morinaga

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 CO_2 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): (consolidated):	 3,340 (as of March 31, 2020) 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
Morinaga Oishii Gyunyu Milk, Makiba no Sora Milk, etc.



Beverages
Chilled cup-type coffee *Mt. RAINIER CAFFÈ LATTE,* and *Lipton* chilled tea, etc.



Yogurt
Bifidus Yogurt, Lactoferrin Yogurt, Triple Yogurt, etc.



Chilled Desserts
Morinaga Yaki Pudding, Morinaga Milk Pudding, etc.



Food Service and Institutional Food Products
Cream, cheese, butter, frozen desserts, milk powder, bifidobacteria, lactic acid bacteria, milk protein, etc. for commercial use.



Ice Cream
Pino, MOW, PARM, etc.



Creap (creaming powder), Condensed Milk, and Other Products
Creap, Morinaga Condensed Milk, etc.



Cheese and Butter
KRAFT Slice Cheese, Morinaga Hokkaido Butter, etc.



Infant Formula and Baby Foods
Infant and toddler milk *E-Akachan, Morinaga Chil-mil,* specialty milk *New MA-1,* and baby food *Vegetable Jelly,* etc.



Products for Overseas Markets
We supply a variety of products worldwide.





Health Food
Powdered Milk for adults *Milk Life,* supplements using bifidobacteria, etc.



Liquid Foods and Nursing Care Food
Liquid foods, easily-swallowed foods, and nutrition supplement foods, etc. (Clinico Co., Ltd.)



Home Delivery Products
Morinaga Caldus Milk, Chokatsu Milk, Morinaga Silken TOFU (Long-life TOFU), etc.



Hygiene Management Device
Equipment for maintaining a high level of hygiene in places that handle food, such as plants and shops.



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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)

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

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CSR of Morinaga Milk

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

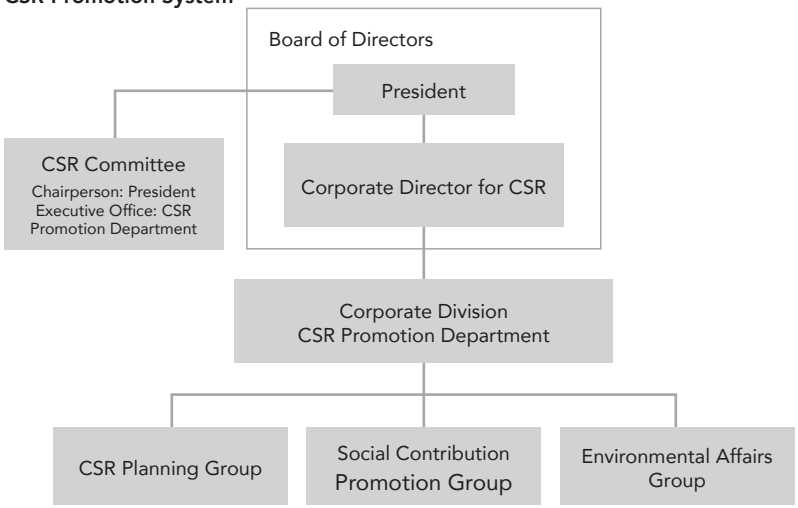
The CSR Promotion Department consists of the CSR Planning Group, the Social Contribution Promotion Group, and the Environmental Affairs Group.

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.rspo.org

4-1016-18-100-00

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	・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)	・*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)	・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)	・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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Seven Priority Issues

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 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.

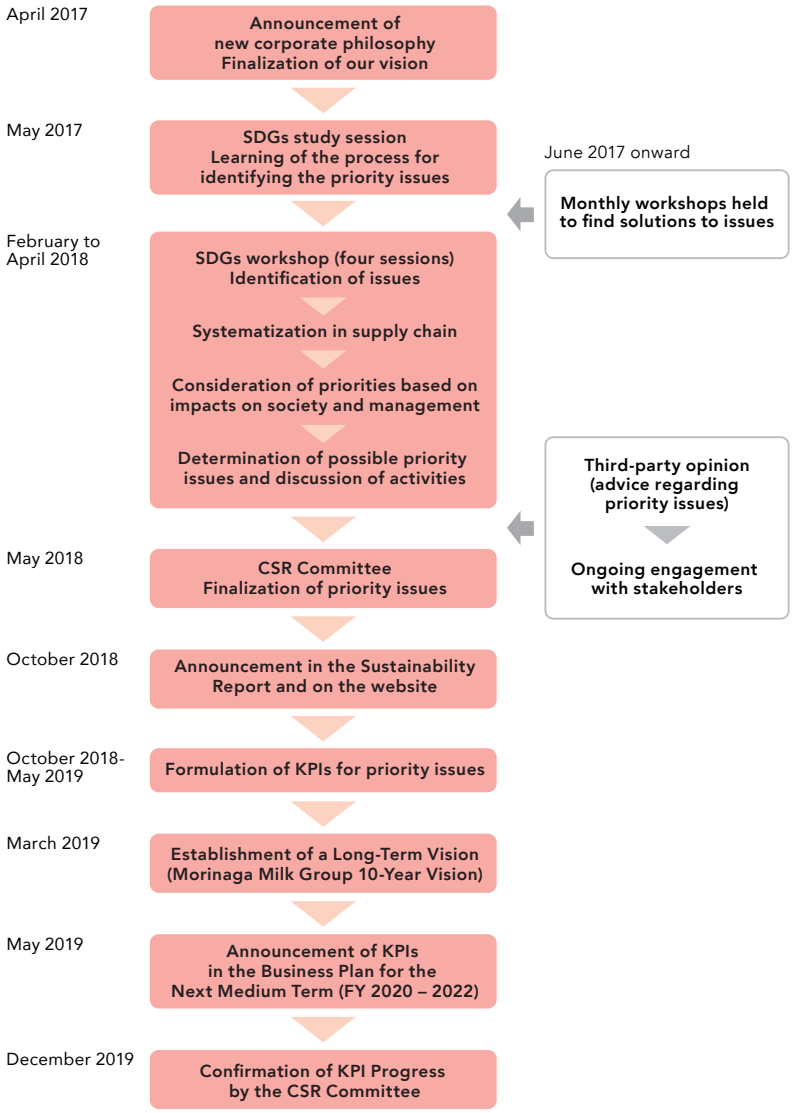
These priority issues represent areas of particular focus to achieve an enriched society filled with bright smiles, one of the major underlying goals.

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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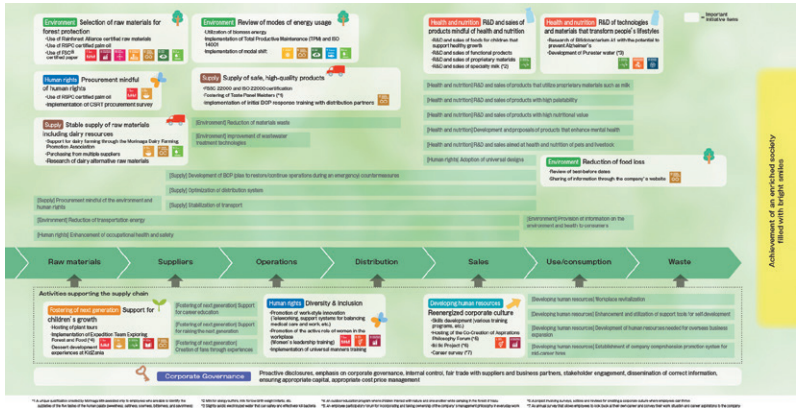
Identifying Issues in the Supply Chain

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 CO_2 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.