) Regarding risk management

  We identify individual risks, determine the person responsible for managing each individual risk, and are promoting the construction of a risk management system. Toward this, we have established the Risk Management Subcommittee within the Internal Control Committee, and promote the establishment of both a reporting and cooperation system. In addition, in the event of an unexpected accident occurring, we respond promptly in accordance with the regulations on crisis management, preventing the expansion of damage and keeping damage to a minimum.

  3) Regarding the information security

  The Company regulates information security structures responsible for information asset management, and conducts management and instruction for them in order to appropriately manage information and maintain and improve information security. For this purpose, an Information Security Subcommittee is set up within the Internal Control System Committee to clarify the issues related to information security for the Company overall, as well as to establish a system for drafting and executing countermeasures and leading monitoring efforts.

  4) Ensuring the reliability of financial reports

  We thoroughly manage the work processes that are necessary for the creation of financial reports, including the documentation of business procedures. Toward this, we have established the Financial Reporting Subcommittee within the Internal Control Committee, maintain close contact with the accounting auditors, and are promoting the establishment of a system that ensures the reliability of the entire group's financial reports.

  5) Ensuring the effectiveness of audits by corporate auditors

  In addition to maintaining and strengthening the system for reports from across the group, protecting reporters, and thoroughly managing information, we are promoting the establishment of a system where corporate auditors attend key meetings and receive explanations from stakeholders. In addition, we have appointed employees to assist the corporate auditors in their duties.

2. Basic approach to the elimination of antisocial forces and the establishment status thereof

- Basic approach
  The Group, in addition to refusing any kind of relationship, including trading, with antisocial forces, has established a system for the refusal of unjust demands, and established a resolute management posture in which close cooperation is maintained with external specialist bodies, and responds in a systematic and legal manner.

- Establishment status
  The relevant department in charge keeps in close contact with external specialist agencies, such as the police, and takes various measures in response. In addition, we collect and accumulate information on antisocial forces, have established a response manual, and are aiming to ensure a policy where such matters are thoroughly responded to, including the provisions of training to each headquarters department and each office.

V. Other

1. Presence or absence of takeover defense measures

- Presence or absence of takeover defense measures None

Supplementary explanation relating to this matter

2. Other matters relating to the corporate governance system, etc.

The Company has a system in place where important information within the group can be consolidated by the Company's IR & PR Department, Corporate Strategic Planning Department, Finance & Accounting Department, and General Affairs Department. Therefore, these four departments, on each occasion that important information which may be subject to timely disclosure is obtained, upon holding consultation with the department responsible for disclosure, report to the person responsible for handling information and the representative director, to receive a determined response.

Appendix

[Standards for Determining Independence of External Executives]

If External Directors, External Audit & Supervisory Board Members, and candidates thereof fulfill the following conditions, the Company will determine that they possess adequate independence from the Company.

(1) The person is not currently an Executive Director, etc., (Note 2) of the Group (Note 1), and was not an Executive Director, etc., of the Group in the past. For External Audit & Supervisory Board Members, in addition to the above, the person was not a Non-executive Director of the Group.

(2) Within the present fiscal year and within the past three fiscal years, none of the following items applied.
1) The person holds the Group as a major transaction partner (Note 3) or is an Executive Director, etc., of said transaction partner.
2) The person is a major transaction partner of the Group (Note 4) or is an Executive Director, etc., of said transaction partner.
3) The person is a consultant, accounting specialist or legal specialist that receives a significant amount of cash (Note 5) or property other than executive remuneration. Additionally, if the party receiving said property is an organization such as a corporation or association, then a person affiliated with said organization.
4) The person is a major shareholder of the Company (Note 6) or is an Executive Director, etc., of said major shareholder.
5) The person is from an organization such as a corporation or association that receives donations, or supports exceeding a certain amount (Note 7) from the Group.

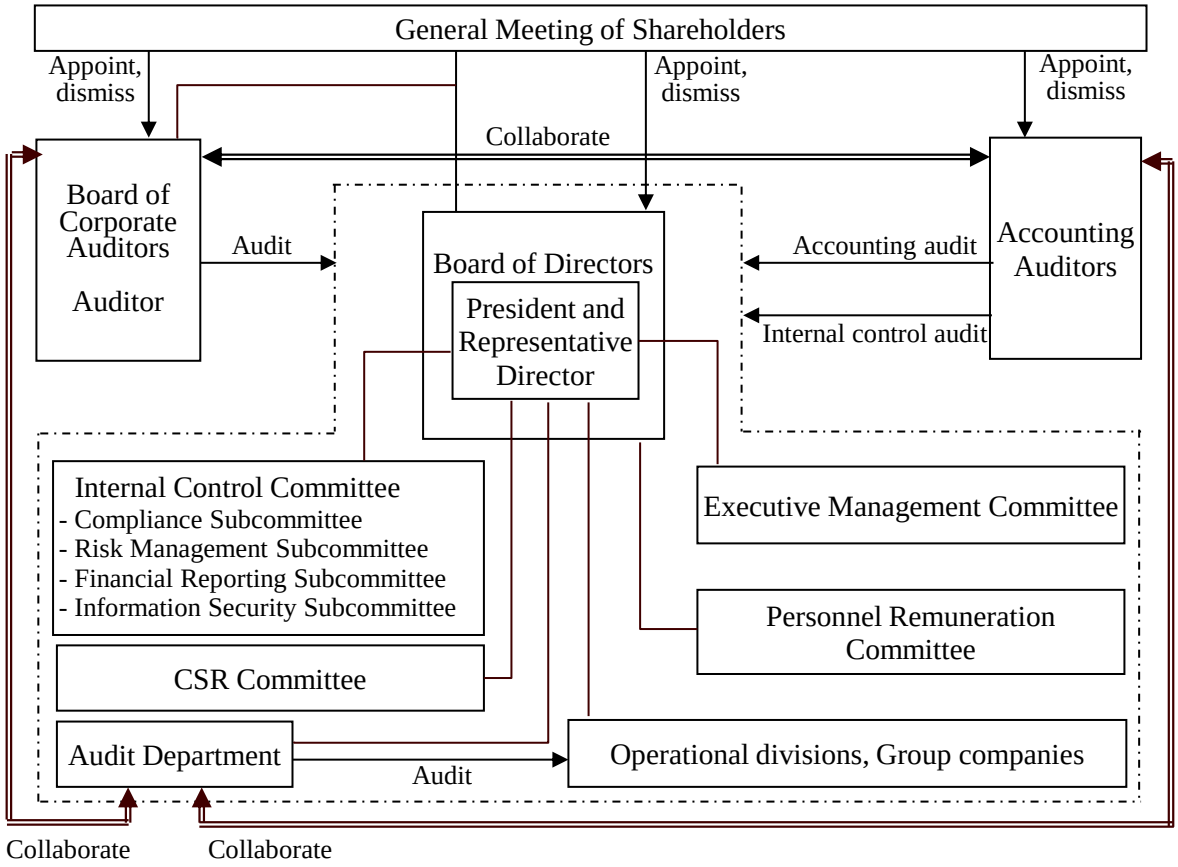
(3) The person is not currently a spouse or relative to within the second degree of a person to which any of the following apply.
1) An Executive Director, etc., or a Non-executive Director of the Group. However, for persons who are employees also serving as Executive Directors, etc., this is limited to significant employees (Note 8).
2) Significant persons (Note 9) to which any of (2) 1) to 5) apply.

(4) The person is not a Director, Audit & Supervisory Board Member, Executive, Managing Officer, or employee of a company with which the Group has a mutual seconding of Directors, Audit & Supervisory Board Members, Executives, or Managing Officers.

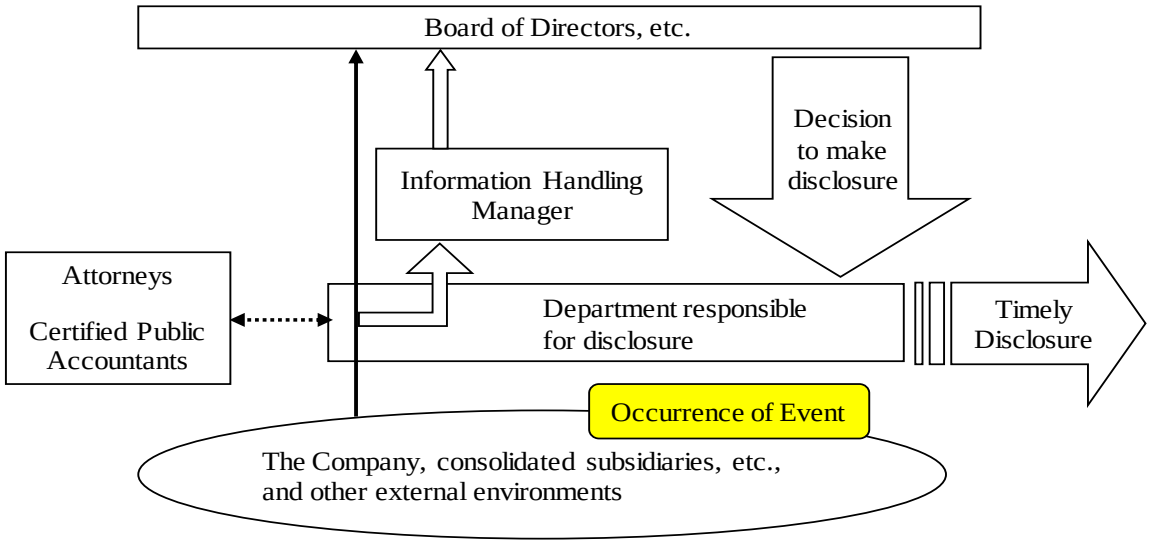
(5) None of the following items apply to the person.
1) Persons with which there may be a conflict of interest with general shareholders.
2) Persons with a total term of office exceeding eight (8) years.

(Note 1) The Group refers to the Company and subsidiaries of the Company.
(Note 2) Executive Directors, etc., refer to Executive Directors, Executives, Managing Officers, Managers, and other employees.
(Note 3) Persons who hold the Group as a major transaction partner are persons that receive payment from the Group of 2% or more of total annual consolidated net sales of said transaction partner.
(Note 4) Major transaction partners of the Group are persons to which any of the following apply.
1) Persons whose payment to the Group is 2% or more of total annual consolidated net sales of the Group.
2) A financial institution whose balance of loans to the Group as of the end of the fiscal year comprises 2% or more of total consolidated assets of the Group.
(Note 5) A significant amount of cash is 10 million yen per annum or 2% or more of consolidated net sales or total revenue for said corporation, whichever amount is greater, on average for the past three fiscal years.
(Note 6) Major shareholders are shareholders that hold stocks accounting for 10% or more of total voting rights.
(Note 7) A certain amount is 10 million yen per annum or 30% or more of total annual expenses for said corporation, whichever amount is greater, on average for the past three fiscal years.
(Note 8) Significant employees are employees that are in upper levels of management, such as General Managers or above.
(Note 9) Significant persons certified public accountants, attorneys (including so-called associates), corporate directors, and committee members, etc., or persons that can objectively and rationally be said to possess a similar level of significance.

<Corporate governance system schematic diagram>



<Schematic diagram of timely disclosure system>



Note 1: The black arrow refers to the flow of important information, such as the agenda of the Board of Directors

Note 2: The white arrows refer to the flow of important information for which a disclosure is deemed to be necessary

Note 3: Advice is received from the appropriate attorneys, etc., when making a disclosure

Note 4: The department responsible for disclosure and each department involved in the occurrence of the event properly employs a system for the "disclosure of background and revisions" in regards to the disclosed content