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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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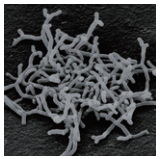
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Morinaga Milk's Nutritious and Functional Ingredients

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.

WEB Morinaga Milk's Lactulose Research
▶ https://www.morinagamilk.co.jp/english/research/ingredients/

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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.



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

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.

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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 proprietarily 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.



Slightly acidic electrolyzed water generator
PURESTER μ-Clean II

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.



Contributes to maintenance of food hygiene

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.

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The Environment

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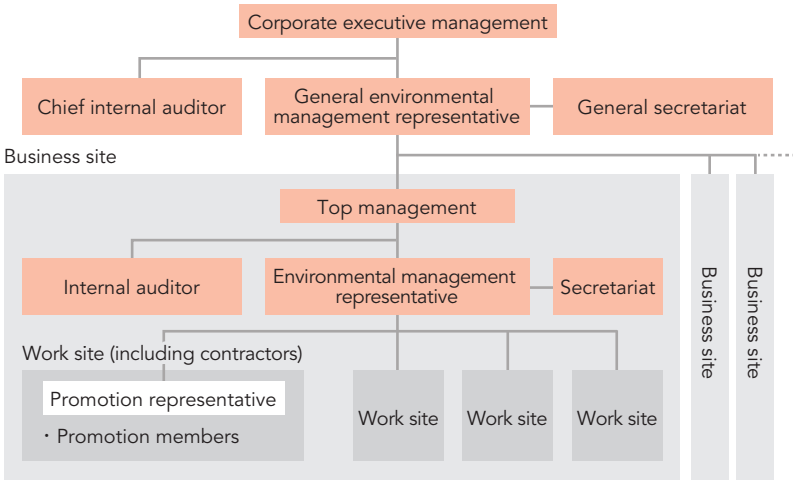
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Morinaga Milk CSR Committee meetings, which are chaired by the president, are held twice a year for monitoring and reporting on the progress of KPIs.

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 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 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, Fushiogami-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 Hosho 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
- Furijiport 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 CO_2 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., Furijiport 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 CO_2 Emissions

Morinaga Milk Group promotes CO_2 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 CO_2/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 CO_2 emissions intensity* of 12.6% compared with FY 2013 figures.

* CO_2 emissions intensity: From FY 2020, the denominator in the calculation has been changed to sales (tons-CO_2/million yen). For all published years, the denominator has been changed to sales, recalculated, and disclosed.

Energy Consumption††*1

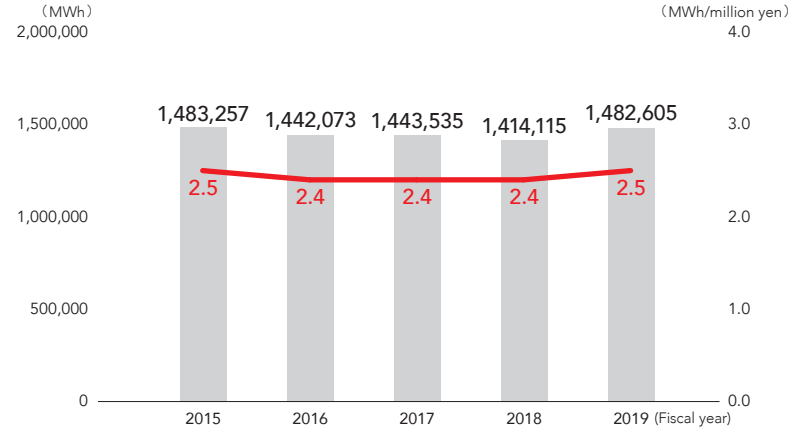
	2015	2016	2017	2018	2019
Fuel*2 (MWh)	1,278,267	1,243,899	1,251,455	1,215,452	1,098,372†
Purchased energy*3 (MWh)	204,991	198,174	192,080	198,663	384,233†
Total (MWh)	1,483,257	1,442,073	1,443,535	1,414,115	1,482,605†
Sales intensity (MWh/million yen)	2.5	2.4	2.4	2.4	2.5

*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



* 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

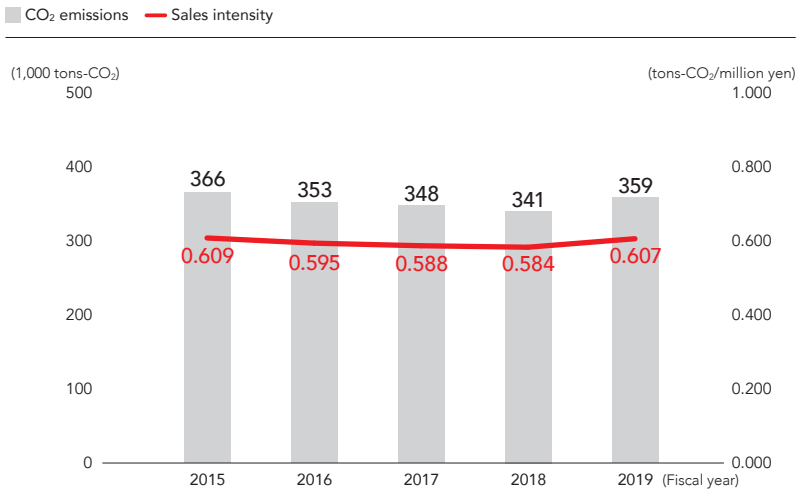
*Calculated based on the Energy-saving Law.

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CO_2 Emissions and 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)

CO_2 Emissions††*1

	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-CO_2 (Scope 1) and 150,796 tons-CO_2 (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	

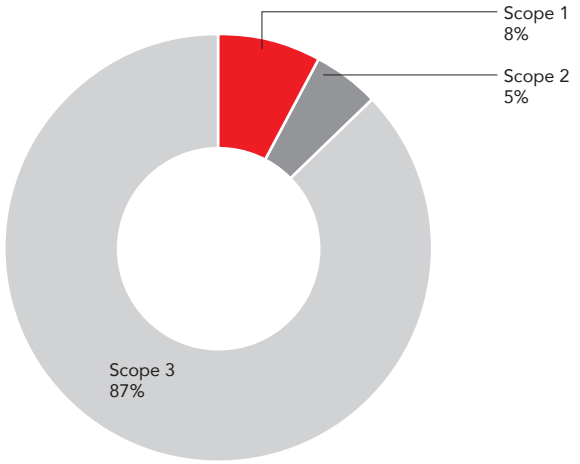
CO_2 Emissions (Scope 3)

	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 CO_2 Emissions in the Value Chain (FY 2019)



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CO_2 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 CO_2 reduction effects achieved with capital investments and manufacturing efficiency improvements

Fluorocarbon leakage (CO_2 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 CO_2 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

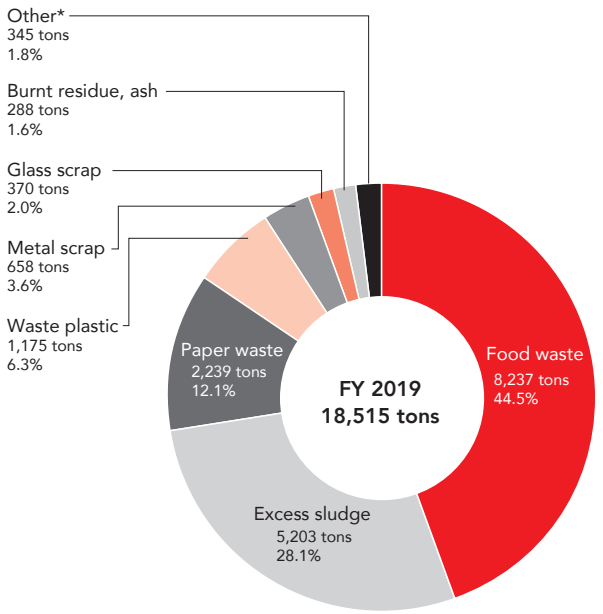
Food Product Manufactured

	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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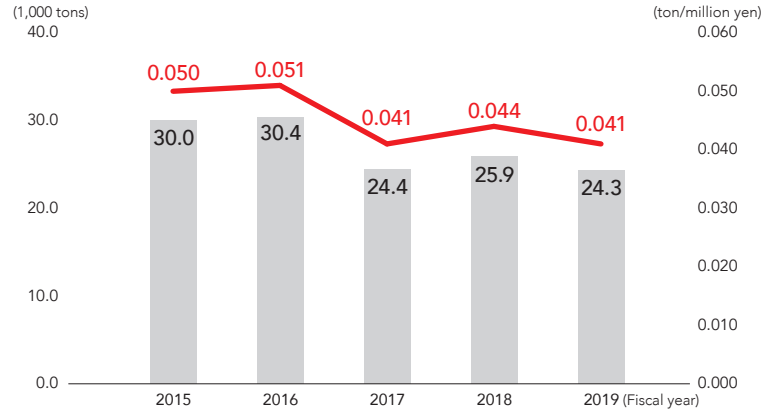
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Industrial Waste Emissions††† and Intensity

Industrial waste emissions — Sales intensity

††† The amount for which waste manifests were issued

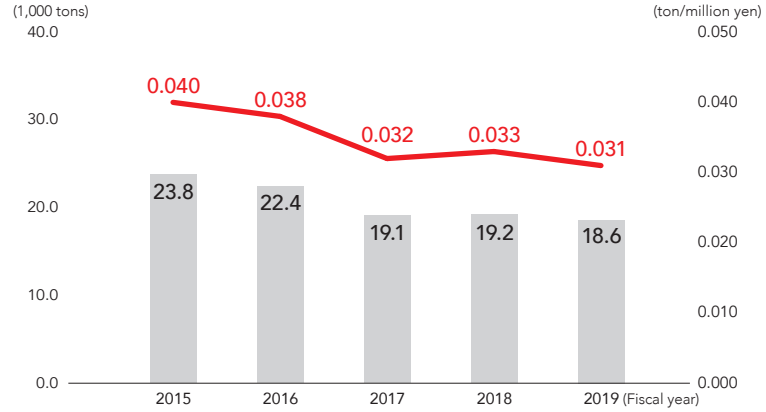


* Figures are for directly managed/Group company plants with ISO 14001 certification.
* Industrial waste emissions intensity:
The weight of industrial waste generated annually (tons) divided by annual sales (million yen).
* FY 2019 industrial waste emissions intensity was reduced by 29.3% compared to FY 2013.

Food Waste Generated†††† and Intensity

Food waste generated — Sales intensity

†††† The amount of industrial waste, valuable resources, and animal and vegetable residues processed onsite



* 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



Soy milk

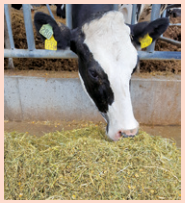
Okara is separated from soy milk
The tofu production process turns soybeans into soy milk and okara.

Okara (soy pulp)

Lactic acid is fermented with specialized equipment
Okara is mixed with lactobacillus and stored under sealed conditions for lactic acid generation.



Feed
The resulting product is sold to dairy farmers as silage.



Dairy production
Cows consuming this silage produce milk for use in dairy products.



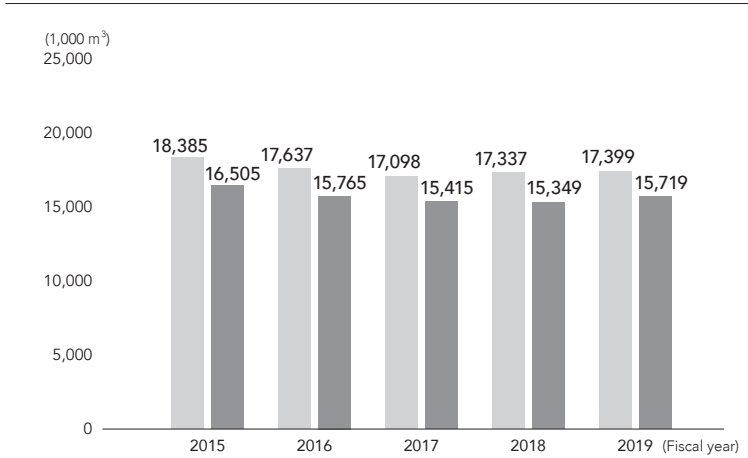
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Water Resources

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



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

Amount of Water Used††

	2015	2016	2017	2018	2019
Total (1,000 m^3)	18,385	17,637	17,098	17,337	17,399
Sales intensity (m^3/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 m^3)	1,467	1,399	1,383	1,440	1,865
River discharge (1,000 m^3)	13,951	13,232	12,869	12,883	12,599
Sewage discharge (1,000 m^3)	1,088	1,134	1,163	1,026	1,255
Total (1,000 m^3)	16,505	15,765	15,415	15,349	15,719
Sales intensity (m^3/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.

REPORT ▶ Please see the "Procurement Focused on Consideration for the Environment and Human Rights" section (p. 59) for details.

Reduction of CO_2 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.

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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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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 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.

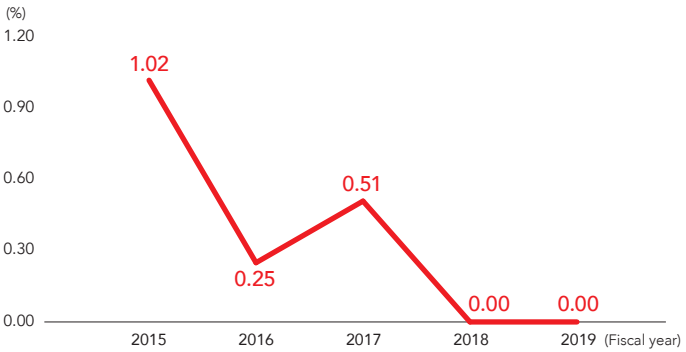
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Lost Work Hours and Serious Accidents

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

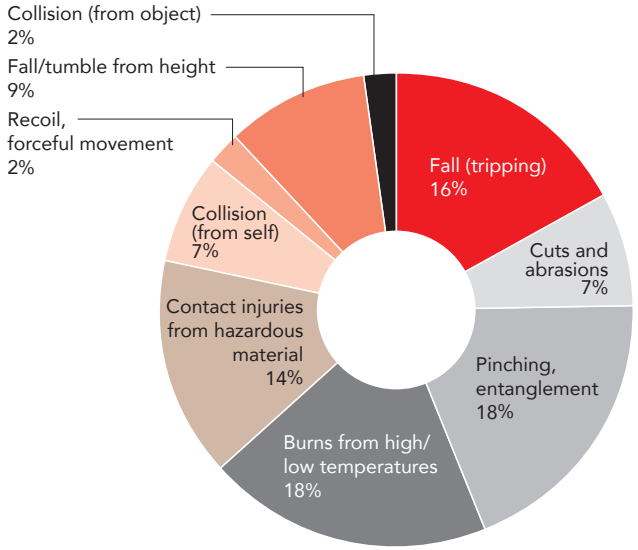


*Excludes Group companies

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, procurement and quality policies.



Explanatory meeting for the CSR procurement questionnaires

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., Furijiport 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., Morinyu 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.

REPORT ▶ 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.