

[Notes of caution]

This document is an English translation of the Japanese original. In the event of any differences or inconsistencies between the Japanese and English versions, the Japanese language version shall take precedence.

CORPORATE GOVERNANCE**Ezaki Glico Co., Ltd.****Last update: June 28, 2019****Ezaki Glico Co., Ltd.**

President and CEO: Katsuhisa Ezaki

Inquiries: 06-6130-6930

Stock code: 2206

<https://www.glico.com/jp/company/ir/>

The corporate governance of Ezaki Glico Co., Ltd. is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views **Updated**

(1) Basic Views

The Glico Group, based on its Philosophy and the Glico Spirit, continually enhances its corporate governance structure for its shareholders and all other stakeholders in accordance with the following Basic Policy, with a view to achieving sustainable growth, developing corporate value over the medium and long term, and improving management transparency and efficiency.

*For information on the Philosophy and the Glico Spirit, please visit the Company's website (<https://www.glico.com/jp/company/about/philosophy>).

(2) Basic Policy

- (a) We shall respect the rights of shareholders and strive to ensure equality among shareholders.
- (b) We shall strive to appropriately work in harmony with shareholders and other stakeholders of the Company (including customers, business partners, creditors, local communities, and employees) and build a favorable and harmonious relationship with them.
- (c) We shall appropriately disclose corporate information and secure management transparency.
- (d) We shall strive to appropriately execute the Board of Directors' roles and responsibilities for transparent, fair, expeditious, and resolute decision-making.
- (e) We shall strive to engage in constructive dialogue with shareholders.

[Reason not to Enforce Each Principle of the Corporate Governance Code] **Updated**

(Supplementary Principle 4.8.1)

Although we do not hold meetings attended by independent outside directors only or assign a top person among independent outside directors, we did hold meetings attended by corporate auditors (both internal and outside) and outside directors only. We are continuing a study to determine whether or not the measures provided as an example in the Corporate Governance Code would be effective for our company.

(Supplementary Principle 4.8.2)

As described in Supplementary Principle 4.8.1.

(Principle 4.9 Independence Standards and Qualification for Independent Outside Directors)

As described in Supplementary Principle 4.8.1.

(Supplementary Principle 4.10.1)

The Company is a company with a board of corporate auditors. Although the current number of independent outside directors does not comprise a majority of the Board of Directors, we

believe the independence and objectivity of our Board of Directors is secured, as we have appointed four outside directors and three outside corporate auditors and determine nominations and remuneration after receiving appropriate opinions, advice, and indications given from their independent and objective standpoint and based on their abundant experience and highly expert knowledge in corporate management. We will study the establishment of an optional advisory committee under the Board of Directors to be comprised primarily of independent outside directors in the future.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

Please also refer to the Company's website <https://www.glico.com/jp/company/ir/governance>.

(Principle 1.3 Basic Strategy for Capital Policy)

<Basic Strategy for Capital Policy>

In order to sustainably boost shareholder value over the medium and long term, we adopt the appropriate exploitation of business opportunities and maintenance of necessary and sufficient shareholders' equity to respond to various risks surrounding the Company as the basic strategy of our capital policy.

Additionally, we view ROE as an important indicator for sustainable shareholder value and publicly announce a target value of at least 10% in our medium-term management plan. As for our policy concerning profit allocation, we present this policy as follows in our medium-term goals for FY2020.

1. We shall put priority on growth investment and aim for long-term maximization of our corporate value.
2. For our dividend policy, we shall return profits to shareholders in a stable and continuous manner toward a goal of achieving a consolidated dividend payout ratio of at least 25%.

*However, in the event that a large amount of extraordinary profit or loss arises, this will be decided after considering its effects.

(Principle 1.4 Cross-Shareholdings)

<Cross-Shareholdings Policy>

Our basic policy is to hold shares of companies that can be expected to lead to enhancement of our own corporate value through, for example, increased business based on business collaboration with the issuing company or the creation of business synergy.

<Policy for Reducing Cross-Shareholdings>

The Board of Directors confirms the significance of holding cross-shareholdings and verifies the economic rationality of those cross-shareholdings on an individual basis from a medium- and long-term perspective at least once a year.

If a share is not recognized as contributing to increased business or the creation of business synergy, we will hold necessary and sufficient dialogue with the issuing company as a shareholder. If it is deemed that improvement cannot be achieved even with dialogue, we will sell the share in a timely and appropriate manner. We will reduce cross-shareholdings by applying this approach.

<Criteria for Exercise of Voting Rights for Cross-Shareholdings>

As a shareholder, we make decisions concerning the exercise of voting rights for cross-shareholdings based on improvement in the medium- and long-term corporate value of the issuing company, the possibility of contradiction with the purpose of cross-shareholding, economic rationality, and other factors, and then exercise our voting rights accordingly. We will implement appropriate responses concerning the exercise of voting rights for cross-shareholding by applying this approach.

(Principle 1.7 Related Party Transactions)

When engaging in a transaction with officers or major shareholders (i.e., related party transaction), approval required by internal regulations for the transaction will be obtained before it is conducted.

(Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term)

We have formulated our Philosophy, The Glico Spirit, and Glico Group Code of Conduct and make them available on our web pages.

(Principle 2.5 Whistleblowing)

We have established internal regulations concerning whistleblowing that ensure anonymity of whistleblowers and prohibition of unfavorable treatment of them, and have set up Glico Compliance Hotline as a whistleblowing system within our Risk Management Committee for the purposes of preventing and quickly discovering legal violations and other misconduct within the company. Under the Glico Compliance Hotline system, whistleblowing contact points independent of management have been established within and outside the company. Whenever a whistleblowing report is received, the Risk Management Committee plays a central role in conducting an investigation and, if it deems that a legal violation or other misconduct has occurred, studies and implements countermeasures for correction, improvement, etc. The committee also conducts reporting/confirmation concerning the results of the investigation and countermeasures to the whistleblowing party.

(Principle 2.6 Roles of Corporate Pension Funds as Asset Owners)

Fully recognizing the importance of the fact that the management of corporate pension funds impacts stable asset formation for employees as well as our own financial standing, we assign human resources who are appropriately qualified for management from our finance department to the Ezaki Glico Company Pension Fund and implement measures through appropriate management systems.

(Principle 3.1 Full Disclosure)

(i) Please see “1. Basic Views” regarding our business principles, etc. Please see “FY2020 Medium-Term Management Plan (Presentation Material for the March 2018)” concerning our management strategy and management plan.

(ii) Please see “1. Basic Views.”

(iii) Directors’ remuneration is comprised of remuneration, bonuses, and stock compensation. Our remuneration system reflects responsibilities and results while maintaining linkage with company performance. Remuneration is approved by the Board of Directors. Because outside directors and corporate auditors serve to monitor and supervise from an independent standpoint, they are not provided with stock compensation.

(iv) When appointing or dismissing senior management and nominating director/corporate auditor candidates, we conduct a comprehensive study from the standpoints of assessing the candidate’s qualities and qualifications and of putting the right people in the right positions so that the Board of Directors can make accurate and prompt decisions, and then the Board of Directors approves the appointment, dismissal, or nomination.

(v) We mention individual appointments, dismissals, and nominations made when the Board of Directors appoints or dismisses a member of senior management or nominates a director/corporate auditor candidate in security reports, notices of general meeting of shareholders, and this report when they pertain to outside officers. For appointments and nominations of director/corporate auditors coming from inside the company, we will strive to further enhance explanations of the reason for the appointment.

(Supplementary Principle 4.1.1)

We establish the following as matters that must be resolved by the Board of Directors in our “Board of Directors Regulations”:

1. Matters stipulated in laws and ordinances
2. Matters stipulated in the Articles of Incorporation
3. Matters concerning important tasks and affairs (e.g., matters authorized by a shareholders’ meeting resolution, matters concerning management plans, etc.)

Regarding the delegation of duties to management, the division of duties to each director is resolved by the Board of Directors, and the scope of authority delegated to directors, operating officers, etc., including standards for monetary amounts, etc., is established by internal regulations that include the “Regulations for Administrative Authority” and “Approval authority policy.”

(Supplementary Principle 4.2.1)

We approved the introduction of stock compensation with restriction on transfer after a resolution titled “Determination of Amounts of Remuneration (Post-hoc Grant) in the Restricted Share-based Remuneration Plan for Directors and Executive Officers with Whom a Contract of Mandate has been concluded” was passed at a general meeting of shareholders held in June 2018. Please see “Notice of the 113th Annual Shareholders Meeting” for details.

(Supplementary Principle 4.11.1)

The Articles of Incorporation establishes that the number of directors shall be no more than 11 in order to ensure substantial discussion by the Board of Directors. Currently seven people are appointed as directors and five people are appointed as auditors. Among them are outside officers, four of which are appointed as outside directors and three are appointed as outside corporate auditors. We are thus striving to maintain management transparency and soundness for the entire Board of Directors. In addition, when appointing directors, we conduct a comprehensive study from the standpoints of assessing qualities and qualifications and of putting the right people in the right positions so that the Board of Directors can make accurate and prompt decisions. We appoint outside directors and outside auditors after clarifying their expertise, knowledge, and experience.

(Supplementary Principle 4.11.2)

When directors or corporate auditors (excluding outside directors and corporate auditors) of the Company serve concurrently as officers of listed companies that are other than our Company, we strive to limit the scope of said concurrent service to a rational limit so that they can appropriately fulfill their roles and responsibilities. We also disclose important concurrent service circumstances in the “Business Report” in notices of general meeting of shareholders. Internal approval standards pertaining to concurrent service are stipulated in the “Approval authority policy.” Please see “Business Report” and “Reference Documents for the Shareholders Meeting” in notices of general meeting of shareholders.

(Supplementary Principle 4.11.3)

Four of our seven directors are outside directors and three of our five corporate auditors are outside auditors, and therefore seven of the twelve members composing the Board of Directors are outside directors or auditors. With this board composition, we are ensuring the effectiveness of the entire Board of Directors in such areas as board decisions and meeting management, etc. We further enhance effectiveness by actively listening to the views and demands of outside directors and incorporating them into board meetings. We strive to improve the Board of Director’s effectiveness by conducting opinion polls of all directors, including outside directors, and then conducting analyses and evaluations based on the results.

(Supplementary Principle 4.14.2)

People with the qualities and abilities to complete the roles and responsibilities that are expected of them are appointed as our directors, auditors, and operating officers. Whenever officers assume their posts, we provide an appropriate explanation of the legal obligations and responsibilities that they must observe as officers and also provide opportunities to explain our management strategy, business content, financial affairs, and other matters to them. We also strive to provide opportunities for all directors and auditors to participate in necessary training and outside seminars after assuming their posts.

(Principle 5.1 Policy for Constructive Dialogue with Shareholders)

<Basic Views>

Our Group recognizes that shareholders and investors are particularly important stakeholders, and it aims to build a long-term relationship of trust with them and have its corporate value evaluated properly by disclosing appropriately disclosing corporate information. Additionally, we actively disclose information in ensuring legal compliance, timeliness, fairness, and continuity.

<Investor Relations System>

We have established IR Division that takes charge of IR operations on a full-time basis, and have assigned an officer in charge of IR. In conducting IR activities, we strive to appropriately disclose information by working in collaboration with the Management Corporate Planning Division, Finance Division, Corporate Communications Division and other concerned divisions.

<Means of Dialogue>

We strive to enhance our information disclosure by holding results briefings (twice yearly), participating in conference meetings and small meetings held by securities companies, and publishing business reports and annual reports.

<Feedback>

We have a system whereby the IR officer reports the content of dialogues with shareholders and others to the Board of Directors as necessary.

<Management of Insider Information>

For the purpose of preventing leaks of information related to financial results and ensuring fair disclosure of information, the Company shall observe a “quiet period” from ten days prior to each closing date of quarterly earnings until the date of their announcement. As for insider information, we strive to ensure thoroughgoing information management in accordance with our Information Management Regulations.

Additionally, we have a system for uniform management of matters to be made public that concern timely disclosure in the Corporate Shares and IR Department.

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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[Major Shareholders] **Updated**

Name of Corporate Entity	Number of shares held	Ratio (%)
Kikusen Shoji K.K.	4,131,500	6.27
Daido Life Insurance Company	3,500,400	5.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,873,500	4.36
JP Morgan Chase Bank 385632	2,134,285	3.24
Nissin Foods Holdings Co., Ltd.	2,100,000	3.19
Saga Agricultural Cooperatives	1,943,562	2.95
Japan Trustee Services Bank, Ltd. (Trust Account)	1,842,800	2.80
JP Morgan Chase Bank 385635	1,721,700	2.61
Dai Nippon Printing Co., Ltd.	1,598,952	2.43
Ezaki Glico Kyo-eikai	1,565,300	2.38

Controlling Shareholder (Except for Parent Company)	—
Parent Company	None

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year End Updated	December
Business Category	Foods
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) for the Previous Fiscal Year	100 billion yen or more but less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances That May Have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management

1. Items Related to Organizational Structure and Operation

Organizational Form	Company with company auditor(s)
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[Directors]

Number of Directors Specified in Articles of Incorporation	11
Term of Office of Directors in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Appointment Status of Outside Directors	Appointed
Number of Outside Directors Updated	4

Number of Outside Directors Designated as Independent Directors **Updated**

3

Relationship with the Company (1) **Updated**

Name	Affiliation	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tetsuo Masuda	Attorney											
Takatoshi Kato	Other											
Kanoko Oishi	From another company											
George Hara	From another company								○			

***Selection criteria regarding relationship with the Company**

****“○” when the person presently falls or has recently fallen under the category; “△” when the person fell under the category in the past**

****“●” when a close relative of the person presently falls or has recently fallen under the category; “▲” when a close relative of the person fell under the category in the past**

- a Executive of a listed company or its subsidiaries
- b Non-executive managing director or executive of a parent company of a listed company
- c Executive of a fellow subsidiary company of a listed company
- d A party whose major client or supplier is a listed company or an executive thereof
- e Major client or supplier of a listed company or an executive thereof
- f Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as an officer
- g Major shareholder of a listed company (or an executive of the said major shareholder if the shareholder is a corporation)
- h Executive of a client or supplier company of a listed company (which does not correspond to any of d, e, or f) (the executive himself/herself only)
- i Executive of a company, between which and the listed company outside directors are mutually appointed (the executive himself/herself only)
- j Executive of a company or organization that receives a donation from a listed company (the executive himself/herself only)
- k Other

Name	Independent Officer	Supplementary Explanation of the Conforming Items	Reason for Appointment
Tetsuo Masuda	○	—	We deem Mr. Masuda to be capable of further strengthening the board's supervisory functions and compliance system by providing advice on all management matters from an independent standpoint based on his extensive experience and insight as an attorney. Additionally, we judge that there are no items applicable to him in the guidelines for listing management, etc., and that there is no risk of conflict of interest with ordinary shareholders.
Takatoshi Kato	○	—	We deem Mr. Kato to possess extensive experience and insight as a professional in the financial field and to be capable of strengthening our internal control functions, etc., by providing advice on all management matters from a standpoint that is independent of the management engaged in business execution. Additionally, we judge that there are no items applicable to him in the guidelines for listing management, etc., and that there is no risk of conflict of interest with ordinary shareholders.
Kanoko Oishi	○	—	We deem Ms. Oishi to be capable of further strengthening the board's functions by providing advice on all management matters from an independent standpoint based on her extensive experience and achievements as well as broad knowledge and insight in corporate management, etc. Additionally, we judge that there are no items applicable to her in the guidelines for listing management, etc., and that there is no risk of conflict of interest with ordinary shareholders.

Name	Independent Officer	Supplementary Explanation of the Conforming Items	Reason for Appointment
George Hara		Mr. Hara is a group chairman (executive) of DEFTA Partners. We are investing in DEFTA Healthcare Technologies, L.P. which DEFTA group operates as the general partner.	We deem Mr. Hara to be capable of further strengthening the board's functions by providing advice on all management items based on his extensive experience and achievements as well as broad knowledge and insight in corporate management and as an advisor to a governmental organization.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee

None

[Corporate Auditors]

Establishment of a Board of Corporate Auditors

Established

Number of Corporate Auditors Specified in Articles of Incorporation

5

Number of Corporate Auditors

5

Coordination between Corporate Auditors, Accounting Auditor, and Internal Auditing Department **Updated**

*Corporate auditors periodically receive reports on auditing results from and exchange views with Ernst & Young ShinNihon LLC, which is an accounting auditor.

*Corporate auditors and the Group Audit Office, which is our internal auditing department, engage in coordination as necessary.

Appointment Status of Outside Corporate Auditors

Appointed

Number of Outside Corporate Auditors **Updated**

3

Number of Outside Corporate Auditors Designated as Independent Directors **Updated**

2

Relationship with the Company (1) **Updated**

Name	Affiliation	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Minoru Kudo	From another company									○				

Shintaro Iwai	Certified public accountant													
Matao Miyamoto	Scholar													

*Selection criteria regarding relationship with the Company

*“○” when the person presently falls or has recently fallen under the category; “△” when the person fell under the category in the past

*“●” when a close relative of the person presently falls or has recently fallen under the category; “▲” when a close relative of the person fell under the category in the past

- a Executive of a listed company or its subsidiaries
- b Non-executive managing director or accounting adviser of the Company or its subsidiaries
- c Non-executive managing director or executive of a parent company of a listed company
- d Corporate auditor of a parent company of a listed company
- e Executive of a fellow subsidiary company of a listed company
- f A party whose major client or supplier is a listed company or an executive thereof
- g Major client or supplier of a listed company or an executive thereof
- h Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as an officer
- i Major shareholder of a listed company (or an executive of the said major shareholder if the shareholder is a corporation)
- j Executive of a client or supplier company of a listed company (which does not correspond to any of f, g, or h) (the executive himself/herself only)
- k Executive of a company, between which and the listed company outside directors are mutually appointed (the executive himself/herself only)
- l Executive of a company or organization that receives a donation from a listed company (the executive himself/herself only)
- m Other

Relationship with the Company (2)

Name	Independent Officer	Supplementary Explanation of the Conforming Items	Reason for Appointment
Minoru Kudo		Mr. Kudo is the president of Daido Life Insurance Company, which is a major shareholder of the Company. Our transactions with T&D Holdings, which includes Daido Life Insurance, are small, and therefore we believe there is no problem in terms of his independence. However, we have not designated him as an independent officer because we have already provided notification of more than one independent officer.	We appointed Mr. Kudo because he is the president of Daido Life Insurance and possesses extensive experience and strong insight as a manager. We deem Mr. Kudo to be capable of further strengthening the Company's audit system functions.

Name	Independent Officer	Supplementary Explanation of the Conforming Items	Reason for Appointment
Shintaro Iwai	○	—	We deem Mr. Iwai to be capable of further strengthening the Company's auditing system functions because he is qualified as a certified public accountant and possesses considerable knowledge on corporate finances and other matters. Additionally, we judge that there are no items applicable to him in the guidelines for listing management, etc., and that there is no risk of conflict of interest with ordinary shareholders.
Matao Miyamoto	○	—	We deem Mr. Miyamoto to be capable of further strengthening the Company's auditing system functions from his expert position as a university professor. Additionally, we judge that there are no items applicable to him in the guidelines for listing management, etc., and that there is no risk of conflict of interest with ordinary shareholders

[Independent Officers]

Number of Independent Officers

5

Other Details concerning Independent Officers

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[Incentives]

Implementation of Measures to Provide Incentives to Directors

Introduction of a remuneration plan linked with performance, others

Supplementary Explanation **Updated**

We approved the introduction of stock compensation with restriction on transfer after a resolution titled "Establishment of Remuneration Amounts Relating to the Post Delivery-Type Stock Compensation with Restriction on Transfer System for Company Directors and

Operating Officers who have Entered into a Delegation Agreement with the Company” was passed at the 113th ordinary general meeting of shareholders.
Please see “Notice of the 113th Ordinary General Meeting of Shareholders” for details.

Stock Option Recipients	
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Supplementary Explanation

[Director Compensation]

Disclosure of Compensation of Individual Directors	Individual disclosure made for certain directors only
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Supplementary Explanation	Updated
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1. We disclose the aggregate amount separately for internal directors and outside directors, respectively.
Directors: 300 million yen to 7 directors (including 19 million yen to 3 outside directors)
Auditors: 57 million yen to 5 auditors (including 37 million yen to 4 outside auditors)
2. We disclose the persons whose consolidated remuneration etc. is or exceeds 100 million yen in total individually in the securities report.

Policy for Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy for Determining Compensation Amounts and Calculation Methods

We make comprehensive judgments of company performance, the content of each officer's duties and contribution to performance, and other factors and then determine the amount of remuneration, etc., for officers of the Company.

[System for Supporting Outside Directors (Outside Auditors)]

The Board of Directors' Secretariat supports outside directors and outside auditors by, for example, distributing and providing preliminary explanations for materials at board meetings and other occasions as necessary.

[Retired Presidents/CEOs]

Retired Presidents/CEOs Holding Advisory Positions (Sodanyaku, Komon, etc.)

Name	Job Title/Position	Responsibilities	Employment Terms (Full/Part-Time, With/Without Compensation, etc.)	Date when Role as President/CEO Ended	Term
—	—	—	—	—	—

Total Number of Retired Presidents/CEOs Holding Advisory Positions (Sodanyaku, Komon, etc.)	0
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There are no former presidents/CEOs, etc., serving as Sodanyaku, Komon, etc.

2. Matters Concerning Business Execution, Auditing and Supervision, Nomination, Determination of Remuneration and Other Functions (Overview of Current Corporate Governance System) Updated

(1) Corporate Governance System

The Company has adopted a corporate governance system with the Board of Directors and the Board of Corporate Auditors.

As of the date of the submission of this report, our Board of Directors consists of seven directors (of which four are outside directors). In principle, the Board of Directors meets monthly to discuss and make decisions on matters specified under laws and regulations and by the Articles of Incorporation and on important matters concerning the execution of our businesses. Further, the Company has adopted an executive officer system to clearly divide between its management strategy functions and business execution functions and thereby to facilitate swift decision-making and business execution.

As of the date of the submission of this report, our Board of Corporate Auditors operates with five corporate auditors (of which three are outside corporate auditors). Each of the corporate auditors is actively participating in the meetings of the Board of Directors and other meetings of the Company to audit the business execution by the directors.

(2) Internal Audit and Corporate Auditors' Audit

Our organization for internal audit and corporate auditors' audit is comprised of the staff of Group Audit Office, a department specialized in internal audit activities and the five corporate auditors. The Group Audit Office is responsible for developing and reviewing the operation of the methods for assessing our internal control of financial reporting through consultation with our accounting auditor. In addition, the Group Audit Office is carrying out audits on the activities of our respective business locations concerning overall internal control in cooperation with the Board of Corporate Auditors and reporting the results to President and corporate auditors.

Corporate auditors are conducting audits on all aspects of our business activities in accordance with an audit plan formulated at the beginning of each term. While corporate auditors regularly attend each meeting of the Board of Directors, full-time auditors are actively participating in important meetings of the Company. Thereby, it is ensured that the proceedings at the meetings are audited with focus on the violations of laws and regulations, and of the Articles of Incorporation, as well as any infringement on shareholders' right. Opportunities for exchanging views and opinions between corporate auditors and the accounting auditor with regard to audit plans and the progress of audits are provided four times a year to promote mutual cooperation. The results of an audit by the accounting auditor are reported in the presence of corporate auditors and Chief Financial Officer of Glico Group. Additionally, as for important affiliated companies, an auditing corporation has been engaged to carry out audits under the Companies Act on those companies. It should be noted that Mr. Shintaro Iwai, our corporate auditor, is a certified public accountant and has high insight on finance and accounting.

(3) Relationship with Outside Directors and Outside Corporate Auditors

As of the date of the submission of this report, the Company has four outside directors and three outside corporate auditors.

There is no personal relationship, capital relationship, business relationship, or any other interests existing between the Company and our outside directors (Mr. Tetsuo Masuda, Mr.

Takatoshi Kato, and Ms. Kanoko Oishi) or between the Company and our outside corporate auditors (Mr. Shintaro Iwai, and Mr. Matao Miyamoto).

Outside director, Mr. George Hara is Group Chairman (Chief Executive Officer) of DEFTA Partners. The Company is investing in DEFTA Healthcare Technologies, L.P. that DEFTA Partners is operating as general partner but there is no special interest existing between the Company and Mr. George Hara.

Mr. Minoru Kudo, our outside corporate auditor is the director of Daido Life Insurance Company, and Daido Life Insurance Company is a major shareholder of the Company. In addition, the Company has purchased a group life insurance from Daido Life Insurance Company. However, there is no special interest existing between the Company and Mr. Minoru Kudo.

Though the Company has no particular standards or policy intended to ensure the independence of an outside officer, in appointing any such director, the Company has selected a person expected to contribute to the management of the Company with his/her social experience and knowledge and from his/her independent standpoint, by consulting the criteria for evaluating the level of independence of an independent director adopted and implemented by a stock exchanges organization.

With regard to outside directors, we are in the opinion that proceedings at the meetings of the Board of Directors have been invigorated by the active participation of outside directors placing appropriate questions and expressing their own views and opinions during discussions at the meetings and, thus, they have played the important role of monitoring the management of the Company.

(4) Coordination between supervision or audit by outside directors or outside corporate auditors and internal audit, corporate auditor audit, and accounting audit, as well as relation with the internal controls department

As mentioned above, outside directors attend board meetings monthly to supervise our business management.

It is ensured that outside directors are well informed of the audit plan prepared by our accounting auditor and regularly provided with updates on the audit system and method adopted by the accounting auditor as well as the internal control situations of our domestic and overseas subsidiaries.

3. Reason for adopting present system of corporate governance

Adopting the system described above has allowed us to enhance the business decision making functions and functions for managing and supervising business execution of the Board of Directors, to improve management efficiency, and to make precise and strategic management decisions.

Further, the Company has adopted the executive officer system to clearly divide between its management strategy functions and business execution functions and thereby to facilitate swift decision-making and business execution.

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III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Invigorate the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary Explanation
Early notification of general meeting of shareholders	Since 2016, the Company has set the goal of sending out convocation notifications on June 5th of each year (the next business day when the said 5th day is not a business day). Prior to the mailing of the notice, the electronic notice is also posted on TDnet or the Company's web site.
Option to exercise voting rights electronically	It is now possible to exercise voting rights electronically via the Internet.
Participation in an electronic voting platform and other measures for enhancing the environment for the exercise of voting rights by institutional investors	The Company has participated in the platform for the electronic exercise of voting rights.
Provision of notice of annual shareholders meeting (summary) in English	The Company is providing English translation for part of convocation notice (narrowly-defined notice + reference materials for the general meeting of shareholders).

2. IR Activities

	Supplementary Explanation	Explanations by the Representative Himself/Herself
Holding of regular briefings for analysts and institutional investors	Financial results briefing sessions are held twice a year semi-annually where President explains about our financial results and our management policy/strategy.	Available
Posting of IR materials on a website	Summaries of financial results, IR news, business reports, materials for financial results briefings and other information are posted on our web site (https://www.glico.com/jp/company/ir/).	
Establishment of an IR department (manager)	IR Department	

3. Measures to Ensure Respect for the Standpoint of Stakeholders

Supplementary Explanation

Stipulation of items concerning respect for the standpoint of stakeholders in internal regulations, etc.	The Company establishes relevant items in the “Glico Group Code of Conduct.”
Implementation of environmental protection activities, CSR activities, etc.	The Company has acquired ISO 14001 certification.
Formulation of policies on provision of information to stakeholders	The Company establishes relevant items in the “Glico Group Code of Conduct.”

IV. Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and Progress of System Development

Updated

The systems approved by the Board of Directors to ensure propriety in the Company’s operations are as follows:

<Basic policy on the internal control system>

1. System to ensure compliance by directors of the Company and its Group companies with laws and the Articles of Incorporation in the execution of their duties
 - (1) To ensure the proper and sound business operations by the Company and its Group companies, the Board of Directors shall endeavor to build an effective “internal control system” and to establish a compliance system pertaining to laws and regulations and the Articles of Incorporation.
 - (2) The Glico Group Code of Conduct shall be formulated as specific standards of behavior to establish legal compliance and corporate ethics, with the directors of the Company and its Group companies abiding to them.
2. System for storing and managing information related to the execution of duties by directors

The Company shall record minutes of meetings of the Board of Directors, materials concerning requests for decisions and approvals, and other important information concerning the execution of directors’ duties in documents and electromagnetic media, and appropriately store and manage them in accordance with laws and regulations.
3. Regulations and systems regarding management of risk of loss for the Company and its Group companies
 - (1) To prevent various risks associated with the execution of operations by the Company and its Group companies and to respond promptly and precisely when various risks occur, the Company shall formulate regulations on risk response and establish a “Risk Management Committee” chaired by the officer in charge of risk management. In the event that an unforeseen situation occurs, the committee shall immediately discuss countermeasures and work to bring the situation under control and resolve it.
 - (2) The “Group Audit Office” (prescribed in “5. (4)”) shall regularly audit business departments on their management of risk of losses and report the results to the President, in addition to reporting the results to officers of respective departments in charge and auditors as necessary.
4. System to ensure the effective execution of execution of duties by directors of the Company and its Group companies

(1) The Company and its Group companies shall establish internal regulations concerning administrative authority and decision-making, and establish systems for ensuring that duties are executed properly and efficiently.

(2) In addition to holding a Board of Directors Meeting once a month, the Company adopts an executive officer system and aims to enhance prompt decision-making and business execution.

5. System to ensure compliance by employees of the Company and its Group companies with laws and the Articles of Incorporation in the execution of their duties

(1) The Company shall make the "Glico Group Code of Conduct," which is formulated as specific standards of behavior to establish legal compliance and corporate ethics, and apply it to all directors and employees of the Company and its Group companies.

(2) Under the "Risk Management Committee," the "Glico Compliance Hotline" shall be established as a whistleblowing system available for employees of the Company and its Group companies and establish systems for preventing and quickly uncovering violations of laws, regulations and internal regulations.

(3) The Company shall establish a "Compliance Subcommittee" within the "Risk Management Committee" and establish a system that prevents the occurrence of major legal violations in the execution of duties.

(4) The Company shall establish a "Group Audit Office" over which the President has direct control as an internal auditing department that ensures the effectiveness and validity of internal control of the Company and its Group companies.

6. Structure to ensure propriety in the operations of the Company and its Group companies

(1) To ensure propriety in Group companies' operations, the Company shall require Group companies to regularly report management circumstances and other important information to the Company.

(2) The Company shall establish standards concerning administrative authority and decision-making in the Group companies, and establish systems for ensuring that duties are executed properly and efficiently by Group companies.

(3) To promote compliance within Group Companies, the Company shall establish systems for taking necessary measures that are led primarily by the "Compliance Subcommittee", such as ascertaining compliance with laws and internal regulations and providing compliance training.

(4) To prevent and quickly uncover violations of laws, regulations and internal regulations, the use of the "Glico Compliance Hotline," the whistleblowing system, shall also be promoted within Group companies.

7. Matters relating to employees concerned in cases where corporate auditors request to appoint employees who are to assist corporate auditors in their duties, and matters relating to the independence of employees concerned from directors and effectiveness of directions to employees

(1) The Company shall establish a "Corporate Auditors Office" comprised of a small number of people when the Board of Corporate Auditors makes a request for the appointment of employees who are to assist in its duties.

(2) To ensure the independence of employees affiliated with the "Corporate Auditors Office" mentioned in the previous item from directors, the Company shall obtain consent regarding items pertaining to authority over personnel issues concerning said employees, such as appointments and transfers, from the Board of Corporate Auditors in advance.

(3) Employees affiliated with the "Corporate Auditors Office" shall not concurrently handle duties related to the execution of business and must follow the instructions and orders of the corporate auditor exclusively.

8. System for reporting to Company auditors by directors and employees of the Company and its Group companies as well as by parties who receive a report from said persons

- (1) Directors and employees of the Company and its Group companies or parties who receive a report from said persons shall promptly make an appropriate report when asked by a corporate auditor to make a report on their execution of duties.
- (2) The Company shall establish a system for prompt reporting to corporate auditors in the event that a director or an employee of the Company and its Group companies learns of a serious violation of law or the Articles of Incorporation or misconduct or of a fact that could cause significant damage to the Company or its Group companies concerning their execution of duties.
- (3) The “Group Audit Office,” “Risk Management Committee,” and other relevant bodies shall periodically report the circumstances of internal audits and whistleblowing in the Company and its Group companies to corporate auditors.
- (4) The Company shall prohibit the disadvantageous treatment of the Company’s and its Group companies’ directors and employees who reported to corporate auditors for the reason of the said report.

9. Other systems for ensuring the effectiveness of audits performed by corporate auditors

- (1) The Company shall respond to the auditors’ requests, provide information necessary and ensure their attendance in various meetings.
- (2) Procedures for prepayment or reimbursement of expenditures generated in corporate auditor’ execution of duties and other expenses or obligations generated in the execution of duties shall be dealt with promptly with respect to said expenses or obligations unless it is deemed not necessary for the performance of duties.

10. Basic Views on Eliminating Anti-Social Forces and Establishment of Systems Toward this End

The Company shall block all relationships with anti-social forces that pose a threat to order and safety in civil society, and respond resolutely to such anti-social forces by acting in close cooperation with attorneys, the police, and other external specialist bodies.

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V. Other Matters

1. Matters Regarding Takeover Defense Measures

Adoption of Takeover Defense Measures

Not adopted

Supplementary Explanation

The Company is not adopting any takeover defense measures. However, if it is deemed that the adoption of takeover defense measures is appropriate in order to secure and improve the Company’s corporate value and shareholders’ common interests, the Company shall consider the adoption of appropriate measures at such time.

2. Other Matters Concerning the Corporate Governance System

<Corporate governance organization chart>

