Corporate Governance Report

Last Update: November 6, 2025

Morinaga Milk Industry Co., Ltd.

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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 adopted the following Corporate Philosophy and Corporate Slogan.

Corporate Philosophy: Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology

Corporate Slogan: For Ever Brighter Smiles

The Group will contribute to society through its business activities, based on its Corporate Philosophy, and will continually work to develop and strengthen a highly effective corporate governance system to achieve sustainable growth and increase corporate value, in line 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.
Every year, the Board of Directors reviews the appropriateness of cross-shareholdings and takes action to reduce the holdings.
In carrying out this review, the Company evaluates the investment gains/losses for each stock based on certain standards, taking into account the cost of capital and other factors, and also considers the economic merits and need of retaining the shares, based on which a decision is made.
As a result of the review, the Company sold all of the shares in six stocks and part of the shares in three stocks in the fiscal year ended March 31, 2025.

The Company is working on reducing the cross-shareholdings by setting a reduction target of 50% based on the book value as of March 31, 2024, to be achieved during the five years to the fiscal year ending March 31, 2029.
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.

(Supplementary Principle – 2-4-1 Diversity of human resources)

1. Approach to ensure diversity
The Group is promoting diversity, equity, and inclusion to foster mutual respect for and embrace people with diverse backgrounds regardless of attributes such as gender, age, or nationality, so that all employees can achieve their full potential and create innovation.

2. Status in ensuring diversity (achievements specifically of Morinaga Milk Industry Co., Ltd.)
- Women in management: 59 (as of March 31, 2025)
- Mid-career hires: 49 (results for the fiscal year ended March 31, 2025)

3. Voluntary and measurable goals for ensuring diversity
- Targeting 10% or more of women in management (Morinaga Milk non-consolidated) by 2026.
- With respect to mid-career hires and foreign national employees, recruitment and promotion to managerial positions will be pursued in line with the Group's business strategies.

4. Approach to human resources development and internal environmental development to ensure diversity, and status of implementation
The Group believes it is important not only to recognize diversity, but also to encourage all employees to fully realize their own individuality and abilities while accepting each other's differences, and to promote corporate activities. To this end, Morinaga Milk has published its Diversity, Equity, and Inclusion Declaration and implements a variety of company-wide measures.
[Morinaga Milk Diversity, Equity, 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 employees "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.
Further information is provided on the Company's website at the URL below.
Website: https://www.morinagamilk.co.jp/english/sustainability/people_and_society/
Integrated Report: https://www.morinagamilk.co.jp/english/ir/library/annual.php

(Principle 2-6 – Function as a Corporate Pension Asset Owner)
The Company has established an Asset Management Committee comprising the general managers responsible for divisions overseeing the plans, 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 external 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 respects the different dimensions of diversity, including gender and nationality, in selecting officer candidates who are persons of excellent character and insight, and who have the professional expertise, extensive business, and management experience necessary to maintain the Company's sustainable growth.

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 Audit & Supervisory Board Member

As described in the reference documents attached to the Notice of the Annual General Meeting of Shareholders.

https://www.morinagamilk.co.jp/english/ir/stock/info.php

https://www.morinagamilk.co.jp/english/ir/news/

(Supplementary Principle – 3-1-3 Efforts in sustainability)

1. Efforts in sustainability

In 2019, the Group created its 10-year Vision, outlining a plan for the next decade under which the Group aims to become "a company that balances delicious and pleasurable food with health and nutrition," "a global company that exerts a unique presence worldwide," and "a company that persistently helps make social sustainability a reality."

The goal of the Medium-term Business Plan 2025–2028 for the four-year period until the end of March 2029 is to realize the Morinaga Milk Group 10-year Vision, and to move forward with initiatives aimed one step into the future, at transforming itself into "A Clearly Differentiated and Highly Profitable Company." Additionally, we have formulated the "Sustainability Medium- to Long-Term Plan 2030," in which 2030 targets and KPIs have been set for the three themes of "Food and wellness," "Resources and the environment," and "People and society." It is placed at the core of management and will be carried out in conjunction with the Medium-term Business Plan.

Information on the Group's specific efforts in sustainability (including investments in human capital and intellectual property) is provided on the Company's website.

Website: https://www.morinagamilk.co.jp/english/sustainability/

Integrated Report: https://www.morinagamilk.co.jp/english/ir/library/annual.php

2. Investment in human capital and intellectual property

The Group sees employees as an important capital for value creation and aims to build an energetic team with professional skills and diversity.

By making a series of investments in human capital linked to management strategies, we aim to create new value and achieve sustainable growth, through approaches focused on "people" and on "organization," both of which we consider to be important. Our approach to human capital development prioritizes both self-direction and demonstration of specialized skills, while our approach to organizational development combines integration of diverse values with a culture that celebrates challenges. Specific initiatives include increasing personnel with a focus on areas that need to be strengthened, and establishing KPIs related to investment in employee development.

Meanwhile, the Group recognizes that a source of its value creation process to pursue “health value” and “tastiness and delightfulness value” lies in its intellectual property (such as patents, trademarks, brands, technologies, and know-how). Accordingly, the Group has developed an intellectual property strategy with creation, maintenance, and use of intellectual property in mind, and is implementing it with the aim of enhancing corporate value. As one of the initiatives in this regard, the Functional Ingredients Committee has been established to share, among the relevant departments, information on the situation relating to research and development, business, and intellectual property pertaining to Bifidobacteria and other functional ingredients, and to consider creation of value from functional ingredients.

3. Efforts in climate change

The Group is committed to making efforts to address the climate change issues. Under the Sustainability Medium- to Long-Term Plan 2030, we identified “mitigation of and adaptation to climate change” as one of the priority issues. We have established relevant KPIs, and we are engaged in addressing it. We have established the Climate Change Measures Subcommittee under the Sustainability Promotion Council to examine this issue, and have considered a plan for information disclosure to enhance TCFD disclosure. This plan was discussed by the Sustainability Committee in April 2022, the content of the disclosure was decided, and we renewed our TCFD disclosure in May 2022.

The membership of the Climate Change Measures Subcommittee comprises general manager-level officers of Morinaga Milk Head Office, tasked with making proposals to the management team on climate change strategy as an element closely linked to the Company-wide business strategy, to be firmly reflected in each divisions’ strategy. The Subcommittee members, who also serve as work-site promotion representatives in the ISO14001-based activities of Morinaga Milk Head Office, set environmental action targets for their respective divisions with due consideration given to Group-wide strategy to address climate change issues as well as risk management. To ensure progress in achieving each division’s action targets, measures are taken to improve the quality of such actions by implementing the PDCA cycle of ISO 14001 environmental management system.

https://www.morinagamilk.co.jp/english/sustainability/resources_and_the_environment/tcfd/

(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.

(Supplementary Principle 4-1-3 – Succession planning for the President and Representative Director)

The Group regards succession planning for the President and Representative Director, its highest-ranking executive, as a key priority in realizing sustainable enhancement of corporate value

1) Structure for promoting the succession plan

The Board of Directors formulates the succession plan, while the Personnel Remuneration Committee is responsible for the formulation of a more detailed plan and its implementation. The status of plan implementation is reported as appropriate by the Personnel Remuneration Committee to the Board of Directors, which supervises the process and makes the final decision on the candidate.

2) Desired profile of the Representative Director and President

The ideal candidate is defined as an individual of outstanding character and high integrity, with the ability to respond flexibly to changes in the business environment and the qualities necessary to realize sustainable enhancement of corporate value.

3) Formulation and implementation of the plan

With consideration to the management strategy and anticipated changes in the business environment, the Personnel Remuneration Committee formulates and implements a detailed plan to nominate the most suitable candidate, including clarifying successor requirements, developing candidate training programs, and monitoring their implementation status.

4) Emergency plan

In parallel with the plan for the next successor, an emergency plan is in place to address unforeseen circumstances.

(Principle 4-9 – Judgment standards for independence)

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

(Supplementary Principle 4-10-1 – Voluntary Nomination Committee and Remuneration Committee)

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, and reviews and reports to the Board on matters listed below to enhance transparency and objectivity in election, dismissal and determination of officer 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 succession candidates under recent and future plans, and other matters related to plan implementation
- Matters related to 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

To increase transparency and objectivity of the procedures, and from the point of view of strengthening the supervisory function of management, the committee is comprised such that a majority of its members are external directors.

(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 respects the different dimensions of diversity, including gender and nationality, in appointing officers who are persons of excellent character and insight, and who have the professional expertise, extensive business, and management experience necessary to maintain the Company's sustainable growth. In addition, in regard to independent external directors and independent external corporate auditors, the Company invites the number necessary for the sustainable growth of the Company, with a minimum of two independent external directors and a number of independent external corporate auditors that is greater than or equal to half of the total number of corporate auditors. Furthermore, all external 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.

Profile and skills, etc. of directors and Audit & Supervisory Board members are provided on the Company's website at the URL below.

https://www.morinagamilk.co.jp/english/ir/management/member.php

(Supplementary Principle 4-11-2 – Concurrent Serving of Independent External 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 independent external 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.

Judging by the self-evaluation scores of directors and Audit and Supervisory Board members in the evaluation review for fiscal 2024, it was confirmed that the effectiveness of the Board of Directors remained largely in place as in the previous fiscal year.

With respect to the issue identified in the fiscal 2023 evaluation relating to "enhancement of deliberations on management strategies and improvement in corporate value throughout the Group," and to "the adoption of a broad, mid- to long-term perspective," while some recognition has been given for improvement made to deliberations, we acknowledged the need

for continued efforts to further stimulate discussions that enhance the Board of Directors' effectiveness, ultimately improving management quality.
The Company will further review the distribution of authority between the Board of Directors and the Executive Management Committee, as well as the agenda setting for Board of Directors meetings, in a bid to further increase effectiveness.

(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, 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 Corporate Communication Department, and the Company is aiming to improve communication with shareholders through maintaining contact by sharing information, etc., as needed. In addition, with regard to dialogues such as interviews, these are supported by an appropriate framework that considers such aspects as the purpose, importance of content, and the nature of the interviewee. The opinions, etc., that are ascertained through the dialogues are reported to and shared with the management on each occasion, and reported to and shared with the Board of Directors on a quarterly basis, based on 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.
The persons who are primarily responsible for attending one-on-one meetings with shareholders and investors are as follows: President and Representative Director; Director in charge of Finance; head of the Sustainability Division; General Manager of Corporate Communication Department, Sustainability Division; and head of IR Group, Corporate Communication Department, Sustainability Division.
The Company endeavors to engage in active dialogue with shareholders and investors irrespective of their attributes, style, and size of investment. The Company also participates proactively in overseas one-on-one meetings and conferences hosted by securities companies. 374 one-on-one meetings were held during the fiscal year ended March 31, 2025, which is more than four times the figure from as many as 10 fiscal years ago. Efforts have also been made to enhance disclosure of information that is of high interest to the capital market. In the fiscal year ended March 31, 2025, we conducted a plant tour at an overseas subsidiary and held an external director small meeting. In addition, we are also pushing ahead with disclosure of quantitative and other information relating to our overseas subsidiaries, which account for an increasing proportion with growth of their businesses, to the extent that such disclosure will not affect business strategy.

[Action to Implement Management That Is Conscious of Cost of Capital and Stock Price]

➢ Content of Disclosure	Disclosure of Initiatives (Update)
➢ Availability of English Disclosure	Available
➢ Date of Disclosure Update	June 16, 2025

Explanation of Actions

On May 14, 2024, we announced "Action to Implement Management That is Conscious of Cost of Capital and Stock Price."

Japanese: https://ssl4.eir-parts.net/doc/2264/tdnet/2438236/00.pdf
English: https://ssl4.eir-parts.net/doc/2264/ir_material6/228925/00.pdf

In the Medium-term Business Plan 2025–2028 that was announced on May 13, 2025, we disclosed a shareholder returns policy consisting of strengthened initiatives to enhance return on capital, allocation of cash to achieve concentration of resources in growth areas, and the use of interest-bearing liabilities to optimize capital structure.

Japanese: https://ssl4.eir-parts.net/doc/2264/ir_material_for_fiscal_ym/178338/00.pdf
English: https://ssl4.eir-parts.net/doc/2264/ir_material_for_fiscal_ym3/178342/00.pdf

2. Capital Structure

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

[Major Shareholder Situation] (Updated)

Name or Title	Number of Shares Held (Shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Acct.)	11,959,900	14.56
Custody Bank of Japan, Ltd. (Trust Acct.)	6,107,600	7.43
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,657,600	3.23
Mizuho Bank, Ltd.	2,445,308	2.98
Morinaga Milk Employees' Shareholding Association	2,217,682	2.70
DBS BANK LTD 700170	1,796,618	2.19
MUFG Bank, Ltd.	1,388,574	1.69
Morinaga & Co., Ltd.	1,375,554	1.67
JPMorgan Securities Japan Co., Ltd.	1,328,472	1.62
STATE STREET BANK AND TRUST COMPANY 505001	1,244,389	1.51

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

Supplementary Explanations **(Updated)**

The Company holds 6,891,368 treasury shares, but has been excluded from the major shareholders above.
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 Prime Market
- 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

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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 — 11
- External director appointment status — Appointed
- Number of External Directors — 5
- Number of external directors that have been designated as independent officers — 5

Relationships with the Company (1)

Name	Affiliation	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yasuyuki Yoshinaga	Alumnus of another company											
Yukari Tominaga	Alumnus of another company											
Hiroshi Nakamura	Alumnus of another company											
Takayuki Ikeda	Alumnus of another company											
Yukiko Takatori	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 does not fall applicable under d, e, or f)
i. An executor of business (the individual only) at an entity that mutually inaugurates external 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
Yasuyuki Yoshinaga	✓	—	Mr. Yasuyuki Yoshinaga possesses extensive insight into corporate management and a wealth of experience, having served in key positions in various business fields at SUBARU CORPORATION, where he served as Representative Director of the Board and President for many years. He has contributed to the management of the Group as an External Director since 2023. The Company expects that management will

			continue to receive advice and recommendations based on his broad insights as well as effective supervision from an objective position that is independent from business execution, and thus he was appointed 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	✓	—	Ms. Yukari Tominaga possesses extensive insight into corporate management and a wealth of experience, having served in key positions in various business fields at Hitachi Solutions, Ltd., where she served as Chief Diversity Officer, and she has contributed to the management of the Group as an External Director from 2020. The Company expects that management will continue to receive advice and recommendations from her wide insights as well as effective supervision from an objective position that is independent from business execution, and so she 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.
Hiroshi Nakamura	✓	—	At TOMEN Corporation, Mr. Hiroshi Nakamura served as President and Representative Director of Casio Germany, which was a joint venture with CASIO COMPUTER CO., LTD. After he transferred to CASIO COMPUTER CO., LTD., he served as President and Representative Director of CASIO Europe GmbH, and has been involved in overseas business as a manager of CASIO COMPUTER CO., LTD. for many years. Therefore, he possesses extensive insight into corporate management and a wealth of experience. He has contributed to the management of the Group as an External Director since 2022. The Company expects that management will continue to receive advice and recommendations based on his broad insights as well as effective supervision from an objective position that is independent from business execution, and thus he was appointed 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.
Takayuki Ikeda	✓	—	Mr. Takayuki Ikeda possesses extensive insight into corporate management and a

			wealth of experience, having served in key positions in various business fields including overseas business in the Toshiba Group, and as President and Chief Executive Officer for many years at Toshiba Tec Corporation. He has contributed to the management of the Group as an External Director since 2022. The Company expects that management will continue to receive advice and recommendations based on his broad insights as well as effective supervision from an objective position that is independent from business execution, and thus he was appointed 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.
Yukiko Takatori	✓	—	Ms. Yukiko Takatori possesses a wealth of experience and extensive insight into corporate management, having served in key positions in various business fields at Ajinomoto Co., Inc., and as General Manager of Shanghai Ajinomoto Food Research and Development Center Co., Ltd. The Company has appointed Ms. Takatori as an External Director, and expects that management will receive advice and recommendations based on her extensive knowledge, as well as effective supervision from an objective position that is independent from business execution, and thus she was appointed 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.

➢ 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	External Directors	External Experts	Other	Committee Chair (Chairperson)
Discretionary committee corresponding to nominating committee	Personnel Remuneration Committee	7	2	2	5	0	0	External Director
Discretionary committee corresponding to	Personnel Remuneration Committee	7	2	2	5	0	0	External Director

remuneration committee								

Supplementary Information

Details of the Personnel Remuneration Committee are provided in I. [Disclosures based on the various corporate governance code principles] (Supplementary Principle 4-10-1—Voluntary Nomination Committee and Remuneration Committee) of this Report.

[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 external corporate auditors — Appointed
- Number of external corporate auditors — 2
- Number of external 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
Mayumi Yamamoto	Attorney													
Tatsuo Morii	Certified public accountant													

* 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 external 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
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. She has been providing effective advice concerning management of the Company as an External Audit & Supervisory Board Member of the Company since 2019. The Company expects her to continue to perform auditing of the Company's management from an objective and expert viewpoint, and thus reappointed her as an External Audit & Supervisory Board member of the Company at the 100th Annual General Meeting of Shareholders held in 2023. 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.
Tatsuo Morii	✓	-	Tatsuo Morii, a certified public accountant, possesses both insight and a wealth of experience in finance and accounting. The Company expects him to perform auditing of the Company's management from an objective and expert viewpoint, and thus appointed him as Audit & Supervisory Board member at the 101st Annual General Meeting of Shareholders held in 2024. 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 7

Other matters relating to independent officers

All external 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 30,000 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 2024, 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>	<Monetary Remuneration>		<Restricted Stock Compensation >	<Total Remuneration, Etc.>
		<Fixed Remuneration>	<Performance-linked Remuneration>		
Director (excludes external director)	7	JPY 148 million	JPY 155 million	JPY 82 million	JPY 386 million
External director	4	JPY 43 million	-	-	JPY 43 million
Audit & Supervisory Board Member (excludes external Audit & Supervisory Board Member)	2	JPY 42 million	-	-	JPY 42 million
External Audit & Supervisory Board Member	2	JPY 16 million	-	-	JPY 16 million
Total	15	JPY 251 million	JPY 155 million	JPY 82 million	JPY 489 million

(Note 1) The above figures do not include monetary remuneration of JPY 12 million to one Director, JPY 6 million to one Audit & Supervisory Board Member, and JPY 2 million to one External Audit & Supervisory Board Member, all three of whom retired effective June 27, 2024.

(Note 2) As restricted stock compensation, 23,800 shares of common stock of the Company were allocated to seven directors, in accordance with the resolution of the Board of Directors passed at its meeting held on July 18, 2024.

(Note 3) There is no amount representing compensation payable to significant employees.

➢ Presence or absence of a decision-making policy for the amount of remuneration or the calculation method thereof Presence

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At a meeting of the Board of Directors, a resolution was passed on the policy for determining individual remuneration, etc. of directors and Audit and Supervisory Board members. Details are as follows.

1. Details of the basic policy on executive remuneration

- Remuneration will be used to provide strong incentives to contribute to sustainable growth of the Group and medium- to long-term enhancement of its corporate value through the realization of medium- to long-term management strategies.
- Remuneration will be set at a level that would allow recruitment and retention of human resources appropriate for realizing the Group's corporate philosophy.
- Remuneration will be used to build shared interests with shareholders and heighten management awareness regarding shareholder perspectives.
- The functionality of the Personnel Remuneration Committee will be enhanced to ensure objectivity and transparency of processes relating to the determination of remuneration.

2. Composition of executive remuneration

- Remuneration of directors (excluding external directors) is composed of monetary remuneration, which consists of fixed remuneration and performance-linked remuneration, and stock compensation (restricted stock compensation) as medium-to long-term incentive compensation.
- The composition ratio by type of remuneration is, in the case where performance-linked remuneration is the base amount, roughly 50% fixed remuneration, 30% performance-linked remuneration, and 20% stock compensation.
- Remuneration of external directors and Audit and Supervisory Board members consists solely of fixed remuneration. They are not eligible for performance-linked remuneration and stock compensation.

3. Method for determining executive remuneration (for payment from July 2025 to June 2026)

(1) Method for determining monetary remuneration

For both directors and Audit & Supervisory Board members, remuneration is determined based on the items listed below, within the range approved at the past Annual General Meetings of Shareholders (maximum remuneration of ¥36 million per month for directors (80th Annual General Meeting of Shareholders held on June 27, 2003) and ¥6 million per month for Audit & Supervisory Board members (92nd Annual General Meeting of Shareholders held on June 26, 2015).

- Fixed remuneration is determined on the basis of rank.
- Performance-linked remuneration is calculated by multiplying a base amount for each rank by a factor reflecting the progress made in achieving the targets for Group-wide performance (consolidated net sales, consolidated operating profit, ROE) as an evaluation indicator, with the factor varying in the range of 0% to 172.5% when target achievement is 100%.
- Remuneration for Audit and Supervisory Board members is determined through discussion among the Audit and Supervisory Committee members.

(2) Method for determining restricted stock compensation

At the 95th Annual General Meeting of Shareholders held on June 28, 2018, a resolution was passed to introduce a restricted stock compensation plan for directors of the Company (excluding external directors), with a limit of 120 million yen per annum (which shall not exceed 30,000 shares) separate from the monetary remuneration, the aim of which is to promote the sharing of merits and risks of stock price fluctuations between the directors and the shareholders, and to provide the former with greater incentive than in the past to contribute to increasing the Company's stock price and enhancing its corporate value.

The remuneration amount is determined as follows.

- The number of shares of restricted stock to be allotted is calculated by multiplying a base allocation for each rank by a factor reflecting the progress made in achieving the target indicators for the external evaluation of sustainability activities (FTSE, MCSI) as an evaluation indicator.

4. Name of person or other with the authority to make decisions on determining the remuneration amount, details of the authority, and scope of discretion

Name	Details of the authority, scope of discretion
Personnel Remuneration Committee	Deliberation on policy, procedures, and other such matters relating to executive remuneration, report to the Board of Directors, determination on the amount of individual monetary remuneration
Board of Directors	Decision on policy, procedures, and other such matters relating to executive remuneration, determination on the amount of individual stock-based remuneration

[Support System for External Directors (External Audit & Supervisory Board Members)]

There is no dedicated contact person for external directors and external Audit & Supervisory Board Members.
Information is regularly provided to external directors and external Audit & Supervisory Board Members, and a prior explanation on the matters to be deliberated is given when the Board of Directors meetings are held.
A system is in place for external directors and external Audit & Supervisory Board Members to attend Executive Management Committee meetings as observers so that they can be informed of the status, issues, and other matters relating to executive-side discussions.
External directors, external 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.

[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>
Michio Miyahara	Supreme Advisor	Advice on corporate management, etc.	Part-time, paid	June 29, 2021	One year

- Total number of advisors and counsellors who were formerly president and representative director, etc. 1

Other Matters

The Company abolished the advisor system.

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 Sustainability Committee with the aim of pursuing various initiatives related to sustainability 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 external directors and external 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 external directors and external 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.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	To avoid the peak day on which most general meetings of shareholders were concentrated in June 2025, the General Meeting of Shareholders was held on June 26.
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 as appropriate.	Presence
Holding of regular briefings for analysts and institutional investors	Briefing sessions are held every quarter. Briefing sessions for full-year financial results are held in mid-May, and briefing session 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	In the major cities of Europe, North America, and Asia, executive officers or other personnel visit each area approximately once a year for one-on-one meetings.	Presence

foreign investors	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.	
Publication of IR materials on the website	Financial results briefs, presentation materials, annual reports, securities reports, integrated reports, business briefing materials, timely disclosure materials, notices of 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	Corporate Communication Dept. Sustainability Division	
Others	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 "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, we formulated the Sustainability Medium- to Long-Term Plan 2030, targeting 2030. We aim to achieve our sustainability vision by engaging in activities founded on corporate governance and pivoting on the three themes of "food and wellness," "resources and the environment," and "people and society," striving to bring ever brighter smiles to all our stakeholders. Details of activities are presented in the Integrated Report, etc. Integrated Report https://www.morinagamilk.co.jp/english/ir/library/annual.php "Sustainability of Morinaga Milk" website https://www.morinagamilk.co.jp/english/sustainability/
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, equity, 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, Equity, and Inclusion Declaration" and implements a variety of company-wide measures in this regard. [Morinaga Milk Diversity, Equity, 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

	・Morinaga Milk Group Marketing Communication Policy ・Morinaga Milk Group Breast-Milk Substitutes (BMS) Marketing Policy ・Morinaga Milk Group Quality Policy ・Morinaga Milk Group Environmental Policy ・Morinaga Milk Group Biodiversity Policy ・Morinaga Milk Group Dairy Animal Welfare Policy ・Morinaga Milk Group Water Resources Policy ・Morinaga Milk Group Procurement Policy ・Supplier Guideline ・Guidelines for the Procurement of Raw Material Milk ・Guidelines for the Procurement of Palm Oil ・Guidelines for the Procurement of Paper ・Guidelines for the Procurement of Soybeans ・Morinaga Milk Group Human Rights Policy ・Morinaga Milk Group Health and Safety Basic Policy ・Morinaga Milk Group Communities Policy ・Morinaga Milk Group Anti-Corruption Policy ・Morinaga Milk Group Tax policy ・Voluntary Declaration on Consumer Orientation ・Compliance Code of Conduct ・Diversity, Equity, and Inclusion Declaration https://www.morinagamilk.co.jp/english/sustainability/policy/

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 Corporate Communication 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.

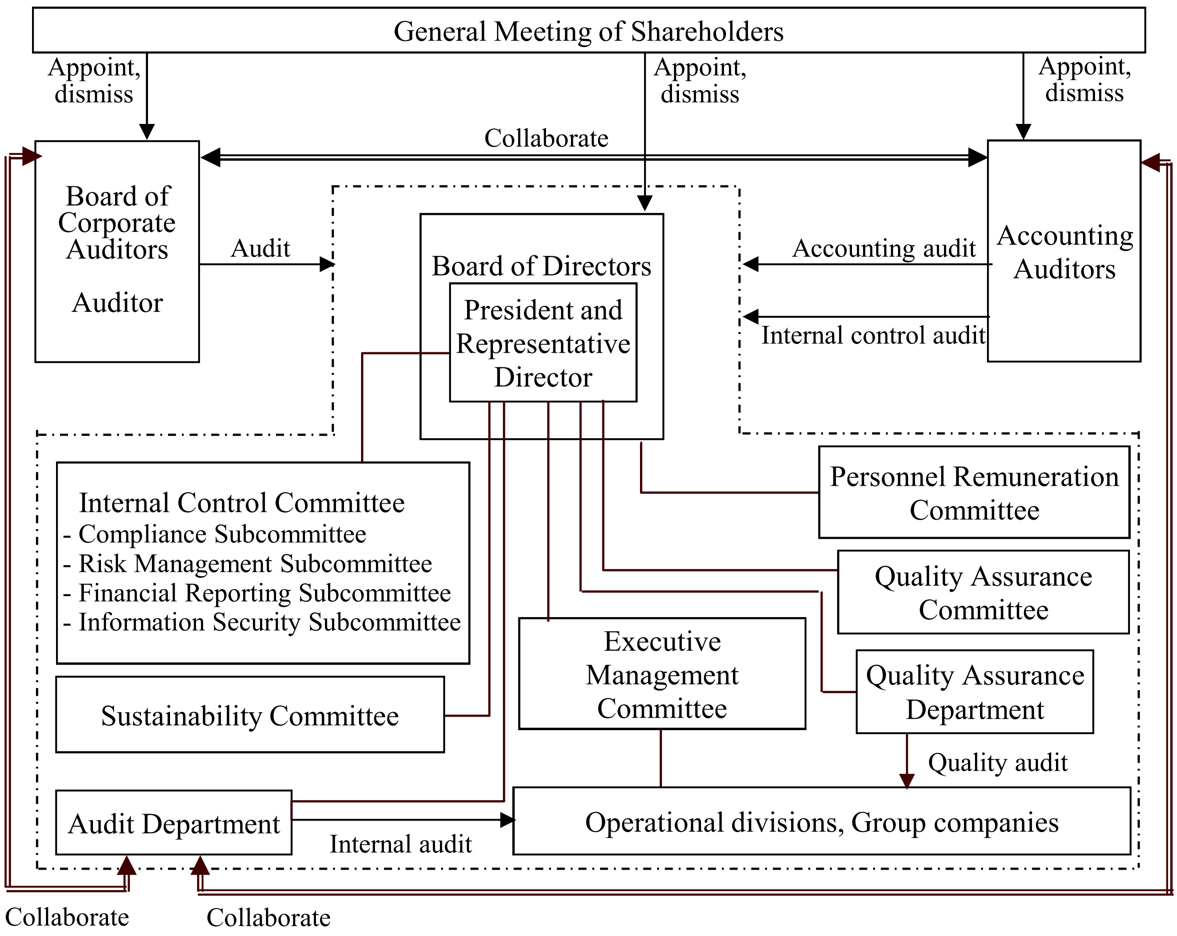
(3) The person is not currently a spouse or relative to within the second degree of a person to which any of the following apply.
1) An Executive Director, etc., or a Non-executive Director of the Group. However, for persons who are employees also serving as Executive Directors, etc., this is limited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

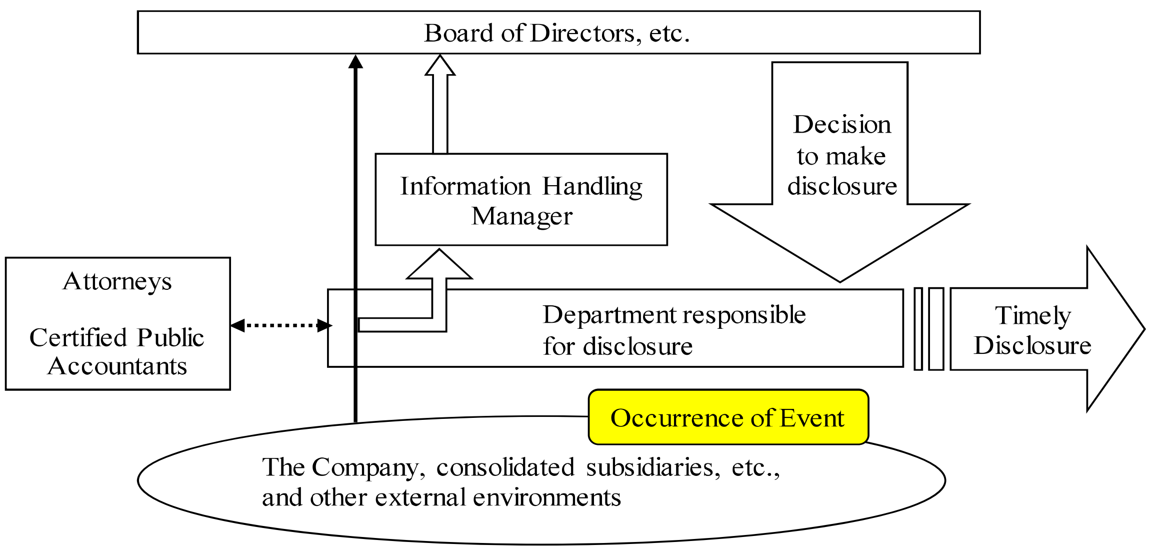
(5) None of the following items apply to the person.
1) Persons with which there may be a conflict of interest with general shareholders.
2) Persons with a total term of office exceeding eight (8) years.

(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