

Sustainability
Data Book

2021

Fiscal Year Ended March 31, 2021



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Approach to Disclosure of Information on Sustainability

Basic Approach

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

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

Morinaga Milk Group has to date promoted “fulfillment of CSR as the very essence of our business activities,” but moving forward, we will promote business activities that continue to contribute to “realizing a sustainable society.” Morinaga Milk believes that communication with its stakeholders—customers, suppliers, local communities, shareholders, investors, and employees—is critical as a guide to what kind of value Morinaga Milk can provide to society with an awareness of the changes going on in the world around us.

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

Forms of Disclosure

Integrated Report

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

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



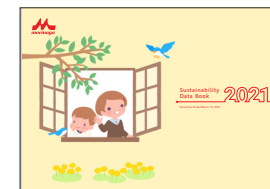
WEB

[▶ https://www.morinagamilk.co.jp/english/ir/library/annual.html](https://www.morinagamilk.co.jp/english/ir/library/annual.html)

Sustainability Data Book (this data book)

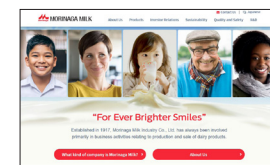
Since FY 2018, Morinaga Milk has made the content of the Sustainability Report and Data Book in line with GRI Standards for research organizations.

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



Website

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



WEB

[▶ https://www.morinagamilk.co.jp/english/](https://www.morinagamilk.co.jp/english/)

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Guidelines Referenced

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

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

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Editorial Policy

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

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

Scope of Reporting

The main scope of reporting covers Morinaga Milk Industry Co., Ltd. and 26 consolidated subsidiaries* in Japan and some activities of overseas subsidiaries and joint ventures.

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

* Toyo Fermented Milk Co., Ltd. was dissolved in May 2020 and is not included in the reporting.

Reporting Period

The report focuses on activities during FY 2020 (April 1, 2020 to March 31, 2021) as well as describing some background information about past activities implemented up to the time of publication, the outlook for the future, and plans, etc. In principle, graphs and tables use figures aggregated by fiscal year (April 1 – March 31).

Guidelines Referenced

This report has been prepared referencing GRI Standards. Please see the “GRI Content Index” section (p. 103) for details.

Date of Publication

September 2021

Published once a year

Responsible Department and Contact Details

Sustainability Promotion Department

Sustainability Division

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Third Party Assurance

Third party assurance has been received for FY 2020 energy consumption and CO₂ emissions.

Please see the “Third Party Assurance” section (p. 101) for details.

Disclaimer

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

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About Us

Corporate Profile

Corporate name:	MORINAGA MILK INDUSTRY CO.,LTD.
Head office address:	33-1, Shiba 5-Chome, Minato-ku, Tokyo 108-8384 Japan
Representative:	Chairman and Representative Director: Michio Miyahara President and Representative Director: Yohichi Ohnuki Executive Vice President and Representative Director: Teiichiro Okawa
Founded:	September 1, 1917
Established:	April 13, 1949
Capital stock:	21,787 million yen (as of March 31, 2021)
Number of employees	(non-consolidated): 3,377 (as of March 31, 2021) (consolidated): 6,871 (as of March 31, 2021)
Business:	Production and sale of milk, dairy products, ice cream, beverages, and other foods
URL:	https://www.morinagamilk.co.jp/english/
Business sites (as of March 31, 2021):	14 plants and chilled products coordination centers (Saroma Plant, Betsukai Plant, Morioka Plant, Fukushima Plant, Tone Plant, Tokyo Plant*, Tokyo Tama Plant, Yamato Plant, Chilled Products Coordination Center – East Japan, Matsumoto Plant, Fuji Plant, Chukyo Plant, Kobe Plant, Chilled Products Coordination Center – West Japan) * Ended production March 31, 2021
Six regional offices, order control centers and administration service centers	(Tohoku Branch, Metropolitan Regional Office, Administration Service Center, Order Control Center, Central Japan Regional Office, West Japan Regional Office)
One Research & Information Center (in Zama City, Kanagawa)	

Domestic Consolidated Subsidiaries

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

* Dissolved May 31, 2020.
Currently in the liquidation
process.

Main Overseas Subsidiaries and Joint Ventures

Morinaga Nutritional Foods, Inc.
MILEI GmbH
Morinaga Milk Industry (Shanghai) Co., Ltd.
Elovi Vietnam Joint Stock Company*
Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd.
PT. Kalbe Morinaga Indonesia

* Became a consolidated
subsidiary at the end of
March 2021.

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Product Categories

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

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Brand License Agreement



Kraft

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



Lipton

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



Sunkist

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

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Corporate Mission

Corporate Slogan

| **“For Ever Brighter Smiles”**

Concept Contained in the Morinaga Milk Group’s Corporate Slogan

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

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

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

Corporate Philosophy

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

Concept Contained in the Morinaga Milk Group’s Corporate Philosophy

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

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

Guiding Principles

Our Eight Questions

1. Do we share our passion with our customers?
2. Do we feel and express gratitude to all stakeholders?
3. Do we have confidence in our quality?
4. Do we always pursue safety and reliability?
5. Do we continue to challenge ourselves?
6. Do we contribute to building “Team Morinaga”?
7. Do we engage in and enjoy what we do?
8. Do we exchange our visions and progress toward them?

Role of the Morinaga Milk Group’s Guiding Principles

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

Policies of the Morinaga Milk Group



Human Rights Policy (▶ p. 95)/Basic Policy on Health and Safety (▶ p. 60)/
Environmental Policy (▶ p. 95)/ Procurement Policy (▶ p. 96)/Quality Policy (▶ p. 96)/
Anti-corruption Policy of the Morinaga Milk Group (▶ p. 100)/
Morinaga Milk Group Breast-Milk Substitutes (BMS) Marketing Policy (▶ p. 94)



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

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Measures for and Effects of COVID-19

Since the outbreak of COVID-19, Morinaga Milk Group has been taking various measures to prevent its spread.

Support Activities

Initiatives in Japan

Morinaga Milk Group provided support to medical professionals and Group employees.

Clinico Co., Ltd., a Morinaga Milk Group company, participated in a project (43 participating companies) that donated 2 million masks to 15,500 medical facilities and 58,000 face shield sets to 2,600 medical facilities. Chez Forêt Co., Ltd., another Group company, supplied employees with *Karadatsuyokusuru Nomu Yogurt* free of charge to help support their health.

In March 2021, Morinaga Milk donated 10 million yen to International Medical Volunteers Japan Heart* (“Japan Heart” below), a specified nonprofit organization, to support medical institutions and medical professionals across Japan working to prevent the spread of COVID-19.

Additionally, from October 2020 to March 2021, Morinaga Milk collaborated with partner chain stores that agreed to participate in our “Tsunagaru Yell Project” (Cheerleading for connection project), which saw a portion of the sales of Morinaga Milk products sold at these stores donated to Japan Heart. The project which arose was the initiative of a Metropolitan Regional Office employee. Twenty-nine chain stores in and around the Kanto-Koshinetsu area participated and in May 2021, a total of 12,127,083 yen was donated to Japan Heart. In addition, the Hokuriku Branch also carried out a campaign with regular customers called the “Oishii de Tsunagaru Yell Project,” in which a portion of the sales of Morinaga Milk products were donated to Ishikawa and Toyama Prefectures through partner companies; this project raised a total of 810,636 yen.

* Japan Heart activities include dispatching medical teams to prevent breakdowns in the medical care system, providing onsite guidance (for long-term care and welfare in Japan and in developing nations in Asia) to prevent the spread of infections, providing free medical supplies, etc.

Example of Support Provided

Organization	Target	Contents
Morinaga Milk Industry Co., Ltd. Metropolitan Regional Office	Families with newborns	Since there are many facilities where dietitians are not able to provide guidance for preparing infant formula, we provide online guidance following hospital discharge.
Morinaga Milk Industry Co., Ltd. West Japan Regional Office	Hospital	Provided <i>Karadatsuyokusuru Nomu Yogurt</i>
Clinico Co., Ltd.	Medical facilities nationwide	Agreed to participate in an initiative (43 supporting companies) to donate masks and face shields to medical facilities <ul style="list-style-type: none"> ● Masks: 2 million masks to 15,500 facilities ● Face shields: 58,000 sets to 2,600 facilities
Morinaga Milk Industry Hokkaido Co., Ltd.	Medical professionals, etc. in Hokkaido	Provided free products <i>Hosho Hagukumi Milk 200ml</i> : 31,760 packs (total over 4 occasions) <i>Karadatsuyokusuru Nomu Yogurt</i> : 1,700 bottles Long-life milk: 1,200 packs <i>Morinaga Milk Pudding</i> : 2,500 cups
Chez Forêt Co., Ltd.	Employees	Provided about 20,000 bottles of <i>Karadatsuyokusuru Nomu Yogurt</i>
Sunfco Ltd.	R&D staff	Provided information on overseas situations regarding COVID-19
Hiroshima Morinaga Milk Industry Co., Ltd.	Hiroshima City	Provided 1,180 N95 masks
Okinawa Morinaga Milk Industry Co., Ltd.	Naha City Medical Association	Provided 480 N95 masks

Initiatives outside Japan

Milei GmbH, located in Germany, is working to support people in the local community who are faced with a difficult situation due to the COVID-19 pandemic.

In 2020, Milei visited local welfare facilities and, especially for seniors that have no choice but to restrict their behavior, the company provided meals and refurbished the interior of the welfare facilities, offering an opportunity for lively communication.

Milei also donated newly purchased groceries to a charity that distributes groceries to low-income people in the local area.

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Preventing the Spread of COVID-19 in Business Activities

Production Site Initiatives for Safe and Reliable Production

Even before the start of the COVID-19 pandemic, masks were worn during production to ensure thorough hygiene management. From the perspective of preventing the spread of COVID-19, the wearing of masks and handwashing were re-emphasized, together with strict controls for cleaning and disinfecting common areas of production sites, doorknobs, etc. along with efforts such as limits on the number of employees in changing rooms, strengthened ventilation, and washing and disinfecting of hands before and after entering a room.

- REPORT** ▶ Please see the "Promotion of Occupational Health and Safety in Production Departments" section (p. 60-62)
- REPORT** ▶ Please see the "Create a system for providing safe and high-quality products" section (p. 66-67)

Initiatives with Partner Companies

Meetings, audits, and seminars that were previously done face-to-face were changed to an online format.

As shippers, in order to prevent the spread of COVID-19 in terms of logistics, we requested partner companies to thoroughly implement infection countermeasures and sent out reminder emails on a regular basis.

- REPORT** ▶ Please see the "Efficient supplier management corresponding to material risk" section (p. 64-66)

Ensuring the Safety of Employees

As a general rule, we have made it possible to work from home, except for duties the nature of which is not suitable for telework.

Morinaga Milk originally had a target of 1,000 employees working under the Teleworking/Satellite Work System by 2027 under the umbrella of Diversity and Inclusion. With 1,980 employees working from home during the COVID-19 pandemic to prevent the spread of infections, not only was this target exceeded but employees were able to improve work productivity through the effective use of time and achieve work-life balance.

In workplaces that require onsite presence, we changed office layout to accommodate social distancing and set up partitions to prevent air droplet dispersion.

As part of our health management, Morinaga Milk also distributed *Bifidus BB536 Capsule* and *Lactoferrin Original Type* supplements (for improving and conditioning the gut) to employees at Group companies to encourage their own health management.

- REPORT** ▶ Please see the "Systems to Promote Flexible Ways of workstyles" section (p. 58)

Communication

General Meeting of Shareholders

Various measures were taken in order to ensure that paramount importance was placed on the safety of shareholders and persons in management.

- Control of in-person attendance:
 - Prior exercise of voting rights, request to exercise voting rights via the internet
- Infection prevention:
 - Asking for the use of masks, spacing out of seats, providing liquid disinfectants, installing shielding at the reception desk, taking the temperature of attendees, setting up a second venue for fully dispersed seating, broadcasting the General Meeting online, and halting distribution of beverages
- Shortened timeframe:
 - Reduction of the chair's explanations (explaining only important matters), restricting the number of questions to one per person

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Nurturing the Next Generation

We stopped accepting plant tours, company visits, and onsite lessons from February 2020. These activities were then sequentially resumed in an online format.

Other programs for nurturing the next generation were also moved online.

• Activities switched to online:

Forest and Food Expedition Team, onsite classes (elementary school), company visits (junior/senior high school, college) corporate internships, Tour of Volleyball (volleyball class), Angel 110 Hotline symposium



▶ Please see the "Online Initiatives" section (p. 80)

Disseminating Technical Information via Symposiums and Exhibitions

Although many conference presentations have been canceled or postponed, we are working to disseminate information using webinars, virtual exhibitions, and SNS.



▶ Please see the "Symposiums and Exhibitions" section (p. 30)

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Policy and Approach

Our Approach to Sustainability

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

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

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

System

Sustainability Promotion System

Morinaga Milk promotes sustainability management throughout the Group under the Sustainability Committee, which is chaired by the president. To promote sustainability management at an accelerated pace, in 2021 the CSR Promotion Department was renamed the Sustainability Promotion Department and positioned under the new Sustainability Division, which is under the direct control of the president. This structure will allow the Group to build a system that accelerates our efforts for realizing a sustainable society.

The Sustainability Committee was established as a special committee to reinforce the functions of the Board of Directors, which include discussing the support, progress and confirmation of Morinaga Milk’s Seven Priority Issues developed for achieving sustainable growth together with society.

Sustainability Committee

The president is the committee chair and the executive officers and managers of each division serve as committee members, while the Sustainability Promotion Department acts as secretariat. As a general rule, the committee meets once every six months.

Why the name change was made

As of June 1, 2021, the CSR Promotion Department became the Sustainability Promotion Department. Along with the name change, the department will now serve as one of the core organs of the newly established Sustainability Division under the direct control of the president.

In recent years, efforts to achieve SDGs, especially in terms of addressing social issues such as climate change, have become an indispensable theme for the sustainable development of companies, with the keyword being “sustainability.”

With the name change, the Sustainability Promotion Department will step up its efforts by accelerating Morinaga Milk’s sustainability activities and working toward the realization of a sustainable society.

Sustainability Promotion Department

The committee is comprised of the Planning Group, the Promotion Group, and the Environmental Management Group. The responsibilities of each group are as follows.

Planning Group:

Planning and drafting of the ESG Business Plan for the Next Medium Term, operations for the Sustainability Committee, disseminating sustainability information inside and outside the company, promoting the corporate brand strategy, and planning, implementing and promoting measures to improve the corporate and organizational structure

Promotion Group:

Providing support for sustainability activities at production sites and promoting plant tours, childcare consultations, food education, etc.

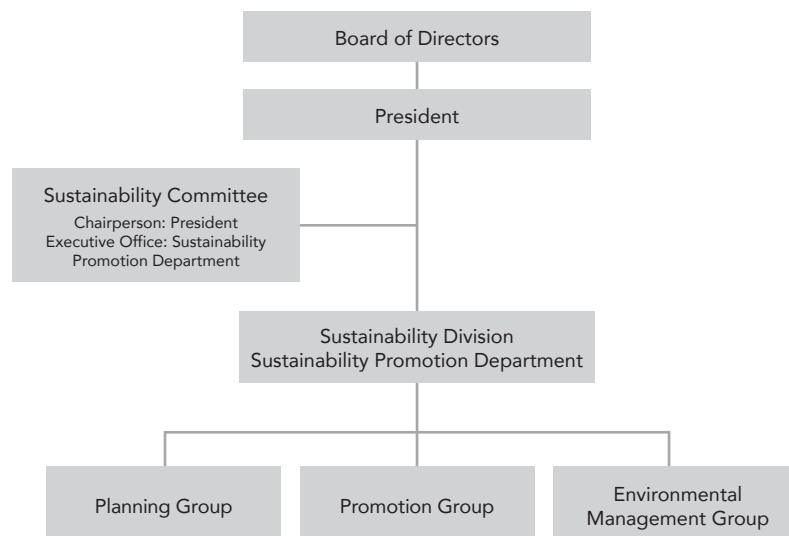
Environmental Management Group: Planning and promotion of company-wide environmental measures, general planning for environmental strategies, and operation and management of the ISO 14001 environmental management system

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Sustainability Promotion System



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

Communication with Stakeholders

Communication Methods

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

From the perspective of preventing the spread of COVID-19, the communication methods for some activities were changed in FY 2020.

REPORT ▶ Please see the "Measures for and Effects of COVID-19" section (p. 10)

Stakeholders	Communication Methods and Results
Customer	(1) Consumer Service Office Number of consultations: About 65,000 (2) Customer satisfaction questionnaire surveys (3) Angel 110 Hotline Number of consultations: 9,941 (4) Next-generation support activities (e.g. KidZania, Forest and Food Expedition Team)
Shareholders and investors	(1) General Meeting of Shareholders (June 2021) Number of voting rights exercised: 422,198 (2) Briefings for individual investors: 0 * Suspended in FY 2020 to prevent the spread of COVID-19 Financial results briefing: 4 Small-scale meetings: 2 (3) Interviews with institutional investors and analysts: 393 (4) Business activity briefing sessions with institutional investors and analysts: 1
Business partners and suppliers	(1) Supplier audits: 16 (2) CSR procurement questionnaires: done once every 3 years (latest done in 2019, next scheduled for 2022) (3) Quality improvement seminars and distribution study groups (4) Supplier briefings Activities (3) and (4) were suspended in FY 2020 to prevent the spread of COVID-19.
Employees	(1) Energy Survey (employee satisfaction survey) Held November 2020 (2) Career surveys Held December 2020 (3) Dialogue through the Co-Creation of Aspirations Forum Held November 2020, 166 participants (4) Internal newsletter: 4 times/year
Local communities	(1) Plant tours Suspended in FY 2020 to prevent the spread of COVID-19 (2) Participation in environmental conservation activities and special events (3) Provision of supplies during a disaster (4) Distribution of products to food banks and children's cafeterias

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Joining External Initiatives and Groups

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

Both in Japan and internationally, Morinaga Milk endorses the philosophies, or participates as a member, of the following organizations in order to practice sustainable management.

Organization Name	Date of Participation/Nature of Activities
 <p>United Nations Global Compact</p>	<p>Signed April 2018.</p> <p>Morinaga Milk works to realize the Compact's Ten Principles in the four areas of protecting human rights, eliminating unjust labor, taking action on the environment, and preventing corruption.</p> <p>Morinaga Milk endorses and subscribes to this philosophy, which is reflected in our own management (Message from Management: https://www.morinagamilk.co.jp/english/csr/topmessage/).</p>
 <p>Roundtable on Sustainable Palm Oil (RSPO)</p> <p>Check our progress at www.rspo.org</p> <p>4-1016-18-100-00</p>	<p>Joined March 2018.</p> <p>RSPO promotes sustainable production and use of palm oil through the development of globally trusted certification standards and stakeholder participation.</p>
 <p>Japan Sustainable Palm Oil Network (JaSPON)</p>	<p>Joined April 2019.</p> <p>JaSPON promotes sustainable palm oil procurement and consumption in the Japanese market to address various environmental problems in palm oil production.</p>
<p>Japan Dairy Industry Association</p>	<p>Joined March 2000.</p> <p>This organization works to enhance the hygiene and quality of milk and dairy products, improve production techniques, disseminate knowledge about said products, and expand their consumption.</p> <p>Note: Continues membership from the preceding organizations, Japan Dairy Products Association, the National Milk Association, and Japan Dairy Industry Council.</p>

<p>Committee for Milk Container Environmental Issues</p>	<p>Joined August 1992.</p> <p>The committee promotes recycling of paper packs such as milk cartons.</p>
<p>Consumer Goods Forum (CGF)</p>	<p>Joined January 2006.</p> <p>CGF is an international consumer goods industry association that collaborates on social and environmental issues in four non-competitive areas: sustainability, product safety, health and wellness, and E2EVC.</p> <p>Note: Continues membership from the predecessor CIES (International Association of Chain Stores).</p>
<p>Afu no Wa</p>	<p>Joined January 2021.</p> <p>A joint project among companies and organizations that promote efforts toward sustainable production and consumption.</p>
<p>Task Force on Climate-related Financial Disclosures (TCFD)</p>	<p>Endorsed March 2021.</p> <p>TCFD assesses the financial impact of climate change risks and opportunities on business management, and offers recommendations for climate-related disclosures in terms of governance, strategies, risk management, indicators, and goals. Morinaga Milk has expressed its support for TCFD's recommendations and is a member of the TCFD Consortium.</p>
<p>Japanese National Committee of the International Dairy Federation (JIDF)</p> <p>Note: Amalgamated as the J-Milk International Committee from April 1, 2021</p>	<p>Joined 1956.</p> <p>JIDF is the representative organization for Japanese dairy farmers and the domestic dairy industry, promoting solutions to various science, technology, and economic issues concerning global dairy farming and the global dairy industry through international cooperation. Through close contact with related international organizations, JIDF contributes to the promotion of Japanese dairy farming and the Japanese dairy industry.</p> <p>Note: Continues membership from JIDF's predecessor organization.</p>
<p>Japan Clean Ocean Material Alliance (CLOMA)</p>	<p>Joined 2019.</p> <p>CLOMA is a platform for accelerating innovation to solve the marine plastic waste problem by strengthening collaboration among a wide range of stakeholders across industries.</p>

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External Evaluations and Commendations

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

Evaluations and Commendations	Contents
External Ratings	<ul style="list-style-type: none"> • Highest ranking under the Development Bank of Japan's Health Management Rated Loan Program (December 2015) • Certification under the Development Bank of Japan's BCM Rated Loan Program (March 2018) • Highest ranking under the Development Bank of Japan's Environmentally Rated Loan Program (March 2019) • Selected for inclusion in the SOMPO Sustainability Index for three consecutive years (June 2018, 2019, and 2020) • Rating & Investment Information, Inc. (R&I) Issuer Rating, etc.: A- (September 2020)
Awards (Products)	<ul style="list-style-type: none"> • <i>KRAFT Pure (Muku) – Mature Cheddar Flavor</i> and <i>KRAFT Pure (Muku) – Mature Gouda Flavor</i> received the Three-Star Superior Taste Award and the Two-Star Superior Taste Award, respectively, from the International Taste Institute (iTQi) for three consecutive years (June 2017, 2018, and 2019). • <i>Greek Yogurt PARTHENO Plain</i> (two varieties—with and without sugar) received the Two-Star Superior Taste Award from the International Taste Institute (iTQi) (June 2018) • <i>Morinaga Jelly</i> series awarded the 2019 Mothers' Selection Grand Prize (November 2019) • 38th Japan Food Journal Blockbuster Food Award presented to <i>Triple Yogurt</i> (December 2019) • The <i>MOW</i> ice cream series received the Three-Star Superior Taste Award from the International Taste Institute (iTQi) (September 2020)

Awards (Research Activities)

- As part of its research and development relating to Aloesterol[®], Morinaga Milk Industry undertook a research project entitled "Novel Health Functions of Aloe Vera Gel-derived Phytosterols and Their Application in Functional Foods." This project was selected by the Japan Society of Nutrition and Food Science for its Achievement in Technological Research Award (April 2018)
- Infant Nutrition Ingredient of the Year at the Nutra Ingredients-Asia Awards in Singapore presented to Morinaga Milk Industry's Bifidobacterium breve M-16V (September 2019)
- Morinaga Milk Industry's research into Bifidobacterium longum BB536 selected for a Food Immunology Industry Award from the Japan Association for Food Immunology (October 2019)
- Morinaga Milk Industry's peptide research selected for FY 2020 Excellent Paper Award from the Society for Biotechnology, Japan (September 2020)

Awards (Social Contribution Activities)

- Morinaga Milk Industry certified as an Outstanding Health and Productivity Management Organization (large enterprise category) in 2020 and 2021 (every March)
- Morinaga Milk Industry granted the Review Committee Chairperson's Award in the 5th Food Industry Mottainai Awards (awards for reducing wastefulness) presented by the Japan Organics Recycling Association (February 2018)
- Morinaga Milk Industry's Little Angels Forest and Food Expedition Team program selected for Judging Panel Encouragement Award in the Corporate Awards for Youth Experience Activity of Japan's Ministry of Education, Culture, Sports, Science and Technology (April 2018)
- The Morinaga Milk Industry Annual Report recognized at the International ARC Awards for four consecutive years (October 2016, 2017, 2018, and 2019)
- Morinaga Milk granted the 2020 Gold (highest) award under the Pride Index, an initiative for evaluating corporate LGBTQ engagement (2020)
- Received the 2020 Japan Packaging Contest Packaging Idea Award for "PINO Gatcha," a capsule vending machine-like toy that was included as a gift in "Yochien," a Japanese educational magazine for kindergarten-age children (2020)

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Corporate Philosophy and Priority Issues

Corporate Slogan

“For Ever Brighter Smiles”

Corporate Philosophy

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

Morinaga Milk Group 10-year Vision

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

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

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

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

Basic Policy I

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

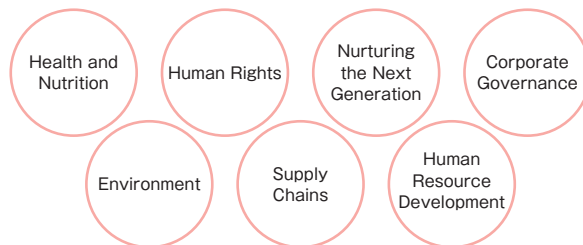
Basic Policy II

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

Basic Policy III

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

KPIs for the Seven Priority Issues



REPORT

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

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

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

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

WEB

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

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Seven Priority Issues

“For Ever Brighter Smiles”

— Following its corporate slogan, Morinaga Milk has formulated seven priority issues. These form a set of guidelines for helping create a sustainable society and ensuring Morinaga Milk continues to contribute to the health of people during the next 100 years of its history.

●Health and Nutrition

We offer health and nutrition by developing and selling products that combine functionality and good taste “For Ever Brighter Smiles.”

- There is high demand for highly nutritious products and products that are highly palatable. Moreover, this demand will grow over the medium to long term as aging societies become the norm. We aim to use our proprietary R&D strengths to contribute to achieving healthy lifestyles through promoting harmony of both mind and body.
- As Japan’s population ages and grows smaller in number, we will aim to create and provide technologies and services that not only result in product appeal, but also help transform people’s lifestyles.



●Environment

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

- We will engage in corporate activities mindful of influence on climate change and forests.
- We recognize that reducing food waste is an urgent task for ensuring the effective use of the world’s limited resources.



●Human Rights

Carry out business activities that consider human rights, respect diversity, and create an environment in which all people can perform to their full potential.

- We recognize that people are a particularly important management resource for helping to form a sustainable society. We will work alongside those outside the company to promote diversity and inclusion and address various human rights issues, with the goal of realizing “For Ever Brighter Smiles” for everyone.



●Supply Chains

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

- We will continue to research new formulations, while working with our research institutes and plants to get maximum benefits from new dairy ingredients in preparation for a future likely to have a shortage of dairy ingredients.
- Safety is the most important focus in all initiatives by the Group. We will continue to implement existing safety-related activities.



●Nurturing the Next Generation

We support the healthy growth of children who will contribute to creating a sustainable society.

- We are helping to secure a brighter future for children through our support for healthy mental and physical development, career education, and child raising.



●Human Resource Development

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

- Developing a broad range of human resources, from new hires to senior management, is critical to sustainable growth as a company. We will establish systems and programs that harness individual aptitude for skills development and promote professional growth.



●Corporate Governance

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

- We will engage stakeholders appropriately through dialogue and the proactive disclosure of information.
- Along with sharing messages from management, we will work to build up internal controls, including establishing rules, fostering the right mindset in employees, and ensuring fair transactions with suppliers.



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Formulating the Priority Issues

Seven Requirements “For Ever Brighter Smiles”

In April 2017, Morinaga Milk announced its new corporate philosophy along with a new corporate slogan.

As the next step in its evolution, in 2018 Morinaga Milk formulated priority issues.

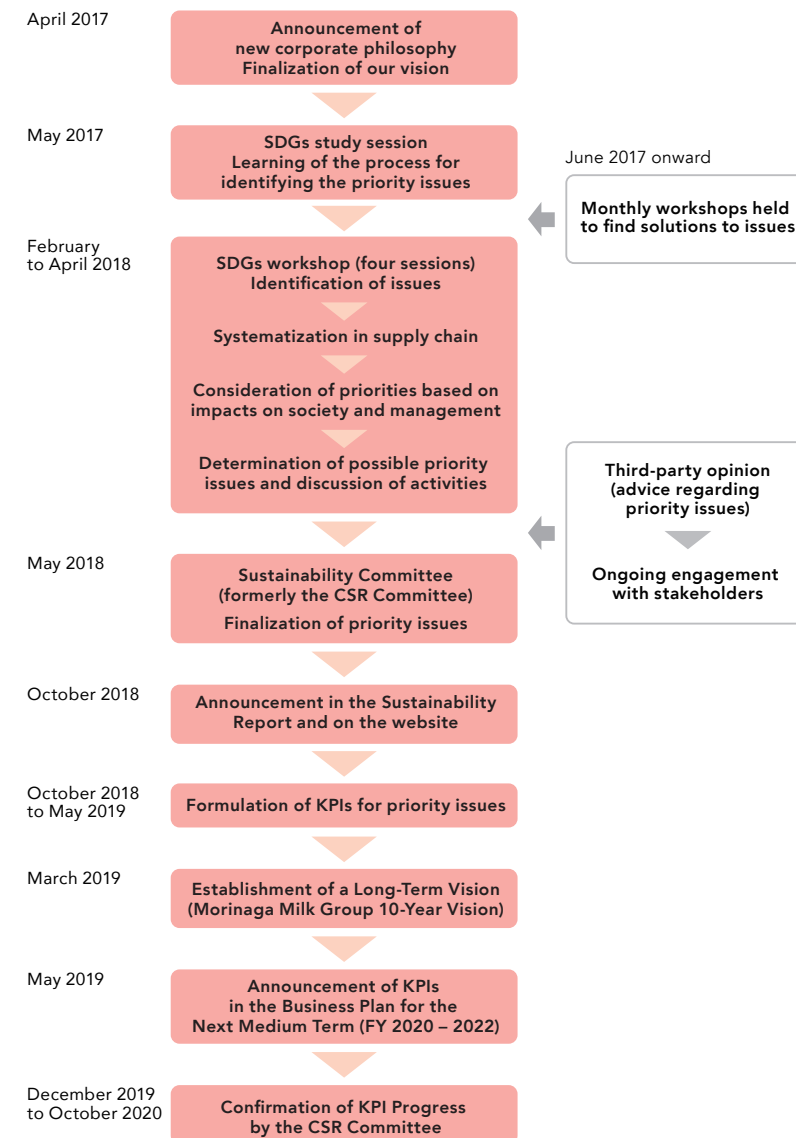
These priority issues represent areas of particular focus to achieve an enriched society filled with bright smiles, one of the major underlying goals.

To formulate priority issues, Morinaga Milk held workshops on a total of four occasions. Each session was attended by around 30 employees from various departments who worked together to identify issues. As a result of discussions, seven major issues were identified. These seven priority issues were then approved by the Sustainability Committee (formerly the CSR Committee).

Contributing to a Sustainable Society

During this process, Morinaga Milk referenced its own Guiding Principles along with the GRI Guidelines, ISO 26000, and the SDG Compass advocated by the United Nations. Through efforts to address the priority issues, Morinaga Milk will be able to contribute to a sustainable society as a good corporate citizen.

Workflows and Progress for Formulating Priority Issues



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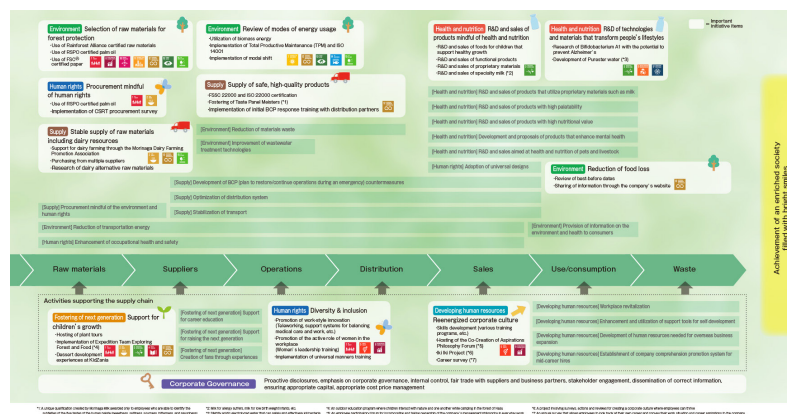
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Identifying Issues in the Supply Chain

Morinaga Milk engages in a wide range of activities spanning from raw materials procurement to manufacturing, sales, and waste disposal. When formulating the seven priority issues, the company determined specific efforts to be made to resolve issues across the entire supply chain, and among these, areas of particular importance were identified.

All departments and divisions are now working to address their individual issues.

Priority Issues in the Supply Chain and Specific Actions



WEB → For details, see the Sustainability section of our corporate website.
 ▶ <https://www.morinagamilk.co.jp/english/csr/materiality/>

UN Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) consist of 17 goals and 169 targets for sustainable development established by the United Nations. Adopted in 2015, the goal is to achieve the SDGs by the year 2030. With the basic concept "Leave no one behind," the SDGs require efforts not only by governments and NGOs, but also by the private sector, in order to solve the world's problems, including economic disparities, sustainable consumption and production, and climate change. Morinaga Milk is committed to doing its part to help achieve the SDGs.

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Establishment of KPI

Morinaga Milk embarked on a new three-year Business Plan for the Next Medium Term beginning in FY 2019. This plan incorporated the idea of ESG-focused management aimed at fulfilling our corporate slogans into the new basic policy. Following this basic policy, Morinaga Milk has presented its approaches to the seven priority issues and established KPI* for each of these initiatives.

* KPI (Key Performance Indicator) refers to a numerical indicator for objectively assessing and managing the progress and achievement of an activity.

Health and Nutrition

Basic Approach

We offer health and nutrition by developing and selling products that combine functionality and good taste to realize “Ever Brighter Smiles.”



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

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Environment

Basic Approach

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



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

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

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Human Rights

Basic Approach

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



Direction of Activities	KPIs	Progress on KPIs
Identify human rights issues and devise countermeasures in dialogue with stakeholders	Hold dialogue with stakeholders	Two employees participated in the Stakeholder Engagement Program run by Caux Round Table (CRT) Japan in FY 2020 (▶ p. 52)
Identify cases of human rights infringement at suppliers	Understand current situation through CSR procurement questionnaires	FY 2019 CSR procurement questionnaires (May 2019) (▶ p. 54) (Done every three years, with the next questionnaire scheduled for 2022)
Identify ingredients and suppliers that affect company management	Create a list of important suppliers	We have started to explore checking and auditing schemes for important supply chains (▶ p. 54)
Respond to the Group's foreign employees (including those working for cooperating companies)	Set up working environments for the Group's foreign employees	"Appropriate employment management for foreign employees" added to the checklist for operational audits for subsidiaries in Japan (▶ p. 55)
Promotion of Diversity and Inclusion	[Target for FY 2027] Number of persons teleworking/satellite work systems, rate of taking paid leave, rate of hiring female employees, number of female managers, rate of taking paternity leave, rate of male employees taking childcare leave, and number of employees quitting for family care	FY 2020 numbers (▶ p. 55) (1) Number of employees doing teleworking/satellite work (persons): 1,980 (2) Ratio of days of annual leave taken: 70.2% (3) Percentage of new graduate hires who are female (administration, sales, R&D total): 41% (4) No. of female managers: 47 persons (5) Ratio of paternity leave: 84.7 % (6) Ratio of male employees taking childcare leave: 44.1% (7) Employee turnover: 1 person

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Supply Chains

Basic Approach

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



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

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

Nurturing the Next Generation

Basic Approach

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



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

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Human Resource Development

Basic Approach

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



Direction of Activities	KPIs	Progress on KPIs
Promote the Corporate Slogan	Hold annual forum open to all employees	Number of participants in FY 2020: 166 (▶p. 84)
Encourage the independent growth of each individual employee by pursuing diversity and inclusion	Provide ongoing training for female leaders, training to encourage balance between work and childcare, and pre-management training; HR department will carry out interviews of young employees	Continue to implement training and interviews in an online environment (▶p. 85)
Develop employees who can perform in a global business environment	Implement programs for training global human resources	<ul style="list-style-type: none"> ● Total of 148 participants (as of March 31, 2021) ● 52 participants in FY 2020 (▶p. 86)
Develop human resources via health management	Improve uptake rate of follow-up exams and re-assessments for those who test results are of serious concern: 80% (2023) Rate of attending mental health education: 100% (2023)	Rate of attending mental health education: 94.3% (▶p. 88)

Corporate Governance

Basic Approach

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

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

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

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Solving Future Issues

Morinaga Milk formulated the priority issues in FY 2018 and established the KPIs for each priority issue in FY 2019. From FY 2019, progress report meetings were organized for each priority issue in order to achieve the KPIs, with KPI Promotion Leaders largely managing the process. Morinaga Milk will also continue appropriate discussion and review of the KPIs based on global trends and dialogue with stakeholders.

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