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# Supply Chains

## Basic Approach

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

In each stage of the supply chain through product development, raw material procurement, production, distribution and sale, the Morinaga Milk Group always considers how best to deliver high-quality products that are safe and reliable to consumers. The basis for this approach is the Quality Policy of the Morinaga Milk Group.

The Quality Policy sets out the Morinaga Milk Group approach to quality throughout the supply chain, not only at production sites.

Moreover, in procuring raw materials, the Morinaga Milk Group implements procurement focused on consideration for the environment and human rights across the supply chain based on the approach in the Procurement Policy of the Morinaga Milk Group.

## Morinaga Milk Group Quality Policy

As a food company that produces and sells milk, dairy products, ice cream, beverages and other foodstuffs, the Morinaga Milk Group aims to contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology. We listen carefully to customer opinions, work tirelessly to ensure food safety and quality, and deliver safe, high-quality products and services.

### Quality Policy

1. We thoroughly control quality management in every process of product development, raw material procurement, production, distribution, and sales to ensure food safety and quality of our products.

In doing so, we take all of the following steps.

- 1) In the planning and R&D phases, we design a product with a close focus on food safety and high quality.
- 2) In the phases of selecting equipment, technology, and raw materials, we consider potential risks and examine the impacts on food safety and quality.
- 3) We clarify the person responsible for quality control in every business section and take measures to ensure the food safety and quality of our products.



2. We contribute to society through our activities based on compliance with laws, regulations and standards.
3. We provide accurate, easy-to-understand information from the customers' viewpoint.
4. Each of us individually strives to refine our knowledge and skills and maintain and improve quality levels.

September 2017

Michio Miyahara

President and Representative Director  
Morinaga Milk Industry Co., Ltd.

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## Morinaga Milk Group Procurement Policy

To deliver high-quality, delicious, safe, and reliable products to the customers, the Morinaga Milk Group procures materials in compliance with the laws and social standards while also considering human rights, environment, and other social responsibilities in cooperation with its business partners. We also engage in fair, just, and transparent relationship with all our business partners.

### Procurement Policy

1. We comply with laws and social norms and strive for fair transactions focused on considerations for human rights, the environment, biodiversity, occupational health and safety, etc.
2. To improve the quality and value of the products the Morinaga Milk Group offers to the customers, we place emphasis on cooperative relationships with our business partners in the areas of raw material quality, safety, technological capability, price, and delivery date.
3. In conducting procurement activities, we provide fair, equitable and transparent opportunities to all of our business partners and implement transactions accordingly.  
 "Procurement" in this policy covers not only the procurement of raw materials and packaging materials used for products, but also various transactions involved in the procurement of management resources such as facilities and equipment, and the various services to maintain and manage the same.

### <To Our Business Partners>

1. We hope that our business partners understand the concepts of the Morinaga Milk Group Procurement Policy and support it as members of the supply chain.
2. Considering the importance of social responsibility, compliance, and corporate ethics, we hope our business partners also consider 1) compliance with laws and social standards, 2) environment, and 3) human rights and occupational health and safety.
3. We would like our business partners to promise the following in raw material procurement to improve the quality and value of Morinaga Milk Group's products.
  - 1) To comply with relevant laws and ensure that the raw materials comply with the Morinaga Milk Group Quality Policy.
  - 2) To continue improving technical capabilities and offer proposals based on them to enable our new products to meet the needs of the customers.
  - 3) To offer competitive prices and engage in continued rationalization.

- 4) To build a stable and flexible supply system for raw materials to ensure that products can be delivered to the customers continuously and in timely manner.
- 5) To cooperate with each other in business continuity during unexpected disasters through exchanging and sharing information about the supply chain as well as engaging in risk management activities in time of peace.

September 2017

Michio Miyahara

President and Representative Director  
Morinaga Milk Industry Co., Ltd.

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**System**

Morinaga Milk CSR Committee meetings, which are chaired by the president, are held twice a year for monitoring and reporting on the progress of KPIs. In addition, Morinaga Milk implements PDCA cycles, with the general managers of the relevant divisions responsible for "Priority Issue: Supply Chains" and the general managers of the relevant departments responsible for promoting KPIs.

Based on the Quality Policy, Morinaga Milk has stipulated Quality Rules\* for each stage of the supply chain: product development, raw material procurement, production, distribution, and sales. In order to systematically control quality based on these Quality Rules, Morinaga Milk has established a quality assurance system to ensure the quality and reliability of all the products by implementing this system.

\*The Quality Rules not only comply with laws and regulations and voluntary industry standards, etc., but also set internal standards that exceed industry levels.

**Quality Assurance System of the Morinaga Milk Group**



**KPIs**

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)

**Quality Initiatives with Suppliers**

**Raising Quality Levels Together with Suppliers**

Morinaga Milk conducts business with many suppliers, both for the procurement of various raw materials such as milk, containers, and packaging, and for the handling of the logistics of raw materials and goods. In order to deliver high-quality, safe, reliable, delicious, and worthwhile products to consumers, Morinaga Milk ensures that business partners know the Morinaga Milk Group Procurement Policy (indicated above) with a view to securing their understanding and cooperation, and to ensuring a mutual exchange of information that strengthens collaboration.

This exchange includes quality assurance certificates for raw materials suppliers, information about the raw materials used (ingredient ratios, source materials, country of origin, allergens, genetic modifications, the presence or absence of food additives, etc.), the safety of container and packaging materials, safety in use, compliance with legal standards (e.g., compliance with residual agricultural chemicals standards), the status of quality control in the supplier's manufacturing processes, etc.

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### Quality Improvement Seminar

Morinaga Milk holds a Quality Improvement Seminar with suppliers of raw materials once a year. This provides an opportunity for mutual communication while sharing information on understanding the quality assurance system and initiatives for maintaining and upgrading the quality of raw materials and their containers and packaging and for improving the hygiene environment.

#### Number of Companies Participating in Quality Improvement Seminar

	2015	2016	2017	2018	2019
No. of participating companies	28	23	24	20	24

### Quality Audits at Suppliers' Plants

Positive communication with suppliers is important for a supply of high-quality raw materials. As a method of communication, the Morinaga Milk Group carries out document reviews and conducts quality audits at supplier plants.

Business partners understand the Morinaga Milk Group Quality Policy and cooperate to carry out quality audits for food safety and quality issues from a variety of perspectives, such as managing for foreign substances, allergens, etc. When an issue arises, the Group works with mutual understanding to reach a solution in order to ensure a continued supply of reliable, safe high-quality raw materials.

For raw material imports from Europe, Oceania, or other locations, the Group visits local plants overseas as needed and conducts audits the same way as in Japan. Although it is sometimes difficult to require overseas business partners to maintain the same quality control levels as in Japan, by carefully explaining the Morinaga Milk Group's Quality Policy to overseas business partners and gaining their understanding, the Group has built both a domestic and international procurement system for high-quality raw materials.

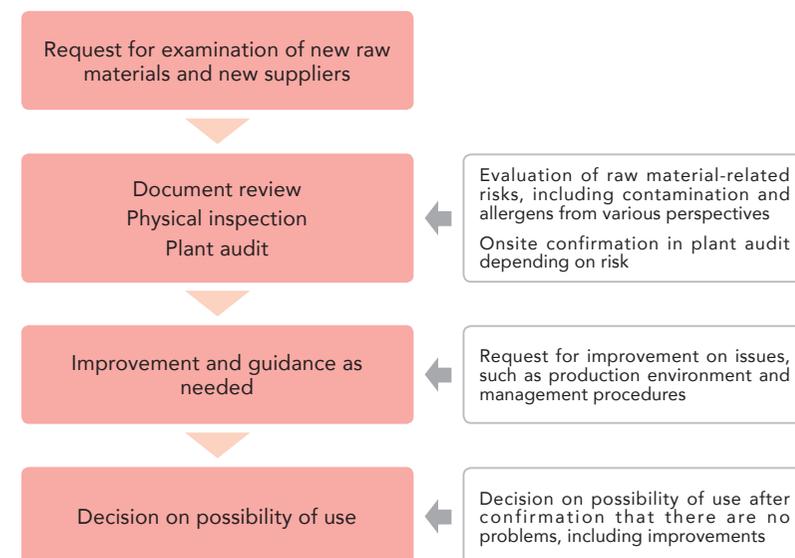
In FY 2019, the Group conducted audits of its business partners, mainly in Europe, to improve the supply system.

There were no significant risk incidents in FY 2019.

### Audits Conducted

	2016	2017	2018	2019
Morinaga Milk plants (no.)	9	28	31	28
Contractors (no.)	44	53	40	34
Suppliers (no.)	56	47	31	23
Total (no.)	109	128	102	85

### Basic Flow for Use of New Raw Materials



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## Aiming to Improve Distribution Quality

The Morinaga Milk Group holds distribution quality seminars for partner companies to which it outsources transportation for product distribution and warehouse cargo handling. The aim of these seminars is to improve distribution quality levels by presenting reports on distribution quality activities and examples of initiatives at partner companies, sharing information, and engaging in vigorous discussion, as well as strengthen the collaboration required to achieve this aim.

In 2019, 49 logistics partner companies, all Morinaga Milk Group production plants, the Manufacturing Department (Head Office) and centers took part, sharing issues and presenting examples of initiatives related to maintaining product quality, precision of operations, and safety. Morinaga Milk has established targets for maintaining distribution quality, precision of operations, and safety. Progress is confirmed through such means as holding regular monthly meetings of distribution departments between business sites and regular meetings with partner companies as part of cooperation with them to achieve corporate targets.

Continuing efforts are made to improve distribution quality by holding meetings with logistics partner companies and creating opportunities for them to learn about the product characteristics of the liquid foods and nursing care foods of CLINICO Co., Ltd. and the points to note in product transportation.

In addition, efforts are being made to further improve the quality of distribution through creating manuals for transport and delivery crews entering and exiting logistics centers, preparing action plan sheets to give concrete shape to the PDCA for annual warehouse checks, and strengthening the systems for improving product warehousing issues, with collaboration between Head Office and each business site.

## Ensuring a Stable Supply of Quality Domestic Raw Milk

### Visits by Nationwide Dairy Farm Services Office Staff to Dairy Farmers in Their Area

The Dairy Farm Services Department at the Manufacturing Division sends representatives from Morinaga Milk's six Dairy Farm Services Offices nationwide to visit dairy farmers in their area regularly to ensure a supply of quality domestic raw milk.

By providing information on technology for improving milk quality, raw milk demand and supply, and other areas, the staff works to increase the motivation of dairy farmers to produce milk.

The staff also listens to dairy farmers about the problems and struggles of expanding production directly, striving together to think of improvements to solve problems.

In addition, in order to enhance these activities promoting production in dairy farming, the Dairy Sustainability Group was established within the Dairy Farm Services Department at the Manufacturing Division in January 2019 to extend the support system.

Going forward, Morinaga Milk will continue to work toward sustainable dairy farms in partnership with dairy farmers.



### Initiatives with Dairy Farmers to Increase Milk Production Volume

Dairy cows take at least two years to start producing milk. This has been a burden on dairy farm management and is one factor in sluggish domestic raw milk production. Therefore, at the farm of Morinaga Dairy Service Co., Ltd., a Morinaga Milk Group company, a dairy breeding cattle contracting business was established. The motto of this business is "Raising healthy and strong cattle." The business contracts out cattle breeding to enable dairy farmers to focus on raw milk production.

The business takes breeding cattle that will become dairy cattle from dairy farmers, impregnates them and then returns them to the dairy farmers. In addition, Morinaga Milk utilizes advanced technology for the production and transplantation of fertilized eggs and is actively working to transferring fertilized eggs from wagyu Japanese beef cows into dairy cows in order to increase the incomes of dairy farmers.

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### Plant Tours for Dairy Farmers

Morinaga Milk holds tours at Morinaga Milk Group plants for dairy farmers. The feedback from dairy farmers who have attended these tours shows that actually being able to see the raw milk they have produced being turned into products has led to increased motivation to produce raw milk and improved awareness about ensuring the quality and safety of raw milk. Going forward, Morinaga Milk will continue to hold these tours as a means of communication. Virtual tour tools are now available for plants that do not offer tours.

### Initiatives of the Morinaga Association for the Promotion of Dairy Public Interest Incorporated Foundation

The Morinaga Association for the Promotion of Dairy Foundation was established as an incorporated foundation in 1968 in commemoration of the 50th anniversary of Morinaga Milk's founding. The association has supported dairy farmers in various ways over the past 50 years. In December 2011 it became a public interest incorporated foundation and the name changed to the Morinaga Association for the Promotion of Dairy Public Interest Incorporated Foundation. Association activities include Dairy Farming Management Presentation Meetings to introduce unique and leading-edge domestic management approaches. Activities also include barn meetings, where progressive dairy farmers in local regions can exchange information at their farms as well as gain knowledge from both Japan and overseas. Morinaga also provides training for up-and-coming dairy farmers of the next generation, both in Japan and abroad, to contribute to the sustainable development of dairy farming.



## Initiatives Aimed at Stable Supply of Dairy Ingredients

Morinaga Milk also procures dairy ingredients from Oceania, the U.S., and Europe among other places. However, as there is a risk of impact from climate change and international conditions, Morinaga Milk aims to secure as many purchasing channels as possible to create a system for ensuring the consistent purchase of dairy ingredients with stable quality at an appropriate price.

In addition, Morinaga Milk research centers and plants are collaborating on research so that new dairy ingredients can be used in preparation for any future shortages of milk raw materials.

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## Procurement Focused on Consideration for the Environment and Human Rights

The Morinaga Milk Group has formulated the Procurement Policy and is implementing procurement focused on consideration for the environment and human rights. Based on this policy, efforts are being made to procure raw materials with a focus on giving consideration to the environment and human rights. This includes raw materials with RSPO certification, Rainforest Alliance certification, and FSC® certification.

Morinaga Milk joined RSPO\*1 in March 2018. As large-scale deforestation is carried out when producing palm oil, it has been pointed out that deforestation impacts the natural environment through the loss of biodiversity and the erosion of human rights in terms of the labor on farms. Morinaga Milk has been promoting the purchase of Book and Claim\*2 palm oil since 2018, and has purchased 100 % of the needed palm oil this way in FY 2019. Going forward, we will work toward switching to Mass Balance\*3 supply with FY 2028 as the target for achievement.



(left) Mt. RAINIER Deep Espresso, which uses Rainforest Alliance-certified coffee beans  
(Right) MOW, which uses an FSC®-certified paper sleeve

With regards to beverages, such as coffee and tea, Morinaga Milk currently uses Rainforest Alliance-certified\*4 raw materials for some products, including Mt. RAINIER Deep Espresso.

In addition, with regards to paper, Morinaga Milk uses FSC®-certified\*5 paper for the paper sleeves for MOW and for the packing boxes used with Pino and PARM. The goal for ice cream products is to transition to FSC®-certified paper for paper materials that are replaceable by 2020.

The use of raw materials with a focus on giving consideration to the environment and human rights also affects product prices, quality, and transportation efficiency. Therefore, information is shared across departments and efforts are made to collaborate and cooperate with business partners and suppliers.

Morinaga Milk conducts regular surveys, including the CSR Procurement Questionnaires, of the working environment for sites that produce and process raw materials. The questions cover 47 items, including human rights, corporate governance, labor, environment, fair corporate activities, quality/safety,

information security, supply chains and coexistence with the local community. Suppliers are requested to give detailed and accurate answers.

\*1: RSPO

The Roundtable on Sustainable Palm Oil certifies palm oil produced on farms that meet certain standards to prevent palm oil production having a profoundly negative impact on the preservation of tropical forests, the biodiversity within them, and the lives of the people who depend on the forests.

\*2: Book and Claim

Book and Claim is a model for issuing certification credits (certificates) based on the volume of certified palm oil produced by palm oil producers. It provides a mechanism by which end users support the producers of certified palm oil through the purchase of certification credits.

\*3 Mass Balance

A certification model in which certified palm oil from certified palm oil plantations is mixed with other non-certified palm oil during the distribution process. Although it contains non-certified palm oil, certified plantations and their purchased volumes are guaranteed.

\*4: Rainforest Alliance certification

Rainforest Alliance certification is a certification by the Rainforest Alliance, an NPO. The certification is only granted to plantations that meet strict standards in such areas as protecting forests and ecosystems, preserving soil and water resources, improving the labor environment, and providing livelihood security, thereby protecting the global environment and ensuring sustainable living.

\*5: FSC® certification

FSC® certification is an international certification program for protecting forests. Products and packaging only receive this certification after being examined by a group of third-party certification bodies based on FSC® (Forest Stewardship Council®) criteria to confirm that the forest resources used have been produced appropriately from the perspective of environmental preservation and under socially meaningful and economically sustainable forest management, or use materials that lead to appropriate use of forest resources.



### Field Visit to an Aloe Plantation and Processing Plant

Morinaga Milk Industry Co., Ltd. uses aloe in products such as Morinaga Aloe Yogurt. We import aloe from Thailand, and we conducted onsite inspections of three aloe farms and aloe processing plants at two companies in FY 2019.



▶ Please see the "Human Rights" section (p. 42) for details.

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**Signed the Vancouver Declaration on SDGs and FSC® Certification**

On October 11, 2017, the FSC® Annual General Meeting held in Vancouver, Canada, unveiled a declaration calling for expanded support of SDGs and the FSC®. As a company that endorses this objective, Morinaga Milk signed the declaration along with 56 Japanese and overseas companies.

Morinaga Milk is contributing to the use of sustainable forest resources through gradual expansion, starting with familiar products such as *MOW* ice cream and *Piknik* beverages.

**Participation in the Japan Sustainable Palm Oil Network (JaSPON)**

In April 2019, Morinaga Milk participated in the Japan Sustainable Palm Oil Network (JaSPON) as a founding member and served as director in order to accelerate the procurement and consumption of sustainable palm oil in the Japanese market with the aim of solving a range of problems in palm oil production related to the environment and development.

Morinaga Milk is collaborating with the members toward the realization of sustainable palm oil procurement and consumption in the JaSPON network of 65 companies and groups\*, which includes retailers and consumer goods manufacturers.

\*as of May 31, 2020.



**Internal Quality Initiatives at Morinaga Milk**

The Morinaga Milk Group operates a quality management system that emphasizes hazard analysis and verification based on FSSC 22000\*, which is an international certification scheme for food safety management systems, with some quality management elements added to the scheme.

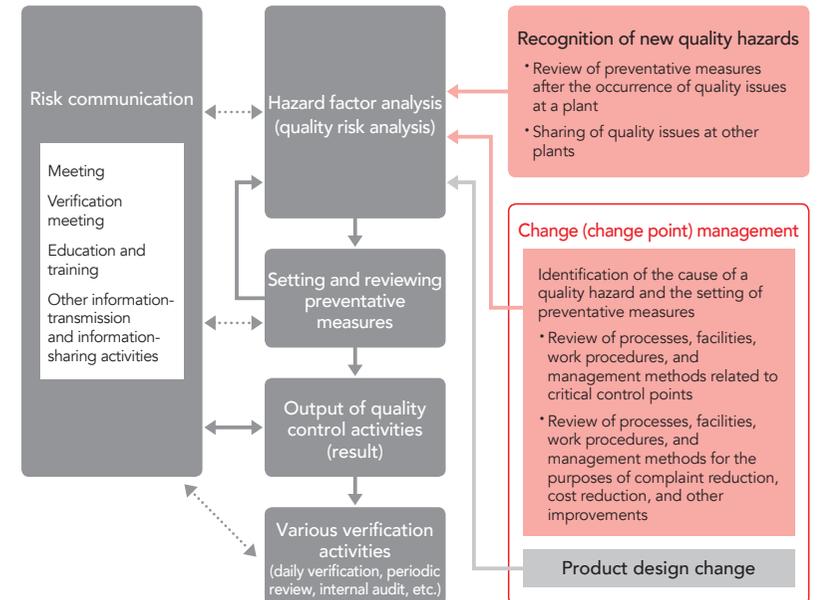
MACCP is a management method for ensuring a product has the intended qualities. The aim is to provide products that customers can use reliably and to carry out stable manufacturing.

A major feature of MACCP is achieving a high-quality assurance by preventing the occurrence or re-occurrence of trouble before it happens. Through the use of both MACCP and internal audits, the Group aims to further enhance its quality control.

\*FSSC 22000

An acronym for Food Safety System Certification 22000. A food safety scheme approved by the Global Food Safety Initiative (GFSI). Based on ISO 22000, FSSC 22000 aims for the implementation of more reliable product safety management to supply safe food to consumers.

**Conceptual Diagram of Morinaga Milk Quality Management System Operations**



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## Initiatives on FSSC 22000

In order to deliver even higher safety and reliability, the Morinaga Milk Group aims to obtain FSSC 22000 company-wide.

The entire Morinaga Milk Group is working toward FSSC 22000. Ten plants in Japan had obtained certification by FY 2019. Plans call for certification of 23 other plants by FY 2020.

Food safety is only possible when all the parties involved, including the company, its business partners, and customers, are making efforts rather than the efforts of just one party. Maintenance of the safety and quality of products will be achieved through effective use of FSSC 22000 and positive communication among the parties involved.

Morinaga Milk is also putting efforts into in-house education so that employees understand FSSC 22000 correctly and continue to produce safe and reliable products. In FY 2018, two FSSC 22000 internal auditor training courses were organized by the head office.

In order to continue providing customers with safe and reliable products, each and every employee will refine their knowledge and skills with the aim of maintaining and improving quality levels.

## Taste/Flavor Panel Meisters System

In quality control, the human tongue can often be more sensitive than numbers obtained with scientific testing. Therefore, Morinaga Milk identifies employees with particularly advanced taste sensitivity and certifies them as "Taste/Flavor Panel Meisters\*." Such employees can detect even slight flavor abnormalities by taste before products are shipped.

\*Taste/Flavor Panel Meisters

Each year, Morinaga Milk holds a taste sensitivity challenge for all employees. The employees who do well are certified as "Taste/Flavor Panel Meisters." Any employee certified as a Meister for three years running earns the title of "Grand Meister." As of September 2019, there are 71 employees certified as Meisters.

## Raw Material Checks (Three Inspections (Triple-Check) after Prior Lot Inspections)

Good products can only be produced from high-quality and safe raw materials. Therefore, the Morinaga Milk Group has established a system of "prior lot inspections" from the raw material procurement stage to support the quality and safety of all products. Before raw materials are delivered to plants, lots of specified materials are sampled and inspected by the Quality Control Department according to their risk.

A total of three inspections (triple-check) are conducted after raw materials that passed the prior lot inspection are delivered to the plants, from the point of raw material acceptance to just before use for production.

## Maintaining an Environment that Protects Quality

The Morinaga Milk Group has put efforts into occupational health and safety as a means of maintaining an environment that protects quality.

The Morinaga Milk Group regards occupational health and safety as one of the most important foundations of its corporate activities. The Basic Policy on Health and Safety was established not just for employees, but also for all persons at business sites. In line with this basic policy, the Group promotes health and safety education along with the identification and hazard sources (hazard locations) to reduce and eliminate them. The goal is zero work-related accidents.


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▶ Please see the "Human Rights" section (p. 42) for details.

## Mechanisms for Training People to Continue Protecting Quality

The Morinaga Milk College was established in 2002 to provide quality education for employees based on the belief that "people (employees) create quality." Morinaga Milk College is an internal educational institution in the Manufacturing Department tasked with "transferring technology and skills" and "maintaining and improving quality technology," and it offers a variety of employee education.


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▶ Please see the "Human Resource Development" section (p. 74) for details.

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## Responding to Customers

Morinaga Milk released its Declaration of Conformity with ISO 10002 (Complaints Handling Management System) in 2007.

In accordance with ISO 10002, the Basic Policy on Customer Satisfaction and the Guiding Principles was established. Morinaga Milk actively strives to continually improve customer service.

To further promote consumer-focused management, Morinaga Milk issued the Voluntary Declaration on Consumer Orientation in 2017 and the Voluntary Declaration on Consumer Orientation Follow-up in 2019.

### Basic Policy on Customer Satisfaction

We value communication with customers in response to their comments, including complaints, requests, and inquiries, and strive to deliver “reliability” and “happiness.” We think and act with the customer as our starting point, and aim to be a company that is trusted more.

#### Guiding Principles

1. We take the views of customers seriously and strive to respond equitably and fairly acting with integrity and speed.
2. We share the valuable opinions of customers internally to utilize these opinions for making products and services.
3. We strive to actively provide customers with appropriate and easy-to-understand information.
4. We respect the rights of customers and comply with relevant laws, regulations and norms for employee conduct.

## Voluntary Declaration on Consumer Orientation

### 1. Philosophy

(1) Corporate slogan

“For Ever Brighter Smiles”

(2) Corporate philosophy

Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.

(3) Guiding principles

1) Do we share our passion with our customers?

2) Do we feel and express gratitude to all stakeholders?

3) Do we have confidence in our quality?

4) Do we always pursue safety and reliability?

5) Do we continue to challenge ourselves?

6) Do we contribute to building “Team Morinaga”?

7) Do we engage in and enjoy what we do?

8) Do we exchange our visions and progress toward them?

### 2. Initiative Policy

(1) Management commitment

We publish and share the following messages from management on our website and in the Integrated Report.

1) We will continue to supply products and services with meaningful value that provides customer satisfaction and empathy.

2) We will establish the Basic Policy on Customer Satisfaction and the Guiding Principles in accordance with ISO 10002 and continue striving actively to improve customer service.

3) We will continue to provide products with recognized value that match customer needs.

(2) Ensuring corporate governance

1) We will create mechanisms to collect the content of customer inquiries every day and report them to management.

2) We will establish opportunities for management to confirm and discuss customer service status and issues.

(3) Positive action by employees (fostering corporate culture and employee awareness)

1) We will provide training to ensure that all employees think and act with the customer as the starting point and continue to work on activities with an even stronger customer starting point.

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- 2) We will encourage the acquisition of specialist qualifications related to consumer affairs, such as consumer advisor.
- (4) Seamless collaboration of relevant internal departments
  - 1) We will build a system for the acquisition of customer opinions and promptly share them companywide.
  - 2) We will analyze customer opinions and share them more deeply internally through opportunities such as liaison meetings.
  - 3) We will build mechanisms for promptly contacting the management team and relevant departments when product accidents occur or signs that predict such occurrence are found. We will also create internal emergency troubleshooting standards and follow them when solving problems.
- (5) Enhancing provision of information to consumers and bilateral exchange of information
  - 1) We will post information related to safety, reliability and the environment on our website to assist choices and use by customers.
  - 2) We will provide customers with product information through various means including easy-to-understand labeling on packaging and on our website so that our products can be used in a safe and reliable manner.
- (6) Improvement and development based on consumer and social demands
  - 1) We will regularly update the case studies on our website about utilization of customer opinions and requests in the improvement of products and services.
  - 2) Specifically, we will innovate to make product container materials, shape, and labeling easy to open, easy to carry, and easy to see.
  - 3) We will develop products to meet the increasing need for health and nutrition for infants through to the elderly.
  - 4) We will strive to develop and improve containers and packaging with a focus on consideration for the 3Rs (reduce, reuse, recycle), safety, and ease of use from the product planning and development stage.

April 1, 2017

Michio Miyahara

President and Representative Director  
Morinaga Milk Industry Co., Ltd.

## Halal and Kosher Certifications

Morinaga Milk's bifidobacteria has obtained Halal and Kosher certification. Halal foods conform to Islamic dietary laws, while Kosher foods conform to Jewish dietary laws. Such certification is an important deciding factor for people of these faiths; it is assurance that the product complies with their religion's dietary laws. To comply with these strict requirements, we continue to pay close attention to and coordinate our production processes. In order to maintain certification, employees from various departments within the company are selected to serve on a committee, which meets four times a year, to ensure production remains Halal. We also pay attention to the handling of the special logo for Kosher foods.

Food is life. Morinaga Milk will continue to deliver products to people around the world that are in keeping with their needs and beliefs to ensure peace of mind.



Halal certification



Voluntary Declaration on Consumer Orientation  
▶ [https://www.morinagamilk.co.jp/information\\_morinaga/170116.html](https://www.morinagamilk.co.jp/information_morinaga/170116.html) (Japanese only)

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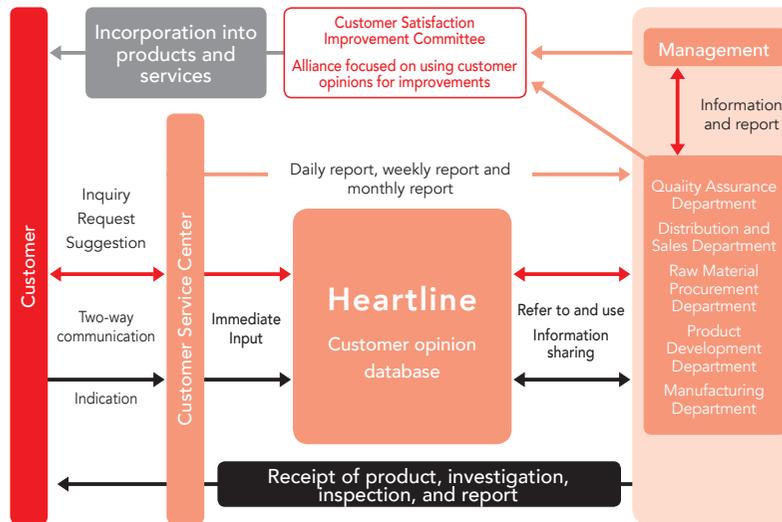
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### System to Take Advantage of Customer Opinions



\*Heartline is our original system for accumulating feedback from customers and translating it into enhancements in customer service and improvements in products and services.

#### Customer Service Center

Since establishing the Customer Service Center in 1972, Morinaga Milk has received inquiries, consultations, and comments about products from all over Japan. In FY 2019, Morinaga Milk received approximately 63,000 comments by toll-free phone, postal mail, and email.

When a reply to the customer is required, the Center collaborates promptly with the relevant department and strives to provide a timely and genuine response.

#### Mechanisms to Report Comments to Management and Relevant In-House Departments

Customer complaints and comments are also compiled into a daily report that is shared with management and the heads of the relevant departments, including the president. In addition, we have developed a mechanism for prompt collaboration with management and the relevant departments in the event that a product accident occurs or the detection of signs that foreshadow such an occurrence.

#### Mechanism to Use Customer Opinions

Morinaga Milk considers customer opinions to be a valuable management resource. The opinions are input into Heartline (customer opinions database), to build a mechanism for each employee to refer to and use in developing and improving products and services.

At "Alliance focused on using customer opinions for improvements," we review comments with the relevant departments as necessary to reflect customer comments in products and services. The Customer Satisfaction Improvement Committee held three times a year proposes and discusses customer comments and examples of improvements utilizing customer comments with management.

In FY 2019, we made it easier to understand how to open "KRAFT 100% Parmesan Cheese" based on customer comments.

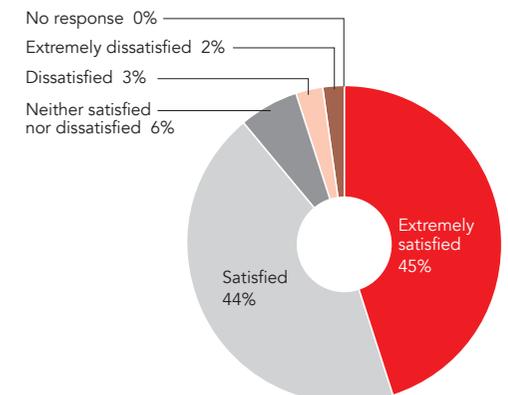


#### Customer Satisfaction Questionnaire Survey

In 1995, Morinaga Milk began conducting questionnaire surveys on the satisfaction levels and opinions of customers who accessed the Customer Service Center. These surveys provide the collected opinions from customers regarding their interactions with the persons they contact through the telephone service and deal with later in the consultation process (including visits). Customers also explain their future intentions to purchase Morinaga Milk products. These responses provide vital feedback for our process to improve the quality of our services and products.

In 2019, 89% of customers responded that they were "extremely satisfied or satisfied" in terms of overall satisfaction with our service.

#### Overall Satisfaction with Service



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### Mechanism for Improving Customer Satisfaction (Customer Satisfaction Training/Heartline Training)

Morinaga Milk provides “Customer Satisfaction Training” and “Heartline Training” to enhance a customer-oriented approach among employees.

Customer Satisfaction Training is conducted by instructors at branches and plants, while “Heartline Training,” in which employees listen to live interactions with customers at a Customer Service Office, aims to share the voices of customers and the systems that make use of those voices with employees so that they can develop a customer-oriented approach in their daily operations.



Heartline Training

#### Results of Customer Satisfaction Training

	2015	2016	2017	2018	2019
No. of times held	25	24	32	30	21
No. of participants	735	981	1,367	1,378	1,052

#### Heartline Training Results

	2015	2016	2017	2018	2019
No. of times held	64	62	76	73	38
No. of participants	95	107	143	81	87

\*Both training systems have been suspended since March 2019 as a measure against COVID-19.

### Voluntary Standards for Promotional Campaigns

Morinaga Milk has established Voluntary Standards for Promotional Campaigns, which include using language that is easy for customers to understand and writing style precautions for when running promotional campaigns for customers.

For example, for customer campaigns involving reply postcards, online responses, notices printed on product packaging and so forth, promotion planners ensure that their plans comply with a checklist of over 50 items.

## Establishment of Emergency Supply Chain Systems

### Business Continuity Plan (BCP)

The Morinaga Milk Group has established a BCP in order to promptly determine the products society needs and to restore and maintain stable supply in the event of a crisis, such as a large-scale disaster. The aim of the BCP is that, as a member of the food industry, which involves a strong element of social and public interest, the Morinaga Milk Group will not allow a serious interruption of business or will restore business as quickly as possible even when there is an interruption to the supply of products that are essential to people’s lives, even in an emergency.

In order to increase the effectiveness of such measures, the Morinaga Milk Group will review and improve the BCP, including the establishment and practice of a safety confirmation system for disasters, the maintenance of emergency supplies for disasters, and the strengthening of back-up systems for the Group’s information system.

For emergencies, including disasters, we launch an initial response in line with the Emergency Troubleshooting Standards and transition to the BCP response when the impact is severe.

#### Basic Policy of the Morinaga Milk Group’s BCP

**Protect human life:** Priority is given to the protection of the lives of Morinaga Milk Group employees and their families as well as business partners, the neighboring community, related parties, and customers.

**Making a difference in society:** The Morinaga Milk Group will make a difference in society, including the affected areas, by working to provide food aid and supply.

**Business continuity:** The Morinaga Milk Group will create the necessary systems taking the utmost consideration of the safety of employees and strive for the stable supply of the Group’s products in accordance with the needs of customers, business partners, and the affected areas.

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## Constant Readiness

The Morinaga Milk Group has prepared disaster action plans for earthquakes, fires, typhoons, and floods. In the event of a disaster, the Group will evacuate in accordance with appropriate instructions and guidance and ensure proper execution through regular disaster prevention training.

Disaster prevention training is held once a year. In addition to evacuation guidance, fire extinguisher operation, and transportation of the injured, AED training is provided at business sites, with guidance obtained from local fire stations to improve proficiency.

As well as using the disaster action plan, the Morinaga Milk Group stipulates all manufacturing sites (plants) will carry out prompt collection of information and recovery based on the Emergency Countermeasures Operating Manual. All employees work to maintain and enhance response capability through execution of the guidance of disaster prevention organizations and practical training with fire extinguishing equipment in addition to annual disaster prevention training. Collaboration with local fire stations is undertaken to form in-house fire brigades, which participate in regional rallies to improve their techniques. Furthermore, implementing earthquake resistance measures for buildings is underway.

We have also contracted SECOM CO., LTD. to provide employees with safety confirmation training. In FY 2019, we confirmed safety in disasters such as Typhoon No. 19 (Typhoon Hagibis).



Disaster prevention training at Head Office



Disaster prevention training at the Tone Plant

## Disaster Relief Systems

Morinaga Milk has supplied infant and toddler milk and long-life products as emergency food for areas affected by disasters in collaboration with relevant government ministries/agencies and industry groups.

After the 2011 Great East Japan Earthquake, for example, Morinaga Milk supplied 8,000 cans of infant and toddler milk through the Japan Dairy Association. In collaboration with stakeholders, Morinaga Milk will continue to provide such disaster assistance.