

Approach to Disclosure of
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

CSR of Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● **Human Resource
Development**

> Basic Approach

> System

KPIs

System for Developing Human
Resources to Support Business

Implementing Health Management

● Corporate Governance

Third Party Assurance

GRI Content Index

Human Resource Development

Basic Approach

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

Morinaga Milk was founded over a century ago. Throughout its history, Morinaga Milk has fostered a positive corporate culture centering on a commitment to quality. Over the next 100 years, Morinaga Milk will continue to build a corporate culture in which employees can take up new challenges together with enthusiasm and energy, while also valuing the achievements of the past.

To instill a corporate culture of embracing challenges, it is essential for each and every employee to enhance their own skills. Toward this end, the company needs self-motivated employees who can define their own goals and take action to achieve outcomes.

As a company that aims for sustainable growth, it is crucial for each and every employee to be willing to better themselves, while the company needs to recognize its responsibility of developing human resources who can carry the torch of the company's future. As such, the culture of developing human resources will be instilled at various workplaces using continuous training. This is Morinaga Milk's vision for human resource development.

Approach to Human Resource Development

- Develop human resources who can recognize their roles and responsibilities while embracing the challenges of reform and innovation based on the corporate slogan and guiding principles.
- Strategically develop human resources who will bear core responsibilities in the future.
- Develop human resources who will contribute to the organization by respecting diversity and working collaboratively with others.
- Employees are to take the initiative and play an independent role in their own self growth while the company provides opportunities to foster such growth.
- Improve the leadership and training skills of senior employees who are responsible for developing human resources.

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: Human Resource Development” and the general managers of the relevant departments responsible for promoting KPIs. Moreover, the Human Resource Department acts as the main department in charge of human resource development, while working collaboratively with the Manufacturing Division and Sales & Marketing Division.

At Morinaga Milk, human resource development is implemented centering around the model of on-the-job training (OJT) where employees acquire specialized knowledge and skills through practical work and improve their abilities to execute job functions while gaining experiences. Through this, employees grow their experience and receive feedback from their superiors and senior colleagues thereby refining their skills and techniques.

Moreover, it is also important to learn outside of practical work in order to achieve growth. Therefore, Morinaga Milk provides a number of learning opportunities from off-the-job (Off-JT) programs including rank-based training and diversity support programs, to correspondence education, e-learning, and business schools under self-development support programs for employees who are taking the initiative to improve themselves.

Through the combination of the three programs: OJT, off-the-job (Off-JT) programs, and self-development support programs, it is the aim to develop a corporate culture that inspires individuals to seek self-improvement and embrace reform and innovation.

The specific initiatives under off-the-job (Off-JT) programs and self-development support programs are revised each year as the annual human resource development plan, with each development program being proposed and implemented.

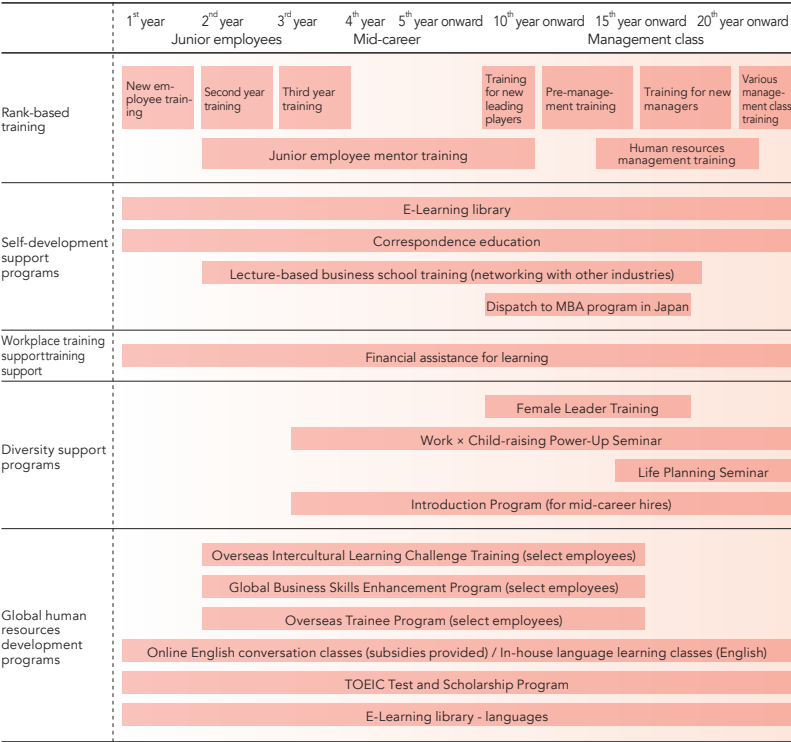
Moreover, each department is in charge of their own training to enhance specialization among their staff. For example, the Manufacturing Division is taking the lead in hosting Morinaga Milk College with the goal of passing down manufacturing technologies, while the Sales & Marketing Division is taking charge of Morinaga Sales University in conducting training to improve sales skills.



[Contents]

| |
|---|
| Approach to Disclosure of Information on Sustainability |
| Editorial Policy |
| About Us |
| Corporate Mission |
| CSR of Morinaga Milk |
| Seven Priority Issues |
| ● Health and Nutrition |
| ● The Environment |
| ● Human Rights |
| ● Supply Chains |
| ● Nurturing the Next Generation |
| ● Human Resource Development |
| Basic Approach |
| > System |
| > KPIs |
| System for Developing Human Resources to Support Business |
| Implementing Health Management |
| ● Corporate Governance |
| Third Party Assurance |
| GRI Content Index |

Human Resource Development System



KPIs

| 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

[Contents]

Approach to Disclosure of
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

CSR of Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● **Human Resource
Development**

Basic Approach

System

KPIs

> **System for Developing Human
Resources to Support Business**

Implementing Health Management

● Corporate Governance

Third Party Assurance

GRI Content Index

System for Developing Human Resources to Support Business

Disseminate the Corporate Slogan

In 2017, Morinaga Milk celebrated its centennial and established a new corporate slogan structure and slogan for the Morinaga Milk Group for the next 100 years.

In order to institute these ideas as fundamentals guiding all of our actions, it is important for employees to understand and integrate the corporate slogan into their daily duties. Therefore, various programs to promote the corporate slogan are being implemented.

Energy Survey

The Energy Survey is designed to understand the main factors that influence willingness to work and organizational culture revitalization. This can contribute to developing more effective improvement activities and human resources policies to address issues revealed in order to achieve a corporate culture where employees work with enthusiasm and energy.

The survey is conducted once a year targeting everyone involved with Morinaga Milk, including full-time employees, seconded workers, temporary workers, and employees of affiliated companies. The survey results of the entire company as well as by division are shared via feedback with the directors in charge, as well as head of each business site and organization. The results serve as important data for understanding the condition of the organization, and they are shared among these directors and managers, after which action plans for improving the workplace are discussed.

Score of Feeling "Energized" (Question: Am I able to work with enthusiasm and energy?)

| | 2016 | 2017 | 2018 | 2019 |
|------------------------------|------|------|------|------|
| Score of feeling "energized" | 4.81 | 4.91 | 4.85 | 4.70 |

*Scores of 6.0 and above indicate desirable status; scores of 4.0 and below indicate improvement needed.

Morinaga Milk Awards

Morinaga Milk Group continues to challenge itself.

The Group expanded its in-house award system in FY 2018 by establishing the Morinaga Milk Awards, which are linked to some of our Guiding Principles, such as taking on challenges and working with vibrancy. Consisting of several awards, the Morinaga Milk Awards are given not only for achievements but also for actions and processes. The grand prize is decided through employee voting and serves as a device for company-wide sharing of experiences, wisdom and other benefits gained through various efforts. By giving praise from the entire Group to individuals, teams, organizations who have implemented the corporate philosophy, the Morinaga Milk Awards help promote self-determined action to further realize that philosophy.

Co-Creation of Aspirations Forums

The Co-Creation of Aspirations forum is held once a year in order to foster a sense of unison through understanding the corporate philosophy and guiding principles. In turn, this promotes the Morinaga Milk Group's management as a whole following one philosophy.

Each year, the forum is held under a different theme. In FY 2016, it was conducted as a workshop to establish the corporate philosophy itself, under the theme of "Creating a New Corporate Philosophy and Guiding Principles." In FY 2017, the theme was "Practical Application of Guiding Principles in Business Duties to Realize the Philosophy," while in FY 2018, the theme was "Discussion on Challenges and Improvement Activities by Organization in Promoting Corporate Philosophy and Guiding Principles." In FY 2019, the theme was "Deeper Exploration of the Important Issues Assessed in the Previous Fiscal Year and Drafting Practical Measures to Deal with Them." Each year, over 100 employees attend the forum.

Feedback from those in attendance received included, "I was able to see the effect on team building by practicing the guiding principles. I felt a sense of mutual respect with a deepened understanding for one another. This made me want to try it at my own workplace," as well as "Prior to my attendance, I had wanted to make the workplace better but felt it was difficult to achieve on my own, but after this forum I figured it may be possible to make changes if I could gather more people who think alike."

[Contents]

| |
|--|
| Approach to Disclosure of Information on Sustainability |
| Editorial Policy |
| About Us |
| Corporate Mission |
| CSR of Morinaga Milk |
| Seven Priority Issues |
| ● Health and Nutrition |
| ● The Environment |
| ● Human Rights |
| ● Supply Chains |
| ● Nurturing the Next Generation |
| ● Human Resource Development |
| Basic Approach |
| System |
| KPIs |
| > System for Developing Human Resources to Support Business |
| Implementing Health Management |
| ● Corporate Governance |
| Third Party Assurance |
| GRI Content Index |

Manager Workshops and Workplace Seminars

Morinaga Milk holds manager workshops and workplace seminars in order to develop human resources who can lead team members while fulfilling the vision for workplaces under the corporate philosophy and to empower each workplace to solve problems independently. At manager workshops, every year more than 50 managers participate, discussing matters about the development of team members. At workplace seminars, managers and members together discuss how to implement the corporate slogan in the workplace.

Participant comments included, “I was able to broaden my horizon by thinking about the issues faced by other workplaces, which served as a hint in finding solutions to issues at my own workplace” and “Participants ranged from newer managers to highly experienced ones. This served as an opportunity to experience other viewpoints and approaches.”

Independent Growth of Each Individual Employee

Human Resource Management System

Morinaga Milk considers its people to be an important asset and is now developing a workplace environment where each and every person can fully contribute their competencies.

In 2007, Morinaga Milk launched a new human resources management system targeting all employees. The goal of this system is to increase employee motivation and enhance their skills by elevating employees’ independence, their understanding of personnel evaluations, and the fairness of these evaluations.

Specifically, Morinaga Milk introduced a target management system, where during the course of regular communication supervisors and team members establish targets and difficulty level, evaluate progress actions and skills, and provide feedback as needed.

Diversity Support Programs

As part of pursuing diversity, Morinaga Milk offers a variety of training programs and seminars to support employees’ diverse workstyles.

The Female Leader Training is held once annually. It involves female employees building their own unique management style during the course of their career unbound to the status quo while planning for various life events.

The Work × Child-raising Power-Up Seminar is held once annually. It involves learning a highly motivating unique workstyle tailored to one’s job so that employees can produce meaningful results in both quantity and quality despite a limited amount of time. Close to 80 employees have taken part since 2016.

Number of Participants in Female Leader Training

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------|------|------|------|------|------|
| No. of participants | 17 | 18 | 29 | 24 | 23 |

Morinaga Milk College

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. The college offers a “Follow up course,” a “Hop up course,” and a “Level up course” aimed at the acquisition of basic knowledge of safety measures and milk technologies for engineering-related employees from their first to their third year at Morinaga Milk.

Later on, the college provides the selective “Step-up course (product category specific training),” the “Jump-up course (training for workplace leaders),” and “Meister training (improving technical and skill levels)” to aid the training of young engineers.

In terms of practical training courses, the college offers various kinds of specialist training for core technologies.

“Measurement management practical training,” for example, teaches the technical basics of accurately measuring the volume of raw materials and products, while the “Microorganism expert course” is aimed at improving techniques and skills for microbial testing. Such courses help to cultivate various specialists who will play an important role in maintaining and enhancing quality.

[Contents]

Approach to Disclosure of
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

CSR of Morinaga Milk

Seven Priority Issues

- Health and Nutrition
- The Environment
- Human Rights
- Supply Chains
- Nurturing the Next Generation

- **Human Resource Development**

Basic Approach
System
KPIs

- > **System for Developing Human Resources to Support Business**

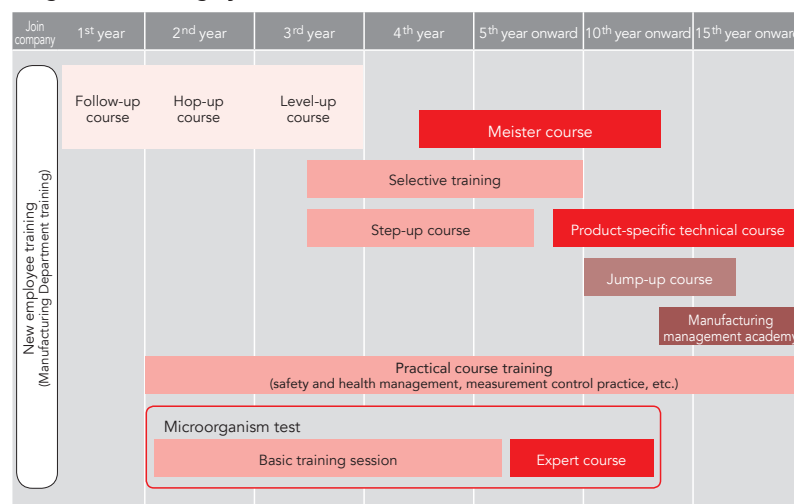
Implementing Health Management

- Corporate Governance

Third Party Assurance

GRI Content Index

Diagram of Training System



Number of Trainees

| Name and objective of training | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------|------------|------------|------------|------------|
| Follow-up course Acquisition of basic technologies and skills (established in 2018) | - | - | - | 165 | 151 |
| Hop-up course Acquisition of basic technologies and skills and strengthening work execution capabilities (includes 3rd year employees up until 2017) | 48 | 53 | 111 | 103 | 155 |
| Level-up course Acquisition of basic technologies and skills and strengthening work execution capabilities (established in 2018) | - | - | - | 93 | 96 |
| Step-up course Developing human resources able to establish conditions for preventing product-category specific issues (made a selective training course from 2018) | 98 | 98 | 111 | 56 | 27 |
| Jump-up course Encouraging awareness of expected roles to develop workplace leaders | 30 | 33 | 33 | 32 | 16 |
| Total | 176 | 184 | 255 | 449 | 445 |

Annual training hours and cost per employee (Morinaga Milk only)

Global Human Resource Development

Morinaga Milk is focusing on developing and growing its overseas business over the next 10 years as a key to its sustainable growth. Toward this end, in addition to committing management resources, Morinaga Milk is developing human resources not only proficient in English, but also with the ability to build personal relationships with people of differing backgrounds and values, convey one's needs accurately, and build consensus with others during the course of business.

Global Business Skills Enhancement Program

As a skill to complement a global mindset focused on intercultural understanding, the program commenced in 2017 with the aim of empowering employees so that they can convey what they want to say in English both logically and assertively, in order to enhance their global business skills* needed for business communication in English. This four- to five-month program involves select employees carrying out business simulations at the start and end of the program to measure skills in assertiveness, negotiations, and presentations, assigning a score and receiving feedback. During the course of the program, participants enhance their skills through group lessons in addition to input training for learning the techniques behind global business success.

*Morinaga Milk's definition of global business skills

The ability to build personal relationships with people of differing backgrounds and values, convey one's needs accurately, and build consensus with others during the course of business.

Number of Program Participants

| | 2017 | 2018 | 2019 |
|---------------------|------|------|------|
| No. of participants | 8 | 8 | 8 |

[Contents]

Approach to Disclosure of
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

CSR of Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● **Human Resource
Development**

Basic Approach

System

KPIs

> **System for Developing Human
Resources to Support Business**

> **Implementing Health Management**

● Corporate Governance

Third Party Assurance

GRI Content Index

Topics

Comments from a Participant in the Global Business Skills Enhancement Program (Yuhi Miyagi, Leader, Wellness Foods Section, Sales and Marketing Department, International Division)

I participated in the Global Business Skills Enhancement Program held from January to June 2019. Prior to taking the program, I believed that communications skills for overseas business were proportional to one's English abilities, measurable by TOIEC and the like. However, this program made me realize that, in order to convey what I want to say when doing overseas business, it is important to have the courage to speak out after thinking through what I want to say in my head then logically conveying my thoughts and not just using the correct English demanded by English ability tests. Moreover, I realized that this applies to Japanese as well as English, so I now feel that is essential to improve one's basic communication skills regardless of the language being used. This program provided many hints as to what points to keep in mind as I continue to study English.

Overseas Trainee Program

This program provides junior employees with experience living and working overseas to prepare them for future overseas assignments. Through such experiences at an early stage in their career, these employees are better prepared and equipped to contribute their competencies during a shorter duration stay when posted overseas as an expatriate employee in the future. The program lasts less than two years, during which time participants learn how to involve those around them in producing business success.

Implementing Health Management

In order to realize the corporate philosophy "Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology," Morinaga Milk issued the "Morinaga Milk Health Declaration" with an added commitment to employees' health.

Based on this declaration, Morinaga Milk is implementing the Morinaga Milk Health Management Program, which involves the promotion of health and awareness activities to further improve employees' health including prevention, treatment and relapse prevention from the standpoint of both physical and mental healthcare.

Moreover, the Basic Policy on Health and Safety that ensures a safe work environment for all job duties to be carried out safely, which forms the basis of health, has been developed, published and promoted.

Morinaga Milk Health Declaration

The Morinaga Milk Group's corporate philosophy is "Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology." This philosophy is made possible only through the daily efforts of every employee, who must be in good health in order to contribute to the health of others.

Morinaga Milk declares that, as a company that aims to contribute to the public's health, we consider the health of our employees an important asset and therefore affirm our intention to actively enhance health promotion efforts to maintain and advance the health of our employees.

Specifically, we have implemented the Morinaga Milk Health Management Program which takes on initiatives of disease prevention, treatment and relapse prevention in terms of both physical and mental healthcare.

Program participants are the entire body of employees including executives. Each person should take charge of their own health management, as it is fundamentally one's own responsibility to ensure their own health. The company is actively providing its support in this regard.

[Contents]

Approach to Disclosure of
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

CSR of Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● **Human Resource
Development**

Basic Approach

System

KPIs

System for Developing Human
Resources to Support Business

> **Implementing Health Management**

● Corporate Governance

Third Party Assurance

GRI Content Index

Health is a priceless treasure that cannot be replaced.

Staying healthy allows us to enrich our lives and perform work with enthusiasm and energy.

We ask our employees to take advantage of the resources available at the company while taking it upon themselves to maintain and improve their own health. I hope that everyone will make a proactive effort to stay healthy and therefore work with enthusiasm and energy.

August 1, 2017

Michio Miyahara

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

Morinaga Milk Group Basic Policy on Health and Safety

The Morinaga Milk Group recognizes that health and safety are the foundation of the company and its management. We also recognized that ensuring safety in cooperation with the employees is the most important responsibility of the management and engages in activities to ensure safe and comfortable workplace for the employees.

Basic Policy

1. All employees work on safety and health activities and act to realize "safety first" practices and "zero accidents" at the workplace.
2. We promote the creation of a corporate culture and environment where "everyone always follows prescribed rules," and comply with the Industrial Safety and Health Act, related laws, and internal regulations.
3. We promote the creation of a work environment that is both physically and mentally comfortable and cooperate with industrial physicians to conduct periodic health examinations and health guidance to improve our employees' health.
4. We, especially our manufacturing department, work on the following safety and health activities:
 - (1) Implementation of measures to eliminate and reduce potential hazards and harmful effects through risk assessment

- (2) Preparation of work standards for regular and irregular works, dissemination of those standards to employees, and compliance with the rules
- (3) Prevention of the recurrence of occupational accidents through information-sharing and the promotion of activities to prevent similar disasters
In particular, the implementation of measures based on past disaster lessons to completely prevent the recurrence of accidents such as "pinched and rolled," "falling," and "burn injury" types
- (4) Implementation of safety and health audits (formal audit and internal audit) for the continuous improvement of health and safety levels
- (5) Implementation of safety and health education and training to improve safety knowledge and safety awareness
- (6) Promotion of the "Keep safe!" activities by all employees

August 1, 2017

Michio Miyahara

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

Physical Care

The Morinaga Milk health insurance association subsidizes medical expenses for complete health exams for employees aged 30 or older.

As a cancer prevention measure, Morinaga Milk also directly provides subsidies for cancer checkups for employees aged 50 or older or for gynecological health exams. A free mail-based screening for female employees in their twenties is also done to improve the uptake rate for cervical cancer screening.

For health checkup results, linking data from the health insurance association and health checkup results with Morinaga Milk industrial health units (industrial physicians, public health nurses, nurses) and persons in charge of health management at each business site results allows enhanced management of high-risk persons, advocating for follow-up exams, and providing specified health guidance.

We have also begun efforts to encourage improvement of lifestyle habits through the use of Morinaga Milk supplement products for those who receive specified health guidance.

With regards to smoking, indoor spaces are, in principle, non-smoking, and the company subsidizes some of the cost of smoking cessation treatments.

[Contents]

 Approach to Disclosure of
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

CSR of Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● **Human Resource
Development**

Basic Approach

System

KPIs

System for Developing Human
Resources to Support Business> **Implementing Health Management**

● Corporate Governance

 Third Party Assurance

GRI Content Index

Mental Healthcare

Mental health training is conducted by external EAP* institutions and psychiatric industrial physicians at each business site. E-learning for management-level employees is also conducted.

Following stress checks, we carry out an organizational diagnosis for all business sites with individual follow-ups conducted by counselors as necessary. The company has also established a free mental care hotline that maintains employee confidentiality and is easy to use anytime an employee needs it.

*EAP

Employee Assistance Program for mental healthcare.

Policy to Support System to Balance Ongoing Medical Treatment and Work

In order to help employees reconcile work with their medical treatment, Morinaga Milk has implemented the time-difference work system, short-time work system (working hours reduced by a maximum of 2 hours), and reduced working days system (4 days a week), so that employees requiring long-term medical treatment will feel confident to remain in their jobs.

Also, the following programs have been implemented in support of employees returning to work from leave.

- In collaboration with an external organization, provide support for stability when an employee returns to work following a period away for mental care reasons
- Establish a standardized system of “Return Support Program” which includes reduced ease-in working hours
- Implement regular interviews with industrial physicians (generally for 6 months) upon return to work