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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.

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 for human rights due diligence.* 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 which was organized by Caux Round Table Japan and which identifies 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 and is disseminated both internally and to external stakeholders such as business partners. In 2019, we conducted CSR procurement questionnaires. We also respect diversity and maintain an environment and systems within the company with that in mind.

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.

REPORT

▶ Please see the “Human Rights Policy” section (p. 95) for details.

System

Morinaga Milk Sustainability 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.

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 2020. Morinaga Milk will continue to focus on human rights issues in the supply chain.



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KPIs

Direction of Activities	KPIs	Progress Details for 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 questionnaires scheduled for 2022)
Identify ingredients and suppliers that affect company management	Create a list of important suppliers	Created a list of key suppliers and completed a questionnaire survey to ascertain their current status (▶ 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	Completed a survey of the number of foreign employees (▶ p. 55) Added specific items for foreign employees to the checklist for operational audits
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

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. In normal years, compliance officers visit business sites and Group companies for this training.

However, in 2020 this training was held online via e-learning to prevent the spread of COVID-19, with 7,801 Morinaga Milk employees and Group company employees participating.

REPORT

▶ Please see the "Compliance Training" section (p. 90) for details.

Compliance Consultation System: Morinaga Milk
Helpline (Whistleblower 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.

In order for a diversity of people to play an active role in the company, we have also set up an LGBTQ Help Line for employees to consult, etc. about matters such as gender identity, sexual orientation, continuing to work at Morinaga Milk following gender reassignment, or coming out.

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▶ Please see the "Compliance" section (p. 90) for details.

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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 CSR procurement questionnaires with suppliers to promote sustainable procurement, shares the company Procurement Policy with them, and conducts human rights surveys.

REPORT

▶ Please see the "Supply Chains" section (p. 63) 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 2022.) For the 2019 questionnaire, Morinaga Milk held an advance briefing session for major suppliers about the CSR procurement questionnaires. In this briefing session, social issues such as society and the environment are discussed along with the purpose and significance of the survey based on 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 Set 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 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 workloads since drivers bear part of the logistics responsibilities.

Specific initiatives

- Promote switching from loading/unloading by hand to pallet deliveries to reduce work load
- Shift means of transportation from trucks to railway/ marine containers, large trailers, etc. (promote a modal shift)
- Promote joint deliveries within the Group and with other companies in the same industry
- Review and improve long working hours for drivers on long-distance transport routes (e.g. reconsider routes, reduce wait times and incidental work)

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: 210 persons (as of September 30, 2020)

- 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

	2016	2017	2018	2019	2020
Employees – Consolidated (Persons)*	5,771	5,987	6,157	6,303	6,871
Employees – Consolidated temporary (Persons)					2,485
Number of regular employees (Morinaga Milk only)	3,035	3,144	3,247	3,340	3,377
Men	2,455	2,556	2,629	2,697	2,711
Women	580	588	618	643	666
Number of new graduates hired as regular employees, by gender (Morinaga Milk only)	64	127	145	127	83
Men	47	98	103	85	55
Women	17	29	42	42	28

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	2016	2017	2018	2019	2020
Turnover and turnover rate (including mandatory retirement; Morinaga Milk only)					
Employee turnover (Persons)	107	99	85	100	96
Turnover rate (%)	3.0	2.7	2.3	2.7	2.6
Number of re-hires and re-hire rate of persons aged 60 and older (Morinaga Milk only)					
Number re-hired (Persons)	50	36	30	24	34
Re-hire rate (%)	96.2	87.8	96.8	88.9	94.4
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., Furijipport Co., Ltd., Hiroshima Morinaga Milk Industry Co., Ltd., MK Cheese Co., Ltd., Clinico Co., Ltd., Tokyo Dairy Co., Ltd., Morinaga Milk Business Service Co., Ltd., 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 Hoshio Milk Plant Co., Ltd., Eloi Vietnam Joint Stock Company, 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. We also hold lectures and talk sessions featuring experts. In FY 2020, such events were held online under the theme of “psychological safety,” which is the foundation for promoting diversity and inclusion.

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 and inclusion 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 and inclusion 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 and, from 2021, the flextime system and the reduced-hours work system can be used together.

Morinaga Milk is now working on the second phase of an action plan for compliance with the “Act on Promotion of the Women’s Participation and Advancement in the Workplace,” with a goal of achieving 80 female managers by 2026.

Results for Support for Female Workers

(as of April 1 each year)

	2017	2018	2019	2020	2021
Percentage of new female graduates* (%)	41.0	45.8	47.9	60.0	40.9
No. of female managers (Persons)	38	42	43	46	47
Ratio of female managers (%)	4.5	4.8	4.7	4.9	4.9

* Total for administration, sales and R&D employees

LGBTQ 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 LGBTQ 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 established an email consultation service with an external provider for this purpose. This counselor service is aimed at people who identify as LGBTQ and 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.

In addition to this internal help line, Morinaga Milk also promotes measures for promoting proper LGBTQ awareness, such as holding study sessions on LGBTQ etiquette and requiring managers to take an LGBTQ e-learning course. In recognition of these measures, Morinaga Milk received the Gold (highest) award under the Pride Index, an LGBTQ initiative (2020) by the voluntary



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organization “work with Pride”^{*} for 2020 corporate efforts related to LGBTQ.

^{*} A voluntary organization that supports the promotion and establishment of diversity management related to sexual minorities in companies and other organizations.

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 7th phase of the action plan.

● Ratio of paternity leave in FY 2020: 84.7% (100 people)

● Ratio of male employees taking childcare leave in FY 2020: 44.1% (52 people)

**Number of Employees Taking Childcare Leave by Gender**

	2016	2017	2018	2019	2020
Men (Persons)	14	18	27	34	52
Women (Persons)	37	49	54	47	38
Total (Persons)	51	67	81	81	90

Rate of Returning to Work from Childcare Leave by Gender

	2016	2017	2018	2019	2020
Men (%)	100.0	100.0	100.0	100.0	100.0
Women (%)	94.6	100.0	100.0	98.2	100.0

Exclusion of Gender-based Role Assignment

Targets	2017	2018	2019	2020	2027 target
Ratio of paternity leave (%)	70.0	76.5 (124 persons)	79.5 (120 persons)	84.7 (100 persons)	100
Ratio of male employees taking childcare leave (%)	12.9	16.7 (27 persons)	22.5 (34 persons)	44.1 (52 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 leave for family 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. In 2020, we also created a “Work-Nursing Care Balance Book” that provides information about long-term care. The main purpose of this balance book is to help eliminate anxiety about balancing work with nursing care. We also provide support to employees in this situation, such as offering seminars on how to balance work and nursing care, etc.

Employee Turnover Due to Nursing Care

	2017	2018	2019	2020	2027 target
Employee turnover (Persons)	6	0	2	1	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. In FY 2020, there were 157 employees with disabilities at consolidated subsidiaries.

Number of Employees with Disabilities and Employment Rate

	2016	2017	2018	2019	2020
Employees with disabilities (Persons)	84	89	94	89	110
Employees with disabilities (%)	2.17	2.19	2.22	2.15	2.46

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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.

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 70.2% in FY 2020. 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. We have also concluded 36 labor-management agreements regarding overtime and holiday work in accordance with Article 36 of the Labor Standards Acts. Effort is being made at all levels to encourage the healthy living of employees through the prevention of overwork and long working hours.

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. 55) and “Supply Chains” section (p. 63) for details.

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

	2016	2017	2018	2019	2020
Total working hours (Hours)	1,965	1,965	1,974	1,967	1,969
Number of days of paid leave taken (Days)	12.0	12.2	12.0	14.1	13.0

Note: 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. Employees were encouraged to work from home during the COVID-19 pandemic in 2020, with around 1,980 people doing so as of March 2021, achieving our goal. We will continue to support a flexible work style with the “Teleworking/Satellite Work 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	2020	2027 target
Workstyles					
Number of employees using teleworking/satellite work system (Persons)	67	197	932	1,980	1,000
Ratio of days of annual leave taken (%)	62.8	64.9	76.7	70.2	85

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Policy to 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: 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, 27 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)

	2016	2017	2018	2019	2020
Number hired (Persons)	3	0	1	0	0

Management-Labor Dialogue

Morinaga Milk Industry has adopted a union shop system and organized the All Morinaga Labor Union as a forum for dialogue between labor and management. One-hundred percent of all full-time employees are members of the All Morinaga Labor Union, excluding managers and other types employees specified in the labor agreement.

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

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

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

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**Promotion of Occupational Health and Safety in
Production Departments**

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. As shown below, the basic policy clarifies priority measures for safety and health management, with item 4 specifying the efforts to be made by production departments in particular. Based on the content of the six specified sub-items of item 4, we are promoting activities with a goal of zero occupational accidents to ensure that employees can carry out their work safely and healthily.

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▶ Please see the "Health Declaration" section (p. 99) for details.

Basic Policy on Health and Safety**Basic Philosophy**

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
5. This Basic Policy is made known to all employees and also announced outside the company.

Est. April 2017

Yohichi Ohnuki

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

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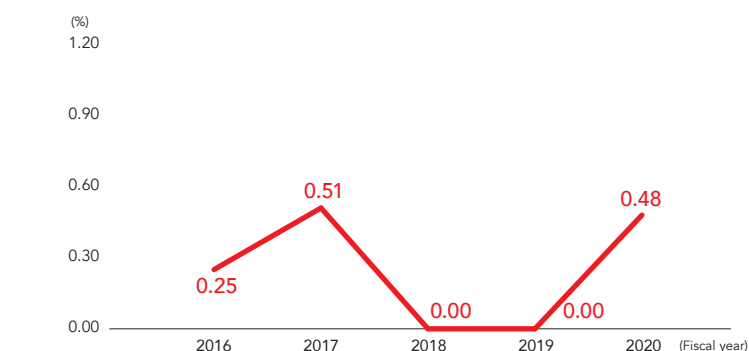
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Lost Work Hours and Serious Accidents

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. (This activity is item 4-(3) in our Basic Policy on Health and Safety.)

Industrial Accident Frequency Rate

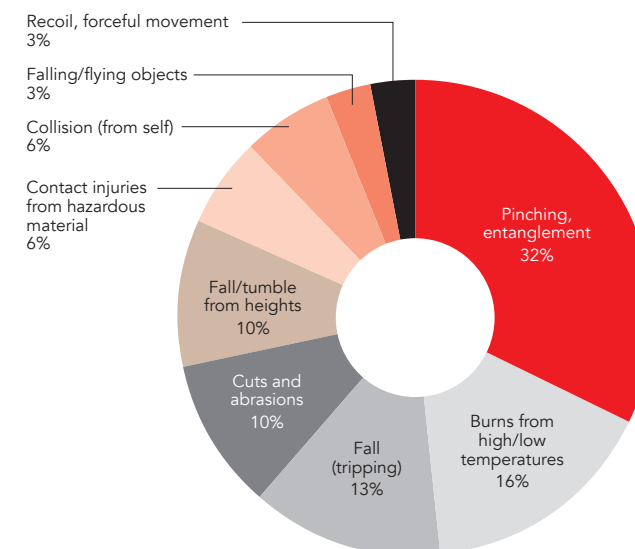


Note: Excludes Group companies

Workplace Accidents (by Type)

In FY 2020, the most common type of workplace accidents at Morinaga Milk Group were pinching/entanglement accidents, which constituted 32% of all workplace accidents. The next most common types of accident were burns from high/low temperatures (16%) and falls from tripping (13%). These three types of workplace accidents represented 61% of workplace accidents.

Percentage of Workplace Accidents by Type (FY 2020)



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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 were carried out online for nine sites to prevent the spread of COVID-19, with audits at 12 sites scheduled for FY 2021.

For internal health and safety audits, the Morinaga Milk Group uses an assessment system with internal auditors, who have also 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. (This activity is item 4-(4) in our Basic Policy on Health and Safety.)

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. (This activity is item 4-(1) in our Basic Policy on Health and Safety.)

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. (This activity is item 4-(6) in our Basic Policy on Health and Safety.)

Health and Safety Education to Employees

1. Safety training with danger simulation devices

Morinaga Milk lends out devices for safety education (three machines) in rotation to plant sites of the Manufacturing Department. The devices simulate dangers such as those from pinching and entanglement, compressed air, and electrical shock. (In FY 2020, these danger simulation devices were used for education at 12 plant sites, with use at another 12 plant sites planned for FY 2021.)

2. 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.

3. Safety officers at Morinaga Milk head office have developed an in-house, six-part e-learning program. In FY 2020, around 20,000 employees working at our plants took this e-learning program.

4. Morinaga Milk is promoting the establishment of a KYT basic four-round method*, largely focused on manufacturing plant sites. (KYT stands for "Kiken Yochi Training," the term for hazard prediction training in Japan). The KYT basic four-round method helps improve risk sensitivity and reinforces basic safety actions for predicting danger before beginning work. To promote this initiative, we are inviting external instructors to help develop internal trainers in order to create a system for teaching the KYT basic four-round method at our plants. (This trainer training was held five times in FY 2020 with 32 selected attendees from each plant, and 10 sessions are scheduled for FY 2021. This activity is item 4-(5) in our Basic Policy on Health and Safety.)

* A method of conducting hazard prediction training that uses four procedures.

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Basic Approach

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

In each stage of the supply chain through product development, raw material procurement, production, distribution and sale, the Morinaga Milk Group always considers how best to deliver high-quality products that are safe and reliable to consumers. The basis for this approach is the Quality Policy of the Morinaga Milk Group.

The Quality Policy sets out the Morinaga Milk Group approach to quality throughout the supply chain, not only at production sites.

Moreover, revisions to Japan’s Food Sanitation Law require all food business operators to systematically implement HACCP for hygiene management across their supply chains. In addition, for procuring raw materials, the Morinaga Milk Group implements procurement focused on consideration for the environment (reduction of energy consumption and CO₂ emissions, reduction of water consumption, prevention of environmental pollution, reduction of waste, efficient use of resources) and human rights (prohibition on child labor or forced labor) across the supply chain based on the approach in the Procurement Policy of the Morinaga Milk Group.

This procurement policy is communicated to all our global business partners and suppliers, who are asked to comply with it.

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▶ Please see the “Quality Policy” section (p. 96) for details.

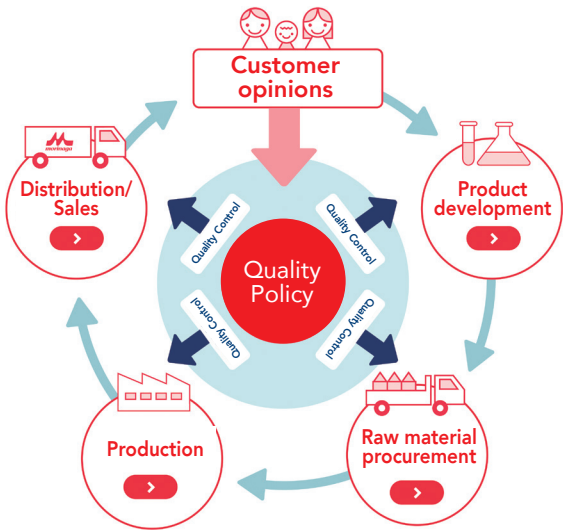
▶ Please see the “Procurement Policy” section (p. 96) for details.

System

Morinaga Milk Sustainability Committee meetings, which are chaired by the president, are held twice a year for monitoring and reporting on the progress of KPIs. In addition, Morinaga Milk implements PDCA cycles, with the general managers of the relevant divisions responsible for “Priority Issue: Supply Chains” and the general managers of the relevant departments responsible for promoting KPIs.

Based on the Quality Policy, Morinaga Milk has stipulated Quality Rules for each stage of the supply chain: product development, raw material procurement, production, distribution, and sales. In order to systematically control quality based on these Quality Rules, Morinaga Milk has established a quality assurance system to ensure the quality and reliability of all the products by implementing this system.

Quality Assurance System of the Morinaga Milk Group



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Direction of Activities	KPIs	Progress Details for KPIs
Efficient supplier management corresponding to raw material risks	Strengthen mechanism for evaluating supplier management level depending on each raw material's risk	Classify all domestic raw material suppliers (as of March 31, 2021) Add classification of overseas raw material suppliers Classify new suppliers, continue to manage raw materials according to risk, and classify and evaluate raw materials 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 * The number of applicable plants has changed to 23 due to reasons such as manufacturing stoppages.	Number of factories certified in Japan: 24 (as of March 31, 2021) (▶ p. 67) The number of applicable plants was originally 23, but an additional plant (Tokyo Dairy Co., Ltd.) obtained certification.
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)

Efficient Supplier Management Corresponding to Material Risk**Raising Quality Levels Together with Suppliers**

Morinaga Milk conducts business with many suppliers, both for the procurement of various raw materials such as ingredients, containers, and packaging, and for the handling of the logistics of raw materials and goods. In order to deliver high-quality, safe, reliable, delicious, and worthwhile products to consumers, Morinaga Milk ensures that business partners know the Morinaga Milk Group Procurement Policy (indicated above) with a view to securing their understanding and cooperation, and to ensuring a mutual exchange of information that strengthens collaboration.

This exchange includes quality assurance certificates for raw materials suppliers, information about the raw materials used (ingredient ratios, source materials, country of origin, allergens, genetic modifications, the presence or absence of food additives, etc.), the safety of container and packaging materials, safety in use, compliance with legal standards (e.g., compliance with residual agricultural chemicals standards), the status of quality control in the supplier's manufacturing processes, etc.

Quality Improvement Seminar

Morinaga Milk holds a Quality Improvement Seminar with suppliers of raw materials once a year. This provides an opportunity for mutual communication while sharing information on understanding the quality assurance system and initiatives for maintaining and upgrading the quality of raw materials and their containers and packaging and for improving the hygiene environment.

The FY 2020 seminar was postponed to prevent the spread of COVID-19.

Number of Companies Participating in Quality Improvement Seminar

	2016	2017	2018	2019	2020
No. of participating companies	23	24	20	24	—

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Quality Audits at Suppliers' Plants

Positive communication with suppliers is important for a supply of high-quality raw materials. As a method of communication, the Morinaga Milk Group carries out document reviews and conducts quality audits at supplier plants.

Business partners understand the Morinaga Milk Group Quality Policy and cooperate to carry out quality audits for food safety and quality issues from a variety of perspectives, such as managing for foreign substances, allergens, etc. When an issue arises, the Group works with mutual understanding to reach a solution in order to ensure a continued supply of reliable, safe high-quality raw materials.

For raw material imports from Europe, Oceania, or other locations, the Group conducts audits for local plants overseas the same way as in Japan as needed (plant visits, remote audits, document checks, etc.). Although it is sometimes difficult to require overseas business partners to maintain the same quality control levels as in Japan, by carefully explaining the Morinaga Milk Group's Quality Policy to overseas business partners and gaining their understanding, the Group has built both a domestic and international procurement system for high-quality raw materials.

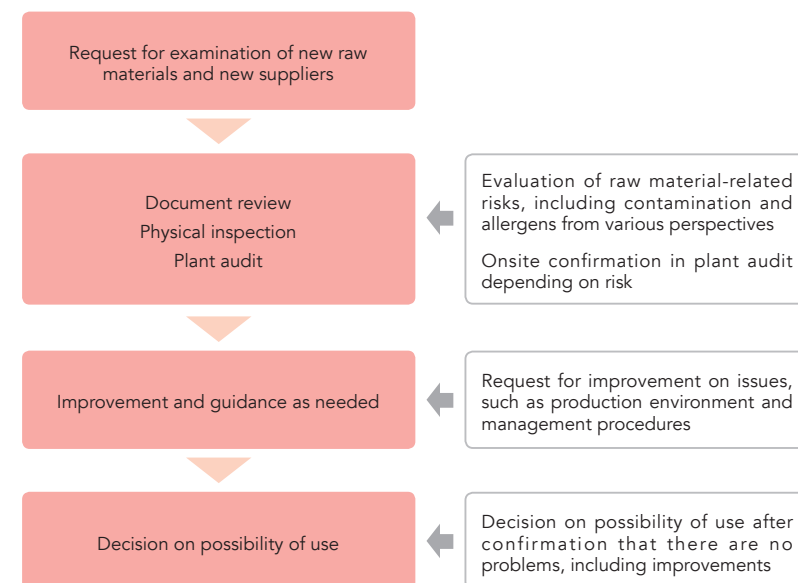
There were no significant risk incidents in FY 2020.

Audits Conducted

	2017	2018	2019	2020
Morinaga Milk plants (no.)	28	31	28	25
Contractors (no.)	53	40	34	27
Suppliers (no.)	47	31	23	16
Total (no.)	128	102	85	68*

* The number of audits was less than average due to the spread of COVID-19 in 2020, which made onsite audit visits difficult and because time was needed to improve the environment for remote audits.

Basic Flow for Use of New Raw Materials



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Improving Product Distribution Quality

Morinaga Milk Group collaborates with entrusted logistics partner companies regarding the product distribution processes of storage/cargo handling and transportation/delivery, regularly checking points of control (warehouse checks and delivery quality checks) based on our "Quality rules." This initiative allows us to improve the quality of product distribution, grasping issues and implementing operations improvements in a steady manner.

With regard to storage and cargo handling, annual onsite checks are conducted at each warehouse and are focused on temperature control, product handling, warehousing and delivery, the equipment environment, etc. Carried out at each production site in cooperation with head office, these efforts aim to improve appropriate storage management.

For transportation and delivery, we regularly hold regional logistics meetings with logistics partners to introduce examples of how other regions handle logistics quality and promote cross-development.

In addition, each entrusted logistics partner conducts quality checks using a format decided by Morinaga Milk. When there is an issue, we work with the partner to create and make improvements in order to enhance logistics quality.

In FY 2020, Morinaga Milk shared both good examples and examples of accidents, etc. with logistics partners (56 companies). (The annual meeting to improve distribution quality was suspended in FY 2020 to prevent the spread of COVID-19.)

Create a System for Providing Safe and High-quality Products

In addition to operating a quality management system based on FSSC 22000*, an international certification scheme for food safety management systems, Morinaga Milk Group also identifies important quality control points to comprehensively manage food safety and quality.

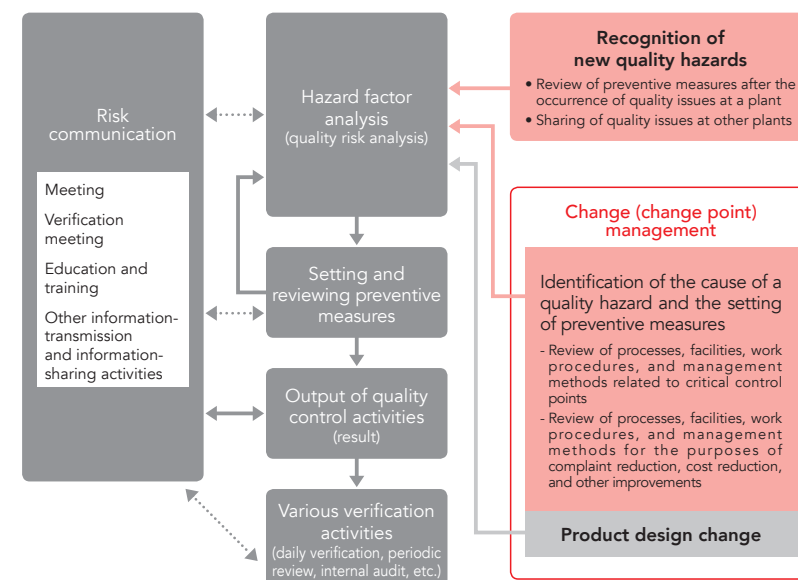
MACCP is a management method for ensuring a product has the intended qualities. The aim is to provide products that customers can use reliably and to carry out stable manufacturing.

A major feature of MACCP is achieving a high-quality assurance by preventing the occurrence or re-occurrence of trouble before it happens. Through the use of both MACCP and internal audits, the Group aims to further enhance its quality control.

* FSSC 22000

An acronym for Food Safety System Certification 22000 and a food safety scheme approved by the Global Food Safety Initiative (GFSI). Based on ISO 22000, FSSC 22000 aims for the implementation of more reliable product safety management to supply safe food to consumers.

Conceptual Diagram of Morinaga Milk Quality Management System Operations



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Initiatives on FSSC 22000

In order to deliver even higher safety and reliability, the Morinaga Milk Group began obtaining FSSC 22000 across the Group from 2013. As of March 2021, the Group has obtained this certification at 24 production sites in Japan.

Food safety is only possible when all the parties involved, including the company, its business partners, and customers, are making efforts rather than the efforts of just one party. Maintenance of the safety and quality of products will be achieved through effective use of FSSC 22000 and positive communication among the parties involved.

Morinaga Milk is also putting efforts into in-house education so that employees can continue to produce safe and reliable products by correctly understanding and implementing FSSC 22000. In FY 2018, two FSSC 22000 internal auditor training courses were organized by the head office.

In order to continue providing customers with safe and reliable products, each and every employee will refine their knowledge and skills with the aim of maintaining and improving quality levels.

Taste/Flavor Panel Meisters System

In quality control, the human tongue can often be more sensitive than numbers obtained with scientific testing. Therefore, Morinaga Milk identifies employees with particularly advanced taste sensitivity and certifies them as "Taste/Flavor Panel Meisters*." Such employees can detect even slight flavor abnormalities by taste before products are shipped.

* Taste/Flavor Panel Meisters

Each year, Morinaga Milk holds a taste sensitivity challenge for all employees. The employees who do well are certified as "Taste/Flavor Panel Meisters." Any employee certified as a Meister for three years running earns the title of "Grand Meister." As of FY 2020, 67 employees are certified as Meisters.

Raw Material Checks (Three Inspections (Triple-Check) after Prior Lot Inspections)

Good products can only be produced from high-quality and safe raw materials. Therefore, the Morinaga Milk Group has established a system of "prior lot inspections" from the raw material procurement stage to support the quality and safety of all products. Before raw materials are delivered to plants, lots of specified materials are sampled and inspected by the Quality Control Department according to their risk.

A total of three inspections (triple-check) are conducted after raw materials that passed the prior lot inspection are delivered to the plants, from the point of raw material acceptance to just before use for production.

Maintaining an Environment that Protects Quality

The Morinaga Milk Group has put efforts into occupational health and safety as a means of maintaining an environment that protects quality.

The Morinaga Milk Group regards occupational health and safety as one of the most important foundations of its corporate activities. The Basic Policy on Health and Safety was established not just for employees, but also for all persons at business sites. In line with this basic policy, the Group promotes health and safety education along with the identification and hazard sources (hazard locations) to reduce and eliminate them. The goal is zero work-related accidents.

REPORT

► Please see the "Human Rights" section (p. 60) for details.

Mechanisms for Training People to Continue Protecting Quality

The Morinaga Milk College was established in 2002 to provide quality education for employees based on the belief that people (employees) create quality. Morinaga Milk College is an internal educational institution in the Manufacturing Department tasked with transferring technology and skills and maintaining and improving quality technology, and it offers a variety of employee education.

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► Please see the "Morinaga Milk College" section (p. 85) for details.

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Respond to Supply Chain Risks for Main Raw Materials

For a Stable Supply of Raw Materials

In recent years, natural disasters such as large typhoons, floods from heavy rains, and earthquakes have been occurring in Japan seemingly annually. Outside of Japan, raw material procurement risks have increased not only due to abnormal weather such as droughts and cold snaps, but also due to global shortages of containers resulting in logistics disruptions.

Morinaga Milk is taking the following measures for continued stable procurement of raw materials.

Selection of Products Important to Business Continuity and a BCP Survey for the Related Raw Materials

We select products that fulfill our social responsibilities and products that have a large influence on dairy farmers, customer companies, and individual customers, and check whether the raw materials for those products are BCP compliant and whether alternatives are available.

Understanding the Status of Supplier BCP Compliant

We conduct a questionnaire for major suppliers to see if they are BCP compliant and we are working to understand the current situation and raise mutual awareness of business continuity.

Cooperating with Suppliers on an Information Management System

To speedily coordinate with suppliers in the event of an earthquake or other emergency, we have introduced a supplier management system to centrally manage information.

Promoting Purchases from Multiple Routes and Regional Decentralized Purchases

Since Morinaga Milk also procures dairy ingredients from overseas such as from Oceania, Europe, and the United States, we aim to secure as many purchase routes as possible to mitigate risks from climate change and international affairs. We also have a system in place that allows for the purchase of a stable supply of dairy products always at an appropriate price. We also promote purchases from multiple sources and regional decentralized purchases for other raw materials with a view to future supply risks.

To Secure a Stable Supply of Domestic High-quality Raw Milk

Visits by Nationwide Dairy Farm Services Office Staff to Dairy Farmers in Their Area

To ensure a stable supply of high-quality and delicious domestic milk, the dairy farming that supplies the milk must be sustainable.

At Morinaga Milk Group, we work closely with dairy farmers in raw milk-producing regions around Japan in collaboration with business partners such as producer associations in order to carry out initiatives to support dairy farming.

Morinaga Milk Group visits dairy farmers in our area regularly to ensure a supply of quality domestic raw milk.

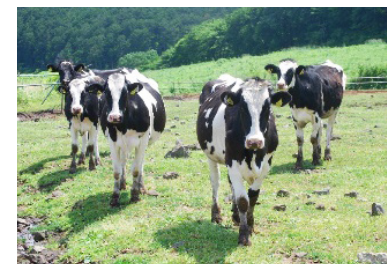
By providing information on technology for improving milk quality, raw milk demand and supply, and other areas, the staff works to increase the motivation of dairy farmers to produce milk. The staff also listens to dairy farmers about the problems and struggles of expanding production directly, striving together to think of improvements to solve problems.



Initiatives with Dairy Farmers to Increase Milk Production Volume

Dairy cows take at least two years to start producing milk. This has been a burden on dairy farm management and is one factor in sluggish domestic raw milk production. Therefore, Morinaga Dairy Service Co., Ltd., a Morinaga Milk Group company farm, handles heifers to allow dairy farmers to focus on raw milk production. The motto of this business is "Raising healthy and strong cattle."

The business takes breeding cattle that will become dairy cattle from dairy farmers, impregnates them and then returns them to the dairy farmers. In addition, Morinaga Milk utilizes advanced technology for the production and transplantation of fertilized eggs and is actively working to transferring fertilized eggs from wagyu Japanese beef cows into dairy cows in order to increase the incomes of dairy farmers.



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Plant Tours for Dairy Farmers

Morinaga Milk holds tours at Morinaga Milk Group plants for dairy farmers. The feedback from dairy farmers who have attended these tours shows that actually being able to see the raw milk they have produced being turned into products has led to increased motivation to produce raw milk and improved awareness about ensuring the quality and safety of raw milk. Going forward, Morinaga Milk will continue to hold these tours as a means of communication. Virtual tour tools are now available for plants that do not offer tours.

Note: Plant tours were suspended in FY 2020 to prevent the spread of COVID-19.

Initiatives of the Morinaga Association for the Promotion of Dairy Public Interest Incorporated Foundation

The Morinaga Association for the Promotion of Dairy Foundation was established as an incorporated foundation in 1968 in commemoration of the 50th anniversary of Morinaga Milk's founding. The association has supported dairy farmers in various ways over the past 50 years. In December 2011 it became a public interest incorporated foundation and the name changed to the Morinaga Association for the Promotion of Dairy Public Interest Incorporated Foundation. In November 2020, the foundation held a webinar entitled "Issues and Responses to Dairy Farming for New Entrants." In the panel discussion, three such new dairy farmers from Hokkaido, Gunma, and Fukui prefectures were remote participants in the webinar. They talked about being "third-party successors," unassumingly talking about their reasons for becoming farmers, the issues they face, and their own farms. Even though this was a first attempt at an online seminar, it had the advantage of allowing participation from anywhere, with the number of viewers exceeding 500. The webinar also attracted participants who will be future dairy industry leaders, such as agricultural high school students and university students studying animal husbandry. A number of agricultural high schools also used the webinar as part of their lessons, garnering an excellent response from students and teachers. Morinaga Milk would like to continue holding such events.



Expand Use of RSPO-certified Palm Oil

The Morinaga Milk Group has formulated the Procurement Policy and is implementing procurement focused on consideration for the environment and human rights. Based on this policy, efforts are being made to procure raw materials with a focus on giving consideration to the environment and human rights. This includes raw materials with RSPO certification, Rainforest Alliance Certification, and FSC® certification.

Morinaga Milk joined RSPO^{*1} in March 2018. As large-scale deforestation is carried out when producing palm oil, it has been pointed out that deforestation impacts the natural environment through the loss of biodiversity and the erosion of human rights in terms of the labor on farms. Morinaga Milk has been promoting the purchase of Book and Claim^{*2} palm oil since 2018, and has purchased 100 percent of the needed palm oil this way in FY 2019 and FY 2020.

Going forward, we are working to switch to Mass Balance^{*3} to achieve our goal in FY 2028.

^{*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}: Mass Balance

This is a certification model under which palm oil from a certified plantation is mixed with non-certified palm oil during the distribution process. Although the final oil contains non-certified sources, the certified plantations and the quantity purchased from them is guaranteed.



Check our
progress at
www.rspo.org

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Procurement Focused on Consideration for the Environment and Human Rights

Based on the Morinaga Milk Group Procurement Policy, we are working to procure raw materials with consideration for the environment and human rights through Rainforest Alliance Certification, FSC® certification, and the like.

With regards to beverages, such as coffee and tea, Morinaga Milk currently uses Rainforest Alliance Certified^{*1} raw materials for some products, including Mt. RAINIER Deep Espresso.

All paper sleeves and packaging boxes for ice cream products were switched to FSC® certification^{*2} by FY 2020. We will continue to switch to FSC®-certified paper and contribute to sustainable forest management. In addition, all drink and tofu containers that use paper and aluminum have been switched to FSC® certified paper.



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

The use of raw materials with a focus on giving consideration to the environment and human rights also affects product prices, quality, and transportation efficiency. Therefore, information is shared across departments and efforts are made to collaborate and cooperate with business partners and suppliers.

Morinaga Milk conducts regular surveys, including the CSR procurement questionnaires that promotes sustainable procurement, with regard to the working environment for sites that produce and process raw materials. The questions cover 47 items, including human rights, corporate governance, labor, environment, fair corporate activities, quality/safety, information security, supply chains and coexistence with the local community. Suppliers are requested to give detailed and accurate answers.

^{*1}: Rainforest Alliance Certification
Rainforest Alliance Certified farms are required to meet rigorous standards in order to create a better future for people and nature, which help protect forests, ecosystems, soils and waterways, and improve the rights and livelihoods of farmers and farm workers.



^{*2}: 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.



The mark of responsible forestry

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.

REPORT

▶ Please see the "Suppliers" section (p. 54) for details.

Signed the Vancouver Declaration on SDGs and FSC® Certification

On October 11, 2017, the FSC® Annual General Meeting held in Vancouver, Canada, unveiled a declaration calling for expanded support of SDGs and the FSC®. As a company that endorses this objective, Morinaga Milk signed the declaration along with 56 Japanese and overseas companies.

Morinaga Milk is contributing to the use of sustainable forest resources through gradual expansion, starting with familiar products such as *MOW* ice cream and *Piknik* beverages.

Participation in the Japan Sustainable Palm Oil Network (JaSPON)

In April 2019, Morinaga Milk participated in the Japan Sustainable Palm Oil Network (JaSPON) as a founding member and served as director in order to accelerate the procurement and consumption of sustainable palm oil in the Japanese market with the aim of solving a range of problems in palm oil production related to the environment and development.

Morinaga Milk is collaborating with the members toward the realization of sustainable palm oil procurement and consumption in the JaSPON network of 52 companies and groups*, which includes retailers and consumer goods manufacturers.

* as of April 31, 2021



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Responding to Customers

Morinaga Milk released its Declaration of Conformity with ISO 10002 (Complaints Handling Management System) in 2007.

In accordance with ISO 10002, the Basic Policy on Customer Satisfaction and the Guiding Principles was established. Morinaga Milk actively strives to continually improve customer service.

To further promote consumer-focused management, Morinaga Milk issued the Voluntary Declaration on Consumer Orientation in 2017 and the Voluntary Declaration on Consumer Orientation Follow-up in July 2020.

REPORT

▶ Please see the “Basic Policy on Customer Satisfaction” section (p. 97) and “Voluntary Declaration on Consumer Orientation” section (p. 97) for details.

WEB

Voluntary Declaration on Consumer Orientation
▶ https://www.morinagamilk.co.jp/information_morinaga/170116.html (Japanese only)

Halal and Kosher Certifications

Morinaga Milk’s bifidobacteria has obtained Halal and Kosher certification. Halal foods conform to Islamic dietary laws, while Kosher foods conform to Jewish dietary laws. Such certification is an important deciding factor for people of these faiths; it is assurance that the product complies with their religion’s dietary laws. To comply with these strict requirements, we continue to pay close attention to and coordinate our production processes. In order to maintain certification, employees from various departments within the company are selected to serve on a committee, which meets four times a year, to ensure production remains Halal. We also pay attention to the handling of the special logo for Kosher foods.

Food is life. Morinaga Milk will continue to deliver products to people around the world that are in keeping with their needs and beliefs to ensure peace of mind.



Halal certification

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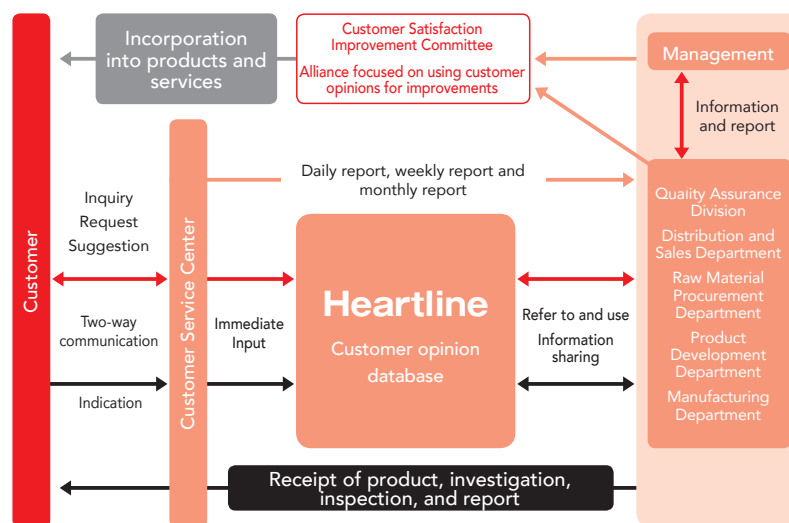
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System to Take Advantage of Customer Opinions



Note: Heartline is our original system for accumulating feedback from customers and translating it into enhancements in customer service and improvements in products and services.

Customer Service Center

Since establishing the Customer Service Center in 1972, Morinaga Milk has received inquiries, consultations, and comments about products from all over Japan. In FY 2020, Morinaga Milk received more than 65,000 comments by toll-free phone, postal mail, and email.

When a reply to the customer is required, the Center collaborates promptly with the relevant department and strives to provide a timely and genuine response.

Mechanisms to Report Comments to Management and Relevant In-House Departments

Customer complaints and comments are also compiled into a daily report that is shared with management and the heads of the relevant departments. In addition, we have developed a mechanism for prompt collaboration with management and the relevant departments in the event that a product accident occurs or the detection of signs that foreshadow such an occurrence.

Mechanism to Use Customer Opinions

Morinaga Milk considers customer opinions to be a valuable management resource. The opinions are input into Heartline (customer opinions database), to build a mechanism for each employee to refer to and use in developing and improving products and services.

At “Alliance focused on using customer opinions for improvements,” we review comments with the relevant departments as necessary to reflect customer comments in products and services. The Customer Satisfaction Improvement Committee held three times a year proposes and discusses customer comments and examples of improvements utilizing customer comments with management.

Based on customer feedback, in FY 2020 we made it easier to remove the labels from our *Triple Yogurt* and other drink yogurts by increasing the size of the perforations.



Before the packaging change

After the packaging change, with larger perforations

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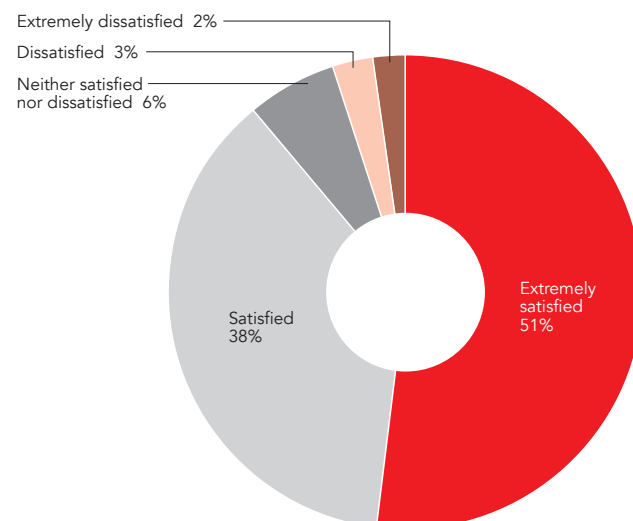
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Customer Satisfaction Questionnaire Survey

In 1995, Morinaga Milk began conducting questionnaire surveys on the satisfaction levels and opinions of customers who accessed the Customer Service Center. These surveys provide the collected opinions from customers regarding their overall satisfaction in how their concern was handled, their interactions with the consultants they dealt with on the phone, and their dealings with a consultant visiting their home. Customers also explain their future intentions to purchase Morinaga Milk products. These responses provide vital feedback for our process to improve the quality of our services and products.

In 2020, 89% of customers responded that they were “extremely satisfied or satisfied” in terms of overall satisfaction with our service.

Overall Satisfaction with Service



Mechanism for Improving Customer Satisfaction

Morinaga Milk provides annual “Customer Satisfaction Training” to enhance a customer-oriented approach among employees.

In FY 2020, we switched from conventional venue-based training to e-learning (online training), including for Group companies, with the number of participants growing to 6,185.

The training aims to deepen understanding of our “Guiding Principles for Customer Satisfaction” and share customer opinions with participant employees so they can develop a customer perspective.

Results of Customer Satisfaction Training

	2016	2017	2018	2019	2020
No. of participants	981	1,367	1,378	1,052	6,185

Voluntary Standards for Promotional Campaigns

Morinaga Milk has established Voluntary Standards for Promotional Campaigns, which include using language that is easy for customers to understand and writing style precautions for when running promotional campaigns for customers.

For example, for customer campaigns involving reply postcards, online responses, notices printed on product packaging and so forth, promotion planners ensure that their plans comply with a checklist of over 50 items.

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Establishment of Emergency Supply Chain Systems

Business Continuity Plan (BCP)

The Morinaga Milk Group has established a BCP in order to promptly determine the products society needs and to restore and maintain stable supply in the event of a crisis, such as a large-scale disaster. The aim of the BCP is that, as a member of the food industry, which involves a strong element of social and public interest, the Morinaga Milk Group will not allow a serious interruption of business or will restore business as quickly as possible even when there is an interruption to the supply of products that are essential to people's lives, even in an emergency.

In order to increase the effectiveness of such measures, the Morinaga Milk Group will review and improve the BCP, including the establishment and practice of a safety confirmation system for disasters, the maintenance of emergency supplies for disasters, and the strengthening of back-up systems for the Group's information system.

For emergencies, including disasters, we launch an initial response in line with the Emergency Troubleshooting Standards and transition to the BCP response when the impact is severe.

Basic Policy of the Morinaga Milk Group's BCP

Protect human life:	Priority is given to the protection of the lives of Morinaga Milk Group employees and their families as well as business partners, the neighboring community, related parties, and customers.
Making a difference in society:	The Morinaga Milk Group will make a difference in society, including the affected areas, by working to provide food aid and supply.
Business continuity:	The Morinaga Milk Group will create the necessary systems taking the utmost consideration of the safety of employees and strive for the stable supply of the Group's products in accordance with the needs of customers, business partners, and the affected areas.

Constant Readiness

The Morinaga Milk Group has prepared disaster action plans for earthquakes, fires, typhoons, and floods. In the event of a disaster, the Group will evacuate in accordance with appropriate instructions and guidance and ensure proper execution through regular disaster prevention training.

Disaster prevention training is held once a year. In addition to evacuation guidance, fire extinguisher operation, and transportation of the injured, AED training is provided at business sites, with guidance obtained from local fire stations to improve proficiency.

As well as using the disaster action plan, the Morinaga Milk Group stipulates all manufacturing sites (plants) will carry out prompt collection of information and recovery based on the Emergency Countermeasures Operating Manual. All employees work to maintain and enhance response capability through execution of the guidance of disaster prevention organizations and practical training with fire extinguishing equipment in addition to annual disaster prevention training. Collaboration with local fire stations is undertaken to form in-house fire brigades, which participate in regional rallies to improve their techniques. Furthermore, implementing earthquake resistance measures for buildings is underway.

We have also contracted SECOM CO., LTD. to provide employees with safety confirmation training. In FY 2020, we confirmed safety in disasters such as Typhoon No. 20 (Typhoon Hagibis).



Disaster prevention training at Head Office
(photo from FY 2019 training)



Disaster prevention training at the Tone Plant
(photo from FY 2019 training)

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Disaster Relief Systems

Morinaga Milk has supplied infant and toddler milk and long-life products as emergency food for areas affected by disasters in collaboration with relevant government ministries/agencies and industry groups.

After the 2011 Great East Japan Earthquake, for example, Morinaga Milk supplied 8,000 cans of infant and toddler milk through the Japan Dairy Association. In collaboration with stakeholders, Morinaga Milk will continue to provide such disaster assistance.

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Nurturing the Next Generation

Basic Approach

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

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

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

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

Additionally, we contributed 108 million yen in FY 2019 and 105 million yen in FY 2020 for social contribution activities to nurture the next generation.

KPIs

Direction of Activities	KPIs	Progress Details for 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	Approximately 130,000 visitors, including career education, KidZania visits, and plant tours (as of March 31, 2021) (▶ p. 77) Note: To prevent the spread of COVID-19, we stopped accepting plant tours, company visits, and onsite lessons from February 2020. Company visits and onsite lessons were subsequently resumed, but in an online format. Other programs for nurturing the next generation were also moved online.
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)



System

Morinaga Milk Sustainability Committee meetings, which are chaired by the president, are held twice a year for monitoring and reporting on the progress of KPIs. In addition, Morinaga Milk implements PDCA cycles, with the general managers of the relevant divisions responsible for “Priority Issue: Nurturing the Next Generation” and the general managers of the relevant departments responsible for promoting KPIs.

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

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Morinaga Milk's Activities for Nurturing the Next Generation**Plant Tours**

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

Note: To prevent the spread of COVID-19, we stopped accepting plant tours from February 2020.



Photo from FY 2019

Little Angels Forest and Food Expedition Team

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



Photo from FY 2019

REPORT

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

Pavilions at KidZania Tokyo and KidZania Koshien

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



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Career Education

Visiting Classes at Elementary Schools

Morinaga Milk began these on-site classes in 2015 to create foundations in children for developing a healthy and rich well-being.

These 45-minute classes use the milk provided each day as part of school lunches to teach children how to interpret the nutritional information printed on the cartons and to think about what is important for physical fitness. From FY 2020, we also began a 45-minute program to think about deliciousness and health while learning about fermentation and manufacturing processes using yogurt as the theme.

REPORT

▶ Please see the “Online Initiatives” section (p. 80) for details.

Results

	2016	2017	2018	2019	2020
No. of times held	3	4	5	7	3
No. of participants	80	132	327	422	299

Career Education for Junior and Senior High School Students, and University Students

To foster sensibilities toward a career and working, and to contribute to solving social issues in the field of education, Morinaga Milk employees visit school or give online support for students and their learning. In 2014, Morinaga Milk began cooperating with the Twice Research Institute to develop project-based learning geared toward junior high, high school, and university students to contribute to solving social issues in the education field.

In this program, students work to present their findings on issues we put forward, with the aim of fostering a source of vitality that can be tapped when the students transition to the working world.

Since 2016, we have also conducted a student visitor study program. Students visiting the head office for exploratory career study visits or as part of school trips listen to employees talk about their own careers and how their work is rewarding, and have a simple work experience. From 2020, this program was changed to include SDGs and is now held online. By deepening student understanding about work and the ties between companies and society, Morinaga Milk contributes to

creating opportunities for students as they consider possible careers.

REPORT

▶ Please see the “Online Initiatives” section (p. 80) for details.

Results: Business Interns

	2016	2017	2018	2019	2020
No. of schools	23	20	19	23	25
No. of participants	1,048	874	774	1,142	980

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

Results: Exploratory Career Study Visits

	2016	2017	2018	2019	2020
No. of schools	12	27	33	53	1
No. of participants	61	234	282	588	270

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Tour of Volleyball

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



Photo from FY 2019

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

Results

	2016	2017	2018	2019	2020
No. of times held	21	22	23	21	—
No. of participants	2,317	2,277	2,398	2,196	7,773

Note: 2020 figures are counted as the total number of recipients of virtual volleyball notebooks and persons who participated in online remote classes or roundtable discussions.

Creating an Environment for Nurturing the Next Generation

Angel 110 Hotline for Free Childrearing Consultations

In May of 1975, when the number of nuclear families was surging in an environment of rapid economic growth, Morinaga started a free childcare telephone consultation service. This service helps mothers who were struggling with taking care of their children in a dramatically changing child-raising environment. The consultation service continues to welcome questions from mothers about their early stages of pregnancy, child-raising, and their children's early years up to elementary school. As of March 31, 2021, the consultation service received 988,279 questions. The questions have spanned the gamut of topics from eating habits ("How much and what should I feed my baby?")

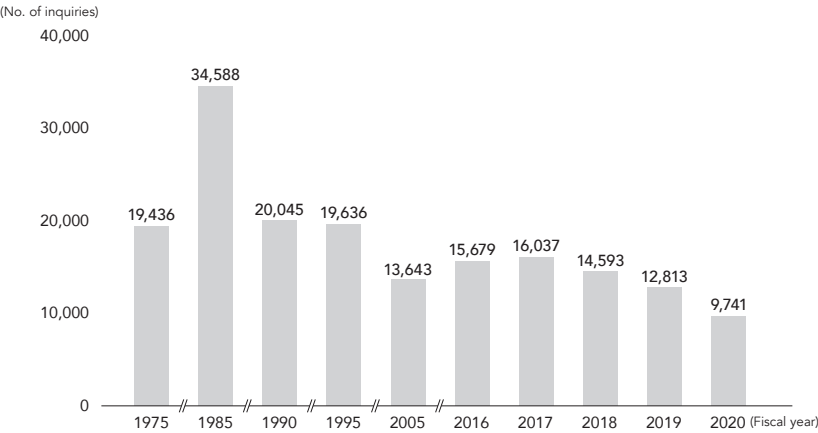
and parental fears ("I have no confidence in my child-raising skills") to child development.

Beyond telephone consultations, Morinaga Milk also takes part in online training as part of the curriculum for nursing college students and holds childcare support seminars for employees.

The consultants listen to the anxieties, troubles, and doubts of the parents of young children, and think through things with them to help them find solutions in order to ease their worries. Morinaga Milk is committed to continuing offering support to anyone who finds themselves facing challenges in pregnancy or child raising.

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

Angel 110 Hotline Inquiries



Note: The hotline system was partially reduced in FY 2020 to ensure the safety of the counselors in light of the COVID-19 pandemic.

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Online Initiatives

To prevent the spread of COVID-19 and to respond to the recent shift to ICT in educational settings, Morinaga Milk is moving forward with online initiatives as a new format of communication. Since 2020, we have been developing program content that allows users to experience what could only be previously done in face-to-face visits while working to delivering the same level of value.

Forest and Food Expedition Team Online Roundtable

Morinaga Milk held an online roundtable discussion with 66 children who had participated in the expedition team in the preceding five years (2015–2019). By looking back at past activities and interacting with past participants, the resulting dialogue helped roundtable members realize how they have grown. We will continue to implement programs that allow participants to understand how their experiences have helped them grow.



Online Visits to Classes (Elementary School)

Using yogurt as a theme, Morinaga Milk has started an elementary-school program to promote fermentation, with our employees acting as instructors and using slides and videos as instruction materials. Time is set aside for children to interview the instructor, and the program moves forward with two-way online communication. Students learn about familiar dairy products, the mechanisms of yogurt fermentation, the relationship between yogurt and health, and production processes. In FY 2020, 266 elementary school students participated.



Online Company Visits (Junior High, High School, Technical College)

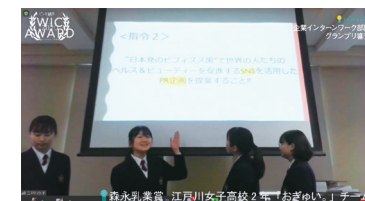
This program uses videos, individual work example, and real-time Q&A sessions to introduce what Morinaga Milk does to continue contributing to a sustainable society, how its employees work and how they spent their time as students. The program contributes to fostering student awareness about creating a future society through their profession and work while also considering their own connection to the future. Participating students said they were able to grasp the concept of career development, the social role of Morinaga Milk and the company stance toward its products. Instructors noted that they were able to develop concrete images and experience the possibility of such IT-based education, and hoped to continue cooperating with companies using such online tools.

Note: Text and photos are from in-person visits before the implementation of online visits.



Business Interns

In FY 2020, we asked 980 high school students from 25 schools across Japan to take on the challenge of developing a SNS-based PR project, "Promote the health and beauty of people around the world with bifidobacteria from Japan!" and help us create the future of our company together. By learning about bifidobacteria, students were able to learn about health and world affairs. Morinaga Milk employees worked with the student groups online to provide support. At the national tournament, "Ogyui," a group of second-year high school students from Edogawa Girls' High School in Tokyo who chose Morinaga Milk as their internship company, took the top prize for their project.



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Tour of Volleyball × Online Volleyball Class

Since the Tour of Volleyball was cancelled in FY 2020 to prevent the spread of COVID-19, we created a virtual volleyball notebook as an alternative. The notebook allows students, who were under practice and activity restrictions because of the pandemic, to experience simulated technical and nutritional guidance. Through Boards of Education nationwide, we distributed 7,000 copies of the virtual volleyball notebook in 22 prefectures. A follow-up remote class via Zoom was also held for notebook users. Follow-up exercises (technical guidance) and roundtable discussions (appealing to health and nutrition) were held with top athletes.

Participants commented that they found the collaborative event between nutrition and sports very interesting and that they were happy to learn about inside stories they would otherwise usually not hear about.



Angel 110 Hotline Online Roundtable

An online roundtable discussion with Angel 110 Hotline counselors was held for Morinaga Milk employees with the aim of helping to solve employee problems and concerns about child-raising. The discussion included not only advice from hotline counselors about topics such as playing during the COVID-19 pandemic, how parents should approach sibling quarrels, and child development, but also stories from more experienced parents for newer parents, etc., resulting in an active discussion about raising children.

