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Seven Priority Issues

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“For Ever Brighter Smiles”

— following its corporate slogan, Morinaga Milk has formulated seven priority issues. These form a set of guidelines for helping create a sustainable society and ensuring Morinaga Milk continues to contribute to the health of people during the next 100 years of its history.

●Health and Nutrition

We offer health and nutrition by developing and selling products that combine functionality and good taste to realize “For Ever Brighter Smiles.”

- There is high demand for highly nutritious products and products that are highly palatable. Moreover, this demand will grow over the medium to long term as aging societies become the norm. We aim to use our proprietary R&D strengths to contribute to achieving healthy lifestyles through promoting harmony of both mind and body.
- As Japan's population ages and grows smaller in number, we will aim to create and provide technologies and services that not only result in product appeal, but also help transform people's lifestyles.



●The Environment

We will manufacture safe and reliable products while striving to reduce energy use and cut waste and helping to create a sustainable society.

- We will engage in corporate activities mindful of influence on climate change and forests.
- We recognize that reducing food waste is an urgent task for ensuring the effective use of the world's limited resources.



●Human Rights

We will carry out business activities that consider human rights, respect diversity, and create an environment in which all people can perform to their full potential.

- We recognize that people are a particularly important management resource for helping to form a sustainable society. We will work alongside those outside the company to promote diversity and address various human rights issues, with the goal of realizing “For Ever Brighter Smiles” for everyone.



●Supply Chains

We procure raw materials and manufacture products with an emphasis on safety and reliability, and consistently provide high-quality products.

- We will continue to research new formulations, while working with our research institutes and plants to get maximum benefits from new dairy ingredients in preparation for a future likely to have a shortage of dairy ingredients.
- Safety is the most important focus in all initiatives by the Group. We will continue to implement existing safety-related activities.



●Nurturing the Next Generation

We support the healthy growth of children as future contributors to the creation of a sustainable society.

- We are helping to secure a brighter future for children through our support for healthy mental and physical development, career education, and child raising.



●Human Resource Development

We will focus on developing human resources who can realize the slogan “For Ever Brighter Smiles.”

- Developing a broad range of human resources, from new hires to senior management, is critical to sustainable growth as a company. We will establish systems and programs that harness individual aptitude for skills development and promote professional growth.



●Corporate Governance

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

- We will engage stakeholders appropriately through dialogue and the proactive disclosure of information.
- Along with sharing messages from management, we will work to build up internal controls, including establishing rules, fostering the right mindset in employees, and ensuring fair transactions with suppliers.



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Formulating the Priority Issues

Seven Requirements “For Ever Brighter Smiles”

In April 2017, Morinaga Milk announced its new corporate philosophy along with a new corporate slogan.

As the next step in its evolution, in 2018 Morinaga Milk formulated priority issues.

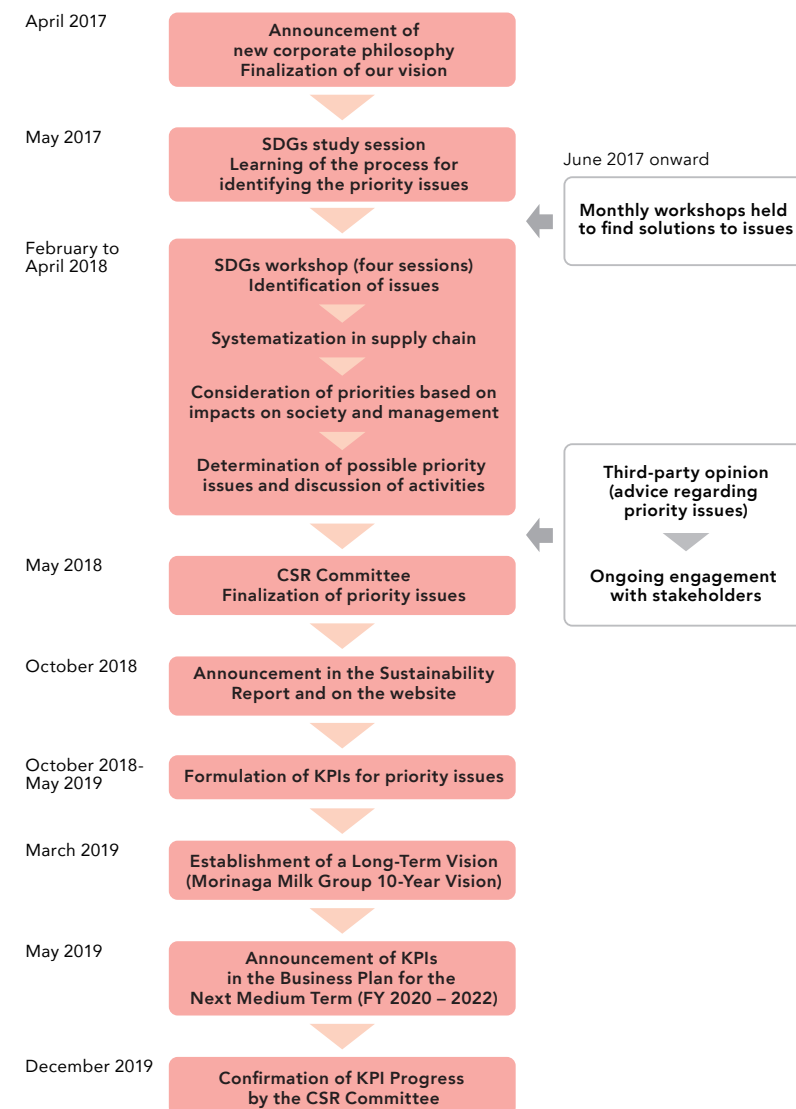
These priority issues represent areas of particular focus to achieve an enriched society filled with bright smiles, one of the major underlying goals.

To formulate priority issues, Morinaga Milk held workshops on a total of four occasions. Each session was attended by around 30 employees from various departments who worked together to identify issues. As a result of discussions, seven major issues were identified. These seven priority issues were then approved by the CSR Committee.

Contributing to a Sustainable Society

During this process, Morinaga Milk referenced its own Guiding Principles along with the GRI Guidelines, ISO 26000, and the SDG Compass advocated by the United Nations. Through efforts to address the priority issues, Morinaga Milk will be able to contribute to a sustainable society as a good corporate citizen.

Workflows and Progress for Formulating Priority Issues



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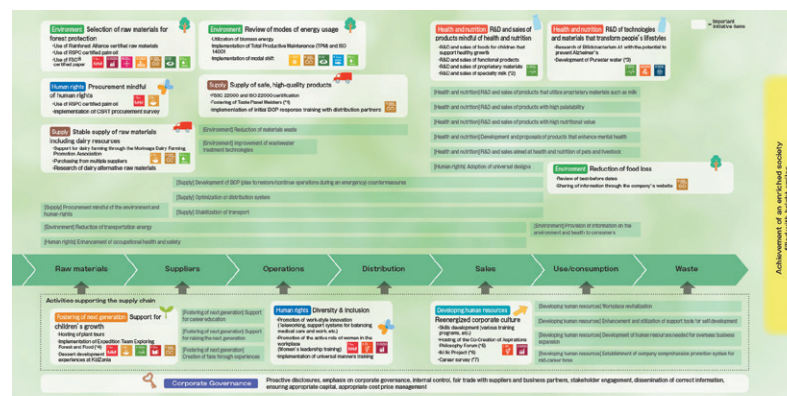
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Identifying Issues in the Supply Chain

Morinaga Milk engages in a wide range of activities spanning from raw materials procurement to manufacturing, sales, and waste disposal. When formulating the seven priority issues, the company determined specific efforts to be made to resolve issues across the entire supply chain, and among these, areas of particular importance were identified.

All departments and divisions are now working to address their individual issues.

Priority Issues in the Supply Chain and Specific Actions



WEB

→ For details, see the CSR section of our corporate website.
▶ <https://www.morinagamilk.co.jp/english/csr/materiality/>

UN Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) consist of 17 goals and 169 targets for sustainable development established by the United Nations. Adopted in 2015, the goal is to achieve the SDGs by the year 2030. With the basic concept “Leave no one behind,” the SDGs require efforts not only by governments and NGOs, but also by the private sector, in order to solve the world’s problems, including economic disparities, sustainable consumption and production, and climate change. Morinaga Milk is committed to doing its part to help achieve the SDGs.

SUSTAINABLE DEVELOPMENT GOALS



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Establishment of KPI

Morinaga Milk embarked on a new three-year Business Plan for the Next Medium Term beginning in FY 2019. This plan incorporated the idea of ESG-oriented management aimed at fulfilling our corporate slogans into the new basic policy. Following this basic policy, Morinaga Milk has presented its approaches to the seven priority issues and established KPI* for each of these initiatives.

* KPI (Key Performance Indicator)
refers to a numerical indicator for objectively assessing and managing the progress and achievement of an activity.

Health and Nutrition

Basic Approach

We offer health and nutrition by developing and selling products that combine functionality and good taste "For Ever Brighter Smiles."

Direction of activities	KPIs
Contribute to extending healthy longevity	Bring products incorporating nutritious and functional ingredients onto the market (1) Share information on nutritious and functional ingredients that help to maintain health
Contribute to the healthy growth of babies and infants	Provide Bifidobacterium breve M-16V; continue to provide in over 120 facilities in Japan and overseas (2)

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

- (1) Launch of food with functional claims *Triple Yogurt*, expansion of the *Milk Life* series of nutritional milk powder products for adults (creating new healthy lifestyles)
Research and marketing for bifidobacteria, lactoferrin, and other ingredients
- (2) Bifidobacterium breve M-16V is supplied to over 140 facilities in Japan and overseas, including newborn intensive care units (NICUs)

The Environment

Basic Approach

Manufacturing safe and reliable products while striving to conserve energy and cut waste and helping to create a sustainable society.



Direction of activities	KPIs
Expand environmental activities, which had been centered on manufacturing divisions, to all consolidated companies and all divisions	Offices with ISO 14001 certification: ensure that all offices of consolidated companies have earned this certification by 2030 (1) Understand Scope 1 and Scope 2 emissions for the entire Group by FY 2021
Reduce environmental impacts from manufacturing processes	Reduce CO₂ emissions intensity: Reduce 8% compared to FY 2013 by FY 2021 Reduce 20% compared to FY 2013 by FY 2030 Reduce 80% compared to FY 2013 by FY 2050 Reduce of food waste generation intensity: Reduce 30% compared to FY 2013 by FY 2021 Reduce industrial waste emissions intensity: Reduce 33% compared to FY 2013 by FY 2021 Reduce landfill waste: Reduce annual emissions to less than 300t by FY 2021 Eliminate completely by FY 2030 Reduce amount of water used: Reduce annual water use by 9% compared to FY 2013 by FY 2021
Reduce environmental impacts in the overall supply chain	Calculate 6 of 15 categories of Scope 3 emissions by FY 2021
Promote use of environment-friendly containers and packages	Weight of plastic packaging covered by the Containers and Packaging Recycling Law: down 10% compared to FY 2013 (2)

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

- (1) Number of certified sites: 30
One site certified in FY 2019: the Metropolitan Regional Office became the first sales site to receive certification
- (2) 15.9% reduction since FY 2013

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Human Rights

Basic Approach

Carry out business activities that consider human rights, respect diversity, and create an environment in which all people can perform to their full potential.



Direction of activities	KPIs
Identify human rights issues and devise countermeasures in dialogue with stakeholders	Hold dialogue with stakeholders
Identify cases of human rights infringement at suppliers	Understand current situation through CSR procurement questionnaires
Identify ingredients and suppliers that affect Company management	Create a list of important suppliers (1)
Respond to the Group's foreign employees (including those working for cooperating companies)	Set up a working environment for the Group's foreign employees (2)
Promote diversity and inclusion	[Target for FY 2027] Number of persons teleworking/satellite work systems, rate of taking paid leave, rate of hiring female employees, number of female managers, rate of taking paternity leave, rate of male employees taking childcare leave, and number of employees quitting for family care

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

- (1) Created a list of key suppliers and completed a questionnaire survey to ascertain their current status
- (2) Completed a survey of the number of foreign employees
Added specific items for foreign employees to the checklist for operational audits

Supply Chains

Basic Approach

We procure raw materials and manufacture products with an emphasis on safety and reliability, and consistently provide high-quality products.



Direction of activities	KPIs
Efficient supplier management corresponding to material risk	Strengthen mechanism for evaluating supplier management level depending on each material's risk (1)
Create a system for providing safe and high-quality products	Acquire FSSC 22000 certification at all of the Group's 29 plants by FY 2020 (2)* * The number of applicable plants has changed to 23 due to reasons such as manufacturing stoppages.
Respond to supply chain risks for main raw materials	Purchase main raw materials from multiple companies and geographically diverse purchasing Expand use of RSPO-certified palm oil

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

- (1) Classification and evaluation of raw materials
Class-based supplier audits conducted at 23 factories in FY 2019
- (2) Number of factories certified: 10 (Japan)
Certification achieved at four plants in FY 2019 (Japan)

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Nurturing the Next Generation

Basic Approach

We support the healthy growth of children who will contribute to creating a sustainable society.



Direction of activities	KPIs
Provide a place to learn about food culture and nutrition in order to acquire the basic skills to live healthy and enjoyable lifestyles (food education classes, KidZania)	Total participants over three-year period starting in 2019: 300,000 (1)
Provide a place to learn about the gifts of nature and the techniques and research that utilize them (plant tours, Expedition of Woods and Food, career education)	Same as above
Establish an environment for nurturing the next generation	Provide ongoing consultation on infants with the Angel 110 Hotline; handle calls from a total of 1 million people by FY 2020 (2)

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

- (1) Approximately 100,000 visitors, including KidZania visits, factory tours, and company visits
Number of participants in company visits in FY 2019: approximately 600 (approximately twice the number for the previous year)
- (2) Advice provided to over 980,000 callers
In 2020, we will mark the 45th anniversary of the establishment of this service.
We will continue to enhance our public information activities

Human Resource Development

Basic Approach

We will focus on developing human resources who can achieve "For Ever Brighter Smiles."



Direction of activities	KPIs
Promote the Corporate Slogan	Hold annual forum open to all employees
Encourage the independent growth of each individual employee by pursuing diversity	Provide ongoing training for female leaders, training to encourage balance between work and childcare, and pre-management training; Human Resource Department will carry out interviews of young employees (1)
Develop human resources who can perform in a global business environment	Pursue a program for global human resources development (2)
Develop human resources via health management	Improve uptake rate of follow-up exams and re-assessments for those who test results are of serious concern: 80% (2023) Rate of attending mental health education: 100% (2023)

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

- (1) Total of 96 participants
20 participants in FY 2019
- (2) Scheduled training implemented as planned
Carried out interviews with employees within their first three years with the Group

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Corporate Governance

Basic Approach

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

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.

Solving Future Issues

Morinaga Milk formulated the priority issues in FY 2018 and established the KPIs for each priority issue in FY 2019. In FY 2019, progress report meetings were organized for each priority issue in order to achieve the KPIs, with KPI Promotion Leaders largely managing the process.

Morinaga Milk will also continue appropriate discussion and review of the KPIs based on global trends and dialogue with stakeholders.

Morinaga Milk recognizes climate change, plastic in the oceans, and respect for human rights in the supply chain (implementation of human rights due diligence). These topics have a high level of global interest, and Morinaga Milk will continue to confirm them.

Going forward, Morinaga Milk will respect The Circle of Empathy with society and continue to solve social issues through dialogue with our stakeholders.