



Sustainability Data Book

2020



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Approach to Disclosure of Information on Sustainability

Basic Approach

In 2019, Morinaga Milk Group created its 10-Year Vision, outlining a plan for the next decade in our aim to be a company that balances “delicious and pleasurable food” with “health and nutrition,” “a global company that exerts a unique presence worldwide,” and be “a company that persistently helps make social sustainability a reality.”

Based on this idea, we have established seven priority issues and set KPIs for each under our policy of “Performing Business with an ESG-focus Aligned with Our Corporate Philosophy,” one of three core policies outlined in the Morinaga Milk Medium-Term Business Plan (ending March 31, 2022).

Morinaga Milk Group has promoted business activities to make sustainable society a reality, from the belief that “fulfillment of CSR is the very essence of our business activities.” Morinaga Milk believes that communication with its stakeholders—customers, suppliers, local communities, shareholders, investors, and employees—is critical as a guide to what kind of value Morinaga Milk can provide to society with an awareness of the changes going on in the world around us.

Morinaga Milk discloses financial and non-financial information through the Integrated Report, the Sustainability Data Book, and the company website as methods of communication. Based on the disclosure of information, Morinaga Milk engages in continuous dialogue and evaluation with stakeholders to utilize such communication in business activities.

Forms of Disclosure

Integrated Report

Starting in FY 2019, Morinaga Milk publishes the Integrated Report for shareholders and investors.

The Integrated Report is an introduction to Morinaga Milk’s way of thinking and its initiatives for improving corporate value and realizing sustainable growth.



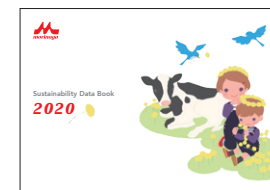
WEB

<https://www.morinagamilk.co.jp/english/ir/library/annual.php>

Sustainability Data Book (this data book)

Since FY 2018, Morinaga Milk has made the content of the Sustainability Report and Data Book in line with GRI Standards for research organizations.

The report mainly discloses information on environmental, social, and governance initiatives and Key Performance Indicators (KPIs).



Website

Morinaga Milk publishes financial information on our Investor Relations (IR) pages and non-financial information (environment, society, governance) on our CSR pages. Morinaga Milk takes advantage of the distinctive features of the internet to update the pages with latest information as needed, and strives to provide information that is necessary and satisfying for stakeholders.



WEB

<https://www.morinagamilk.co.jp/english/>

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Guidelines Referenced

Morinaga Milk implements integrated information disclosure, including sustainability initiatives, referencing the following guidelines.

- International Integrated Reporting Framework
- Guidance for Collaborative Value Creation
- SASB Standards
- GRI Standards
- United Nations Global Compact COP (Communication on Progress) Policy
- ISO 26000

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Editorial Policy

Morinaga Milk commenced publication of the Environment Report in 2000 and the CSR Report in 2008. These reports have been published as the Sustainability Report since 2017 to make sustainable society a reality.

In 2019, Morinaga Milk switched to online-only release of report data and decided to disclose the requisite information from a global perspective, referencing GRI Standards. In 2020, the name of the report was changed to the Sustainability Data Book.

Scope of Reporting

The scope of reporting includes the entire Morinaga Milk Group composed of Morinaga Milk Industry Co., Ltd. and 32 consolidated subsidiaries in Japan and overseas.

“Morinaga Milk Group” refers mainly to the Morinaga Milk Group in Japan, while “Morinaga Milk” refers specifically to Morinaga Milk Industry Co., Ltd. alone.

Reporting Period

The report focuses on activities during FY 2019 (April 1, 2019 to March 31, 2020) as well as describing some background information about past activities implemented up to the time of publication, the outlook for the future, and plans, etc. In principle, graphs and tables use figures aggregated by fiscal year (April 1 – March 31).

Guidelines Referenced

This report has been prepared referencing GRI Standards. Please see the “GRI Content Index” section (p. 83) for details.

Date of Publication

October 2020

Date of next scheduled publication: September 2021. Published once a year.

Responsible Department and Contact Details

CSR Promotion Department
Corporate Communication Division
Morinaga Milk Industry Co., Ltd.
33-1 Shiba 5-Chome, Minato-ku, Tokyo, 108-8384
Japan
Tel: +81-(0)3-3798-0129
Fax: +81-(0)3-5442-3691

Third Party Assurance

Third party assurance has been received for FY 2019 energy consumption and CO₂ emissions.

Please see the “Third Party Assurance” section (p. 82) for details.

Disclaimer

The Sustainability Data Book not only includes past and current facts, but also forward-looking statements based on plans, forecasts, and management policies and strategies as of the date of publication. Results and events related to future business activities, including business performance, may differ from forecasts due to changes in conditions. Any modifications, restatements, or significant changes to previously published content will also be noted.

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About Us

Corporate Profile

Corporate name: MORINAGA MILK INDUSTRY CO., LTD.

Head office address: 33-1, Shiba 5-Chome, Minato-ku, Tokyo 108-8384 Japan

Representative: President and Representative Director: Michio Miyahara
Executive Vice President and Representative Director: Teiichiro Okawa

Founded: September 1, 1917

Established: April 13, 1949

Capital stock: 21,761 million yen (as of March 31, 2020)

Number of employees
(non-consolidated): 3,340 (as of March 31, 2020)
(consolidated): 6,303 (as of March 31, 2020)

Business: Production and sale of milk, dairy products, ice cream, beverages, and other foods

URL: <https://www.morinagamilk.co.jp/english/>

Business sites (as of March 31, 2020):
15 plants and chilled products coordination centers
(Saroma Plant, Betsukai Plant, Morioka Plant, Fukushima Plant, Tone Plant, Tokyo Plant, Tokyo Tama Plant, Yamato Plant, Chilled Products Coordination Center – East Japan, Matsumoto Plant, Fuji Plant, Chukyo Plant, Kinki Plant (ended production March 2020), Kobe Plant, Chilled Products Coordination Center – West Japan)
Six regional offices, order control centers and administration service centers
(Tohoku Branch, Metropolitan Regional Office, Administration Service Center, Order Control Center, Central Japan Regional Office, West Japan Regional Office)
One Research/Information Center (in Zama City, Kanagawa)

Domestic Consolidated Subsidiaries

Morinaga Milk Industry Sales Co., Ltd.
Napoli Ice Cream Co., Ltd.
Morinaga Milk Industry Hokkaido Co., Ltd.
MK Cheese Co., Ltd.
Furijiport Co., Ltd.
Morinaga Dairy Service Co., Ltd.
Towa Techno Co., Ltd.
Rizan Corporation*¹
MM Property Funding Corp.
Tokachi Urahoro Morinaga Milk Industry Co., Ltd.
Tohoku Morinaga Milk Industry Co., Ltd.
Yokohama Morinaga Milk Industry Co., Ltd.
Morinaga-Hokuriku Milk Industry Co., Ltd.
Kumamoto Morinaga Milk Industry Co., Ltd.
Clinico Co., Ltd.
Tokyo Dairy Co., Ltd.
Morinaga Milk Industry Kyushu Co., Ltd.
Chez Forêt Co., Ltd.
Morinyu Sunworld Co., Ltd.
Morinaga Engineering Co., Ltd.
Sunfco Ltd.
Hokkaido Hosho Milk Plant Co., Ltd.
Nihon Seinyu
Fuji Morinaga Milk Industry Co., Ltd.
Toyo Fermented Milk Co., Ltd. *²
Hiroshima Morinaga Milk Industry Co., Ltd.
Okinawa Morinaga Milk Industry Co., Ltd.

*1: From April 1, 2020, the company name changed to Morinaga Milk Business Service Co., Ltd.

*2: Dissolved May 31, 2020.

Main Overseas Subsidiaries and Joint Ventures

Morinaga Nutritional Foods, Inc.
MILEI GmbH
Morinaga Milk Industry (Shanghai) Co., Ltd.
Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd.
PT. Kalbe Morinaga Indonesia

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Product Categories

Milk <i>Morinaga Oishii Gyunyu Milk, Makiba no Sora Milk, etc.</i> 	Beverages <i>Chilled cup-type coffee Mt. RAINIER CAFFÈ LATTE, and Lipton chilled tea, etc.</i> 	Yogurt <i>Bifidus Yogurt, Lactoferrin Yogurt, Triple Yogurt, etc.</i> 	Chilled Desserts <i>Morinaga Yaki Pudding, Morinaga Milk Pudding, etc.</i> 	Food Service and Institutional Food Products <i>Cream, cheese, butter, frozen desserts, milk powder, bifidobacteria, lactic acid bacteria, milk protein, etc. for commercial use.</i> 
Ice Cream <i>Pino, MOW, PARM, etc.</i> 	Creap (creaming powder), Condensed Milk, and Other Products <i>Creap, Morinaga Condensed Milk, etc.</i> 	Cheese and Butter <i>KRAFT Slice Cheese, Morinaga Hokkaido Butter, etc.</i> 	Infant Formula and Baby Foods <i>Infant and toddler milk E-Akachan, Morinaga Chil-mil, specialty milk New MA-1, and baby food Vegetable Jelly, etc.</i> 	Products for Overseas Markets <i>We supply a variety of products worldwide.</i> 
Health Food <i>Powdered Milk for adults Milk Life, supplements using bifidobacteria, etc.</i> 	Liquid Foods and Nursing Care Food <i>Liquid foods, easily-swallowed foods, and nutrition supplement foods, etc. (Clinico Co., Ltd.)</i> 	Home Delivery Products <i>Morinaga Caldas Milk, Chokatsu Milk, Morinaga Silken TOFU (Long-life TOFU), etc.</i> 	Hygiene Management Device <i>Equipment for maintaining a high level of hygiene in places that handle food, such as plants and shops.</i> 	

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Brand License Agreement



Kraft

Technical alliance for cheese and cheese-related products in 1970.
KRAFT is the trademark of Kraft Foods.



Lipton

Business alliance in 1984.
Sale of products such as chilled tea beverages.
Lipton is a trademark of Unilever.



Sunkist

Conclusion of trademark licensing agreement in 1971.
Sale of products such as fruit beverages.
Sunkist is the registered trademark of Sunkist Growers, Inc., U.S.A.

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Corporate Mission

Corporate Slogan

| For Ever Brighter Smiles

Concept Contained in the Morinaga Milk Group's Corporate Slogan

The word "smiles" is used to express the desire of the Morinaga Milk Group to provide "health and enjoyment" to its consumers.

Those smiles should flow naturally from within our daily lives through harmony with family and friends.

This is the concept contained in the words "For Ever Brighter Smiles."

Corporate Philosophy

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

Concept Contained in the Morinaga Milk Group's Corporate Philosophy

In order to achieve For Ever Brighter Smiles for consumers, the Morinaga Milk Group uses its capabilities cultivated since its founding to deliver not only standard milk, but also a diverse range of unique products and services.

By doing so, the Morinaga Milk Group can contribute to the physical and social well-being of not only its consumers, but also of the community as a whole.

Guiding Principles

Our Eight Questions

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?

Role of the Morinaga Milk Group's Guiding Principles

The Guiding Principles were created to provide inspiration for each and every member of the Morinaga Milk Group as they work toward realizing the Corporate Slogan and the Corporate Philosophy.

Policies of the Morinaga Milk Group

REPORT

Human Rights Policy (▶ p. 42)/Basic Policy on Health and Safety (▶ p. 44)/
Environmental Policy (▶ p. 29)/Procurement Policy (▶ p. 54)/
Quality Policy (▶ p. 53)

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▶ <https://www.morinagamilk.co.jp/english/about/vision/>

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Policy and Approach

Our Approach to CSR

In 2019, Morinaga Milk Group created its 10-Year Vision, outlining a plan for the next decade in our aim to be a company that balances “delicious and pleasurable food” with “health and nutrition,” “a global company that exerts a unique presence worldwide,” and be “a company that persistently helps make social sustainability a reality.”

Based on this idea, we have established seven priority issues and set KPIs for each under our basic policy of “Performing Business with an ESG-focus Aligned with Our Corporate Philosophy,” one of three core policies outlined in the Morinaga Milk Business Plan for the Next Medium Term (ending March 31, 2022), to solve social issues through our products, services, and activities with the aim of realizing sustainable growth together with society.

The Morinaga Milk Group will contribute to the creation of a society in which people can enjoy happiness and fulfillment by addressing these seven priority issues.

System

CSR Promotion System

Through the CSR Committee chaired by the president, Morinaga Milk is promoting CSR activities throughout the entire Group. In 2016, the CSR Promotion Department was established as a special department with company-wide functions for organizing CSR activities and strengthening cross-departmental activities in each department to establish a system through which the entire company could address management issues related to CSR. The concept of CSR can be spread throughout the entire Group by disseminating and sharing sufficient information inside the Morinaga Milk Group.

The CSR Committee was established to reinforce the functions of the Board of Directors. It identifies topics that should be addressed in order to achieve a sustainable society from an ESG (Environment, Social, and Governance) perspective and deliberates on action, progress, and confirmation.

CSR Committee

With the president as the chairperson, the committee consists of the officers, the relevant department managers, and people appointed by the chairperson. The CSR Promotion Department, meanwhile, takes charge of coordination. The regular committee meeting is held once every six months, in principle.

CSR Promotion Department

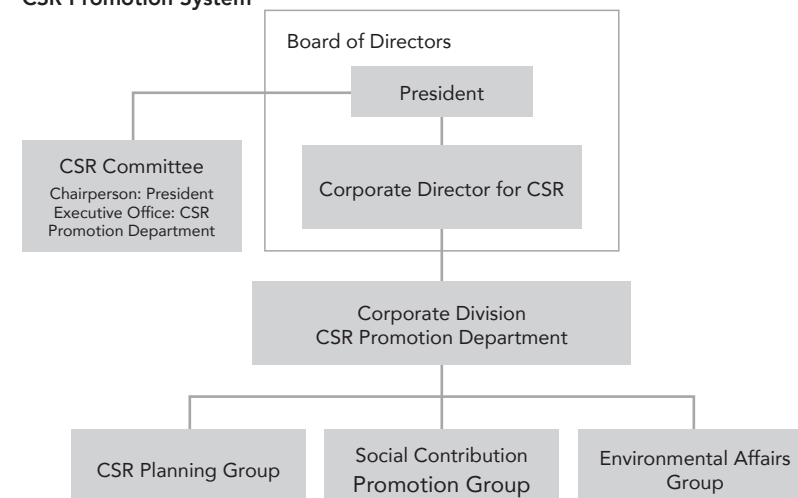
The CSR Promotion Department consists of the CSR Planning Group, the Social Contribution Promotion Group, and the Environmental Affairs Group.

The CSR Planning Group is responsible for dissemination of non-financial ESG-related information, as well as the planning, implementation, and promotion of measures to improve the corporate and organizational culture.

The Social Contribution Promotion Group is responsible for promoting social contribution activities such as plant tours and food education.

The Environmental Affairs Group is responsible for promoting company-wide environmental affairs as well as overseeing the operation and supervision of ISO 14001 Environmental Management Systems.

CSR Promotion System



WEB

Corporate Governance Organization
▶ <https://www.morinagamilk.co.jp/english/ir/management/governance.php>

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Communication with Stakeholders

The Circle of Empathy

The corporate activities of Morinaga Milk are based on expanding empathy with seven groups of stakeholders and identifying the topics which must be addressed in the relationships with each group of stakeholders.



Communication Methods

Morinaga Milk uses the following methods to communicate with each group of stakeholders.

Stakeholders	Communication methods and results
Customers	(1) Consumer Service Office (2) Customer satisfaction questionnaire surveys (3) Angel 110 hotline (4) Social contribution activities (e.g. Expedition Team Exploring Forest and Food)
Shareholders and investors	(1) General Meeting of Shareholders (June 2020) Number of voting rights exercised: 407,085 (2) Briefings for individual investors Number held in FY 2019: 7 Financial results briefing Number held in FY 2019: 2 (3) Dissemination of information through the investor relations website
Business partners and suppliers	(1) CSR procurement questionnaires (2) Quality improvement seminars and distribution seminars (3) Supplier briefings
Academic research	Joint research and presentations at conferences
Employees	(1) Energy Survey (employee satisfaction survey) (2) Career surveys (3) Dialogue through the Co-Creation of Aspirations Forum
Local communities	(1) Plant tours Number of visitors in FY 2019: 25,000 (2) Participation in environmental cleanup activities and other events
Environment	(1) Use of certified raw materials (2) Cooperation and collaboration with environmental industry groups (3) Cleaning around manufacturing plants

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Joining External Initiatives and Groups

Morinaga Milk engages in dialogue and collaboration with diverse stakeholders in order to realize a sustainable society.

On the global level, Morinaga Milk signed the United Nations Global Compact in April 2018 endorsing the 10 Principles related to protecting human rights, eliminating unjust labor, taking action on the environment, and preventing corruption advocated by the United Nations.



In addition, regarding palm oil and palm kernel oil, which are used as raw materials, Morinaga Milk joined the Roundtable on Sustainable Palm Oil (RSPO) in March 2018, based on the Group Procurement Policy. In April 2019, Morinaga Milk also took part in Japan Sustainable Palm Oil Network (JaSPON), serving as an executive committee member. Going forward, Morinaga Milk will continue to purchase sustainable palm oil.



Check our progress at
www.rsponet.org



In Japan, Morinaga Milk served as vice-chair of the Japan Dairy Industry Association and the Committee for Milk Container Environmental Issues in FY 2019 and now serves as an executive committee member of Japan Dairy Association (J Milk) in order to improve the quality of milk and dairy products and production technology and to contribute to the development of the dairy industry.

External Evaluations and Commendations

Morinaga Milk has been highly rated by a variety of external institutions as a corporate entity that implements activities aimed at achieving a sustainable society and has also received commendations from various external organizations for product quality, research activities, and social activities. (The month and year the award was received is indicated in brackets.)

Evaluations and Commendations	Contents
External Ratings	<ul style="list-style-type: none"> • Highest ranking under the Development Bank of Japan's Health Management Rated Loan Program (December 2015) • Certification under the Development Bank of Japan's BCM Rated Loan Program (March 2018) • Highest ranking under the Development Bank of Japan's Environmentally Rated Loan Program (March 2019) • Selected for inclusion in the SNAM Sustainability Index* (June 2018, June 2019) *Name changed to the SOMPO Sustainability Index
Awards (Products)	<ul style="list-style-type: none"> • KRAFT Pure (Muku) – Mature Cheddar Flavor and KRAFT Pure (Muku) – Mature Gouda Flavor have received Three-Star Superior Taste Awards and Two-Star Superior Taste Awards, respectively, from the International Taste Institute (ITI) for three consecutive years (June 2017, 2018, and 2019). • Morinaga Jelly series awarded the 2019 Mothers' Selection Grand Prize (November 2019) • 38th Japan Food Journal Blockbuster Food Award presented to Triple Yogurt (December 2019)
Awards (Research Activities)	<ul style="list-style-type: none"> • As part of its research and development relating to Aloesterol®, Morinaga Milk Industry undertook a research project entitled "Novel Health Functions of Aloe Vera Gel-derived Phytosterols and Their Application in Functional Foods." This project was selected by the Japan Society of Nutrition and Food Science for its Achievement in Technological Research Award (April 2018) • Infant Nutrition Ingredient of the Year at the Nutra Ingredients-Asia Awards in Singapore presented to Morinaga Milk Industry's Bifidobacterium breve M-16V (September 2019) • Morinaga Milk Industry's research into Bifidobacterium longum BB536 selected for a Food Immunology Industry Award from the Japan Association for Food Immunology (October 2019)
Awards (Social Contribution Activities)	<ul style="list-style-type: none"> • Morinaga Milk Industry certified as an Outstanding Health and Productivity Management Organization 2020 (large enterprise category) (March 2020) • Morinaga Milk Industry won the Review Committee Chairperson's Award in the 5th Food Industry Mottainai Awards (awards for reducing wastefulness) presented by the Japan Organics Recycling Association (February 2018) • Morinaga Milk Industry's Little Angels Expedition Team Exploring Forest and Food program selected for Judging Panel Encouragement Award in the Corporate Awards for Youth Experience Activity of Japan's Ministry of Education, Culture, Sports, Science and Technology (April 2018) • The Morinaga Milk Industry Annual Report has been recognized at the International ARC Awards for four consecutive years (October 2016, 2017, 2018, and 2019)

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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.

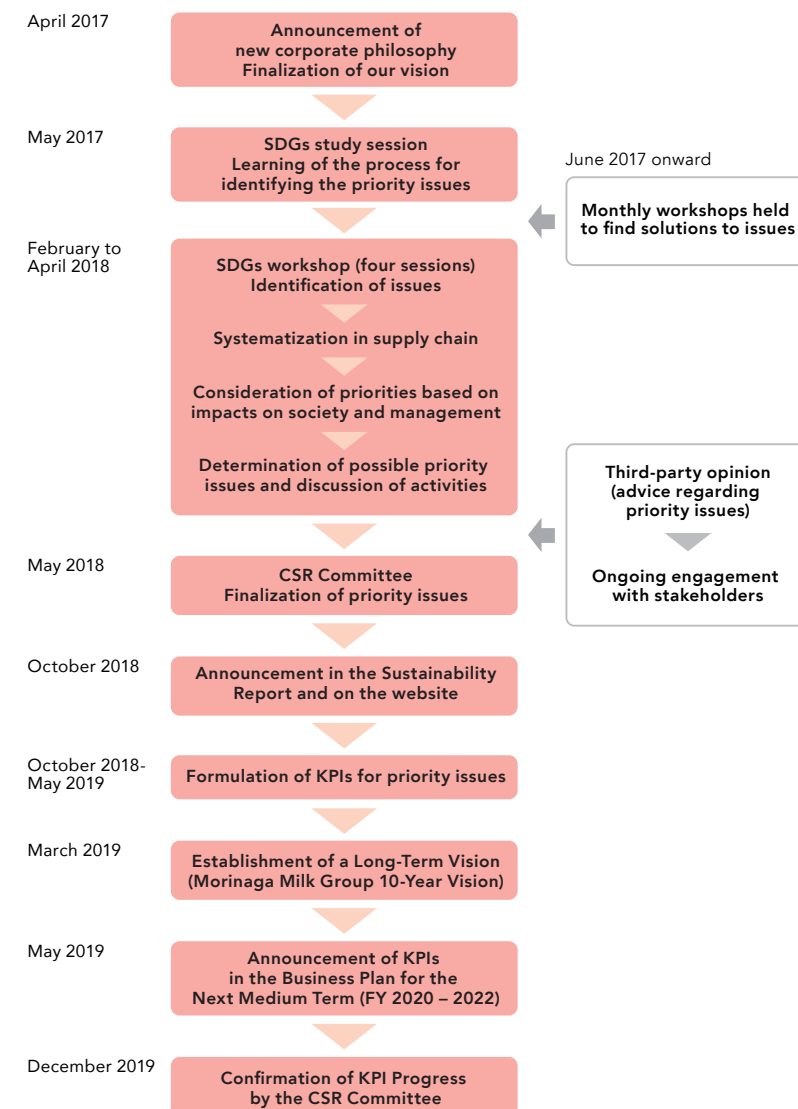
These priority issues represent areas of particular focus to achieve an enriched society filled with bright smiles, one of the major underlying goals.

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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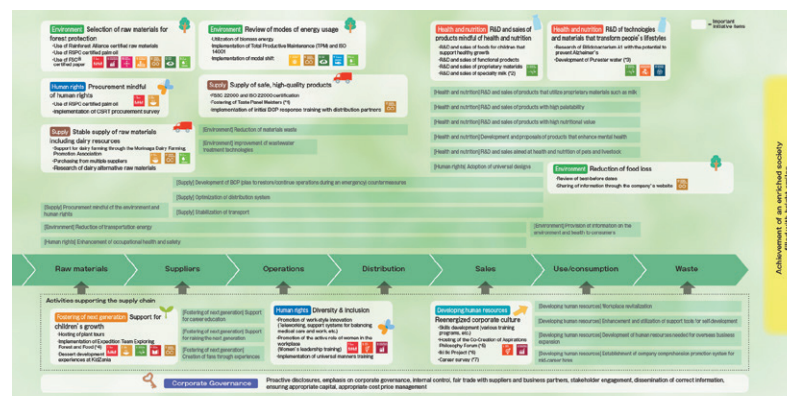
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Identifying Issues in the Supply Chain

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.

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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.



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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."

Morinaga Milk recognizes that its core business is the development and sale of products that contribute to health and nutrition for extending healthy longevity and the healthy development of infants. Achieving corporate slogans is a goal of health and nutrition, while the guiding principles set out the actions that each and every employee must take.

Health and nutrition are closely tied to Morinaga Milk's commitment to contribute to people's happy lives filled with healthy "smiles." Over the years, Morinaga Milk has explored the benefits and possibilities with research into proprietary nutritious and functional ingredients such as bifidobacteria and lactoferrin, which began with in-house research on the role that breast milk plays in babies' health.

Morinaga Milk's various products, from infant and toddler milk to specialty milk as well as yogurt, foods for medical and elderly care, have helped to improve health and bring smiles to people.

Looking ahead, the corporate goal is to contribute to people's health and nutrition not only in Japan, but around the world as well. Morinaga Milk will continue to tackle challenges toward this end.

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 (Plan-Do-Check-Act) cycles, with the general managers of the relevant divisions responsible for "Priority Issue: Health and Nutrition" and the general managers of the relevant departments responsible for promoting KPIs.

Based on the recognition that health and nutrition represent our core business, company research institutes, Marketing Department, Sales Department, and Manufacturing Department work together as a team to promote our initiatives in health and nutrition.

KPIs

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)

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Morinaga Milk's Nutritious and Functional Ingredients

Morinaga Milk has been researching ingredients for maintaining health for over 50 years.

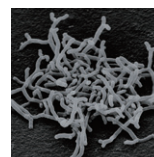
As a result, these ingredients were found to improve the health of people from all generations, from babies to the elderly.

Bifidobacteria

Morinaga Milk has a long history researching breast milk, infant nutrition, and intestinal flora for the healthy growth of infants. We discovered *Bifidobacterium longum* BB536 in 1969 and successfully used bifidobacteria in dairy products for the first time in Japan in 1971. Bifidobacteria are sensitive to acid and oxygen. However, it has been reported that *Bifidobacterium longum* BB536 is resilient against acid and oxygen and, among the types of bifidobacteria that live in humans, and reaches the large intestine alive.

Morinaga Milk maintains three strains, *Bifidobacterium longum* BB536, *Bifidobacterium* MCC1274 (B-3) and *Bifidobacterium breve* M-16V, has published a wide range of research results on bifidobacteria, and is proud of being a bifidobacteria pioneer in Japan. We develop a range of bifidobacteria products—not just such as yogurt but also supplements such as powdered bifidobacteria. Our technological know-how for keeping powdered bacteria alive and stable for long periods of time at room temperature is one of our major strengths.

The U.S. Food and Drug Administration (FDA) has affirmed *Bifidobacterium longum* BB536 and *Bifidobacterium breve* M-16V as GRAS (Generally Recognized As Safe) under its safety review system and these two strains are now used around the world, including the U.S., Europe, and Southeast Asia.

◆ **Main bifidobacteria**

Bifidobacterium longum BB536 reaches the large intestine and can be used for various health benefits such as excellent regulation of intestinal function by improving intestinal flora.

Bifidobacteria MCC1274 (B-3) has been reported to reduce body fat and waist circumference when ingested by people with a relatively high BMI. It has also been reported that middle-aged and elderly people with mild cognitive impairment (MCI) have experienced improved cognitive function with *Bifidobacteria* MCC1274 (B-3).

Bifidobacterium breve M-16V was developed for its function in promoting normalization of intestinal flora in infants. Administering it to low birth weight babies, who tend to have under-developed intestinal function, speeds up colonization of bifidobacteria and promotes normal development of the intestines.

WEB

Morinaga Milk's Bifidobacteria Research

▶ https://www.morinagamilk.co.jp/english/research/r_and_d/bifidobacteria/**Topics****Recognized as Safe for Baby Food in the U.S.**

Bifidobacterium longum BB536 and *Bifidobacterium breve* M-16V have been certified as GRAS* for general foods and infant foods under the U.S. Food and Drug Administration (FDA) safety review system. Although *Bifidobacterium longum* BB536 was already recognized as GRAS for general foods, it was also approved for use in infant foods from April 2020.

Morinaga Milk is the only Japanese company that has acquired GRAS for bifidobacteria (current as of April 7, 2020).

*GRAS (Generally Recognized as Safe)

For a food ingredient newly used in the U.S., specialists evaluate the safety of the ingredient as a food by considering its material characteristics, manufacturing processes, quality control, product specifications, actual use, clinical test results, etc. Since 1958, new food ingredients in the U.S. must be GRAS before they can be sold.

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Lactoferrin

Morinaga Milk has been studying lactoferrin since the early 1960s. Lactoferrin is a protein found in the milk, tears, saliva, and blood of mammals and is believed to protect babies from a variety of infectious diseases. The name is derived from lacto (milk) and ferrin (iron) because of the protein's ability to easily bind iron.

In terms of lactoferrin products, Morinaga Milk released an infant and toddler milk, called Morinaga BF-L Dry Milk in 1986. Today, Morinaga Milk sells lactoferrin products to support the daily health of people at all ages from babies to the elderly—from infant and toddler milk to lactoferrin yogurt and supplements.



WEB

Morinaga Milk's Lactoferrin Research
▶ <https://www.morinagamilk.co.jp/english/research/ingredients/>

Topics

MILEI: Manufacturing High-Quality Lactoferrin

MILEI GmbH, headquartered in Leutkirch, Germany, has accumulated some 40 years of experience since beginning production in 1975, supplying whey protein products, milk protein products, lactose and lactoferrin and other dairy ingredients to multinational food companies in Europe and Asia and around the world. It has the know-how to manufacture high-quality and high-purity lactoferrin, having established a strong reputation among many users. In recent years, global interest in lactoferrin has increased and MILEI, as the world's highest-volume manufacturer of lactoferrin*, is actively working to increase production volumes and create a stable supply.

*From 2018 data from Absolute Reports.

Peptide

Cow's milk contains good quality protein, and is used in products such as infant and toddler milk. However, it cannot be used for babies with milk allergies. Therefore, Morinaga Milk developed a peptide (milk protein degradant) that has been digested by enzymes.

In 1977, Morinaga Milk released MA-1, the first milk in Japan containing peptide for babies and infants with allergies. In 1994, the company released another product called *Morinaga Peptide Milk E-Akachan*, which combines more than a half century of Morinaga Milk's technologies, knowledge and experience in the development of infant and toddler milk, especially for the allergenicity of milk.

In recent years, Morinaga Milk was granted a patent for MKP®, a tripeptide of methionine, lysine and proline derived from casein. Clinical trials targeting people with high systolic pressure confirmed that MKP® has an effect in lowering blood pressure.



WEB

Morinaga Milk's Peptide Research
▶ <https://www.morinagamilk.co.jp/english/research/ingredients/>

Lactulose

Lactulose is a saccharide made from the lactose contained in cow's milk. Morinaga Milk was a pioneer on the effects of lactulose in increasing bifidobacteria in the intestines, and launched for the first time in the world the lactulose-containing infant and toddler milk Morinaga G Dry Milk in 1960. Lactulose is also widely used worldwide as a medicine for constipation.



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Morinaga Milk's Lactulose Research
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Contributing to Extending Healthy Longevity

Morinaga Milk is pursuing product R&D under the theme of extending healthy longevity for an era when people will commonly live to the age of 100. The company will research and develop products using nutritious and functional ingredients and supply them to consumers so that people can have healthier and more active lives.

Bifidus Yogurt

Fifty years ago, Bifidobacterium longum BB536 was discovered from the large intestine of a healthy baby.

Bifidus yogurt includes not only lactobacillus but also Bifidobacterium longum BB536, which reaches the large intestine.

With low acidity that results in a mellow flavor, this yogurt supports everyday health.



Triple Yogurt

This yogurt displays three functionalities in lowering and stabilizing blood pressure, blood sugar and triglyceride levels. Tripeptide MKP® lowers high systolic pressure, while the indigestible dextrin (dietary fiber) stabilizes the blood sugar and triglyceride levels after a meal.



Milk Life

This is a powdered milk for adults that includes nutritious and functional ingredients such as bifidobacteria, lactoferrin, and LAC-Shield®. *Milk Life* has established a strong reputation for its good taste and as a source of nutrition that can be readily consumed.



Morinaga Milk Supplements

Morinaga Milk offers products claims that contain Bifidobacterium longum BB536 or Bifidobacterium MCC1274 (B-3) as a functional substance, as well as products that can be readily consumed as a source of lactoferrin.



Foods for Medical and Elderly Care

The Morinaga Milk Group carefully researches and develops foods for medical and elderly care in terms of taste, nutritional value, safety, and ease of eating, so that the elderly and people with illnesses can maintain their quality of life while experiencing the joy of food.

Using the opinions of medical and nursing care professionals, Clinico Co., Ltd. (a company within the Morinaga Milk Group) and Morinaga Milk's institute work together to develop and market foods for medical and elderly care. This includes liquid foods, nutritional supplement foods (drinks, jellies, etc.), and pureed foods.



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Information Dissemination on Nutritious and Functional Ingredients

The Morinaga Milk Group disseminates information, including the results of research on nutritious and functional ingredients, to various stakeholders including customers and suppliers.

Symposiums and Exhibitions

(In Japan)

In FY 2019, Morinaga Milk gave 96 conference presentations and published 55 papers.

In November 2019, the Japanese Association for Food Immunology awarded Morinaga Milk its Food Immunity Industry Award in recognition of its excellent ongoing research results for Bifidobacterium longum BB536.

In June 2019, Morinaga Milk endowed a chair at MATSUMOTO JUNIOR COLLEGE to promote the following three initiatives.

- (1) In cooperation with Matsumoto City and MATSUMOTO JUNIOR COLLEGE, Morinaga Milk will proactively hold public lectures, etc. to raise health awareness among the general public.
- (2) Provide a learning program for MATSUMOTO JUNIOR COLLEGE students for understanding the effects of food in health promotion.
- (3) Collaboratively verify the effects of Morinaga Milk's proprietary ingredients on health promotion, establish reliable evidence, and communicate the results obtained in the process.

(Outside Japan)

Every year, Morinaga Milk actively participates in around 20 symposiums or exhibitions outside of Japan in cooperation with overseas business partners to promote nutritious and functional ingredients.

Morinaga Milk exhibited at the September 2019 Vitafoods Asia exhibition in Singapore, the only event for nutritional supplement foods in Asia.

We participate in this exhibition annually in collaboration with MNF-AP. On the evening before the exhibition, Morinaga Milk became the first Japanese company to win Infant Nutrition Ingredient of the Year in the child nutrition

category at the Nutra Ingredients-Asia Awards, sponsored by NutraIngredients-Asia.com.

At the annual Probiota conference and exhibition for prebiotics, probiotics, the microbiome, functional ingredients and related innovative technologies (held in rotating European locations and Asia), Morinaga Milk not only had a booth, but also participated in the panel discussions and gave a poster presentation on Morinaga Milk bifidobacteria products.

Through such activities, Morinaga Milk strives to spread awareness of human-derived bifidobacteria and their benefits.

Contributing to the Healthy Growth of Babies and Infants

Morinaga Milk began researching and developing infant and toddler milk in the 1920s with the commitment to contribute to the healthy growth and development of infants. Over the years, the company engaged in research of infant and toddler milk that combines lactoferrin, etc. with nutritional elements such as protein, fats, carbohydrates, vitamins, and minerals in order to provide products as close to mother's milk as possible.

In recent years, Morinaga Milk has developed its infant and toddler milk business mainly in Asia in order to contribute to children's nutrition not only in Japan, but around the world.

Looking ahead, Morinaga Milk will continue its long-standing research and development on the nurturing and protective powers of breast milk.



Bifidobacterium breve M-16V was recognized with Infant Nutrition Ingredient of the Year

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Contributions to Building Nutritional Infrastructure in Asia

Emerging countries mainly in Southeast Asia are experiencing rapid population growth and urbanization. The more population concentrates in cities, the more important it is to build nutritional infrastructure to supply safe and high-quality foods. Playing an active role in solving this issue represents the social mission of Morinaga Milk as a food company.

Morinaga Milk considers the supply of infant and toddler milk as part of this nutritional infrastructure. The company manufactures infant and toddler milk at product bases in Japan and overseas, including Indonesia, and supplies products to markets in Indonesia, Pakistan, Malaysia, Vietnam, etc. Morinaga Milk aims to create an environment in which children around the world can grow healthily.

Overseas Launch of Infant and Toddler Milk



Topics

Sale and Manufacture of Infant Formula Products at NutriCo Morinaga

Morinaga Milk has been exporting infant formula milk and other products to Pakistan for more than 40 years and selling them through a local distributor, NutriCo Pakistan (Private) Limited.* In March 2017, a new joint venture with Morinaga Milk, ICI Pakistan Limited and Unibrands (Private) Limited was established to locally manufacture and sell these products. This joint venture, NutriCo Morinaga (Private) Limited, began operating in November 2019.

NutriCo Morinaga continues to import milk products as before, but also domestically manufactures its own products for consumers in Pakistan. The company will provide safe, reliable and high-quality products to more consumers in Pakistan, contributing to their health.



*NutriCo Pakistan (Private) Limited is also a joint venture between Morinaga Milk, ICI Pakistan Limited and Unibrands (Private) Limited.

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Providing Bifidobacterium Breve M-16V to Low Birth Weight Babies around the World

Normally, the intestinal flora of babies is composed of more than 90% bifidobacteria. However, very low birth weight babies or super low birth weight babies with a birth weight of less than 1,500 g have an underdeveloped intestinal tract. This condition delays the proliferation of bifidobacteria, resulting in an increase in E. coli and S. aureus. Morinaga Milk is now pursuing joint research with hospitals and universities in the field. By administering our proprietary developed Bifidobacterium breve M-16V to very low birth weight babies or super low birth weight babies, it was found that intestinal flora good for bifidobacteria form more quickly, preventing dangerous health conditions in newborns such as necrotizing enterocolitis and septicemia.



Currently, Morinaga Milk provides M-16V to more than 150 facilities nationwide in Japan, including newborn intensive care units (NICUs) and pediatric wards, supporting the sound development of countless babies. In addition, the effects of Bifidobacterium breve M-16V on low birth weight babies have been reported overseas through academic societies and papers, and it has been used in NICUs in Australia since 2012. Furthermore, in recent years, use has begun at NICUs in New Zealand and Singapore.

Morinaga Milk will continue to support the healthy growth of babies and children around the world.

Provision of Bifidobacterium Breve M-16V

 = 1 packet

	2015	2016	2017	2018	2019
Japan (packets)	152,000	171,000	197,000	210,000	236,000
Overseas (packets)	31,000	43,000	62,000	75,000	77,000

Specialty Milk

As a company that manufactures and sells infant and toddler milk, Morinaga Milk sells infant and toddler milk in Japan that can be consumed safely by children with milk allergies, and supplies medical institutions with specialty milk matched to the individual needs of children with congenital metabolic disorders.

Commercially Available Specialty Milk

Morinaga Milk supplies specialty milk for milk allergies, lactose intolerance, gastro-esophageal reflux and low birth weight babies.



Commercially Available Specialty Milk

Product Name	Characteristics
Morinaga New-MA-1	Milk for milk allergies, with highly digested proteins and significantly reduced allergenicity
Morinaga MA-mi	Milk for milk allergies with improved nutritional balance, flavor and solubility with reduced allergenicity
Morinaga Non-Lactose	Lactose-free milk for children with lactose intolerance and diarrhea
Morinaga AR Milk	Milk for children prone to gastro-esophageal reflux disease with a higher milk viscosity using a naturally derived thickening ingredient (locust bean gum)
Morinaga GP-P*	Milk for low birth weight babies

*The product is directly delivered to hospitals and medical facilities.

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Milk for Children with Congenital Metabolic Disorders or Other Diseases

Morinaga Milk supplies medical institutions, under the guidance of the Safety Development Committee*, with specialty milk that is a vital nutritional supplement for children with congenital metabolic disorders, etc.

Congenital metabolic disorders are a serious health condition. If identified in newborn babies at an early stage and food therapy is initiated, most children will grow properly. Therefore, milk for children with such conditions needs special processing to reduce certain components such as protein or phosphorous according to the individual child's conditions. Such specialty milk requires advanced manufacturing technologies, so the knowledge and experience of infant nutrition that Morinaga Milk has developed over many years is applied. In FY 2019, Morinaga Milk supplied 5,600 cans of specialty milk.

*Safety Development Committee

The Specialty Milk Joint Safety Development Project was launched in 1980 under the guidance of the (then) Ministry of Health and Welfare with public funding in order to develop and improve, and provide a steady supply of specialty milk to treat children with congenital metabolic disorders. This project defines the specific criteria for specialty milk and its quality, ingredients, and method of use, as well as implements the development, improvement, and steady supply of the specialty milk. At the same time, the Safety Development Committee was established, consisting of academic experts and the directors of research organizations at specialty milk companies to ensure the smooth operation of the project.



Types of Specialty Milk for Children with Congenital Metabolic Disorders and Other Diseases

Category	Main indications	Symbol	Name
Protein and amino acid metabolism disorders	Phenylketonuria	MP-11	Low phenylalanine peptide powder
Electrolyte metabolism disorders	Adrenocortical hypofunction	MM-2	Low potassium milk
	Heart and kidney diseases	MP-2	Low protein, low sodium milk
	Idiopathic hypercalcemia	MM-4	Low calcium milk
	· Hypoparathyroidism · Pseudohypoparathyroidism · Kidney disease	MM-5	Low phosphorus milk
Malabsorption	Deficiency in lipid absorption	ML-1	Low fat milk
Other	· Cystic fibrosis · Citrin deficiency	ML-3	Proteolytic MCT milk

Breast milk Additive Powder

Breast milk additive powder is intended to reinforce the nutritional elements of breast milk for very low birth weight babies. Morinaga Milk provides HMS-1 and HMS-2.



Very low birth weight babies (who weigh less than 1,500 grams) tend to have complications such as underdeveloped physical functions for digestion and absorption. Such infants need to have adequate nutritional intake to quickly develop their physical functions. However, breast milk alone is relatively lacking in calories or various nutritional elements for such babies. As such, HMS-1 and HMS-2 reinforce protein and trace elements such as calcium and phosphorous, which cannot be sufficiently provided by mother's breast milk alone, while HMS-2 provides increased calorific value, promoting faster development in babies. In FY 2019, Morinaga Milk sold around 15,000 boxes of HMS-1 and around 12,000 boxes of HMS-2, for a total of 27,000 boxes.

*HMS-1 is sold in 100 packets/box and HMS-2 in 60 packets/box

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Enhancing Public Health

Contributing to Health with *PURESTER*

PURESTER, a slightly acidic electrolyzed water generator, is a hygiene control apparatus developed by Morinaga Milk that aims to have both high anti-bacterial effect and safety. *PURESTER* was first sold around 20 years ago, more than 6,500 units have been sold as of March 31, 2020.

PURESTER devices can generate hypochlorous acid water within the prescribed range needed for sterilization of food additives. Unlike the alcohol disinfectants and sodium hypochlorite commonly used for sterilization, *PURESTER* has been confirmed to have minimum effect on the skin and to be safe in various aspects. It has been verified having a bactericidal effect against various bacteria that cause food poisoning, and micro-organisms that threaten food hygiene, and is therefore an effective tool in places where hygiene management is required.

Customers who are already using *PURESTER* have provided highly positive feedback explaining that *PURESTER* water can be used easily in the same way as municipal water despite being a disinfectant, making *PURESTER* indispensable for on-site hygiene management.

Morinaga Milk is committed to providing its long-standing hygiene management technology to society to help protect the healthy lives of people. Continuing efforts are made to develop new and innovative ways to realize this commitment.



Slightly acidic electrolyzed water
generator
PURESTER μ-Clean II



Contributes to maintenance of food
hygiene

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Basic Approach

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

Morinaga Milk products are made from nature's rich bounty of agricultural products such as milk, coffee beans, tea leaves, and aloe. Protecting the environment and being thankful to nature for these gifts is essential to continued business.

To this end, it is absolutely necessary to address climate change, reduce food loss and industrial waste, and respond to the issue of plastic packaging. Morinaga Milk will also communicate closely with business partners to contribute to the creation of a sustainable society, not only within the company but throughout the supply chain.

Currently, the Morinaga Milk head office, research institutes, metropolitan regional office, plants under direct management, and production affiliates work under the ISO 14001 environmental management system in accordance with the following environmental policies.

Environmental Policy of the Morinaga Milk Group

Basic Philosophy

As a food company that aims to contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology, the Morinaga Milk Group contributes to social sustainability by protecting the environment and preventing environmental pollution.

Basic Policy

1. We set objectives for our activities for environmental protection and the prevention of environmental pollution throughout the total lifecycles of our activities, products, and services. By reviewing those goals on a regular basis, we continuously improve our environmental management system.
2. We properly manage compliance with environmental laws and regulations and our environmental commitments.
3. We assess and respond to not only the impact of our business activities to environment, but also the impact of the environment to our business activities.
4. We address the following priority environmental management issues:

- (1) We promote greenhouse gas emission control to prevent global warming.
 - (2) We promote business operations based on resource efficiency and energy efficiency to make effective use of limited resources.
 - (3) We promote the 3Rs (Reduce, Reuse, Recycle) and appropriate disposal of waste in order to form a sound material-cycle society.
 - (4) We promote the development of new technologies related to the environment and incorporate environment-friendly technology in product development.
 - (5) We disseminate accurate information on the environment and make efforts to improve our social credibility.
 - (6) We strive for coexistence with society and communities.
5. This policy is disseminated to all employees and released to the public outside the company.

April 1, 2020

Michio Miyahara

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



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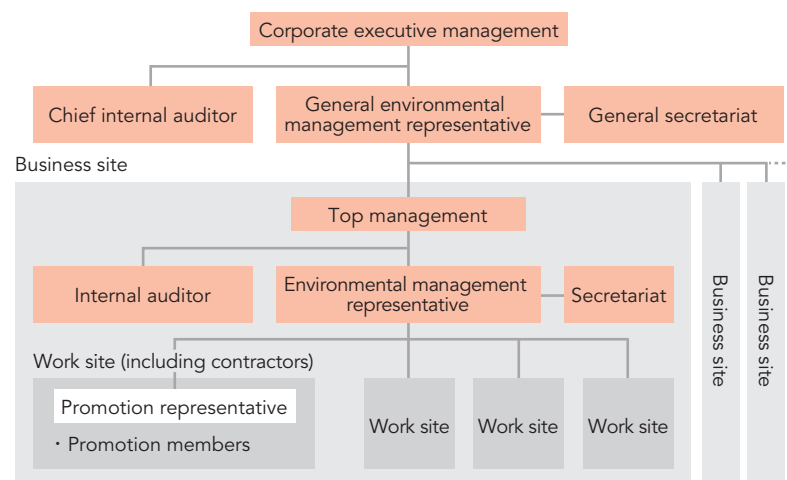
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Morinaga Milk CSR Committee meetings, which are chaired by the president, are held twice a year for monitoring and reporting on the progress of KPIs.

In addition, Morinaga Milk implements PDCA cycles, with the general managers of the relevant divisions responsible for "Priority Issue: the Environment" and the general managers of the relevant departments responsible for promoting KPIs.

Additionally, in accordance with the ISO 14001 environmental management system, a management system was created that extends to each site/office, with the president and CSR executive officer overseeing the system. Each March, a report is made to top management.

ISO 14001 Environmental Management System



KPIs

Morinaga Milk announced an ESG-focused management in its 2019 Business Plan for the Next Medium Term and established KPIs for the environment, which is one of seven priority issues.

Even before the announcement of the Business Plan for the Next Medium Term, however, Morinaga Milk had its own Medium-term Environmental Plan in place.

As Morinaga Milk moves forward with this policy, progress made in the Medium-term Environmental Plan will be disclosed to the public via the KPIs in the Business Plan for the Next Medium Term.

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 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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Awareness of Environmental Risk

Since the Morinaga Milk Group is a food-based business, its business activities are impacted by its ability to readily obtain raw agricultural products affected by ongoing global warming, changes in customer preferences, the impact of weather disasters such as typhoons on manufacturing and distribution, strengthened regulations and other various factors.

Since FY 2019, the Group's basic environmental policy was revised to add the phrase "We assess and respond to not only the impact of our business activities to environment, but also the impact of the environment to our business activities."

As a first step, risks and opportunities throughout the supply chain were identified and a primary assessment for priority levels was conducted. A scenario analysis of these risks and opportunities as well as an evaluation of the financial impacts are planned.

Compliance with Environmental Laws and Regulations

For facilities such as wastewater treatment plants and boilers that could cause environmental pollution, the Morinaga Milk Group has compiled all legal requirements for each facility into a checklist to confirm that regulatory requirements are met. Moreover, these laws and regulations are checked once a year for revisions. A system for smoothly obtaining the necessary information through industry organizations was also established.

In FY 2019, there were no major violations of environmental laws or regulations.

Framework for Implementing Environmental Management

Environmental Impact Assessment and Environmental Goals

The Morinaga Milk Group evaluates the magnitude of environmental impacts from its business activities as well as the risks and opportunities to its business activities from environmental changes such as global warming; KPIs are established as environmental goals.

These initiatives are incorporated into the targets for each business site, with

progress managed on a monthly basis using an "implementation table."

Environmental Education

The Morinaga Milk Group carries out awareness and competency training for ISO 14001. Awareness training is provided to all employees at ISO 14001-certified sites as an e-learning program. Seminars at each site are also held to improve environmental knowledge and awareness among employees. Representatives who require more specialized training are encouraged to acquire qualifications or attend external courses.

Environmental Audits

Through internal audits, Morinaga Milk confirms whether it is implementing matters such as initiatives toward its environmental goals, compliance with environmental laws, and environmental education in an appropriate manner. There are two types of internal audits: those carried out at a business site by internal auditors employed at that site, and general internal audits by auditors from other sites.

Morinaga Milk has its own system for internal auditors, with four levels of competency. Levels 3 and above serve as internal auditors, while Level 1 auditors are qualified to act as general internal auditors. In FY 2019, the seminar for Level 3 auditors was held 11 times and was completed by 185 employees. A total of 2,711 employees are certified for one of the four levels.

In FY 2019, general internal audits were held at 21 business sites by general internal (Level 1) auditors.

External Reviews

Environmental management system certification is outsourced to an external auditing organization, with an annual check done for adherence to ISO 14001 multi-site certification.

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Expanding Environmental Activities Group-wide

Environmental Management System

The Morinaga Milk Group has obtained ISO 14001:2015 multi-site certification for its head office and research center, plants, and Group companies. Efforts are being made to expand this certification beyond manufacturing sites to all business sites, including sales sites.

Sites with ISO 14001:2015 certification

Scope of certification: Production and R&D for milk, dairy products, ice cream, beverages, and other food products

- Head Office, Research/Information Center
 - Head Office (Morinaga Plaza Building)
Shiba 5-33-1, Minato-ku, Tokyo 108-8384
 - Head Office (Meguro Building)
Meguro 4-4-22, Meguro-ku, Tokyo 153-8657
 - Head Office (Shibaura DF Building)
Shibaura 3-13-8, Minato-ku, Tokyo 108-0023
 - Research/Information Center
Higashihara 5-1-83, Zama City, Kanagawa 252-8583
- Metropolitan Regional Office (Morinaga Milk Konan Building)
Konan 3-8-1, Minato-ku, Tokyo 108-0075
- Saroma Plant
Nishitomi 123, Saroma-cho-aza, Tokoro-gun, Hokkaido 093-0504
- Betsukai Plant
Nishishunbetsu-kiyokawa-cho 18, Betsukai-cho, Notsuke-gun, Hokkaido 088-2572
- Morioka Plant
Aoyama 2-3-14, Morioka City, Iwate 020-0133
- Fukushima Plant
Shimizuuchi 5, Fushigami-aza, Fukushima City, Fukushima 960-8154
- Tone Plant
Uchimoriya-machi 4013-1, Jousou City, Ibaraki 303-0043
- Tokyo Plant
Okudo 1-29-1, Katsushika-ku, Tokyo 124-8577
- Tama Site
 - Tokyo Tama Plant
Tateno 4-515, Higashiyamato City, Tokyo 207-0021
 - Yamato Plant
Tateno 4-601, Higashiyamato City, Tokyo 207-0021
 - Chilled Products Coordination Center – East Japan
Tateno 4-540, Higashiyamato City, Tokyo 207-0021
 - Engineering Development Center
Tateno 4-515, Higashiyamato City, Tokyo 207-0021
- Matsumoto Plant
Kamada 2-1-4, Matsumoto City, Nagano 390-0837

- Fuji Plant
Nakazatohigashi-cho 639, Fujinomiya City, Shizuoka 418-0046
- Chukyo Plant
Nakanara-cho Hitotsume 1, Konan City, Aichi 483-8256
- Kinki Plant
Tsutoiiden-cho 2-95, Nishinomiya City, Hyogo 663-8242
(ended production March 2020)
- Kobe Site
 - Kobe Plant
Mayafuto No. 3, Nada-ku, Kobe City, Hyogo 657-0854
 - Chilled Products Coordination Center – West Japan
Mayafuto No. 3, Nada-ku, Kobe City, Hyogo 657-0854
- Yokohama Morinaga Milk Industry Co., Ltd.
Yoshiokahigashi 3-6-1, Ayase City, Kanagawa 252-1125
- Hokkaido Hoshio Milk Plant Co., Ltd.
Katsuraoka-cho 3-8, Otaru City, Hokkaido 047-0264
- Tokachi Urahoro Morinaga Milk Industry Co., Ltd.
Zaimoku-cho 1, Urahoro-cho-aza, Tokachi-gun, Hokkaido 089-5607
- Tohoku Morinaga Milk Co., Ltd., Akita Plant
Kamikaruishino 38-1, Iwase-aza, Odate City, Akita 018-3596
- Tohoku Morinaga Milk Co., Ltd., Sendai Plant
Minato 1-1-9, Miyagino-ku, Sendai City, Miyagi 983-0001
- Nihon Seinyu
Takanoichi 694-1, Nukanome-aza, Takahata-machi-oaza, Higashiokitama-gun, Yamagata 999-2176
- Chez Forêt Co., Ltd.
Kamikoya 1355-31, Yachiyo City, Chiba 276-0022
- MK Cheese Co., Ltd.
Ochiaikita 1-1-1, Ayase City, Kanagawa 252-1116
- Fuji Morinaga Milk Industry Co., Ltd.
Nameri 18, Nagaizumi-cho, Sunto-gun, Shizuoka 411-0933
- Toyo Fermented Milk Co., Ltd.
Okehazama-shinmei 1518, Midori-ku, Nagoya City, Aichi 458-0919 (dissolved May 2020)
- Morinaga-Hokuriku Milk Industry Co., Ltd.,
Toyama Plant
Mukaishinjo-machi 8-3-45, Toyama City, Toyama 930-0916
- Morinaga-Hokuriku Milk Industry Co., Ltd.,
Fukui Plant
Takagi 2-601, Fukui City, Fukui 910-0805
- Hiroshima Morinaga Milk Industry Co., Ltd.
Miiri 1-19-7, Asakita-ku, Hiroshima City, Hiroshima 731-0211
- Kumamoto Morinaga Milk Industry Co., Ltd.
Kakize-machi 431-1, Higashi-ku, Kumamoto City, Kumamoto 861-8011
- Furiijiport Co., Ltd., Kumamoto Plant
Morikata-nitahata 1812-24, Kikuchi City, Kumamoto 861-1312
- Okinawa Morinaga Milk Co., Ltd.
Agarizaki 4-15, Nishiharacho-aza, Nakagami-gun, Okinawa 903-0105

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Third Party Assurance of Actual Data and Scope of Aggregation

Morinaga Milk Group has undergone third-party verification for its energy consumption and CO₂ emissions. For details, please refer to Third-Party Verification (→ p.82).

†: Data that has undergone third-party verification is marked with a single asterisk.

††: The scope of aggregation for data marked with two asterisks is as follows: Morinaga Milk Industry Co., Ltd. production sites, Hokkaido Hosho Milk Plant Co., Ltd., Tokachi Urahoro Milk Industry Co., Ltd., Nihon Seinyu, Yokohama Morinaga Milk Industry Co., Ltd., Fuji Morinaga Milk Industry Co., Ltd., Morinaga-Hokuriku Milk Industry Co., Ltd. (Fukui Plant, Toyama Plant), Hiroshima Morinaga Milk Industry Co., Ltd., Kumamoto Morinaga Milk Industry Co., Ltd., Okinawa Morinaga Milk Industry Co., Ltd., MK Cheese Co., Ltd., Chez Forêt Co., Ltd., Furijipport Co., Ltd. (Kumamoto Plant), Tohoku Morinaga Milk Industry Co., Ltd. (Sendai Plant, Akita Plant), Toyo Fermented Milk Co., Ltd. (dissolved May 2020).

Climate Change**Reduction of CO₂ Emissions**

Morinaga Milk Group promotes CO₂ reduction as a measure against global warming. At the Saroma and Betsukai plants in Hokkaido, updates to the cogeneration system that improves overall energy efficiency together with efforts to convert fuel from heavy oil to natural gas (which emits less CO₂/GJ) were implemented. We also installed solar panels at the Tone Plant, while the coffee grounds produced during coffee beverage production at the Kobe Plant are used as a energy source within the plant. These initiatives to use natural energy resulted in a FY 2019 reduction in CO₂ emissions intensity* of 12.6% compared with FY 2013 figures.

* CO₂ emissions intensity: From FY 2020, the denominator in the calculation has been changed to sales (tons-CO₂/million yen). For all published years, the denominator has been changed to sales, recalculated, and disclosed.

Energy Consumption^{††1}

	2015	2016	2017	2018	2019
Fuel*2 (MWh)	1,278,267	1,243,899	1,251,455	1,215,452	1,098,372 [†]
Purchased energy*3 (MWh)	204,991	198,174	192,080	198,663	384,233 [†]
Total (MWh)	1,483,257	1,442,073	1,443,535	1,414,115	1,482,605 [†]
Sales intensity (MWh/million yen)	2.5	2.4	2.4	2.4	2.5

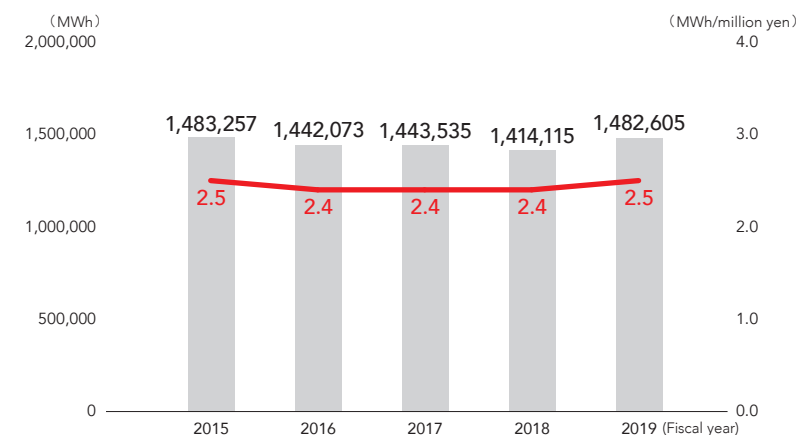
*1: From FY 2019, we changed the calculation categories used for Scope 1 and Scope 2. For cogeneration systems on plant premises, fuel consumption was used for energy consumption until FY 2018. From FY 2019, the rule is to calculate energy amounts based on electricity/heat purchased in terms of electricity and heat to be purchased under contract.

*2: Fuel refers to fossil fuel consumption, and electricity is converted as 1,000 kWh = 3.6 GJ. Figures do not include renewable energy such as biomass.

*3: The total of electricity, steam, and hot water.

Energy Consumption and Intensity

■ Energy consumption — Sales intensity



* Sales intensity: The amount consumed or emitted annually divided by annual sales (millions of yen)

Energy Consumption (Crude Oil Equivalent)^{††}

	2015	2016	2017	2018	2019
Fuel*2 (1,000 kL)	119	116	116	113	118
Electricity* (1,000 kL)	51	50	48	50	46
Total (1,000 kL)	170	165	164	163	164
Sales intensity (kL/million yen)	0.282	0.279	0.277	0.279	0.277

*Calculated based on the Energy-saving Law.

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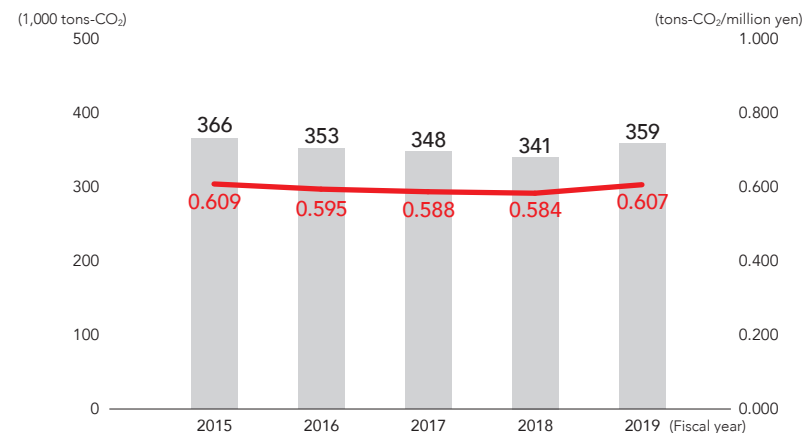
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CO₂ Emissions and Intensity■ CO₂ emissions — Sales intensity

* Figures are for directly managed/Group company plants with ISO 14001 certification.

* Sales intensity: The amount consumed or emitted annually divided by annual sales (millions of yen)

CO₂ Emissions^{††*}

	2015	2016	2017	2018	2019
Scope 1 ^{*2} (1,000 tons-CO ₂)	248	241	242	233	208 ^{†*4}
Scope 2 ^{*3} (1,000 tons-CO ₂)	118	111	106	107	151 ^{†*4}
Total (1,000 tons-CO ₂)	366	353	348	341	359
Sales intensity (Tons-CO ₂ /million yen)	0.609	0.595	0.588	0.584	0.607

*1: From FY 2019, we changed the calculation categories used for Scope 1 and Scope 2. For cogeneration systems on plant premises, fuel consumption was used for energy consumption until FY 2018. From FY 2019, the rule is to calculate energy/heat amounts in terms of electricity and heat purchased under contract.

*2: Emissions from fuel consumption

*3: Purchased electricity, emissions from heat

*4: The figures assured by a third party are 207,862 tons-CO₂ (Scope 1) and 150,796 tons-CO₂ (Scope 2).**Calculation Standard**

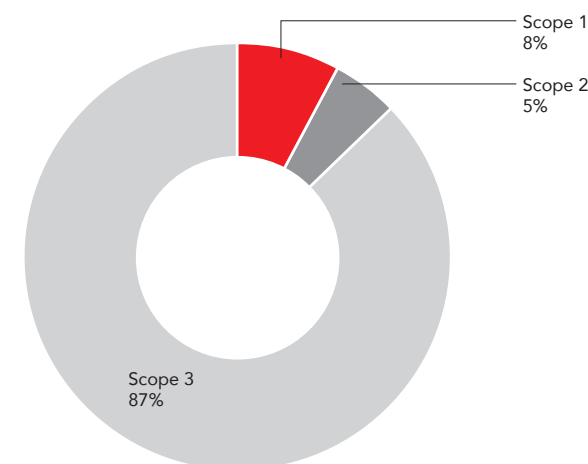
Item	Calculation standard
Fuel (amounts used for kerosene, Class A heavy oil, light oil, LPG, LNG, town gas)	The calorific value conversion coefficient and the emission coefficient are based on Japan's Act on the Rational Use of Energy (Energy Efficiency Act) and Act on the Promotion of Global Warming Countermeasures (Temperature Control Act)
Energy (electricity, steam, hot water) (purchased)	
Scope 1, Scope 2	

CO₂ Emissions (Scope 3)

	2017	2018	2019
Scope 3 (1,000 tons-CO ₂)	2,261	2,351	2,333

* Categories 1–7, 9, and 12 (9 categories) are aggregate figures for Morinaga Milk Group as a whole

1. Purchased goods and services / 2. Capital goods / 3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2) / 4. Upstream transportation and distribution / 5. Waste generated in operations / 6. Business travel / 7. Employee commuting / 8. Upstream leased assets / 9. Downstream transportation and distribution / 10. Processing of sold products / 11. Use of sold products / 12. End-of-life treatment of sold products

Ratio of CO₂ Emissions in the Value Chain (FY 2019)

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CO₂ Reduction Initiatives^{††}

	2015	2016	2017	2018	2019
Reduced amount (1,000 tons-CO ₂)	9.2	8.8	8.6	8.1	14.6

* Accumulated value of CO₂ reduction effects achieved with capital investments and manufacturing efficiency improvements

Fluorocarbon leakage (CO₂ Equivalent)^{††}

	2015	2016	2017	2018	2019
Leaked amount (1,000 tons-CO ₂)	7.2	13.8	11.2	12.0	11.0

* Calculated based on the Fluorocarbons Emission Control Law
For GWP (Global Warming Potential), the values designated in the Fluorocarbons Emission Control Law are used

Use of Biomass

Morinaga Milk's Kobe Plant uses coffee grounds, etc. from coffee beverage production to generate energy for plant operation. Since such biomass energy* is carbon-neutral, it also contributes to reductions in CO₂ emissions.

*Biomass energy
A generic term for energy derived from non-fossil organic matter such as plants. It is expected to become a replacement for fossil fuels.

Other Atmospheric Emissions**SOx, NOx and Other Significant Atmospheric Emissions^{††}**

	2015	2016	2017	2018	2019
SOx (1,000 tons)	0.17	0.22	0.22	0.17	0.08
NOx (1,000 tons)	0.44	0.43	0.38	0.31	0.31

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Resource Recycling**Resource Consumption**

The resources used by Morinaga Milk for manufacturing of products is as follows.

Raw Materials Used

	Unit	2015	2016	2017	2018	2019
Raw materials used	1,000 tons	1,219	1,181	1,169	1,118	1,157

Packaging Used Scope of data: Products subject to the Containers and Packaging Recycling Law

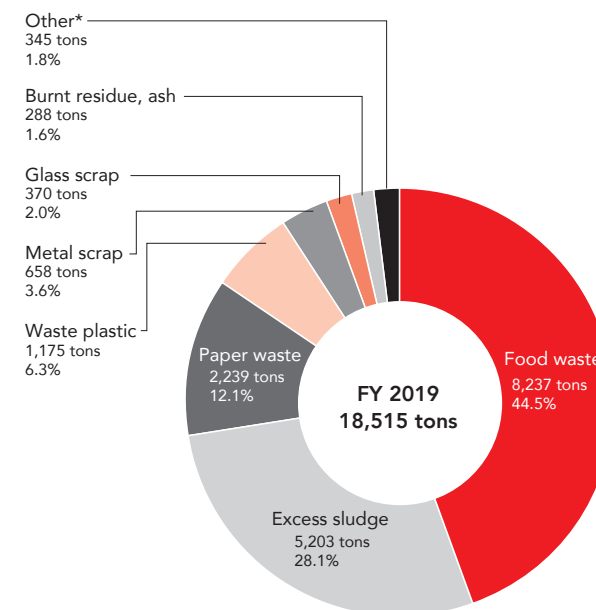
	Unit	2015	2016	2017	2018	2019
Colorless glass	1,000 tons	27.7	26.3	24.3	22.0	20.2
Brown glass	1,000 tons	0.7	0.1	0.0	0.0	0.0
Other glass	1,000 tons	0.0	0.0	0.0	0.0	0.0
PET	1,000 tons	0.0	0.1	0.1	0.2	0.7
Plastic	1,000 tons	21.0	20.5	20.3	18.8	18.4
Paper containers	1,000 tons	11.7	12.0	12.3	11.8	11.6
Paper packs	1,000 tons	20.8	20.6	17.7	18.1	18.1
Steel cans (powdered milk)	1,000 tons	1.1	1.1	0.8	0.9	1.1
Aluminum cans	1,000 tons	0.0	0.0	0.0	0.0	0.0
Total	1,000 tons	83.0	80.6	75.6	71.9	70.1

Food Product Manufactured

	Unit	2015	2016	2017	2018	2019
Food product manufactured	1,000 tons	1,489	1,452	1,420	1,360	1,349

Initiatives to Reduce Waste

Industrial plant waste includes food waste such as coffee and tea extract residue, waste paper, waste plastics, metal scrap, excess sludge generated from wastewater treatment systems, etc. In FY 2019, food waste and excess sludge accounted for the highest and second-highest proportion of plant waste at Morinaga Milk Group plants, 44.5% and 28.1% respectively (together making up 72.6% of the total waste production).

Percentage of Discharged Waste by Type*

* Figures are for directly managed/Group company plants with ISO 14001 certification. Calculated as the amount of waste processed by external contractors.

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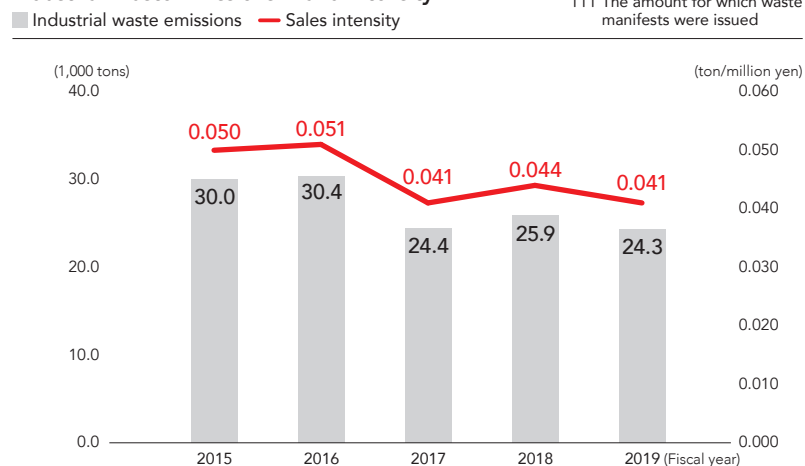
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Industrial Waste Emissions^{†††} and Intensity

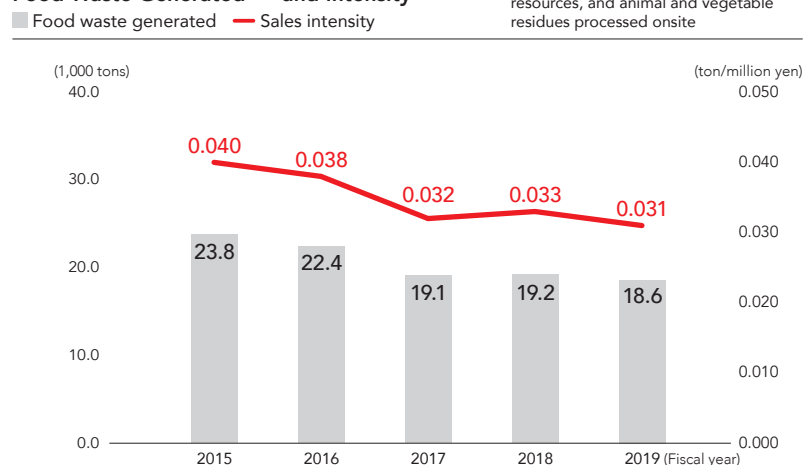


* Figures are for directly managed/Group company plants with ISO 14001 certification.

* Industrial waste emissions intensity:
The weight of industrial waste generated annually (tons) divided by annual sales (million yen).

* FY 2019 industrial waste emissions intensity was reduced by 29.3% compared to FY 2013.

Food Waste Generated^{††††} and Intensity



* Figures are for directly managed/Group company plants with ISO 14001 certification.

* Food waste generation intensity:
The weight of food waste (tons) discharged over 1 year divided by annual sales (millions of yen)

* FY 2019 food waste generation intensity was reduced by 23.9% compared to FY 2013.

Waste Materials Generated^{††}

	2015	2016	2017	2018	2019
Outsourced processing					
Industrial waste* ¹ (1,000 tons)	30.0	30.4	24.4	25.9	24.3
Specially controlled industrial waste (1,000 tons)	0.005	0.0004	0.015	0.027	0.039
Valuables and recyclables (1,000 tons)	11.9	11.4	10.9	11.6	10.5
Internally processed (onsite) (1,000 tons)	17.6	18.9	12.4	12.1	11.3
Total amount of waste generated (1,000 tons)	59.5	60.6	47.7	49.6	46.0
Food waste (1,000 tons)	23.8	22.4	19.1	19.2	18.6
Landfilled waste* ² (1,000 tons)	0.6	0.4	0.4	1.3	0.3
Waste generation intensity (ton/million yen)	0.099	0.102	0.081	0.085	0.078
Industrial waste generation intensity (ton/million yen)	0.050	0.051	0.041	0.044	0.041
Food waste generation intensity (ton/million yen)	0.040	0.038	0.032	0.033	0.031

*¹ Industrial waste emissions: The amount of waste generated from business activities that has been processed by an outside contractor. Does not include valuables collection

*² Landfilled waste: Of waste generated, the amount that was processed by landfilling

* 276 tons of waste were landfilled waste in FY 2019.

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Reduction of Food Loss

Long-life Products

If you check the expiry dates of Morinaga Milk Group products, you will find that some have best-before periods of one month or longer, even for products that are generally perishable due to a high nutritional content. Many of these items are manufactured through our unique long-life production methods under sterile conditions. The long-life production methods are technology that separates the food sterilization process and container sterilization process to ensure that products can be preserved with deliciousness for long periods without preservatives or antiseptic agents.

Since these products have a long shelf life, consumers can more effectively plan their use, resulting in a lower rate of disposal. These products are also suited as rolling food stockpile*1 for disasters use.

Of particular note is the Morinaga TOFU series, which was released in January 2019 as Japan's first*2 tofu that can be stored at room temperature. This was made possible by revisions to tofu standards and food labeling standards in 2018 that lifted a ban on the sale of aseptic packaged tofu at room temperature. The National Resilience Promotion Office in Japan's Cabinet Secretariat also selected Morinaga Milk as a notable example of private-company resilience and published the effort in the secretariat's collection of private-sector resilience initiatives.

Examples of Products Produced Using the Long-life Production Methods



Morinaga Milk



Morinaga Milk Pudding



Silken Tofu



Climeal CZ-Hi

*1 A method of consuming and restocking emergency foods on a regular (rolling) basis to ensure that emergency supplies at home are not out of date.
*2 Based on Morinaga Milk research. (Survey cooperation: DO HOUSE Inc.)

Food Recycling

The Morinaga Milk Group promotes the reduction and recycling of food waste generated at its plants, etc. In seven years, from FY 2013 to FY 2019, food waste was reduced by approximately 6,000 tons. At one of the directly managed plants in Tokyo, 100 percent of the okara (soy pulp) generated from tofu production is used as animal feed.

This okara is then fermented with lactobacillus to make a pleasant-tasting silage that is sold to dairy farmers by Morinaga Dairy Service Co., Ltd., a Group affiliate that produces milk products. At one of the Tokyo plants, dairy products are produced using raw milk from dairy cows fed with this silage. This initiative received the Judging Committee Chairman's Award at the 5th Food Industry Mottainai (Reducing Wastefulness) Awards for FY 2017.

Recycling of Okara



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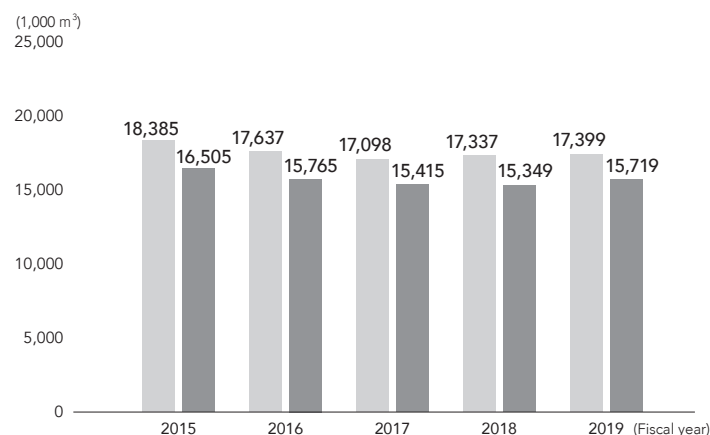
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Water Resources

Each Morinaga Milk Group plant has continued with improvements to make even more efficient use of water resources and to carry out ongoing development and improvement of wastewater treatment technologies to maintain water quality. To reduce water consumption, plants are recycling once-used water as wash water.

Amount of Water Used and Amount of Wastewater

■ Amount of water used ■ Amount of wastewater



* Figures are for directly managed/Group company plants with ISO 14001 certification.

Amount of Water Used^{††}

	2015	2016	2017	2018	2019
Total (1,000 m³)	18,385	17,637	17,098	17,337	17,399
Sales intensity (m³/million yen)	30.6	29.8	28.9	29.7	29.4

* FY 2019 amount of water used was reduced by 7.6% compared to FY 2013.

Amount of Wastewater^{††}

Type	2015	2016	2017	2018	2019
Ocean discharge (1,000 m³)	1,467	1,399	1,383	1,440	1,865
River discharge (1,000 m³)	13,951	13,232	12,869	12,883	12,599
Sewage discharge (1,000 m³)	1,088	1,134	1,163	1,026	1,255
Total (1,000 m³)	16,505	15,765	15,415	15,349	15,719
Sales intensity (m³/million yen)	27.4	26.6	26.0	26.3	26.6

Advanced Wastewater Treatment

To clean wastewater after use and return it to nature, Morinaga Milk Group plants are also equipped with wastewater treatment facilities, in which an activated sludge of microorganisms removes waste by digesting the nutrients in the wastewater. Once the nutrients are consumed, the sludge is gravity separated and the treated wastewater is discharged. At some of our plants, we have introduced membrane bioreactor (MBR) systems, which use membranes to separate activated sludge. The use of membranes results in a higher level of purity in the treated water.

Developed by a Group company, Morinaga Engineering Co., Ltd., these wastewater treatment systems are being used not only within the Morinaga Milk Group, but also by around 300 of our business partners.



The foam jet system is a highly efficient aeration system that supplies oxygen in fine bubbles. Various benefits can be achieved by diffusing fine bubbles into wastewater.

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Environmental Consideration in the Supply Chain

Initiative for Biodiversity

Morinaga Milk became a member of the Roundtable on Sustainable Palm Oil*¹ in March 2018. Palm oil production requires large-scale deforestation and has environmental impacts such as loss of biodiversity. It has also been pointed out that palm oil production could have human rights issues regarding labor on plantations.

Morinaga Milk has been promoting the purchase of Book and Claim*² palm oil since 2018, and has purchased 100 percent of the needed palm oil this way in FY 2019.

With regards to beverages, such as coffee and tea, Morinaga Milk currently uses Rainforest Alliance certified*³ coffee beans and tea leaves for some products, including *Mt. RAINIER Deep Espresso*.

FSC®-certified*⁴ paper is used for MOW cup ice cream paper sleeves and the boxes for Pino and PARM products. The goal is to switch to FSC®-certified containers and packaging for as many ice cream products as possible by 2020.

*1: RSPO (Roundtable on Sustainable Palm Oil)

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: 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.

*4: 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.

Reduction of CO₂ Emissions from Transport

In order to reduce environmental impacts from transporting products, Morinaga Milk initiatives include joint delivery with several businesses (sharing space in the same vehicle), a modal shift in transport from trucks to rail and ship, and joint delivery with other companies in the same industry. Between 2016 and 2019, Morinaga Milk implemented a modal shift from truck transport to railways and ships in five cases. In addition, Morinaga Milk revised delivery and eliminated 23.5 of its chilled daily delivery courses, while beginning cooperative delivery with other companies in nine cases.

REPORT

► Please see the “Procurement Focused on Consideration for the Environment and Human Rights” section (p. 59) for details.

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Promotion of Environmentally Conscious Containers/Packages

Plastic Packaging

Many Morinaga Milk Group products use plastic packaging, therefore environmental pollution, including marine pollution, from plastic packaging is an important societal issue. But because plastic packaging also contributes to extending the shelf life of products and improving convenience of use, it is vital to maximize function in a wise way while minimizing environmental pollution.

With this basic standpoint, Morinaga Milk has established its Eco-package Guide, which sets out design guidelines for environment-friendly containers and packages. This guide serves as the basis for implementing the 3Rs (reduce, reuse, recycle) from the product planning and development stage, and for the development and improvement of containers and packages that are safe and easy to use. The original 2005 guide was fully updated in 2018 and checks based on the Japan Standards Association's JIS Z0130-2 (Optimization of the packaging system) are done for new product releases using the Containers and Packaging Environmental Confirmation Sheet.* In this way, Morinaga Milk can confirm whether appropriate environmental considerations are being given by looking at matters such as the role of each packaging component and whether there is leeway for further reductions.

Additionally, a Plastic Measures Subcommittee was created in FY 2018 under the Plastic Measures Subcommittee under the CSR Committee. The subcommittee considers matters regarding reducing plastic container usage and adopting the use of biomass plastics.

As for cooperation with external parties, Morinaga Milk works with various industry groups and participates in the Ministry of Economy, Trade and Industry's Clean Ocean Material Alliance (CLOMA) and the Ministry of the Environment's Plastics Smart Forum to more effectively tackle plastic waste issues.

Examples of how Morinaga Milk has improved containers and packages to be more environmentally friendly are provided on the company website; put forward as case studies by membership-based organizations such as the Japan Food Industry Association, the Japan Dairy Industry Association and the Japan Soft Drink Association; and provided as information to the Ministry of Agriculture, Forestry and Fisheries' Plastic Resource Recycling Action Declaration, the Ministry of the Environment's Plastics Smart, and Keidanren's Contributing to the UN SDGs through Measures Addressing Plastic Waste Issues.

Under the new Business Plan for the Next Medium Term, the goal by 2021 is to

reduce the weight of plastic containers and packaging subject to the Containers and Packaging Recycling Law by 10 percent over FY 2013 levels. In FY 2019, Morinaga Milk reduced its use of plastic in containers and packaging by 15.9%.

* Containers and Packaging Environmental Confirmation Sheet

When developing products, Morinaga Milk uses this confirmation sheet as a checklist for the environmentally conscious design of containers and packages. The checklist has 11 items such as "volume reduction at disposal" and "simplified packaging." When an item is not checked off on the list, the reasons and issues for this become shared knowledge that can be used for the next round of development.

Containers and Packages with the 3Rs in Mind

Morinaga Milk is working to advance the development of containers and packages while giving consideration to the 3Rs (reduce, reuse, recycle). In 2019, the shape of the corrugated cardboard used to transport the 4-pack Bifidus yogurt line was revised, reducing cardboard use by about 8 percent.



Reflecting Customer Opinions

Morinaga Milk has introduced many improvements based on the valuable opinions and suggestions sent to the Customer Service Center. Examples are provided on the company website.

WEB

Applying customer feedback

▶ <https://www.morinagamilk.co.jp/customer/voice/> (Japanese only)

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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.

Morinaga Milk respects the United Nations Guiding Principles on Business and Human Rights and works to respect human rights throughout the supply chain. As part of this stance, preparation is underway to implement human rights due diligence* by FY 2021. To realize the mission of “Ever Brighter Smiles,” emphasis will be placed on environmental improvements in all processes, from procurement of raw materials to production and sales.

As a first step, in 2017 Morinaga Milk participated in the Stakeholder Engagement Program organized by Caux Round Table Japan and began identifying human rights issues in the supply chain. Morinaga Milk also signed the United Nations Global Compact in April 2018 and participated in another Caux Round Table Japan-sponsored stakeholder engagement program, with overseas experts offering comments on the proposed human rights policy. From these, the Morinaga Milk Group Human Rights Policy was formulated in November 2018.

This human rights policy is being disseminated to stakeholders and business partners. Systems are also in place to respect diversity within the company and create environments in place to uphold the policy.

Morinaga Milk will continue to carry out business activities with the aim of respecting human rights throughout the supply chain.

*Human rights due diligence
This is the process by which companies can recognize, prevent, and deal with adverse impacts on human rights. Actions include formulating a human rights policy, assessing the impact of business activities on human rights, and tracking and disclosing performance with regard to human rights.

Morinaga Milk Group Human Rights Policy

Basic Philosophy

The Morinaga Milk Group respects human rights and diversity as basic rights for people to live healthy and enjoyable lifestyles as we aim to realize our corporate philosophy “contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.”



Background

We have formulated this policy based on the Guiding Principles on Business and Human Rights of the United Nations and in respect to various international codes of conducts regarding human rights, such as Universal Declaration of Human Rights and United Nations Global Compact, to promote initiatives related to respecting human rights. This policy also expresses our dedication towards respecting human rights based on our corporate philosophy and guiding principles.

Scope

This policy applies to all executives and employees of the Group and also hopes that all of our business partners involved in our products and services to support this policy, and suppliers comply with this policy.

Basic Policy

1. We respect basic human rights, individuality, and diversity, and do not discriminate or engage in harassment based on race, gender, age, religion, language, nationality, sexual orientation, gender identity, and having disabilities or not. In the case abuse of human rights is found, we will take necessary measures including measure to prevent reoccurrence of such cases urgently and earnestly.
2. We do not engage in forced or child labor.
3. We create working environment where employees can feel safe and secure while working and also be healthy both mentally and physically.
4. We respect the employees' basic right of collective bargaining.
5. We comply with laws and regulations of Japan and countries and regions we engage business in.
6. We properly educate our executives and employees.
7. We respect each diverse way of thinking and their stances, and strive to create a corporate culture that enables everyone to exert their full potential and work enthusiastically.
8. We disseminate this policy to all employees and also release it to the public.

November 2, 2018

Michio Miyahara

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

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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 Rights” and the general managers of the relevant departments responsible for promoting KPIs. The Morinaga Milk Group also believes that human rights should be addressed in all divisions and departments. A system to address human rights issues on a company-wide basis is currently being developed.

KPIs

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

Disseminating the Human Rights Policy

Human Rights Policy Training

The Morinaga Milk Group began compliance training in 2019 in order to educate employees about the Group's human rights policy, which was created in November 2018. Compliance officers visited business sites and Group companies for this training.

REPORT

► Please see the “Compliance Training” section (p. 79) for details.

Compliance Consultation System “Morinaga Milk Helpline” (Internal Reporting System)

The Morinaga Milk Group regards harassment as a human rights issue and works toward solutions through Morinaga Milk Helpline, a consultation system for compliance-related matters.

REPORT

► Please see the “Compliance” section (p. 78) for details.

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Promotion of Occupational Health and Safety

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.

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.

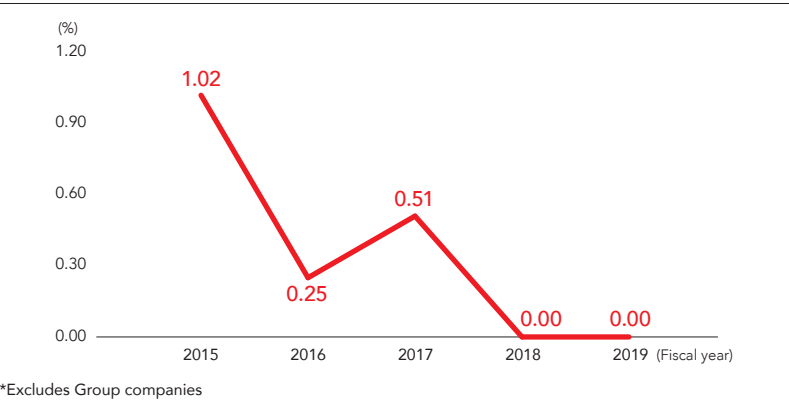
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Lost Work Hours and Serious Accidents

When an occupational accident occurs in the Group, information is immediately sent to the head office, which provides support guidance regarding the causes and the measures to be taken. On-site guidance is provided as necessary. Information is shared in the form of flash reports and monthly reports describing disaster prevention and safety measures, which are deployed horizontally across all business sites of the Manufacturing Department in order to prevent similar occurrences.

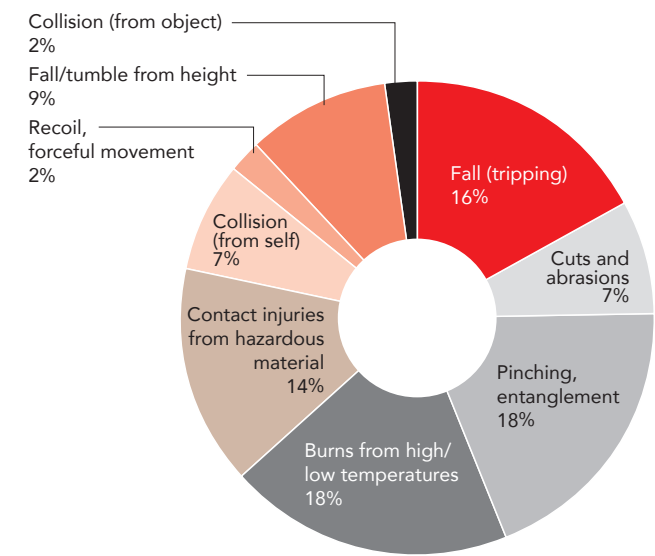
Industrial Accident Frequency Rate



Workplace Accidents (by Type)

In FY 2019, the most common type of workplace accidents at Morinaga Milk Group were pinching/entanglement and burns from high/low temperatures, each of which constituted 18% of all workplace accidents. The next most common types of accident were falls from tripping (16%) and contact injuries from hazardous material (14%). These four types of workplace accidents represented 66% of workplace accidents.

Percentage of Workplace Accidents by Type (FY 2019)



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Management to Prevent Occupational Accidents

Health and Safety Audits

The Morinaga Milk Group uses a 166-item health and safety audit checklist to carry out internal audits of documents and manufacturing operations at each site overseen by the Manufacturing Department every half year in order to prevent work-related accidents. The Group also strives to take compliance with laws, regulations, and health and safety activities to the next level. The head office will also carry out a main audit of all business sites within the next three years; in FY 2020, these audits are scheduled at 12 sites.

For internal health and safety audits, the Morinaga Milk Group uses an assessment system with internal auditors who have received training at the head office. The purpose is to raise the level of knowledge and understand what items should be given attention and measured for evaluation.

Ensuring Safety at New Facilities

Morinaga Milk conducts equipment safety inspections before starting up a new plant at the time new equipment is brought in, or when major changes are made to building structures or manufacturing processes. Preliminary checks are done with a focus on lessons learned from past accidents and on compliance with laws and regulations in order to confirm that operations can be started assuredly and safely.

Health and Safety Promotion Activities

"Keep Safe!" Activities

The Morinaga Milk Group promotes "Keep safe!" activities.

"Keep safe!" activities refer to the mindset of giving priority to safety and health. This phrase is meant to be used in place of stock greetings in Japan such as "Good morning" and "Thanks for the hard work." The underlying idea is to warmly encourage coworkers and others to start the day by putting safety first so as to be able to return home in the same condition as one arrived. It also serves as a reminder to not get injured and to not cause injury to others.

Health and Safety Education to Employees

1. Safety training with danger simulation devices

Morinaga Milk lends out devices for safety education (two sets of five machines) in rotation to plant sites of the Manufacturing Department. The devices simulate dangers from pinching and entanglement, compressed air, sealing pressure and electrical shock. (In FY 2020, use of these danger simulation devices is planned for 11 sites.)

2. A series of six safety DVDs is circulated to each manufacturing site for viewing as part of safety education.

3. Basic safety compliance items are organized by type of occupational accident. Addressing eight subjects, the information is distributed to all sites over the internal network for use in safety education.

4. Safety officers at Morinaga Milk head office have developed an in-house, seven-part e-learning program. Program content is sent out about every two months to all employees working at plants.

5. A theme is decided according to the type of occupational accident and sent out approximately once per month with the aim of preventing similar occurrences. Each site carries out a risk assessment and evaluation based on the theme with modifications and guidance provided by health and safety officers at head office in order to build capabilities.

6. Employees who have been with Morinaga Milk for four to five years undertake a risk assessment exercise, with modifications and guidance provided on each of seven topics.

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Stakeholder Engagement

As part of human rights due diligence initiatives, Morinaga Milk has participated in the Stakeholder Engagement Program sponsored by Caux Round Table Japan since 2017 and continued this effort in FY 2019. Morinaga Milk will continue to focus on human rights issues in the supply chain.

Suppliers

Morinaga Milk is dealing with suppliers and other business partners to respect human rights throughout the supply chain.

For raw materials, Morinaga Milk is advancing the purchase of RSPO-certified palm oil and Rainforest Alliance-certified coffee beans and tea leaves.

Morinaga Milk also regularly conducts procurement surveys with suppliers, shares the company Procurement Policy with them, and conducts human rights surveys.

REPORT

▶ Please see the "Supply Chains" section (p. 53) for details.

CSR Procurement Questionnaires (2019)

Morinaga Milk Group periodically conducts CSR procurement questionnaires, etc. on the labor environment at raw material manufacturing sites and processing plants. (The next questionnaire is scheduled for 2021.) For the 2019 questionnaire Morinaga Milk held an advance briefing session for major suppliers about the CSR procurement questionnaire to explain its purpose and significance in terms of Morinaga Milk Group's human rights,



Explanatory meeting for the CSR procurement questionnaires

procurement and quality policies.

The questionnaire uses the CSR Sustainable Procurement Self-Assessment Tool created by Global Compact Network Japan and asks questions in some 47 categories such as human rights, corporate governance, labor, environment, fair corporate activities, quality/safety, information security, supply chain, and coexistence with the community, with 180 companies (a 100% response rate) submitting. Feedback will be given to business partners to improve and strengthen future efforts in the supply chain.

Topics

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.

Aloe manufacturing companies have contracts with many aloe farms, which employ several to dozens of migrant workers from neighboring Cambodia on a live-in basis.

The status of quality control for the produced aloe was checked. The observers also asked about environmental considerations at the plantation and processing plants, the working environment and the status of human rights protection for workers. No particular problematic conditions were identified during this visit.



Migrant workers weeding and harvesting aloe fields
Due to the strong sun, work is done in the early morning and in the late afternoon to evening.

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Initiatives with Partner Distribution Companies

Morinaga Milk is working with its distribution partners and other companies to improve the working environment for drivers with the aim of eliminating long work hours and reducing the amount of workload now facing drivers who bear part of the logistics responsibilities.

Specific initiatives

- Promotion of pallet deliveries
- Modal shift to rail and sea transport
- Joint deliveries within the Group and with other companies in the same industry
- Scrutinize work content and review customer transaction conditions, etc.
- Shorten the time needed to secure break times (reduce waiting times, relax conditions for designated delivery times, etc.)
- Participating in the White Logistics Movement (from September 2019)

Employment Survey for Non-Japanese Employees

The Morinaga Milk Group employs foreign nationals as well as Japanese nationals whose first language is not Japanese.

An employment survey was carried out for non-Japanese employees at all Morinaga Milk business sites and Group companies in order to confirm employment conditions and enhance the working environment.

Group total: 158 persons (as of March 31, 2019)

Conditions

1. Those who do not have Japanese nationality and are not North Korean, Korean or Taiwanese with Special Permanent Resident status
2. Those who have Japanese nationality but have difficulty communicating in Japanese

Diversity & Inclusion

The Morinaga Milk Group believes it is important to not only recognize diversity, but to also encourage all employees to fully realize their own individuality and abilities while accepting each other's differences, and to promote corporate activities. Morinaga Milk has published its Diversity and Inclusion Declaration and implements a variety of company-wide measures in this regard.

Morinaga Milk Diversity and Inclusion Declaration

Management and employees will:

- Respect the diversity of employees and work to create a workplace in which all employees can maximize their potential.
- Support employee "smiles" and "vibrancy" both at and away from work.
- Continue to express Morinaga Milk's characteristic values to society through our employees' smiles and vibrant work ethic.

Initiatives and Results

Employment Situation

	2015	2016	2017	2018	2019
Employees – consolidated (Persons)*	5,602	5,771	5,987	6,157	6,303
Employees – non-consolidated (Persons)	3,023	3,035	3,144	3,247	3,340
Number of regular employees, by gender (Morinaga Milk only)					
Men (Persons)	2,444	2,455	2,556	2,629	2,697
Women (Persons)	579	580	588	618	643
Number of new graduates hired as regular employees, by gender (Morinaga Milk only)					
Men (Persons)	47	47	98	103	85
Women (Persons)	17	17	29	42	42
Total (Persons)	64	64	127	145	127
Turnover and turnover rate (including mandatory retirement; Morinaga Milk only)					
Turnover (Persons)	127	107	99	85	100

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Turnover rate (%)	3.5	3.0	2.7	2.3	2.7
	2015	2016	2017	2018	2019
Number of re-hires and re-hire rate of persons aged 60 and older (Morinaga Milk only)					
Number re-hired (Persons)	45	50	36	30	24
Re-hire rate (%)	91.8	96.2	87.8	96.8	88.9
Ratio of base pay and total compensation by gender: Not disclosed					

*Morinaga Milk Industry Co., Ltd., Morinaga Milk Industry Sales Co., Ltd., Tohoku Morinaga Milk Industry Co., Ltd., Furiijipor Co., Ltd., Hiroshima Morinaga Milk Industry Co., Ltd., MK Cheese Co., Ltd., Clinico Co., Ltd., Tokyo Dairy Co., Ltd., Rizan Corporation, Morinaga-Hokuriku Milk Industry Co., Ltd., Towa Techno Co., Ltd., Moriyu Sunworld Co., Ltd., Chez Forêt Co., Ltd., Morinaga Dairy Service Co., Ltd., Toyo Fermented Milk Co., Ltd., Morinaga Milk Industry Hokkaido Co., Ltd., Morinaga Milk Industry Kyushu Co., Ltd., Napoli Ice Cream Co., Ltd., Tokachi Urahoro Milk Industry Co., Ltd., Milei GmbH, Milei Plus GmbH, Milei Protein GmbH & Co. KG., Morinaga Nutritional Foods, Inc., Pacific Nutritional Foods, Inc., Nihon Seinyu, Fuji Morinaga Milk Industry Co., Ltd., Okinawa Morinaga Milk Industry Co., Ltd., Kumamoto Morinaga Milk Industry Co., Ltd., Yokohama Morinaga Milk Industry Co., Ltd., Morinaga Engineering Co., Ltd., Hokkaido Hosho Milk Plant Co., Ltd., Sunfco Ltd., MM Property Funding Corp.

Promotion of Diversity and Inclusion

Morinaga Milk has held briefings to ensure that all employees properly understand and implement diversity and inclusion. Since 2017, Morinaga Milk has held an annual diversity forum together with other food product companies with keynote speakers and panel discussions. More than 100 people from Morinaga Milk participate each year.

In 2007, the Nurturing the Next Generation Committee took the opportunity to listen to the voices of female employees with children. This committee is also responsible for creating the short-time work system and establishing leave for school events for both male and female employees. Such efforts are now regarded as part of pursuing diversity. Morinaga Milk is promoting the establishment of a system that supports a diversity of workstyles regardless of gender, and is also developing a rewarding workplace for employees to sufficiently realize their individual potential.

Support for Female Workers

Morinaga Milk is supporting female workers as part of its diversity promotion

efforts. This support includes training programs such as “Female Leader Training” and the “Work × Child-raising Power-Up Seminar” to support employees seeking to advance in their careers and employees seeking to balance the demands of work and caring for children. Morinaga Milk is also examining mechanisms and tools to promote the engagement of female workers who return to their workplaces after childcare leave.

Morinaga Milk is now working on the first phase of an action plan for compliance with the “Act on Promotion of the Women’s Participation and Advancement in the Workplace”.

Results for Support for Female Workers

	April 1 2017	April 1 2018	April 1 2019	April 1 2020
Percentage of new female graduates*	41.0	45.8	47.9	60.0
No. of female managers	38	42	43	46
Ratio of female managers (%)	4.5	4.8	4.7	4.9

* Total for administration, sales and R&D employees

LGBT Help Line

Morinaga Milk promotes diversity and inclusion, and recognizes and respects diversity in its efforts to be an organization where everyone can play an active role. In considering that there might be many LGBT people in the workplace who are anxious that coming out to coworkers or using company consultation avenues will negatively affect their interpersonal workplace relationships, Morinaga Milk decided to establish an email consultation service with an external provider for a six-month trial. This counselor service is aimed at people who identify as LGBT who wish to consult with someone but are not sure who to turn to, or do not have anyone they can discuss such matters with, and is available to any Morinaga Milk employee free of charge.

In addition to this external help line, Morinaga Milk also promotes measures for promoting proper LGBT awareness, such as holding study sessions on LGBT etiquette and requiring managers to take an LGBT e-learning course.

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Childcare Support System

Morinaga Milk is enhancing childcare support systems. Employees burdened with the dual demands of work and child-raising are able to actively engage in their work in various departments with support from the short-time work system, flextime policy, etc. In addition, Morinaga Milk has had a paternity leave system since 2015 to raise awareness about the participation of male workers in child-raising. The number of male workers who are using paternity leave and childcare leave is increasing.

Morinaga Milk was certified by the Director of Tokyo Labor Bureau in 2008, 2010, and 2012 as a business that supports parenting. In recognition of this certification, Morinaga Milk received the “next generation certification mark” (known as Kurumin) in those same years. Morinaga is now working on the 6th phase of the action plan.

- Ratio of paternity leave in FY 2019: 79.5% (120 people)
- Ratio of male employees taking childcare leave in FY 2019: 22.5% (34 people)



Number of Employees Taking Childcare Leave by Gender

	2015	2016	2017	2018	2019
Men (Persons)	9	14	18	27	34
Women (Persons)	32	37	49	54	47
Total (Persons)	41	51	67	81	81

Rate of Returning to Work from Childcare Leave by Gender

	2015	2016	2017	2018	2019
Men (%)	100.0	100.0	100.0	100.0	100.0
Women (%)	97.0	94.6	100.0	100.0	98.2

Exclusion of Gender-based Role Assignment

Targets	2017	2018	2019	2027 target
Ratio of paternity leave (%)	70.0	76.5 (124 persons)	79.5 (120 persons)	100
Ratio of male employees taking childcare leave (%)	12.9	16.7 (27 persons)	22.5 (34 persons)	100

Family Care Support System

In recent years, the number of employees working while caring for their families has been increasing. In 2017, Morinaga Milk responded to this trend by starting a system allowing employees to divide nursing care into three separate leave periods of up to 185 days in total, a period exceeding the requirement under the relevant law. In 2018, Morinaga Milk established the “Long-Distance Travel Subsidy for Providing Nursing Care” for employees burdened with high travel costs of returning to their hometown, etc. to provide nursing care to a family member. This subsidy covers part of the travel costs for such employees. Morinaga Milk supports employees aiming to balance work and nursing care.

Employee Turnover Due to Nursing Care

	2017	2018	2019	2027 goal
Employee turnover (persons)	6	0	2	0

Employment of People with Disabilities

Morinaga Milk employs people with diverse backgrounds from new graduates to experienced staff. Employees with disabilities are placed in positions where they can demonstrate their individual abilities.

Number of Employees with Disabilities and Employment Rate

	2015	2016	2017	2018	2019
Employees with disabilities (persons)	84	84	89	94	89
Employees with disabilities (%)	2.13	2.17	2.19	2.22	2.15

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Workstyle Reform

Work-Life Balance

In 2017, Morinaga Milk launched a Workstyle Reform Committee to develop an infrastructure environment and system so that all employees, with their diversity of backgrounds, can fully demonstrate their abilities.

Morinaga Milk has introduced a “No Overtime Day” system, “My Holiday System,” and “Interval System” to better reflect the workstyles of employees and make their work more interesting.

The “No Overtime Day” serves as a reminder to employees at all business sites, including the head office, that work is to be finished within designated working hours.

Under the “My Holiday System” started in FY 2019, employees give notice to their managers for five days of consecutive leave, making it easier for the workplace managers to adjust schedules so that employees do not feel anxiety about using their paid leave. Thanks to these efforts, the use of paid leave has increased in recent years, reaching 76.7% in FY 2019. Morinaga Milk continues to move forward with such initiatives with the aim of reaching 85% use of paid leave in FY 2027.

For the physical and mental health of employees, an “Interval System” has been in place in the head office, branches, and sales offices since 2014. The Interval System secures more rest time for employees by ensuring off-time of a certain duration from the end of work, including overtime work, to the start of work on the next day. Effort is being made at all levels to encourage the healthy living of employees through the prevention of overwork.

Morinaga Milk also works with distribution partners to reduce working hours—especially for truck drivers, for whom long working hours is a particular concern.

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► Please see the “Initiative with Partner Delivery Companies” section (p. 48) and “Supply Chains” section (p. 57) for details.

Total Working Hours and Average Number of Days of Paid Leave Taken

	2015	2016	2017	2018	2019
Total working hours (Hours)	1,974	1,965	1,965	1,974	1,967
Number of days of paid leave taken (Days)	11.6	12.0	12.2	12.0	14.1

* Total working hours for labor union members only

Systems to Promote Flexible Ways of Workstyles

Morinaga Milk promotes flexible ways of workstyles through its “Teleworking/Satellite Work System,” “Time-difference Work System,” and “Flextime System”.

Since its introduction in 2017, the “Teleworking/Satellite Work System” has improved work productivity by allowing employees to use their time more effectively and strike a better balance between work and private life. All employees, with or without childcare or nursing care obligations, are eligible to use the system. Morinaga Milk continues to review the workstyles most amenable to highly productive work. As of March 2020, 930 people have used this system.

A flextime system has been adopted at all business sites (with the exception of manufacturing section at plants and certain centers) to improve awareness of efficient work operations.

Targets for Diversity & Inclusion and Results

Targets	2017	2018	2019	2027 target
Workstyles				
Number of employees using teleworking/satellite work system (Persons)	67	197	932	1,000
Ratio of days of annual leave taken (%)	62.8	64.9	76.7	85

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Support System to Balance Ongoing Medical Treatment and Work

In 2018, Morinaga Milk implemented the following three systems to support employees who need ongoing medical treatment so that they can continue to work with peace of mind as allowed by the short-time work system, the reduced working days system, and a time-difference work system.

Short-time work system: A shortened work day by up to 2 hours

Reduced working days system: A four-day work week without using paid leave

Time-difference work system: Shift work hours by up to two hours either way with no change in total working hours.

Fair and Equitable Employment

Morinaga Milk revised its personnel system for contract employees in April 2016 to allow fixed-term contract employees who have a certain level of experience to enter into an open-end employment agreement with the company. Also, those contract employees without defined employment periods can be regarded as regular employees under the system. Since 2016, 21 contract employees have had their status changed. Morinaga has clarified the scope of responsibility and expected roles in each employment classification so as to promote the active participation of diverse employees.

Moreover, many former employees who have ended their employment for personal reasons or a career change, express their desire to return to Morinaga Milk at a later time. To respond to such desires and, at the same time, take advantage of the experience and skills such former employees have accumulated during their tenure in other companies, Morinaga Milk now has an arrangement for rehiring former employees. Regular employees who have worked at Morinaga Milk for more than three years are, in principle, eligible for rehiring regardless of the reasons for leaving Morinaga Milk. To date, eight people have returned to active work under this arrangement.

Number of Persons Hired under the Returnees Program (Morinaga Milk only)

	2015	2016	2017	2018	2019
Number hired (Persons)	1	3	0	1	0

Management-Labor Dialogue

Morinaga Milk has organized the All Morinaga Labor Union as a forum for dialog between management and labor. A union-shop system is used and 100 % of full-time employees, excluding management, are members of the union.

In order for the company and the union to have mutual understanding and cooperation, the labor agreement requires holding management meetings, including joint management meetings attended by both management and union representatives (twice per year) and business site management meetings with union branch representatives.

Management-labor councils are also held for safety measures and labor hour measures (twice per year for each). Morinaga Milk strives to improve occupational health and safety in the workplace and to discuss wage increases and bonuses, as well discuss improvements to working conditions apart from wages.

Finally, before revisions, etc. are made to internal regulations, a proposal is provided for discussion to the All Morinaga Labor Union. These efforts are part of maintaining close communications with the union.

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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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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.

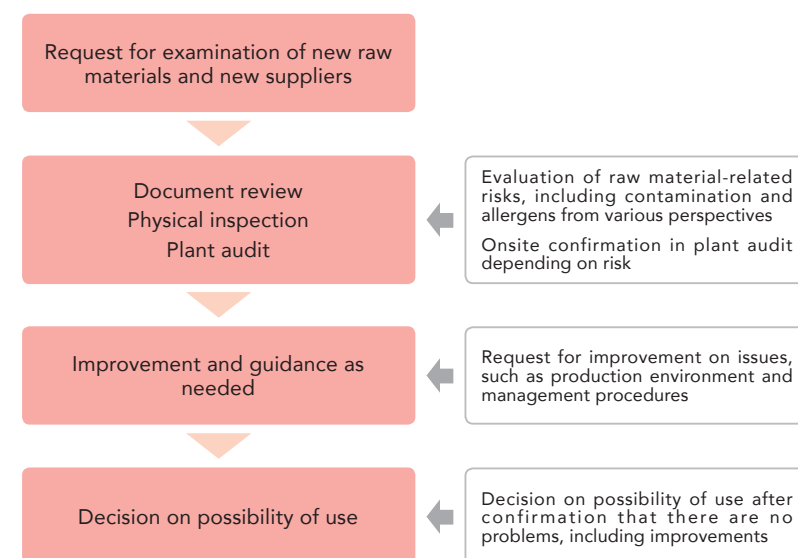
In FY 2019, the Group conducted audits of its business partners, mainly in Europe, to improve the supply system.

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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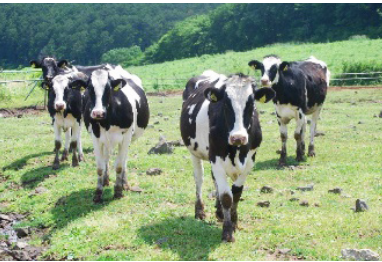
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Plant Tours for Dairy Farmers

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.

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,



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

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.



Check our
progress at
www.rspo.org



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.

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► 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.

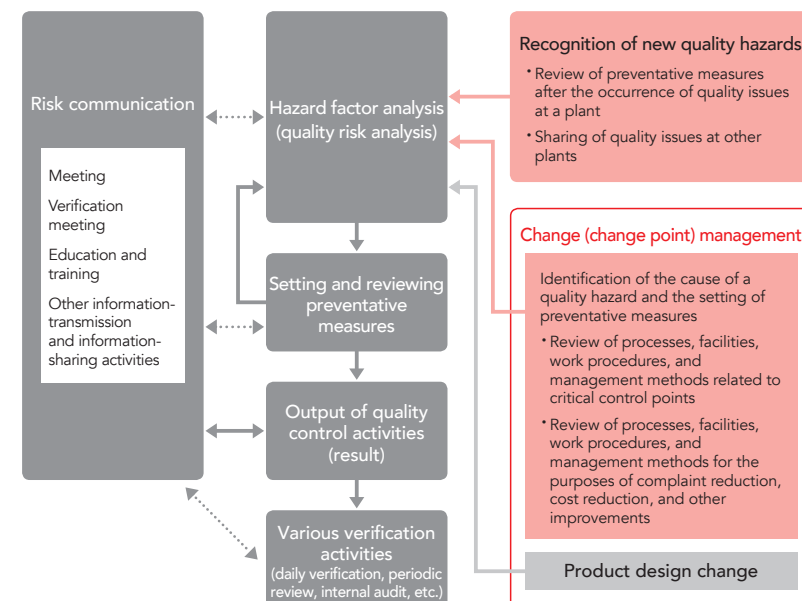
MACCP is a management method for ensuring a product has the intended qualities. The aim is to provide products that customers can use reliably and to carry out stable manufacturing.

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

WEB

Voluntary Declaration on Consumer Orientation

▶ https://www.morinagamilk.co.jp/information_morinaga/170116.html (Japanese only)

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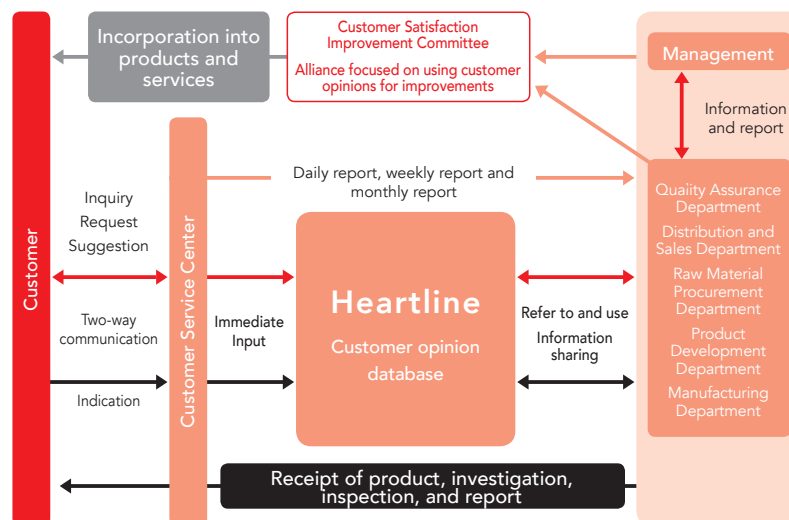
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System to Take Advantage of Customer Opinions



*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.



Previous packaging

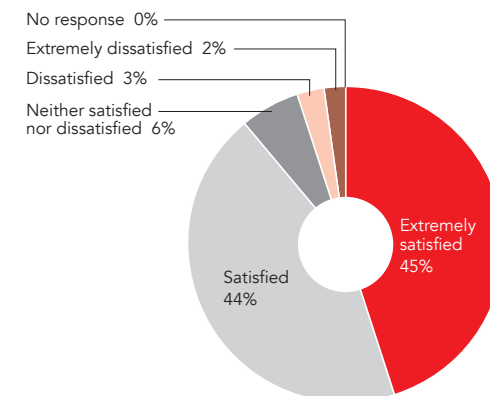
Packaging after changes

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.

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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.

Morinaga Milk believes that since it is people who create society, cultivating people is something that must be done by society as a whole—it is not just the role of the education system.

With the rapid development of information technologies and globalization, it is becoming apparent that society is moving away from an era where future development remains an extension of current accepted practices. With the revised government guidelines for education in Japan, in terms of education Morinaga Milk aims to assist in developing the qualities and abilities the young need to innovate into the future.

Morinaga Milk has prepared a program utilizing its own knowledge to foster today's children with their future in mind. Morinaga Milk will continue to support the nurturing of the next generation.

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: Nurturing the Next Generation" and the general managers of the relevant departments responsible for promoting KPIs.

The CSR Promotion Department serves as the secretariat for next-generation education programs and works in cooperation with the relevant departments.



KPIs

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

Morinaga Milk's Activities for Nurturing the Next Generation

Plant Tours

Morinaga Milk gives plant tours at three of its plants (Tokyo Tama Plant, Chukyo Plant, Kobe Plant) to show consumers how its products are produced. On-site visits to the plant's sanitary production lines and other facilities demonstrate Morinaga Milk's commitment to manufacturing excellence and production grounded in safety and reliability.



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Little Angels Forest and Food Expedition Team

The “Little Angels Forest and Food Expedition Team” class is an outdoor educational experience for about 30 elementary school students from Grades 4 through 6. The children spend four nights and five days together exploring life in nature. They cooperate with their classmates in a series of eating, creating, and playing experiences such as harvesting vegetables, tending to animals at dairy farms, climbing trees, playing in rivers, building rudimentary structures, and taking plant tours, all with the aim of discovering the essentials of living by one’s own devices in nature.



Pavilions at KidZania Tokyo and KidZania Koshien

KidZania provides an interactive experience where children can be leaders and learn about society while having fun. Empathizing with the KidZania concept of fostering realistic vocational experiences to equip children with the skills they need to survive in the future, Morinaga Milk is an official sponsor of “Milk House” pavilions at two KidZania cities—in Tokyo since 2012 and Koshien (in the Kansai area) since 2016. Children visiting Milk House work as “milk food marketers” to plan and create products that consumers will appreciate. The goal of these work-like experiences is to have children: (1) experience and understand the work involved in providing new “added value” to consumers, (2) learn more about milk and dairy products, and (3) understand and take an interest in the dairy industry.



Career Education

Visiting Classes at Elementary Schools

Morinaga Milk began these on-site classes in 2015 with the aim of leveraging our advanced milk technologies to create foundations in children for developing a healthy and rich well-being.

Elementary school is a vital period in a child’s growth. Using the familiar ingredient of milk, these 45-minute classes teach children to interpret the nutritional information on milk cartons and to think about the meaning of why school lunches provide a serving of milk each day.

Results

	2015	2016	2017	2018	2019
No. of times held	1	3	4	5	7
No. of participants	31	80	132	327	422

Career Education for Junior and Senior High School Students

It has been pointed out that changes in social structures and values have resulted in less-than-ideal occupational and work attitudes. In 2014, Morinaga Milk began cooperating with Twice Research Institute to develop project-based learning geared toward junior high, high school, and university students to contribute to solving social issues in the education field.

In this program, students work as a member of the company to present their findings on issues we put forward. This program aims to nurture a healthy occupational, work and moral attitude that will serve as a source of vitality when the students transition to the working world.

Morinaga Milk employees participate and provide advice through school visits or by working with students over the internet to support their efforts.

Since 2016, we have also conducted a student visitor program. Students visiting headquarters for exploratory career study visits or as part of school trips listen to employees talk about their own careers or have a mini-work experience. By deepening student understanding about work and the ties between companies and society, Morinaga Milk contributes to creating opportunities for students as they consider possible careers.

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Results: Business Interns

	2015	2016	2017	2018	2019
No. of schools	20	23	20	19	23
No. of participants	1,000	1,048	874	774	1,142

*An increase in the number of participating companies and an increase in the number of available programs has resulted in a reduction in the number of participating students for each company.

Results: Exploratory Career Study Visits

	2016	2017	2018	2019
No. of schools	12	27	33	53
No. of participants	61	234	282	588

Tour of Volleyball

Since 2016, Morinaga Milk has been running volleyball clinics around Japan with technical guidance from former national team athletes. These clinics aim to support the growth of female junior high school athletes as well as communicate the importance of food through Morinaga Milk products and services.

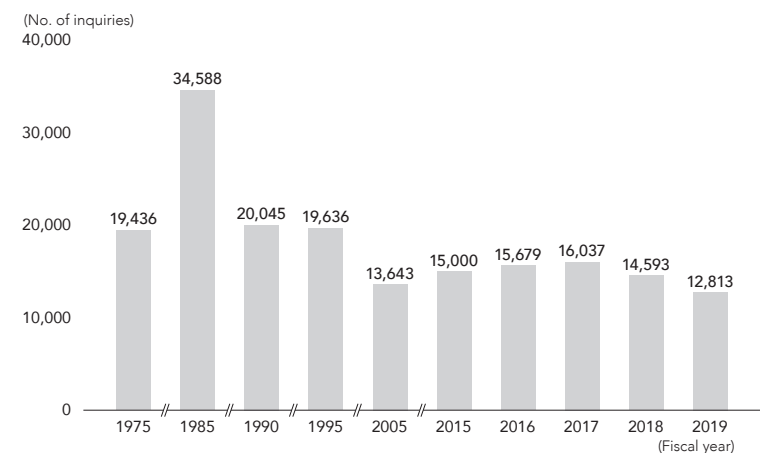
**Results**

	2016	2017	2018	2019
No. of times held	21	22	23	21
No. of participants	2,317	2,277	2,398	2,196

Creating an Environment for Nurturing the Next Generation**Angel 110 Hotline for Free Childrearing Consultations**

In May of 1975, when the number of nuclear families was surging in an environment of rapid economic growth, Morinaga started a free childcare telephone consultation service. This service helps mothers who were struggling with taking care of their children in a dramatically changing child-raising environment. The consultation service continues to welcome questions from mothers about their early stages of pregnancy, child-raising, and their children's early years up to elementary school. As of March 31, 2020, the consultation service received 978,338 questions. The questions have spanned the gamut of topics from eating habits ("How much and what should I feed my baby?") and parental fears ("I have no confidence in my child-raising skills") to child development.

Beyond telephone consultations, Morinaga Milk also takes part in nursing student programs and holds childcare support seminars for employees. The consultants listen to the anxieties, troubles, and doubts of the parents of young children, and think through things with them to help them find solutions in order to ease their worries. Morinaga Milk is committed to continuing offering support to anyone who finds themselves facing challenges in pregnancy or child-raising.

Angel 110 Hotline Inquiries

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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.

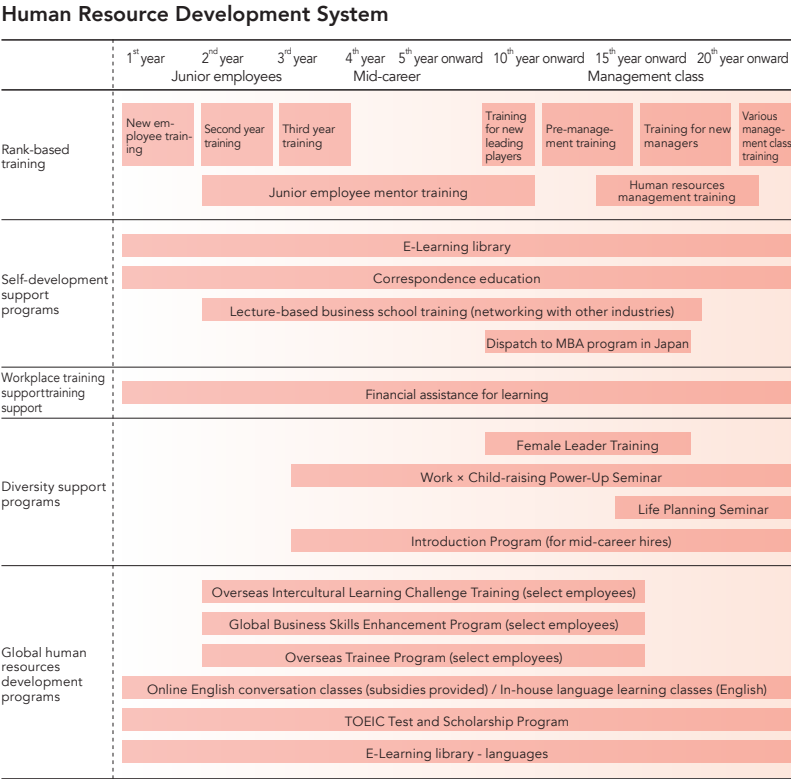
The specific initiatives under off-the-job (Off-JT) programs and self-development support programs are revised each year as the annual human resource development plan, with each development program being proposed and implemented.

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.



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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

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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."

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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.

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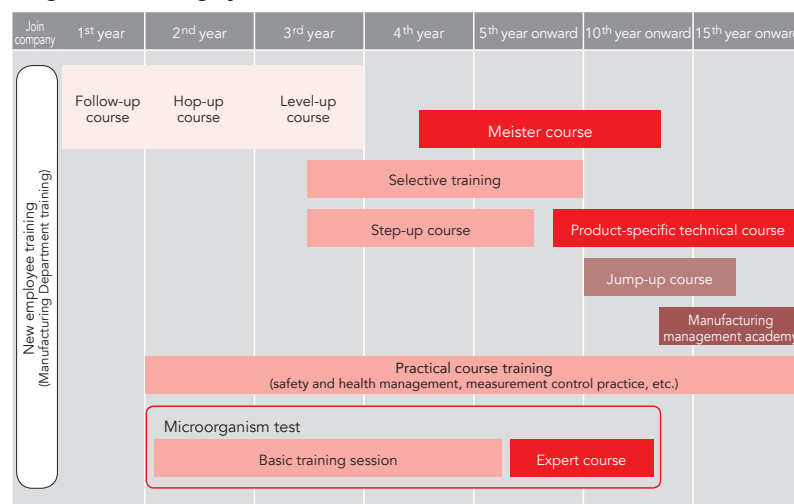
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Diagram of Training System



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

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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.

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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.

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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

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Corporate Governance

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

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

Basic Approach

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

KPIs

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

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

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

Compliance

Basic Approach

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

Compliance Code of Conduct

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

Five Action Check Points

Ask yourself, will your action...

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

Our Courage

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

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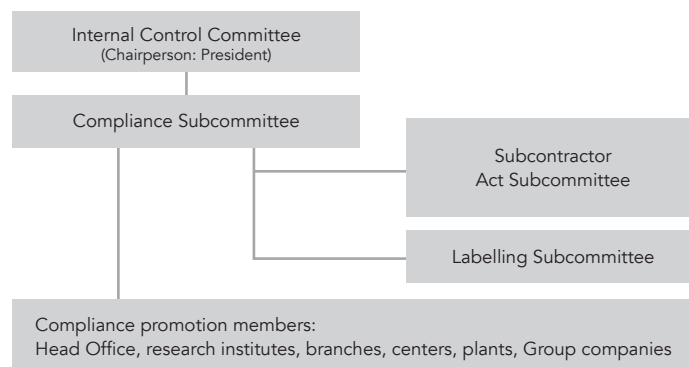
System

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

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

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

Compliance Promotion System



Instilling Compliance Awareness

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

Compliance Training

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

Targets

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

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

Status of Compliance Training (Morinaga Milk Group)

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

E-Learning

Targets and Training Content

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

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

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

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

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

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

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

Consultations Received by the Morinaga Milk Helpline

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

Information Security

Basic Approach

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

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

System

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

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

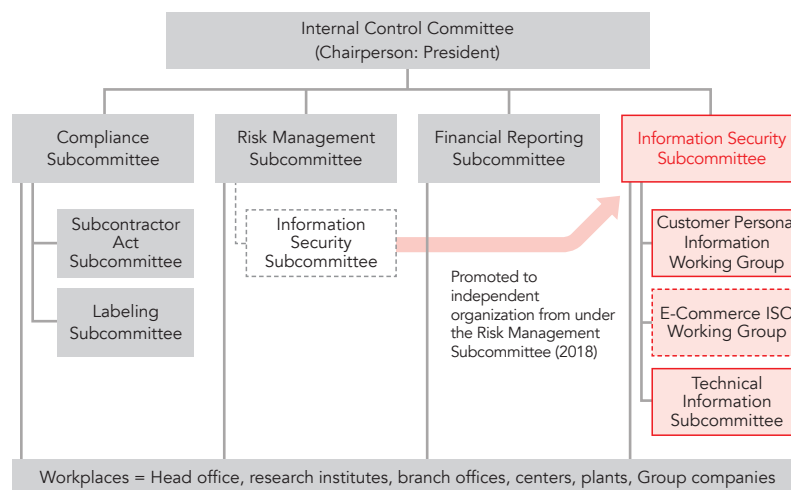
We also established a Technical Information Subcommittee in 2019 to strengthen our management system for confidential information.

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Information Security Organization



*Dissolved since ISO 27001 certification was obtained in FY 2019

Information Security Countermeasures

Occurrence of a Serious Information Security Incident

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

WEB

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

Handling Incidents such as Information Leakages

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

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

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

Initiatives for Information Security Countermeasures

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

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

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

Training on Information Security Management

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

Third Party Assurance

Lloyd's Register Quality Assurance Limited guarantees the energy consumption and CO₂ emission results (Scope 1, Scope 2) for FY 2019 described on pages 33 to 34 of this Data Book as reliable. Morinaga Milk will continue to work to improve the reliability of environmental data.

For the scope of aggregation, see "Third Party Assurance of Actual Data and Scope of Aggregation." (→ p. 33)



LR Independent Assurance Statement

Relating to Morinaga Milk Group's Environmental Data within Sustainability page of its corporate website for the fiscal year 2019

This Assurance Statement has been prepared for MORINAGA MILK INDUSTRY CO., LTD. in accordance with our contract but is intended for the readers of this report.

Terms of Engagement

Lloyd's Register Quality Assurance (LR) was commissioned by MORINAGA MILK INDUSTRY CO., LTD. ("the Company") to provide independent assurance on its environmental data disclosed in Sustainability page of its Corporate Website ("the report") for the fiscal year 2019 (from 1 April 2019 to 31 March 2020), against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE3000 (Revised) and ISO 14064-3 for Greenhouse gas ("GHG") emissions data.

Our assurance engagement covered the Company's operations and activities at 13 manufacturing plants and its consolidated subsidiaries (14 companies, 16 factories) in Japan and specifically the following requirements:^{1,2}

- Verifying conformance with the Company's reporting methodologies for the selected dataset;
- Evaluating the accuracy and reliability of data for only the selected environmental datasets listed below:³
 - Scope 1 GHG emissions (Tonnes CO₂)⁴
 - Scope 2 GHG emissions (market-based) (Tonnes CO₂)
 - Total energy consumption (MWh)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to the Company. LR disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe the Company has not, in all material respects:

- Met the requirements of the criteria listed above; and
 - Disclosed accurate and reliable environmental data and information as summarized in Table 1 below.
- The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

¹ Furijipport Okinawa-Uruma Plant, which was built in July 2019, is excluded in the scope only this assurance since this factory was completed in the middle of 2019.

² The performance data relating Akita Orion Food in the Tahoku Morinaga Milk, Akita Plant site is included.

³ GHG quantification is subject to inherent uncertainty.

⁴ The scope covers only energy-oriented CO₂.



LR's Approach

LR's assurance engagements are carried out in accordance with ISAE3000 and ISO14064-3 for GHG emissions. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or misstatements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with those key people responsible for compiling the data and drafting the report.
- Sampling datasets and traced activity data back to aggregated levels;
- Verifying the historical data and records associated with GHG emissions and energy consumption for the fiscal year 2019; and
- Visiting Tone plant of MORINAGA MILK INDUSTRY CO., LTD. and MK Cheese Co., Ltd. to investigate whether the data management systems have been effectively implemented.
- By Implementing the Company's "No Visitor" Policy due to the global infection spread of COVID-19, conducting the remote verification to the head office of MORINAGA MILK INDUSTRY CO., LTD. Headquarters for confirming the aggregated data via emails, telephone, and Google meet.

Observations

Further observations and findings, made during the assurance engagement, are:

The Company should further demonstrate the accuracy and reliability of its future reports. This is particular to ensure effective internal verification processes at both the corporate head office and site levels.

LR's Standards, Competence and Independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases - Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17021-1 Conformity assessment - Requirements for bodies providing audit and certification of management systems - Part1: Requirements that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification is the only work undertaken by LR for the Company and as such does not compromise our independence or impartiality.

Signed

Saeko Shimizu

LR Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited

10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LR reference: YKA00000882

Dated: 06 August 2020



Table 1. Summary of MORINAGA Group's environmental data fiscal year 2019:

Scope	
Scope1 GHG emissions	207,862 tonnes CO ₂
Scope2 GHG emissions (Market-based)	150,796 tonnes CO ₂
Total energy consumption	1,482,605 MWh

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This data book uses GRI Standards as reference.

The following data book also include disclosures.

WEB
Integrated Report

▶ <https://www.morinagamilk.co.jp/english/ir/library/annual.html>

Corporate governance Report

▶ <https://www.morinagamilk.co.jp/english/ir/management/governance.html>

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GRI 102: General Disclosures 2016		
Organizational profile		
102-1	Name of the organization	About Us (6)
102-2	Activities, brands, products, and services	About Us (6, 7, 8), Health and Nutrition (23, 26, 27, 28), The Environment (38), Supply Chains (59)
102-3	Location of headquarters	About Us (6)
102-4	Location of operations	About Us (6)
102-5	Ownership and legal form	About Us (6)
102-6	Markets served	About Us (6)
102-7	Scale of the organization	About Us (6)
102-8	Information on employees and other workers	About Us (6), Human Rights (42), Human Resource Development (70)
102-9	Supply chain	About Us (6), Seven Priority Issues (15)
102-10	Significant changes to the organization and its supply chain	About Us (6)
102-11	Precautionary Principle or approach	Seven Priority Issues (15)
102-12	External initiatives	CSR of Morinaga Milk (12)
102-13	Membership of associations	CSR of Morinaga Milk (12), The Environment (40), Supply Chains (58, 59, 60)
Strategy		
102-14	Statement from senior decision-maker	Integrated Report
102-15	Key impacts, risks, and opportunities	Seven Priority Issues (13)
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	Corporate Mission (9)
102-17	Mechanisms for advice and concerns about ethics	Compliance (78)
Governance		
102-18	Governance structure	Integrated Report, Corporate governance Report
102-19	Delegating authority	Integrated Report, Corporate governance Report
102-20	Executive-level responsibility for economic, environmental, and social topics	CSR of Morinaga Milk (10)
102-21	Consulting stakeholders on economic, environmental, and social topics	CSR of Morinaga Milk (10)
102-22	Composition of the highest governance body and its committees	Integrated Report, Corporate governance Report
102-23	Chair of the highest governance body	Integrated Report, Corporate governance Report
102-24	Nominating and selecting the highest governance body	Integrated Report, Corporate governance Report
102-25	Conflicts of interest	Compliance (78), Corporate governance Report
102-26	Role of highest governance body in setting purpose, values, and strategy	Integrated Report, Corporate governance Report
102-27	Collective knowledge of highest governance body	Integrated Report, Corporate governance Report
102-28	Evaluating the highest governance body's performance	Integrated Report, Corporate governance Report
102-29	Identifying and managing economic, environmental, and social impacts	CSR of Morinaga Milk (10)

102-30	Effectiveness of risk management processes	Integrated Report, Corporate governance Report
102-31	Review of economic, environmental, and social topics	Integrated Report, Corporate governance Report
102-32	Highest governance body's role in sustainability reporting	
102-33	Communicating critical concerns	
102-34	Nature and total number of critical concerns	
102-35	Remuneration policies	Integrated Report, Corporate governance Report
102-36	Process for determining remuneration	Integrated Report, Corporate governance Report
102-37	Stakeholders involvement in remuneration	Integrated Report, Corporate governance Report
102-38	Annual total compensation ratio	Integrated Report, Corporate governance Report
102-39	Percentage increase in annual total compensation ratio	Integrated Report, Corporate governance Report
Stakeholder engagement		
102-40	List of stakeholder groups	CSR of Morinaga Milk (11), Human Rights (47)
102-41	Collective bargaining agreements	Human Rights (42, 52)
102-42	Identifying and selecting stakeholders	CSR of Morinaga Milk (10, 11), Human Rights (42, 52)
102-43	Approach to stakeholder engagement	CSR of Morinaga Milk (10, 11), Human Rights (42, 52)
102-44	Key topics and concerns raised	Seven Priority Issues (13, 15)
Reporting practice		
102-45	Entities included in the consolidated financial statements	About Us (6), Integrated Report, Financial Results
102-46	Defining report content and topic Boundaries	Editorial Policy (5)
102-47	List of material topics	Seven Priority Issues (13)
102-48	Restatements of information	
102-49	Changes in reporting	
102-50	Reporting period	Editorial Policy (5)
102-51	Date of most recent report	Editorial Policy (5)
102-52	Reporting cycle	Editorial Policy (5)
102-53	Contact point for questions regarding the report	Editorial Policy (5)
102-54	Claims of reporting in accordance with the GRI Standards	Editorial Policy (5)
102-55	GRI content index	GRI Content Index (83)
102-56	External assurance	Third Party Assurance (82)
Disclosure		Page number (s) and/or URL (s)
GRI 200 Economic Standard Series		
Economic Performance		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	Integrated Report
201-2	Financial implications and other risks and opportunities due to climate change	
201-3	Defined benefit plan obligations and other retirement plans	
201-4	Financial assistance received from government	
Market Presence		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	
103-2	Explanation of the material topic and its Boundary	
103-3	Evaluation of the management approach	
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	

202-2	Proportion of senior management hired from the local community	
Indirect Economic Impacts		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	
203-2	Significant indirect economic impacts	Health and Nutrition (25, 26)
Procurement Practices		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Supply Chains (53, 54)
103-2	The management approach and its components	Supply Chains (53, 54)
103-3	Evaluation of the management approach	Supply Chains (53, 54)
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	
Anti-corruption		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Compliance (78)
103-2	The management approach and its components	Compliance (78)
103-3	Evaluation of the management approach	Compliance (78)
GRI 205: Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	
205-2	Communication and training about anti-corruption policies and procedures	Compliance (78, 79)
205-3	Confirmed incidents of corruption and actions taken	
Anti-competitive Behavior		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Compliance (78)
103-2	The management approach and its components	Compliance (78)
103-3	Evaluation of the management approach	Compliance (78)
GRI 206: Anti-competitive Behavior 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
TAX		
GRI 207: TAX 2019		
207-1	Approach to tax	Leave Blank
207-2	Tax governance, control and risk management	Leave Blank
207-3	Stakeholder engagement and management concerns related to tax	Leave Blank
207-4	Country-by-country reporting	Leave Blank
Disclosure		
GRI 300 Environmental Standards Series		Page number (s) and/or URL (s)
Materials		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), The Environment (33)
103-2	The management approach and its components	Seven Priority Issues (13), The Environment (33)
103-3	Evaluation of the management approach	Seven Priority Issues (13), The Environment (33)
GRI 301: Materials 2016		
301-1	Materials used by weight or volume	The Environment (36, 37, 38)
301-2	Recycled input materials used	The Environment (36, 37, 38)

301-3	Reclaimed products and their packaging materials	The Environment (36, 37, 38)
Energy		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), The Environment (33)
103-2	The management approach and its components	Seven Priority Issues (13), The Environment (33)
103-3	Evaluation of the management approach	Seven Priority Issues (13), The Environment (33)
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	The Environment (33, 34)
302-2	Energy consumption outside of the organization	The Environment (33, 34)
302-3	Energy intensity	The Environment (33, 34)
302-4	Reduction of energy consumption	The Environment (33, 34)
302-5	Reductions in energy requirements of products and services	The Environment (33, 34)
Water and Effluents		
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	The Environment (33, 39)
303-2	Management of water discharge-related impacts	The Environment (30, 31, 33, 39)
303-3	Water withdrawal	
303-4	Water discharge	The Environment (33, 39)
303-5	Water consumption	The Environment (33, 39)
Biodiversity		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), The Environment (29)
103-2	The management approach and its components	Seven Priority Issues (13), The Environment (29)
103-3	Evaluation of the management approach	Seven Priority Issues (13), The Environment (29)
GRI 304: Biodiversity 2016		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
304-2	Significant impacts of activities, products, and services on biodiversity	The Environment (40), Supply Chains (58, 59)
304-3	Habitats protected or restored	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	
Emissions		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), The Environment (29)
103-2	The management approach and its components	Seven Priority Issues (13), The Environment (29)
103-3	Evaluation of the management approach	Seven Priority Issues (13), The Environment (29)
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	The Environment (33, 34)
305-2	Energy indirect (Scope 2) GHG emissions	The Environment (33, 34)
305-3	Other indirect (Scope 3) GHG emissions	The Environment (33, 34)
305-4	GHG emissions intensity	The Environment (33, 34)
305-5	Reduction of GHG emissions	The Environment (33, 34)
305-6	Emissions of ozone-depleting substances (ODS)	The Environment (33, 35)
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	The Environment (33, 35)
Waste		
GRI 306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	The Environment (29, 33, 36)
306-2	Management of significant waste-related impacts	The Environment (29, 33, 36)
306-3	Waste generated	The Environment (29, 33, 36)
306-4	Waste diverted from disposal	The Environment (29, 33, 36)

306-5	Waste directed to disposal	The Environment (29, 33, 36)
Environmental Compliance		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	The Environment (29, 33)
103-2	The management approach and its components	The Environment (29, 33)
103-3	Evaluation of the management approach	The Environment (29, 33)
GRI 307: Environmental Compliance 2016		
307-1	Non-compliance with environmental laws and regulations	The Environment (29, 31)
Supplier Environmental Assessment		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	The Environment (29), Supply Chains (53)
103-2	The management approach and its components	The Environment (29), Supply Chains (53)
103-3	Evaluation of the management approach	The Environment (29), Supply Chains (53)
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	
308-2	Negative environmental impacts in the supply chain and actions taken	The Environment (40), Supply Chains (59)
Disclosure		
		Page number (s) and/or URL (s)
GRI 400 Social Standards Series		
Employment		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Human Rights (42), Human Resource Development (70)
103-2	The management approach and its components	Human Rights (42), Human Resource Development (70)
103-3	Evaluation of the management approach	Human Rights (42), Human Resource Development (70)
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Human Rights (48, 52)
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
401-3	Parental leave	Human Rights (50)
Labor/Management Relations		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Human Rights (52)
103-2	The management approach and its components	Human Rights (52)
103-3	Evaluation of the management approach	Human Rights (52)
GRI 402: Labor/Management Relations 2016		
402-1	Minimum notice periods regarding operational changes	Human Rights (52)
Occupational Health and Safety		
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	Human Rights (44)
403-2	Hazard identification, risk assessment, and incident investigation	Human Rights (44)
403-3	Occupational health services	Human Rights (44)
403-4	Worker participation, consultation, and communication on occupational health and safety	Human Rights (44)
403-5	Worker training on occupational health and safety	Human Rights (44, 46, 52)
403-6	Promotion of worker health	Human Rights (44, 51), Human Resource Development (75, 76, 77)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Rights (44)
403-8	Workers covered by an occupational health and safety management system	Human Rights (44)
403-9	Work-related injuries	Human Rights (45)
403-10	Work-related ill health	Human Rights (52), Human Resource Development (75, 76, 77)
Training and Education		
GRI 103: Management Approach 2016		

103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Resource Development (70)
103-2	The management approach and its components	Seven Priority Issues (13), Human Resource Development (70)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Resource Development (70)
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Non-disclosure
404-2	Programs for upgrading employee skills and transition assistance programs	Human Resource Development (70, 71, 73, 74)
404-3	Percentage of employees receiving regular performance and career development reviews	Human Resource Development (70, 73, 74)
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42, 48)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42, 48)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42, 48)
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Human Rights (48, 49), Corporate Governance (78)
405-2	Ratio of basic salary and remuneration of women to men	Non-disclosure
Non-discrimination		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
Child Labor		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	Human Rights (47)
Forced or Compulsory Labor		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights (47)
Security Practices		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 410: Security Practices 2016		

410-1	Security personnel trained in human rights policies or procedures	Human Rights (43)
Rights of Indigenous Peoples		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 411: Rights of Indigenous Peoples 2016		
411-1	Incidents of violations involving rights of indigenous peoples	
Human Rights Assessment		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Human Rights (42)
103-2	The management approach and its components	Seven Priority Issues (13), Human Rights (42)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Human Rights (42)
GRI 412: Human Rights Assessment 2016		
412-1	Operations that have been subject to human rights reviews or impact assessments	Human Rights (43)
412-2	Employee training on human rights policies or procedures	Human Rights (42, 43)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
Local Communities		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Nurturing the Next Generation (67)
103-2	The management approach and its components	Seven Priority Issues (13), Nurturing the Next Generation (67)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Nurturing the Next Generation (67)
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	
413-2	Operations with significant actual and potential negative impacts on local communities	
Supplier Social Assessment		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Supply Chains (56)
103-2	The management approach and its components	Seven Priority Issues (13), Supply Chains (56)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Supply Chains (56)
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	
414-2	Negative social impacts in the supply chain and actions taken	Human Rights (47), Supply Chains (56)
Public Policy		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
GRI 415: Public Policy 2016		
415-1	Political contributions	
Customer Health and Safety		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Seven Priority Issues (13), Supply Chains (56)
103-2	The management approach and its components	Seven Priority Issues (13), Supply Chains (56)
103-3	Evaluation of the management approach	Seven Priority Issues (13), Supply Chains (56)
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Seven Priority Issues (13), Supply Chains (56)

416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Marketing and Labeling		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Supply Chains (56)
103-2	The management approach and its components	Supply Chains (56)
103-3	Evaluation of the management approach	Supply Chains (56)
GRI 417: Marketing and Labeling 2016		
417-1	Requirements for product and service information and labeling	
417-2	Incidents of non-compliance concerning product and service information and labeling	
417-3	Incidents of non-compliance concerning marketing communications	
Customer Privacy		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Information Security (80)
103-2	The management approach and its components	Information Security (80)
103-3	Evaluation of the management approach	Information Security (80)
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information Security (80, 81)
Socioeconomic Compliance		
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Compliance (78)
103-2	The management approach and its components	Compliance (78)
103-3	Evaluation of the management approach	Compliance (78)
GRI 419: Socioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	Compliance (78)

