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Corporate Governance

Information about corporate governance is disclosed in our Corporate Governance Report and Integrated Report.



Corporate Governance Report
 ▶ <https://www.morinagamilk.co.jp/english/ir/management/governance.html>
 Integrated Report
 ▶ <https://www.morinagamilk.co.jp/english/ir/library/annual.html>

Basic Approach

We will continue to work on establishing and augmenting a highly effective governance system to achieve sustainable growth and increase corporate value.

KPIs

Direction of activities	KPIs
Transparent, fair, prompt and bold decision-making based on diverse values in Board of Directors' meetings	Evaluation scores and comments in evaluation of Board of Directors (diversity of Board of Directors and substance of discussions) (1)
Strengthen the management system	Augment regular committees (Personnel Remuneration Committee, Internal Control Committee, CSR Committee) (2)

Progress on main KPIs (corresponding to number on the table):

- (1) The effectiveness of the Board of Directors was confirmed based on the results of the evaluation.
 The evaluation results were used to identify issues requiring improvement as the basis for further enhancement of the effectiveness of the Board of Directors.
- (2) Personnel Remuneration Committee: submitted proposed revisions, etc. of the executive compensation scheme to the Board of Directors.
 Internal Control Committee: a new working group was established within the Information Security Subcommittee to enhance the Group's management of confidential information.
 CSR Committee: multiple subcommittees (focusing on supply chains, etc.) have been established to accelerate the adoption of ESG-focused management.

Compliance

Basic Approach

Pursuant to the Code of Conduct, directors and employees thoroughly perform their duties toward the realization of the corporate slogan under the premise that the corporate activities comply with the law, the Articles of Incorporation, company regulations, and social ethics.

Compliance Code of Conduct

The Morinaga Milk Group calls attention to specific action criteria for all officers and all employees to engage in compliance on a daily basis using the "Five Action Check Points" and "Our Courage." These codes of conduct have been compiled on a portable compliance card that all employees carry and use during the course of their daily work to think about their own actions. The goal is to have each and every employee fully understand and put into practice these codes of conduct so that the Morinaga Milk Group can be trusted by society.

Five Action Check Points

Ask yourself, will your action...

1. Violate laws or regulations?
2. Subject the company to social criticism?
3. Embarrass your family, friends or acquaintances if they find out?
4. Damage the trust and brand of the entire Morinaga Milk Group?
5. Go against your own good conscience?

Our Courage

1. Courage to refuse a supervisor's orders
2. Courage not to cover up
3. Courage not to turn a blind eye

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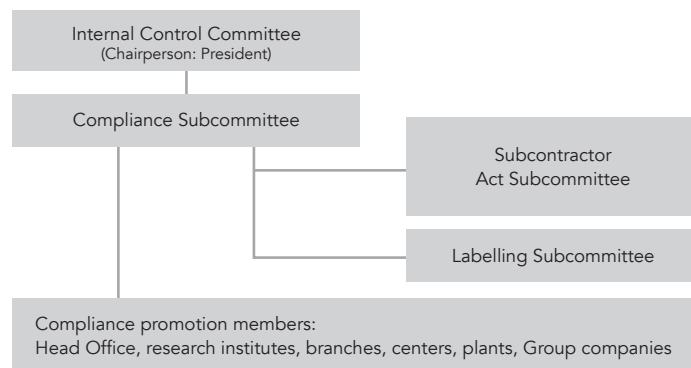
System

The Morinaga Milk Group has established the Internal Control Committee chaired by the president, along with four subcommittees under its control: the Compliance Subcommittee, the Risk Management Subcommittee, the Financial Reporting Subcommittee, and the Information Security Subcommittee. This system is responsible for internal control of the entire Group and strives to develop the structure underpinning audits.

The promotion of compliance is carried out mainly by the Compliance Subcommittee, which also determines compliance action policy and directs and verifies activities.

The Morinaga Milk Group has also established compliance committees in each organization (head office departments, business sites, and affiliated companies). In addition to committee activities, these committees serve as a consultation desk for their respective organizations, escalating matters to the whistleblower reporting system as necessary.

Compliance Promotion System



Instilling Compliance Awareness

The Morinaga Milk Group provides rank-based training, organization-based training that includes Group companies, and e-learning in order to instill and consolidate awareness of compliance.

Compliance Training

Apart from understanding compliance, compliance training covers a variety of topics including the corporate slogan, awareness and actions, etiquette and moral violations, the whistleblower reporting system, harassment, violations of transportation regulations, information leakages, overwork, response to anti-social forces, mental health, labeling issues, and violations of the subcontractor act, among others. From FY 2019, we also began including training regarding our Human Rights Policy and also conduct Human Rights Policy awareness activities within the company.

Targets

Rank-based training: (new employees, new leading players/managers, midcareer hires, administrative managers, newly appointed officers of Group companies)

Business site-specific training, Group company-specific training: Relevant persons within an organization (all workers in the same organization, including employees, temporary employees, part-time workers, and employees of partner companies, etc.)

Status of Compliance Training (Morinaga Milk Group)

	2015	2016	2017	2018	2019
Number of participants	2,764	3,985	4,984	5,151	4,777

E-Learning

Targets and Training Content

Morinaga Milk Group employees	Short e-learning compliance class
New leading players	Basic course on corporate ethics and compliance
New managers	Basic series on labor management Workplace power harassment
Directors and managers of Group companies	Basic course on corporate ethics and compliance, course on sexual harassment prevention, course on power harassment prevention, basic course on workplace mental healthcare for managers, basic approach to labor management, labor management and workplace building, basic course on business coaching

Implementation of E-Learning for All Group Employees (FY 2019)

	May	August	November	February
Number of participants	6,806	6,675	6,652	6,600
Completion rate (%)	89.5	89.9	91.5	91.1

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Compliance Consultation System: Morinaga Milk Helpline (Whistleblower Reporting System)

The Morinaga Milk Group established the Morinaga Milk Helpline as a contact point for employees to report compliance issues. The Morinaga Milk Helpline is located inside the company and outside the company with lawyers as the recipients of information.

The name of the person, their affiliation and nature of their consultation are protected in accordance with laws, regulations, and in-house rules, which makes it possible for any employee to report an issue without worry of reprisal. Inappropriate situations are reported to the applicable department, which is then instructed to make corrections. Afterwards, the person reporting the matter verifies the improvements. For consultations or questions about the reporting person's duties, the matter will be directed to legal counsel as needed to obtain advice on how to deal with the issue.

In addition, the Compliance Subcommittee receives quarterly reports on the status of the help line and makes necessary improvements to the internal structure.

Consultations Received by the Morinaga Milk Helpline

	2015	2016	2017	2018	2019
Total number of consultations	33	53	46	44	41

Information Security

Basic Approach

The Morinaga Milk Group's basic approach aims to improve performance by maintaining and managing the confidentiality, integrity, and availability of all its information assets and to make proactive use of such assets. This approach is made known to all officers and employees.

In addition, to respond to changes in the external environment and to make the information security management more reliable, the Group decides and reviews the relevant rules as appropriate.

System

The Morinaga Milk Group has established the Internal Control Committee chaired by the president, along with the Information Security Subcommittee under it. The subcommittee meets once per month to identify issues concerning the Group's information security as well as to plan and implement responses and spearhead audits. The Information Security Subcommittee also plans and implements reliable information security countermeasures.

For departments and Group companies, the head of each organization is responsible for information security.

We also established a Technical Information Subcommittee in 2019 to strengthen our management system for confidential information.

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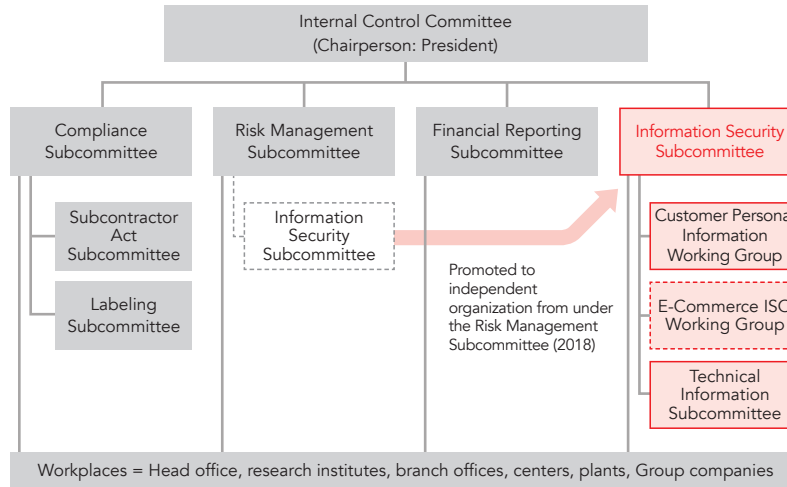
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Information Security Organization



*Dissolved since ISO 27001 certification was obtained in FY 2019

Information Security Countermeasures

Occurrence of a Serious Information Security Incident

In April 2018, the servers of the Morinaga Milk Group’s e-commerce site were illegally accessed by an external party, and the leak of credit card information and other personal information of customers was confirmed. An investigation by a third-party organization was requested and countermeasures were implemented. The Morinaga Milk Group sincerely apologizes for the inconvenience caused to many customers.

WEB Apology concerning the leakage of customer information from the health foods e-commerce site and notification of investigation results
 ▶ <https://www.morinagamilk.co.jp/release/newsentry-2899.html> (Japanese only)

Handling Incidents such as Information Leakages

When an incident such as an information leakage has been confirmed, prompt action will be taken in accordance with the handling standards for emergency problems.

When a situation has occurred, a countermeasures headquarters chaired by the president will be established to promptly disseminate information to all board members and related departments, and work to solve the emergency.

Also, if an investigation confirms violations of laws and regulations by subcontractors, employees, etc., the response will be sanction of dismissal, criminal charges, pursuit of civil liability, or the like.

Initiatives for Information Security Countermeasures

Morinaga Milk gives priority to illegal access countermeasures when a serious incident occurs.

In addition to technical and physical measures, Morinaga Milk also takes ongoing system measures, such as reviewing security standards (rules) and further strengthening against vulnerabilities, etc.

Moreover, as a countermeasure against increasingly sophisticated cyberattacks, Morinaga Milk provides targeted e-mail attack training for all employees and ensures that virus countermeasures are in place for information equipment and devices.

Training on Information Security Management

As part of compliance training, Morinaga Milk disseminates knowledge about information security through targeted e-mail attack training and company-wide security briefings, with the aim of increasing the information security knowledge of Morinaga Milk Group employees.