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Corporate Philosophy and Priority Issues

Corporate Slogan

“For Ever Brighter Smiles”

Corporate Philosophy

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

Morinaga Milk Group 10-year Vision

Vision 1 | A company that balances “delicious and pleasurable food” with “health and nutrition”

Vision 2 | A global company that exerts a unique presence worldwide

Vision 3 | A company that persistently helps make social sustainability a reality

Fiscal Years Ending March 31, 2020–March 31, 2022 Medium-term Business Plan

Basic Policy I

Achieving sustainable growth by enhancing initiatives laterally across our four pillars of business

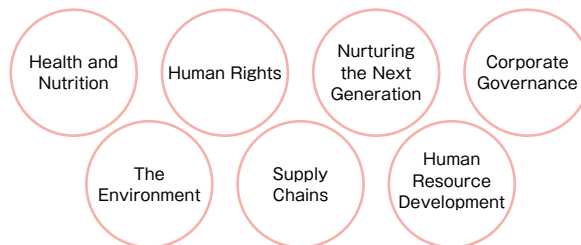
Basic Policy II

Performing business with an ESG-focus aligned with our corporate philosophy

Basic Policy III

Further strengthening our business base in a manner that supports the foundations of our corporate activities

KPIs for the Seven Priority Issues



REPORT

▶ Please see the “Establishment of KPI” section (p. 21) for details.

Morinaga Milk introduced its corporate slogan, “For Ever Brighter Smiles” in April 2017 for its 100th anniversary. This phrase is based in our corporate philosophy.

In 2018, we selected seven priority issues with the input of many employees to aim for one of our major goals of achieving an enriched society filled with bright smiles.

Additionally, in May 2019, we announced our Morinaga Milk Group 10-year Vision as well as our Medium-term Business Plan, which runs for three years from the fiscal year ending March 31, 2020 through the fiscal year ending March 31, 2022. To advance Basic Policy II of the Medium-term Business Plan, “Performing Business with an ESG-focus Aligned with Our Corporate Philosophy,” we set KPIs to manage the status of efforts for the previously established seven priority issues.

WEB

Notice regarding the creation of the new Medium-term Business Plan
▶ https://www.morinagamilk.co.jp/english/about/release/pdf/20190513_14_01_E.pdf

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Seven Priority Issues

“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 “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

Manufacturing safe and reliable products while striving to conserve energy 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

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 inclusion 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 who will contribute to creating 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 achieve “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.

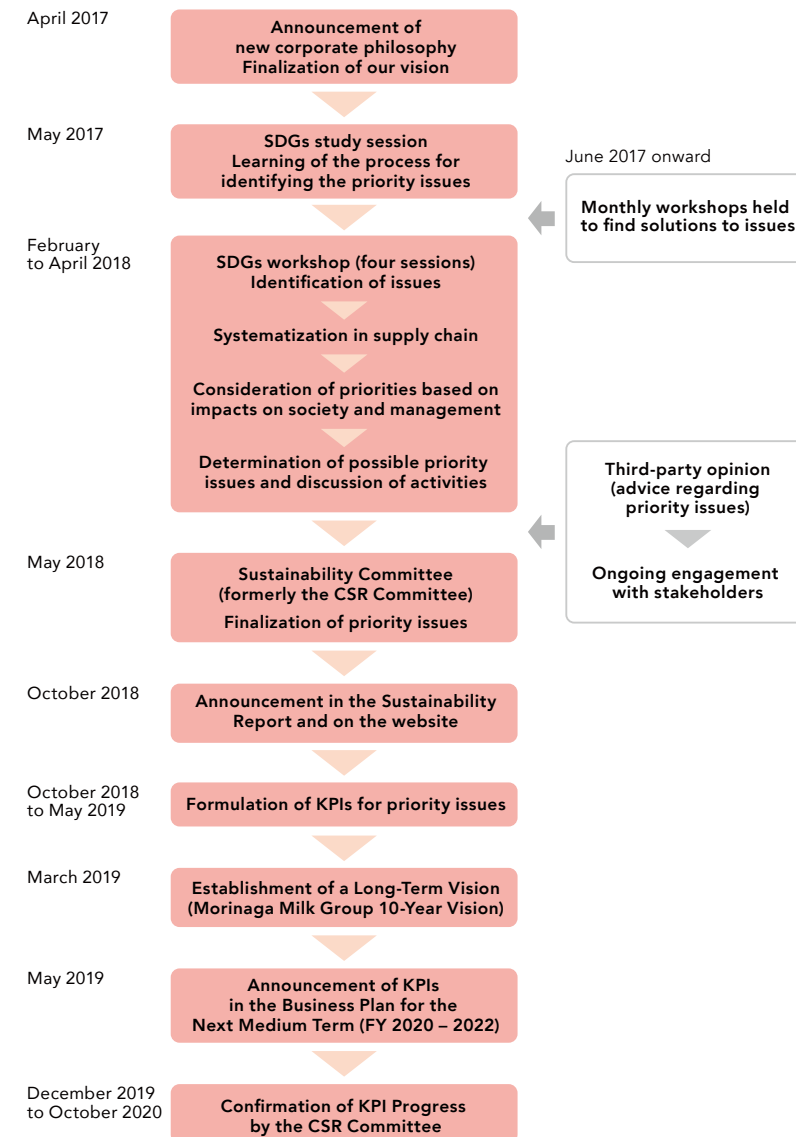
These priority issues represent areas of particular focus to achieve an enriched society filled with bright smiles, one of the major underlying goals.

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 Sustainability Committee (formerly 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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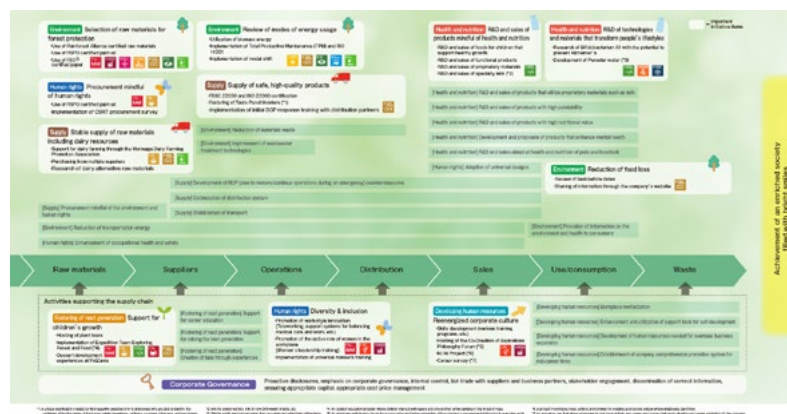
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Identifying Issues in the Supply Chain

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 Sustainability 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-focused 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 to realize “Ever Brighter Smiles.”



Direction of Activities	KPIs	Progress on KPIs
Contribute to the extension of healthy lifespans	Launch of products incorporating nutritious functional ingredients	<ul style="list-style-type: none"> ● Multiple products with functional claims and products to support health and nutrition brought to market, including <i>Bifidus Yogurt Improves Bowel Movement</i> (▶ p. 28) ● Continue to move forward with the next-generation healthcare business
	Share information on nutritious and functional ingredients that help to maintain health	<ul style="list-style-type: none"> ● Start of a full-fledged health seminar business with health support nutritionists, “Kenko Support Eiyoushi,” that supports “happy healthfulness” ● This Bifidobacteria Training Project promotes improvement of consumer health awareness and behavioral change by disseminating health information on bifidobacteria. (▶ p. 29) ● 15 research treatises/information on extending healthy life expectancy released at symposiums, exhibitions, etc. (▶ p. 30) ● 55 releases of recipes and other information
Contribute to the healthy growth of babies and infants	Provide Bifidobacterium breve M-16V; continue to provide to over 120 facilities in Japan and overseas	<ul style="list-style-type: none"> ● Bifidobacterium breve M-16V is supplied to over 150 facilities in Japan and overseas, including newborn intensive care units (NICUs) (▶ p. 32)

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The Environment

Basic Approach

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



Direction of Activities	KPIs	Progress on KPIs
Expand environmental activities, which had been centered on production divisions, to all consolidated companies and all divisions	Business sites with ISO 14001 certification: ensure that all consolidated company sites have earned this certification by FY 2030	<ul style="list-style-type: none"> ● Number of certified sites: 34 (as of March 31, 2021)* (▶ p. 39) ● One site certified in FY 2020 (Order Control Center)
	Understand Scope 1 and Scope 2 emissions for the entire Group by FY 2021	For domestic production sites, obtained a third-party warranty for Scopes 1 and 2 (▶ p. 43)
Reduce environmental impacts from manufacturing processes	Reduction of CO₂ emissions intensity: 8% reduction by FY 2021 compared with the level in FY 2013 20% reduction by FY 2030 compared with the level in FY 2013 80% reduction by FY 2050 compared with the level in FY 2013	<ul style="list-style-type: none"> ● 14.1% reduction since FY 2013 (▶ p. 42)
	Reduction of food waste generation intensity: 30% reduction by FY 2021 compared with the level in FY 2013	27.1% reduction by FY 2020 compared with the level in FY 2013 (▶ p. 46)
	Reduction of industrial waste emissions intensity: 33% reduction by FY 2021 compared with the level in FY 2013	30.0% reduction by FY 2020 compared with the level in FY 2013 (▶ p. 46)
	Reduction of landfill waste: Reduction of annual emissions to less than 300t by FY 2021 Complete elimination of landfill waste by FY 2030	Reduction of annual emissions to 354t by FY 2020 (▶ p. 46)
	Reduction of amount of water used: 9% reduction by FY 2021 compared with the level in FY 2013	6.2% reduction by FY 2020 compared with the level in FY 2013 (▶ p. 48)
	Calculate 6 of 15 categories of Scope 3 emissions by FY 2021	Ten categories have been calculated. The remaining five categories were examined and classified into one category that includes items falling under Scopes 1 and 2, and four categories that have low relevance to our main business activities. (▶ p. 43)
Promote use of environment-friendly packaging	Weight of plastic packaging covered by the Containers and Packaging Recycling Law: 10% reduction compared to FY 2013	15.4% reduction since FY 2013 (▶ p. 50)

* TOYO FERMENTED MILK CO., LTD. (dissolved in May 2020) was excluded from the total number of certified sites.

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Human Rights

Basic Approach

Our business activities will be guided by consideration for human rights and respect for diversity. We will create environments in which all people can realize their full potential.



Direction of Activities	KPIs	Progress on KPIs
Identify human rights issues and devise countermeasures in dialogue with stakeholders	Hold dialogue with stakeholders	Two employees participated in the Stakeholder Engagement Program run by Caux Round Table (CRT) Japan in FY 2020 (▶ p. 52)
Identify cases of human rights infringement at suppliers	Understand current situation through CSR procurement questionnaires	FY 2019 CSR procurement questionnaires (May 2019) (▶ p. 54) (Done every three years, with the next questionnaire scheduled for 2022)
Identify ingredients and suppliers that affect company management	Create a list of important suppliers	We have started to explore checking and auditing schemes for important supply chains (▶ p. 54)
Respond to the Group's foreign employees (including those working for cooperating companies)	Set up working environments for the Group's foreign employees	"Appropriate employment management for foreign employees" added to the checklist for operational audits for subsidiaries in Japan (▶ p. 55)
Promotion of 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	FY 2020 numbers (▶ p. 55) (1) Number of employees doing teleworking/satellite work (persons): 1,980 (2) Ratio of days of annual leave taken: 70.2% (3) Percentage of new graduate hires who are female (administration, sales, R&D total): 41% (4) No. of female managers: 47 persons (5) Ratio of paternity leave: 84.7 % (6) Ratio of male employees taking childcare leave: 44.1% (7) Employee turnover: 1 person

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Supply Chains



Basic Approach

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

Direction of Activities	KPIs	Progress on KPIs
Efficient supplier management corresponding to raw material risks	Strengthen mechanism for evaluating supplier management level depending on each raw material's risk	Class-based supplier audits conducted at 16 factories in FY 2020 (▶ p. 64)
Creating a system for providing safe and high-quality products	Acquire FSSC 22000 certification at all of the Group's 29 plants* by FY 2020	<ul style="list-style-type: none"> ● Number of factories certified in Japan: 24 (as of March 31, 2021) (▶ p. 67) ● Certification activities accelerated beyond the planned level
Respond to supply chain risks for main raw materials	Purchase main raw materials from multiple companies and geographically diverse purchasing	Promote regional decentralized purchasing initiatives (now in progress) (▶ p. 68)
	Expand use of RSPO-certified palm oil	Completed a full switchover to Book and Claim (as of March 31, 2021). Currently working on a switchover to mass balance. (▶ p. 69)

* The number of factories certified changed from 29 to 23 in October 2020 due to production shutdowns and other factors.

Nurturing the Next Generation



Basic Approach

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

Direction of Activities	KPIs	Progress on KPIs
Provide a place to learn about food culture and nutrition to live healthy and enjoyable lifestyles (food education classes, KidZania)	Total participants over three-year period starting in 2019: 300,000	Continue to create opportunities to contribute to the development of future generations, including trial online events during the COVID-19 pandemic (▶ p. 77)
Provide a place to learn about the gifts of nature and the techniques and research that utilize them (plant tours, Forest and Food Expedition Team, career education)		
Establish an environment in which the next generation can be raised	Provide ongoing consultation on infants through the Angel 110 hotline; handle calls from a total of 1 million people by FY 2020	Advice provided to over 990,000 callers (as of March 31, 2021) (▶ p. 79) <ul style="list-style-type: none"> ● FY 2020: Online events implemented for the internal Angel 110 hotline for the first time

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Human Resource Development

Basic Approach

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



Direction of Activities	KPIs	Progress on KPIs
Promote the Corporate Slogan	Hold annual forum open to all employees	Number of participants in FY 2020: 166 (▶p. 84)
Encourage the independent growth of each individual employee by pursuing diversity and inclusion	Provide ongoing training for female leaders, training to encourage balance between work and childcare, and pre-management training; HR department will carry out interviews of young employees	Continue to implement training and interviews in an online environment (▶p. 85)
Develop employees who can perform in a global business environment	Implement programs for training global human resources	<ul style="list-style-type: none"> ● Total of 148 participants (as of March 31, 2021) ● 52 participants in FY 2020 (▶p. 86)
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)	Rate of attending mental health education: 94.3% (▶p. 88)

Corporate Governance

Basic Approach

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

Direction of Activities	KPIs	Progress on KPIs
Transparent, equitable, prompt, and bold decision-making based on diverse values in Board of Directors' meetings	Evaluation scores and comments in evaluation of the Board of Directors (diversity of the Board of Directors and substance of discussions)	Proportion of independent external directors: 1/3 (six internal directors, three external, including one female external director)
Strengthen the management system	Augment regular committees (Personnel Remuneration Committee, Internal Control Committee, Sustainability Committee*)	<ul style="list-style-type: none"> ● Personnel Remuneration Committee: Changes to remuneration structure for officers: Ratio of fixed to performance-based remuneration changed from 2:1 to 1:1, ROE added as an evaluation indicator for performance-based remuneration ● Internal Control Committee: Formulation of anti-corruption policy to prevent corrupt behavior ● Sustainability Committee: Creation of the Sustainability Committee through the restructuring and expansion of the CSR Committee

* The CSR Committee became the Sustainability Committee in June 2021.

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Solving Future Issues

Morinaga Milk formulated the priority issues in FY 2018 and established the KPIs for each priority issue in FY 2019. From 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.

A new Medium-term Business Plan will begin in 2022. In order to realize a sustainable society, we will work on various social issues by contributing to a low-carbon economy, addressing plastics issues, and respecting human rights in the supply chain.