



Corporate Principles and Mission

Vision (Basic Philosophy)

Delicious, Fun, and Healthy

Mission

We aim to contribute to the realization of abundant, safe eating choices and the promotion of health among the people of the world.

To this end, we provide products, services, and information that offer value and inspiration through business activities based on our pioneering spirit.

Code of Conduct

The Morinaga Group's corporate principles reflect our vision (basic philosophy), which is "Delicious, Fun, and Healthy," and our mission, which is "We aim to contribute to the realization of abundant, safe eating choices and the promotion of health among the people of the world. To this end, we provide products, services, and information that offer value and inspiration through business activities based on our pioneering spirit."

In realizing our corporate principles, we have positioned customer trust as the most precious value for us, and we cherish our relationships of trust with customers.

We are aware that this trust is premised on continuing to develop and provide customers with products, services, and information that contribute to society, on placing the utmost priority on creating excellent quality products, and on ensuring customer safety and well-being, while at the same time expanding all Group company business activities in accordance with our corporate principles and in compliance with laws and ordinances, the corporate Code of Conduct, and internal regulations.

Furthermore, in order to fulfill our corporate social responsibility and public mission, we are proactively undertaking initiatives to protect the global environment and contribute to society by endeavoring to achieve symbiosis with society in addition to sustainable growth.

To this end, we aim to establish a comfortable, positive corporate atmosphere where standards of conduct are fully upheld in daily business activities based on a firm understanding of the spirit of our Code of Conduct.

- 1. Promote customer-focused management and ensure excellent product quality together with safety and peace of mind**
We will thoroughly implement the policy of customer-focused management while developing products, services, and information that contribute to society and by placing the utmost priority on excellent product quality together with safety and peace of mind.
- 2. Strictly comply with laws and ordinances, the corporate Code of Conduct, and internal regulations**
We will comply with the corporate Code of Conduct, all laws and ordinances, and internal regulations in accordance with social conventions and norms.
- 3. Undertake business activities based on open, transparent, and free competition**
We will pursue business activities based on open, transparent, and free competition.
- 4. Place the utmost importance on communication**
In addition to maintaining good communication with all stakeholders (customers, society, suppliers, business partners, employees, and shareholders), we will ensure the reliability of accounting and financial reports, endeavor to enhance the transparency of management, and disclose corporate information in a proactive and accurate manner.
- 5. Protect the environment and contribute to society**
Under an environmental philosophy that emphasizes the need to be kind to the environment, we will incorporate environmental considerations into every aspect of our business activities. Furthermore, by moving beyond our social activities as a good corporate citizen, we will proactively undertake social contributions that promote the healthy physical and mental development of children worldwide under our key concept of "Morinaga: treating people everywhere with kindness and valuing children."
- 6. Reject and oppose antisocial forces**
We will decisively oppose antisocial forces that threaten the good order and safety of society.
- 7. Respect human life and dignity**
We will respect the personalities and individuality of work colleagues and strive to establish a workplace environment that instills safety, abundance, and comfort.
- 8. Practice the Code of Conduct**
By recognizing that putting the spirit of the Code of Conduct into practice, corporate officers and top management will take the initiative and set the example for others in building an effective internal control system and ensuring that employees are fully appraised and invested in the Code of Conduct by proving Morinaga worthy of customer trust. In the unlikely event of a breach of the Code of Conduct, the situation will be promptly evaluated and determined. In addition to implementing all necessary measures, including the swift and accurate disclosure of information, we will endeavor to identify the root causes and implement preventive measures. We will clarify responsibilities and ensure strict disciplinary action as warranted.

Standards of Behavior

Based on the Morinaga Group Code of Conduct, we have established the Morinaga Group Standards of Behavior as shown below. The Standards of Behavior are the rules that stipulate behaviors and attitudes expected of all regular and associate employees of the Morinaga Group. Moreover, both the Code of Conduct and the Standards of Behavior are the promises that we make to customers. Within our individual roles, each of us must comply with the Standards of Behavior and prove ourselves worthy of customer trust.

1. We will respect the trust of customers and behave from the perspectives of customers.
2. In all business processes of products, services, and information planning to sales, we will behave in a manner that places the utmost priority on ensuring excellent product quality, safety, and reliability.
3. We will label products correctly and provide customers with accurate information.
4. We will endeavor to communicate to our shareholders, as well as with society, by proactively and fairly disclosing to the general public a broad range of corporate information in addition to accurate financial reports.
5. We will respond to the voices of customers with sincerity and speed and report information accurately.
6. We will comply with laws, ordinances, and internal regulations in accordance with the Code of Conduct.
7. If a conflict should arise between corporate interests and laws, ordinances, and internal regulations, we will choose without hesitation to comply with such laws, ordinances, and internal regulations.
8. We will demonstrate courage to refuse, courage not to hide, and courage not to turn a blind eye.
9. We will neither leak nor misuse confidential corporate information.
10. We are aware of the importance of intellectual property rights and will take meticulous care to ensure that neither our own intellectual rights nor the rights of others are violated.
11. We will conduct business activities in the spirit of fairness, transparency, and free competition.
12. We will maintain a healthy and appropriate relationship with governmental and administrative bodies.
13. We will firmly oppose antisocial forces and not respond to illegal or inappropriate demands.
14. We will promote resource-saving, energy-saving, and recycling activities and endeavor to reduce waste and environmental pollutants.
15. We will respect our relationships with all people surrounding the Morinaga Group, such as local communities, our business partners, and our shareholders.
16. We will neither accept nor provide excessive business entertainment or gifts.
17. We will respect the personalities and individuality of the people with whom we work and will not behave in a manner that comprises discrimination, sexual harassment, or abuse of authority.
18. We will endeavor to create a workplace environment with a positive and friendly atmosphere that is safe and easy to work in and where workers can experience a sense of fulfillment and comfort.
19. In the unlikely event of a breach of the Code of Conduct or the Standards of Behavior, we will evaluate and determine the materiality and the scope of the breach. In addition to implementing all necessary measures, including the swift and accurate disclosure of information, we will endeavor to identify the root causes and implement preventive measures.

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Message
from
the President



President and Representative Director

Eijiro Ota

“We aspire to deliver happiness to everybody we engage with”

Aiming to be a company that hands its pioneering spirit down to successive generations and pursues enduring progress

Dealing with COVID-19

The ongoing spread of COVID-19 has placed the world in an unpredictable and intensely challenging situation. I sincerely hope that the virus will come to an end as soon as possible, and extend my heartfelt sympathies to all those who have been infected.

During the state of emergency declared by the Japanese government from April to May this year, the Morinaga Group continued to pursue its mission as a food manufacturer by working to maintain consistent production and supply of its products. At the same time, we took action to prevent infection from spreading and ensure the safety of our employees through measures such as wider implementation of the teleworking system we had been promoting for the previous three years. We also provided a total of 360 thousand pouches of in Jelly nutri-

Morinaga Group's Actions in Response to COVID-19

- At production sites, we have continued to supply products and have enforced measures to prevent infection (checking employees' temperatures, ensuring mask wearing and hand washing, and disinfecting with alcohol)
- We have extended our work-from-home (teleworking) system to cover more employees in job types for which teleworking is possible
- We donated in Jelly to health professionals (April to June 2020)

tional jelly drink to medical institutions across Japan to support health professionals working on the front line to save people's lives.

While the impact of COVID-19 has been undeniably devastating, it has provided an opportunity for countries around the world to ask themselves what form their societies should take from now on. I believe that, as a member of society, the Morinaga Group must also take this opportunity to review how it operates. We will continue to be guided by our mission of operating a food business indispensable to people's lives as we strive to fulfill our responsibilities to society and to the future, always putting safety and reliability first.

Staying True to Our Founding Spirit and Redefining Our Vision and Mission

Having marked the 120th anniversary of its founding in 2019, the Morinaga Group has been responding to society's needs not only in the Confectionery & Foodstuffs and the Frozen Desserts businesses that comprise its existing domains, but also in the Health Products business, which is a growth domain. Currently, we provide customer-approved quality products of value in both domestic and overseas markets.

Looking back, Morinaga's history started in the Meiji period (1868–1912), when nutritional food was still scarce in Japan. Our founder, Taichiro Morinaga, travelled to the United States and encountered the confectionery business that would become his vocation. For 11 years, Taichiro trained himself in this foreign land, then took the techniques he had learned back to Japan, where he launched his business in 1899, inspired by the dream of delivering delicious and highly nutritious Western confectionery to its people. Japanese citizens at that time

were unfamiliar with Western confectionery, and the process of winning them over and commencing commercial production turned out to be a steep uphill climb. It was a massive challenge that entailed breaking the established mold. Ever since then, the Morinaga Group has inherited that pioneering spirit from one generation to the next, generating a succession of products that deliver new value and excitement to customers.

We regard this founding spirit as the keystone of all we do. It is crucial to always keep the founding spirit at the heart of our business and align ourselves flexibly with social change, thinking carefully about our reason for being as a company both now and for the future.

In line with this belief, we are currently holding discussions within the Morinaga Group to redefine our Vision and Mission and reexamine our Purpose, which equates to the company's reason for being within society. When we asked our employees some questions about what kind of company they want us to be, we received almost a thousand responses. As a result of this and other feedback, I was pleased to find that our employees are also increasingly interested in this topic. We will leverage the trust and brand power we have built up over more than 120 years as we further clarify our future direction, remaining true to the essence of Morinaga.

Developing Our CSR Initiatives under Strong Leadership

The world as a whole is beset by a great many problems relating to society and the environment, including climate change, economic disparities, and poverty. The entire international community is still striving to find solutions to these challenges. The adoption of the sustainable development goals (SDGs) by the United Nations in 2015 increased the momentum, and companies in the various countries are now also expected to play their part.

Here in the Morinaga Group, we formulated our CSR Basic Policy during the fiscal year ended in March 2019, and have implemented this policy since then with the aim of reflecting society's requirements and expectations in our business management and fulfilling our responsibilities to society. The three priority tasks set out in the policy are providing value through food, nurturing

the next generation, and considering the global environment and society.

To provide value through food, we will use food as the means to contribute to the health of people's minds and bodies. Technologies for mixing and processing healthy ingredients that are attracting public attention such as lactic acid bacteria and proteins, bringing out the best of their flavors, is a major strength of ours. We will further enhance the Wellness domain, whose core products include the in Jelly brand, while offering unique added value in our existing domains as well, to provide our customers with satisfaction and happiness.

Nurturing the next generation is important too, as the means to support healthy growth among the children who will be the leaders of the future. We will continue to invest effort in organizing experiential programs addressing dietary education, nature, and sport, among other activities.

With regard to consideration of the global environment and society, measures to address climate change are indispensable now that the threat posed by global warming is increasingly making itself felt within our daily lives. It is also imperative to develop more environmentally friendly manufacturing processes, including packaging and disposal, to cope with such issues as marine plastic pollution. Morinaga was ahead of its peers in adopting "cartocan" packaging (cylindrical containers made of a paper-based material), but we regard it as important to pursue these activities not just on our own, but with the involvement of our stakeholders. In order to ensure steady progress in driving such initiatives forward, therefore, Morinaga's management will join forces and dedicate themselves to engaging with CSR as a management challenge. We will instill an awareness throughout the Group that CSR can generate significant value over the long term and strive to bolster related initiatives on a Group-wide basis.

Morinaga is currently deliberating on the formulation of its new Medium-term Business Plan to start from the fiscal year ending in March 2022, as well as its long-term vision targeting 2030. Having timed these deliberations to coincide with the redefinition of our Purpose, we are aiming to develop sustainable business management from a longer-term perspective.

“Going Concern” Conceptual Diagram



Aiming to Be a Company that Can Deliver Happiness to Its Stakeholders

I believe that the most important thing for a company is its ability to continue as a going concern and that companies should contribute to the enduring development of society. This is because companies are part of society.

The food industry, which is closely connected to people's lives, is not the sort of industry in which a single technological innovation will transform things overnight. Business is built up over time, as indicated by the large number of long-seller products that are familiar to multiple generations of customers.

We believe that there are three elements essential to fulfilling our responsibilities as part of society and achieving enduring development together with society: our founding spirit, the customers' perspective, and diversity. We will hand down our founding spirit, which constitutes our reason for being as a company, and value our customers' perspective to fully address the needs of customers as times change. In addition, we will maintain diversity in order to continue meeting a wide range of expectations. Taking these three elements as pillars, it is important to pursue business activities by joining forces through the concept of management by everyone.

In the Morinaga Group, diversity is defined as “leveraging each person’s individuality,” and could include both visible attributes such as gender, nationality, and physical ability, and invisible attributes such as values, experience, and culture. I am convinced that respecting each other and making efforts to interact leads to diversity of knowledge, which produces innovation, and creates new value.

To make societies sustainable, companies must think not only about what makes their stakeholders happy, but also what makes society as a whole happy. I believe that the Morinaga Group's employees who have inherited our founding spirit are equipped with the strength to think of society as a whole. Furthermore, I believe that increasing their resilience to adjust to the changing times and continuing to take on challenges that draw on their pioneering spirit will enable them to overcome the obstacles on the path to a sustainable society. The Morinaga Group will join forces with each and every one of its employees as they dedicate their energies to their work, and meet the expectations of our stakeholders as a company pursuing enduring progress.

Morinaga Group

Founding Spirit and 120 Years of History

Pioneering spirit woven into times

"I wish to provide delicious, highly nutritious Western confectionaries to the people of Japan." Morinaga & Co., Ltd. was launched with this strong desire as expressed by Taichiro Morinaga, the company's founder. In the late Meiji era, there was no form of technical expertise on the manufacturing of Western confectionery in Japan. Taichiro continued his efforts with dogged persistence—a pioneering spirit to take on unprecedented challenges. This spirit is still serving as the Morinaga Group's source of growth.

Pioneering Spirit—The Origin of the Morinaga Group

Birth of Morinaga & Co., Ltd.

After 11 years of training in the United States, Taichiro Morinaga returned to Japan in 1899 with techniques for manufacturing Western confectionery. Then he opened a tiny shop—with a space of only 2 tsubo (about 6.6 m²)—in Akasaka Tameike, Tokyo. He named the shop Morinaga's Western Confectionery Shop and began the production of confectionery there. This marked the birth of today's Morinaga & Co., Ltd. Western confectionery was scarcely familiar to the Japanese people in those days and slow to be accepted by the population. However, Taichiro tenaciously continued to make improvements and created a wide range of products.



The founder Taichiro Morinaga

Make Western confectionery available across Japan

As a result of Taichiro's hard work, Western confectionery gradually gained its popularity. Around that time, he invited Hanzaburo Matsuzaki as a business partner, and began to steer the business towards growth and expansion. Taichiro had a belief that, in order to make delicious and nutritious Western confectionery available nationwide, it must be produced in a large scale and delivered to as many people as possible. Based on this belief, he imported a state-of-the-art confectionery production machine and pursued the modernization of the confectionery manufacturing process. He was also eager to expand sales network and run advertisements. He attracted many people's attention using unique marketing techniques, including eye-catching newspaper ads, posters, and marching bands. Through these innovative efforts, he succeeded over time in disseminating Western confectionery across Japan.

Contribution to society

Morinaga was the first in the industry to engage in the initiatives to improve the workplace environment, which include the adoption of employee uniforms in 1904 and the introduction of eight-hour workday system in 1919. At the same time, under the leadership of management, various welfare measures were undertaken, such as employee education, establishment of a monthly-pay system, and strengthening of hygiene control.

When the Great Kanto Earthquake struck in 1923, the Company immediately took actions to rescue victims by providing aid supplies on consecutive days, including 60,000 bags of sweets and 15,000 cans of condensed milk. Since then, Morinaga has been engaged in rescue activities every time a disaster strikes. Currently, the Company is under contract with Yokohama City and other municipal governments to provide emergency food on a preferential basis in the event of a disaster.

In 1944, in response to the government's request, Morinaga was engaged in the development and mass-production of penicillin for the first time in the nation, and thereby contributed to saving many war-wounded people.



1905

The first Angel Mark is registered



Modernization of confectionery manufacturing



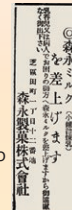
1909

Marching bands for advertising



1919

Introduction of the Eight-hour Workday



1923

Aid for the Great Kanto Earthquake victims



1944

Development of Japan's first domestically-produced penicillin

1904

A uniform system is adopted

1899

Establishment of Morinaga's Western Confectionery Shop



1907

The first factory tour is organized



Sales start from a street vendor cart

1914

Launch of Milk Caramel



1918

Launch of Milk Chocolate



1923

Launch of Marie Biscuits



1930

Launch of Manna Biscuits for infants



1937

A Mother's Day Meeting is held



To Realize a Sustainable Society



2019
120th anniversary of founding



2018
Morinaga is certified as a White 500 company (for three consecutive years up to 2020)



2017
The Platinum Kurumin certification is obtained

2013
Launch of Passienol



2006
Launch of Morinaga Collagen



2008
One Chocolate for One Smile project is launched



2004
Disaster Prevention Guide is compiled and released



2000
All 4 factories obtain the ISO 14001 certification



1989
Launch of Ice Box



1994
Launch of in Jelly



1975
Launch of HI-CHEW



1974
Launch of Amazake canned drink



1972
Launch of Choco Monaka



1971
Launch of Koeda chocolate



1971
Consumer Division is created



1967
Launch of Chocoball



1960
Participation in the Bellmark Program



1957
Launch of Hotcake Mix premixed pancake mix



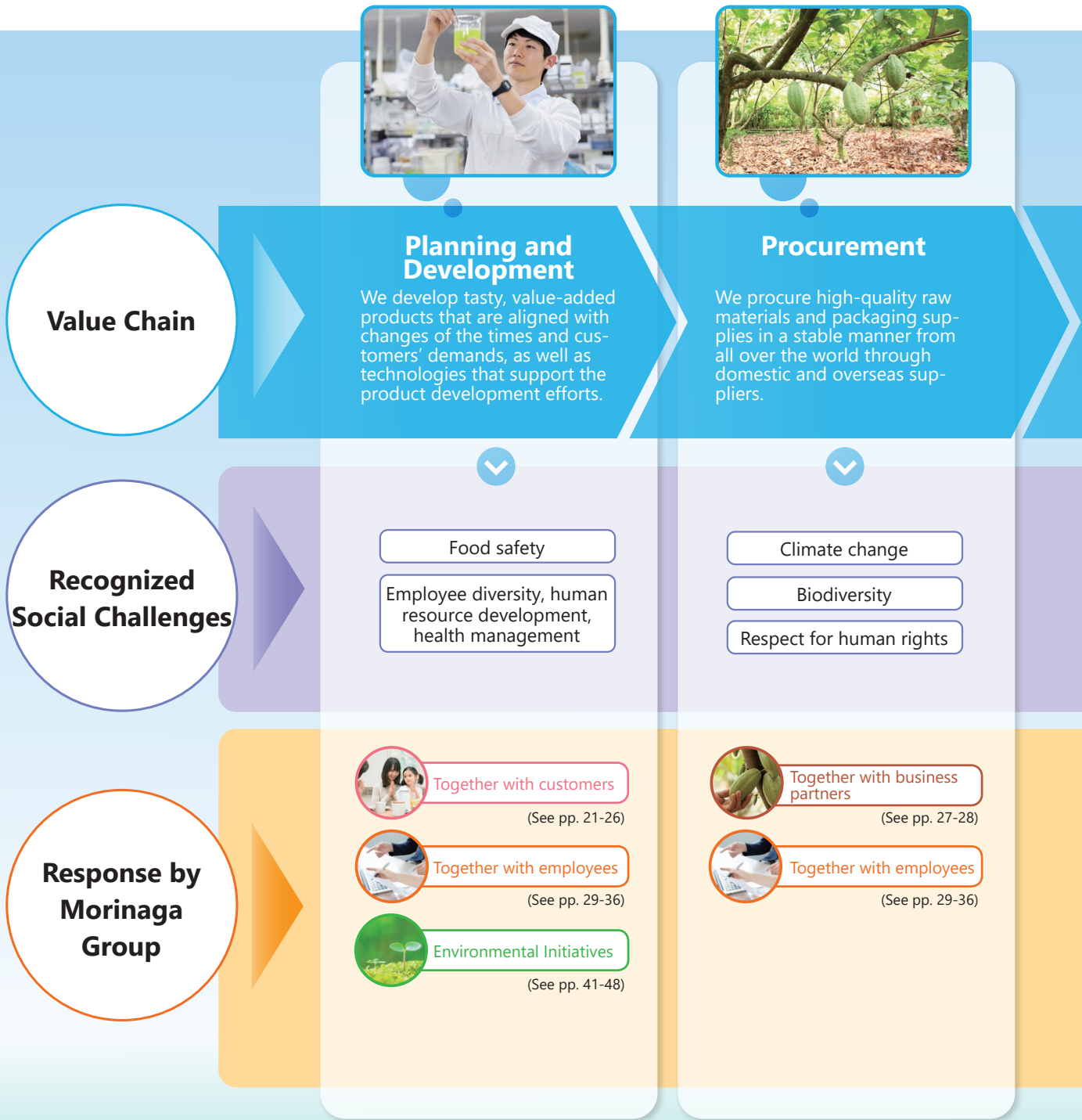
Towards an enduring future

While flexibly adapting itself to the times and social changes, Morinaga has created a variety of products and offered new value all through the ages.

Today, to achieve the goal of a sustainable society, being healthy is a prerequisite for both the global environment and humanity. We believe that it is our mission to create new value that can help meet this prerequisite towards an enduring future.

In accordance with its vision of "Delicious, Fun, and Healthy," Morinaga will continue to take on challenges for the solution of social issues and achievement of a sustainable society through food.

Our Value Chain and Response to Social Challenges



Three pillars of Morinaga Group CSR Basic Policy

Educating the Next Generation

Providing

..... **Foundation**

In order to achieve a continuous growth, it is essential for the Morinaga Group to consider social and environmental impacts that may be caused by its value chain as a whole. For a food provider company like Morinaga, food safety and food waste are critical issues. Further, as a manufacturer that operates multiple production sites at home and abroad, we believe we are held accountable for the climate change and plastic issues. We also recognize that our procurement of raw materials involves environmental issues, such as resource depletion in, and impacts on the ecosystem of, the countries of origin.

To solve these wide ranges of issues, each and every employee needs to be equipped with issue-solving capabilities. To that end, we are implementing measures to promote diversity and physical and mental health, as they are the basis for employees to think flexibly and come up with new ideas.



Production

We prioritize excellent quality, safety, and security in manufacturing products. While leveraging our strength of proprietary production techniques, we are keen to develop innovative technologies.

Distribution and Sales

We ensure stable supply of products nationwide through retail shops and organized retailers, based on our standards set out for an appropriate distribution of shipped products.

Consumption/ Disposal

We are committed to reducing not only waste food and materials generated in the production process, but also packaging materials to ensure post-consumption waste decrease.



Food safety

Employee diversity, human resource development, health management

Climate change

Water risk



Food safety

Climate change

Employee diversity



Food waste

Plastic issue



Together with customers

(See pp. 21-26)



Together with employees

(See pp. 29-36)



Environmental Initiatives

(See pp. 41-48)



Together with customers

(See pp. 21-26)



Together with business partners

(See pp. 27-28)



Together with employees

(See pp. 29-36)



Environmental Initiatives

(See pp. 41-48)



Together with customers

(See pp. 21-26)



Together with business partners

(See pp. 27-28)



Together with employees

(See pp. 29-36)



Environmental Initiatives

(See pp. 41-48)

Value through Food

Consideration for Global Environment and Society

of Our CSR Activities

Providing Value through Food

Providing Products that Contribute to Healthy and Happy Lifestyle

With its vision (basic philosophy) of “Delicious, Fun, and Healthy,” the Morinaga Group has always met the needs of society and created new value of food. As people’s lifestyle changes, society as a whole is becoming increasingly health-conscious year by year, and there is a growing need to take proper nutrients in an easy and functional way.

In response to these social demands, the Morinaga Group has been working on the development of wellness products that can help people lead a healthy and happy life.



● Morinaga Collagen



Proven functionality and

deliciousness



A brand of beauty- and health-conscious drinks that have been proven, for the first time in Japan, to have triple functionalities for skin (moisturization), knee joints, and bones. Each product contains 10,000 mg of easy-to-digest and easy-to-absorb low-molecular-weight collagen, which is one of the highest content levels among collagen drinks. Using our unique production technology, we succeeded in reducing the odor peculiar to collagen and providing not only the functionality but delicious taste.

● Launch year: 2006

● Senobi Cocoa

Deliciousness

combined with healthiness



Designed to support children’s growth and promote all family members’ health, a nutritionally functional food Morinaga Cocoa Senobi contains calcium and other nutrients while delivering deliciousness. Its ingredients include highly absorbable milk calcium derived from milk, LAC-Shield®* lactic acid bacteria that enhance physical condition, and milk oligosaccharide. Easy to dissolve in cold milk, the product helps you to ingest nutrition easily, while offering a good taste.

● Launch year: 2016

*LAC-Shield is a registered trademark of Morinaga Milk Industry Co., Ltd.

● in Bar



Take protein

quickly at anywhere



Our in Bar products support busy modern people by helping them take a higher protein anytime anywhere. Each bar provides 10g to 15g of protein. These bars also contain seven B-complex vitamins that are necessary to activate protein, allowing you to supplement your diet that tends to lack certain nutrients due to busyness, or to eat as a light snack when you feel a bit hungry.

● Launch year: 2009



● in Jelly



Provides essential

nutrients quickly



The nutritional jelly drink in Jelly, which was developed by listening to the voice of athletes, allows you to easily and quickly charge the energy and nutrients you need. The product is used for a wide range of purposes including supplying nutrients when playing sports, being busy, not feeling well, or evacuating from a disaster. Making full use of our processing technology, we reduced the bitterness and strong flavors distinctive to the nutrients and achieved a delicious taste, pleasant texture, and smooth drinking feeling. Further, the container (a pouch accompanied by a straw) is convenient to carry and readily held by hand, and has an easy-to-open cap. Well received by a broad range of generations, it holds the largest share of the jelly drink market.

●Launch year: 1994

● ZEN MEAT



Body- and earth-friendly

vegetable meat



ZEN MEAT is a plant-based, animal ingredient-free meat made from soybean blended with brown rice. It is low in fat, free from cholesterol, and rich in protein and dietary fiber. Currently, Zen Meat Keema Curry (minced-type) is offered at some restaurants. It is a sustainable product that can be enjoyed at ease by vegans and vegetarians, and contributes to the solution of future issues such as the climate change due to an increasing number of livestock as well as the depletion of animal protein as a result of global population growth.

●Launch year: 2017

● Macrobiha Biscuits

Made with selected

ingredients only



Reflecting our commitment to maintaining ingredients' natural taste and texture, Macrobiha Biscuits are made without using artificial flavors, emulsifiers, margarine, shortening, nor animal materials, but using carefully selected ingredients such as beet sugar instead of white sugar, domestically-produced whole wheat with the germ, fiber-rich oats, and dried fruits soaked in fruit juice. The product is popular with those who appreciate foods that are made with high-quality ingredients even in their busy daily lives.

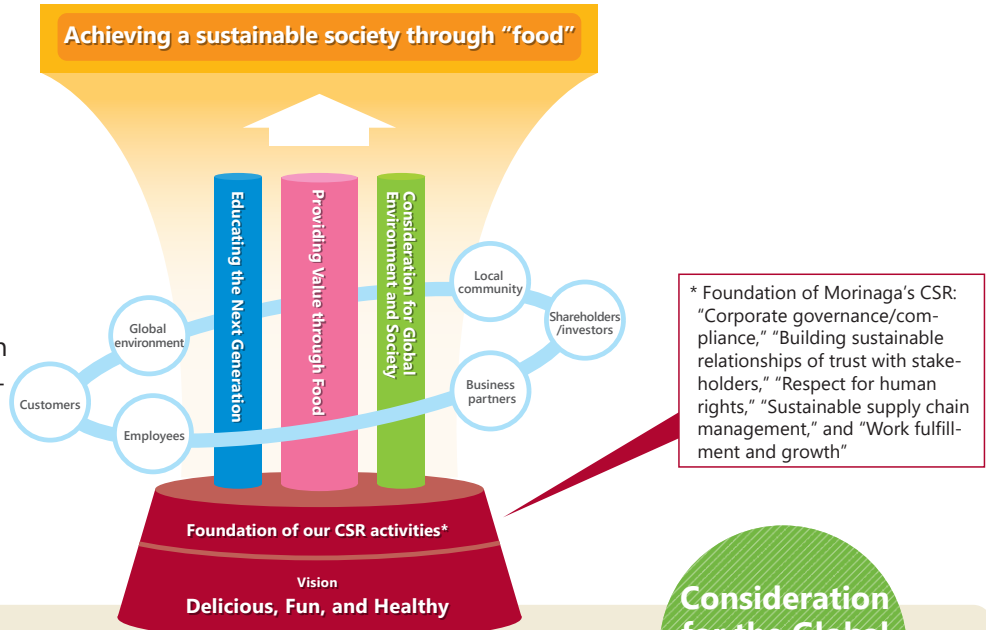
●Launch year: 2014

*Macrobiotics: A concept that pursues a healthy lifestyle by eating a diet that is in harmony with nature, mainly composed of grains and vegetables.

CSR Management

Morinaga Group CSR Basic Policy/CSR System Diagram

In accordance with the Morinaga Group's vision of "Delicious, Fun, and Healthy", we aim to resolve various social issues and realize a sustainable society through "food," promoting CSR activities in coordination and cooperation with stakeholders.



Educating the Next Generation

We support the healthy growth of children, who are the leaders of the future, thereby contributing to the development of the next generation.

We provide food education experiences, nature explorations, and sports experiences based on the basic principle of "aiming to nurture children's healthy physical and mental development" through hands-on experiences.



See pp. 37-40 Together with Children

Providing Value through "Food"

As a business that delivers food to consumers, we not only pursue food safety and reliable food quality, but also provide our customers with value through food that contributes to the "Deliciousness, Fun, and Health," for both the mind and body.

As a way to make a social contribution through products, we offer products that meet diverse needs, including products designed to support dietary habits in our busy modern days, as well as products that help people lead a healthy life. We are also facilitating communication with our customers based on the inquiries, opinions, and requests received by the Customer Service Center.



See pp. 11-12 Providing Value through "Food"

See pp. 21-26 Together with Customers

Consideration for the Global Environment/Society

We are considerate of the global environment and society, aiming towards the creation of a recycling society and sustainable supply chains.

We continuously improve our environmental management system through, for example, environmentally-conscious product development and initiatives to reduce CO₂ emissions, promote the reduction of waste emissions and recycling, encourage the management and reduction of environmental pollutants, and preserve biodiversity.



See pp. 41-48 Environmental Initiatives

Message

Message from the Officer in Charge

In recent years, we have seen a number of social issues emerging on a global-scale. Towards the solution of these issues, which include climate change, resource depletion, biodiversity loss, child labor, human rights abuses, and at a more daily-life level, food waste, the Morinaga Group established its CSR Basic Policy and CSR System Diagram to show a general direction we should pursue. Specific CSR activities have been reviewed and optimized constantly from an objective perspective, via dialogue with experts and stakeholders. Aiming at the achievement of a sustainable society in the future, we, the Morinaga Group, are committed to further contributing to society through our business practices, and engaging in CSR activities in collaboration with a number of stakeholders.



Director and Managing Executive Officer
Machiko Miyai

CSR Promotion System

We have established the CSR Group in the Corporate Communication Division to promote CSR activities in collaboration with other relevant divisions. We also hold meetings of the CSR Committee, which is chaired by the President, to discuss matters to work on to achieve a sustainable society from an ESG (environment, society, and governance) perspective, as part of our efforts to promote the CSR Management on a company-wide basis. In particular, in the aim of strongly promoting organizational diversity, we established the Diversity Promotion Office in April 2020, as a direct report to the President. We are working on the promotion of CSR with an organizational structure that allows quick decision-making.

Structure and Frequency of CSR Committee

Chairman

President

Secretariat

General Manager of Corporate Communication Div., Head of Corporate Strategy Div.

Members

Directors in charge of relevant divisions or Executive Officers

Meeting Frequency

Twice (FY2020/3: the company's fiscal year ended in March 2020, same abbreviation to follow); once a year in principle

Measures to Embed into the Organization

We regularly hold employee training sessions designed to embed business practices that are performed from a CSR perspective. In August 2019, we organized a training session entitled "Integrating CSR into Management—What Are the Corporate Responsibilities in the SDGs Age?" and invited Professor (non-tenured) Masao Seki from Meiji University as a lecturer. Approx. 70 people including online participated the session.

As in-house training, we provided opportunities to explain the CSR Basic Policy and report on the CSR activities in practice as part of such programs as the onboarding, inner branding, and branch training, in which 304 attendees participated during FY2020/3. The level of CSR awareness among our employees is increasing year by year, as these attendees seemed to be very active in exchanging opinions about, and expressing their interest to join, the visiting lectures (see p.38) and the social contribution initiatives such as the One Chocolate for One Smile program (see p.17).



A lecture for executives and managers of each business location

In-house training



Strengthening Sustainable Management

In FY2021/3, management-led discussions are underway about management strategies and materiality assessments toward further integration of CSR and sustainability thinking into management.

Specifically, we are working to identify social issues surrounding the Morinaga Group and verbalize our reason for being in society (the purpose), that is, how the Group

can contribute to the achievement of a sustainable society. To accomplish the purpose, we figure out significant challenges we face and set specific KPIs and actions to be taken. The details will be released when they are made available during FY2021/3 or thereafter.

The Process for Reviewing Our CSR Basic Policy and CSR System

In the aim of incorporating society's demands and expectations for the Morinaga Group into management and steadily promoting CSR in a Group-wide manner toward the achievement of a sustainable society, we reviewed our former CSR Basic Policy and CSR System and established a new Policy and a System Diagram in FY2019/3 (see p.13). From FY2019/3 through FY2020/3, we held CSR training sessions for employees at the headquarters, branches, factories, and the R&D center to embed the Policy into the organization.

In conjunction with the review of the CSR Basic Policy and the CSR System, we revised our Environmental Policy (see p.41), and formulated the Human Rights Policy (see p.54) and the Procurement Policy (see p.27) in FY2019/3.

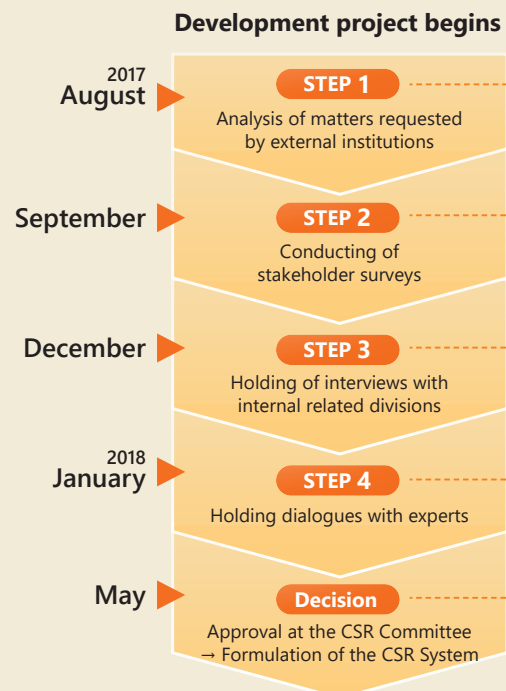


Process to Develop the CSR Basic Principles and System Chart

To draw up the CSR Basic Principles and the CSR System Chart, we listened to the opinions of various stakeholders to thoroughly understand external demands and social challenges. We spent about a year to explore and carefully discuss how the Morinaga Group's CSR Basic Principle should be.

Planning Process

In the planning process, there are roughly five steps prior to final determination: (1) Analysis of matters requested by external institutions, (2) Conducting of stakeholder surveys, (3) Holding of interviews with internal relevant divisions, (4) Holding dialogues with experts, and (5) Approval at the CSR Committee.



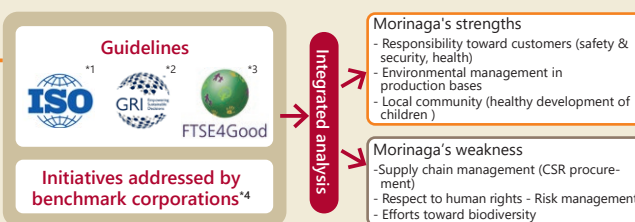
Contribution to the Achievement of the Sustainable Development Goals (SDGs)

In 2015, Sustainable Development Goals (SDGs) was adopted at the UN Sustainable Development Summit. The SDGs consist of 17 global common goals that should be achieved through the collaboration of the entire international community by 2030. We, the Morinaga Group, are committed to achieve the SDGs goals through business activities to contribute to the realization of a sustainable society.



STEP 1 Analysis of matters requested by external institutions (August 2017)

In light of the international guidelines related to sustainability and social issues considered important by CSR evaluation institutions, we grasped the external request items to corporations, as well as sorted through strengths and weaknesses of the Morinaga Group.



*1 ISO 26000: The International Organization for Standardization (ISO) established the international standards for social responsibilities in November 2010.

**2 GRI Guidelines: International guidelines for sustainability reports by corporations.

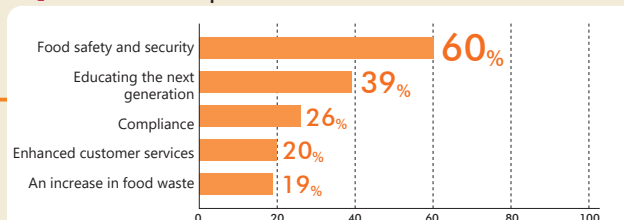
**3 FTSE4Good: One of worldwide indicators for Socially Responsible Investment (SRI).

⁴ Benchmark corporations: Corporations in the same industry that engage in initiatives that the Morinaga Group can use as a reference.

STEP 2 Conducting of stakeholder surveys (September 2017)

To understand stakeholders' expectations and requests of the Morinaga Group, we implemented a questionnaire about the Morinaga Group's CSR to customers, employees, and business partners. A total of 872 people, including 240 customers, 606 employees, and 26 business partners provided various opinions.

Q Social issues and challenges that the Morinaga Group should address or is expected to contribute



Food safety and security
 Customers' safety and security are the most important elements of the agenda of the food manufacturing industry. (Business partner)

Educating the next generation
 The entire society should work on the development of the next generation. (Customer in 50s)

Compliance
 As long as corporations exist in society, the minimal requirement is to conduct corporate activities according to rules, laws, and sensible social ethics. (Employee in 40s)

Enhanced customer services
 If you think corporations can exist with the support of customers, it is necessary to increase communication methods. (Employee in 30s)

An increase in food waste
 Food goes to waste because people are overly sensitive toward the best-before date and use-by date. We must facilitate an understanding of such displays and the use of food. (Customer in 60s)

STEP 3 Holding of interviews with internal related divisions (December 2017)

By sorting out questionnaire results and external request items, we interviewed CSR-related divisions to organize the internal efforts and extract challenges. This helped clarify the issues to address in the future, promote the disclosure of ESG information, and make the importance of fostering the awareness of CSR within the company a shared awareness.

STEP 4 Holding dialogues with experts (January 2018)

We asked experts for their opinions about how the Morinaga Group should promote its CSR activities. Our board members talked about the health and productivity management and brand strengths. Participants actively exchanged opinions across various areas.



Decision Approval at the CSR Committee to establish the CSR System (May 2018)

By taking into the results of initiatives from step one to four and the details comprehensively, we translated the ideal CSR for the Morinaga Group into the CSR Basic Principles and the System Chart, which were officially established after approval at the CSR committee.

Collaboration with Social Groups/Non-affiliate Companies/Organizations

Basic Concept

To resolve various social issues, the Morinaga Group is engaged in donation, sponsorship and cooperation, and joint programs in collaboration with customers, society, governmental bodies, organizations, and other corporations that have shared values with us.

Collaboration with NPOs—Contribution to cacao producing countries

In 2008, Morinaga launched a support program for children living in cocoa-producing countries. We are working toward the achievement of a society where everyone can smile and have access to education in a safe environment, not only those who enjoy chocolate but also children in the countries producing cacao, a raw material for chocolate.

Social issues surrounding cocoa-producing countries

Some of the equatorial countries producing cacao, the raw material for chocolate, have not achieved financial independence, preventing their people from accessing an appropriate educational environment. Education plays a key role in helping children acquire an ability to choose their own future and live in their own way. However, in the world, there are some children who are subjected to child labor and deprived of opportunities to receive a proper education due to poverty and insufficient understanding about the importance of education, as demonstrated by aged or a lack of school buildings or classrooms, as well as the shortage of teachers and supplies that are necessary for lessons.

With the wish to bring a smile to everyone—not only those who enjoy chocolate but also children who are learning in the countries that are home to chocolate—in mind, Morinaga launched the One Chocolate for One Smile project in 2008 to improve the situation in cacao-producing countries.

Bring a smile to consumers, manufacturers, and everyone—Aid activities through the One Chocolate for One Smile campaign

The One Chocolate for One Smile project is aimed at aiding the activities to improve the educational environment for children in cacao-producing countries, using revenues from the sale of our chocolate products subject to the project (such as Dars). In addition to our year-round donation effort, we donate one yen per eligible chocolate product sold during the designated months. Since 2008, the total amount exceeded 200 million yen in ten years.

The amount donated is used for aid activities by our aid partners, Plan International Japan, a public interest incorporated foundation, and Action against Child Exploitation (ACE), an authorized NPO. These activities, which mainly target African countries such as Ghana and Cameroon, aim to support all children so that they can receive quality education and their homes and communities can achieve stability enough to provide education to the children and protect their rights.

These partners also used the donation money to improve the school and hygiene environment, provide technology guidance to farmers, and to raise awareness of children’s rights through education in the aid areas. These activities helped stop child labor, thereby increasing the number of children who can go to school.

For more details, please visit our corporate website at: <https://www.morinaga.co.jp/1choco-1smile/>

Total amount of donations made so far **237,145,148 yen**

(From 2008 to February 14, 2020)



One chocolate for one smile
Eat chocolate and make someone else happy.



Membership in the World Cocoa Foundation (WCF)

Morinaga supports the activities of the World Cocoa Foundation (WCF)—which promotes various programs aimed at providing technical guidance and educational support for cacao farmers, as well as realizing societies without child labor, and provide support for cacao-producing countries through our activities as a WCF member.



Providing technical guidance to cacao farmers

Participation in the Bellmark Program

Morinaga has continuously participated in the Bellmark program since it was launched in 1960 and has provided support for Bellmark activities, which assist the improvement of school equipment and educational materials, as well as children who are endeavoring to learn with various disabilities. Currently, Morinaga is contributing to the Bellmark program by printing the Bell Mark on six products: Milk Caramel, Hi-Soft, Morinaga Biscuits, ChocoBall, Milk Chocolate, and Ottotto.



Morinaga Angel Foundation

Emphasizing the importance of an “Angel’s Heart,” which is Morinaga’s symbol, the Morinaga Angel Foundation conducts research on forms of abundant human lifestyles and the ideal of families in the future through, for example, art, sports, nature, food, and classics. We are also engaged in activities to deliver a picture book titled “MORI-no-Ehon” to children who are living in the areas hit by recent earthquakes, heavy rains, and other natural disasters, including the Great East Japan Earthquake. The number of the book’s copies delivered amounted 8,556.



Activities to deliver the MORI-no-Ehon picture book

Joint Programs with Non-affiliated Companies through the Angel Smile Project

Under the Project, companies (limited to food manufacturers, distributors, and providers) that wish to use Morinaga’s trademarks of “Angel” join CSR activities that contribute to the improvement of environments for children’s education and training, in lieu of paying a royalty.

In FY2020/3, the project’s scope has been expanded to the use of patent rights, and, as the fruit of an initiative to revitalize the local economy, which was jointly undertaken by Kawasaki City, Kawasaki Institute of Industrial Promotion, and Kawasaki Shinkin Bank, a new product Angel no Hoppe (angel’s cheeks), a Daifuku confection flavored with powdered green tea and chocolate, was launched by Kashisho Suehiroan, a Japanese-sweets manufacturer, utilizing Morinaga’s patented technology.

Collaboration with Schools and Organizations

As part of our educational courses on resolving social issues, we present lectures at the seminars sponsored by various organizations such as high schools, consumer groups, NGOs, and government bodies. In 2018, members of the CSR Group in the Corporate Communication Division gave a lecture on the One Chocolate for One Smile project at Ritsumeikan Moriyama Senior High School in Shiga Prefecture, in response to its request. The lecture, which was delivered in an active-learning format, provided students with an opportunity to learn about a variety of social issues and to consider ways to contribute to the international cooperation. The students enthusiastically contributed opinions and presented concrete proposals.



A lecture at a school

Contributions to Areas Home to Our Headquarters or Offices

As a member of the Minato Net, a network comprising CSR personnel from companies whose headquarters or offices are located in Minato Ward, Tokyo, Morinaga is eager to exchange information with them and contribute to the Minato community. We have also joined the Minato Community Welfare Forum since 2016. Further, we participate in local cleanup activities in the areas near our factories and offices to promote communication with the local communities.



Supporting activities to improve the environment in Rakujuen, Mishima City

Stakeholder Engagement

Basic Concept

The Morinaga Group attaches great importance to the stakeholder engagement, for which opinions and requests are received from various stakeholders through communication with them, and then reported to the management team so that they can utilize the feedback in the management and corporate activities.

We communicate with our stakeholders actively and regularly, striving to contribute to the achievement of a sustainable society.



Morinaga Group's Stakeholders

We recognize six groups of stakeholders who surround the Morinaga Group, that is, customers, employees, clients/business partners, shareholders/investors, local community, and the global environment.

Customers

Major expectations and demands from society	Major responses by the Morinaga Group	Examples of engagement and communication opportunities
<ul style="list-style-type: none"> Food safety and security Compliance (regulatory compliance) Enhancement of customer service Response to environmental issues such as global warming 	<ul style="list-style-type: none"> Acceptance of various voices, comments, and suggestions Improvements based on opinions Disclosure of compliance, environmental response, and other information 	<ul style="list-style-type: none"> Customer Service Center Provision of Q&A and utilized customers' voices on website Official corporate account for Japanese version of Yahoo Answers Conducting of stakeholder surveys (FY2018/3)

Employees

Major expectations and demands from society	Major responses by the Morinaga Group	Examples of engagement and communication opportunities
<ul style="list-style-type: none"> Creation of a worker-friendly workplace environment Promotion of diversity Occupational health and safety 	<ul style="list-style-type: none"> Formulation of human rights policies Promotion of health management Human resource training Work style reform initiatives Promotion of occupational health and safety Elimination of harassment and other inappropriate conduct 	<ul style="list-style-type: none"> Workstyle reform Enhancement of child-raising and nursing care support systems Holding of various training sessions Conducting of employee awareness surveys Conducting of stakeholder surveys (FY2018/3)

Business partners

Major expectations and demands from society	Major responses by the Morinaga Group	Examples of engagement and communication opportunities
<ul style="list-style-type: none"> Food safety and security Fair and impartial transactions Consideration for human rights, working environment, and safety 	<ul style="list-style-type: none"> Formulation of procurement policies Formulation of human rights policies Development of a sustainable procurement plan Strengthening of partnerships with business partners 	<ul style="list-style-type: none"> Communication in raw materials' production areas Morinaga Group procurement policy information session for business partners Conducting of stakeholder surveys (FY2018/3)

Shareholders/investors

Major expectations and demands from society	Major responses by the Morinaga Group	Examples of engagement and communication opportunities
<ul style="list-style-type: none"> Maintenance and improvement of corporate value Appropriate shareholder returns Timely and appropriate information disclosure 	<ul style="list-style-type: none"> Timely and appropriate communication Timely disclosure of management information Engagement between management and investors 	<ul style="list-style-type: none"> Explanation of management strategy at general meeting of shareholders and financial results briefings Holding of IR meetings by management Factory tours for securities analysts and institutional investors Conducting of shareholder surveys Enhancement of information content on the corporate IR sites (Japanese and English)

Local community

Major expectations and demands from society	Major responses by the Morinaga Group	Examples of engagement and communication opportunities
<ul style="list-style-type: none"> Education of next generation Relationships with local communities 	<ul style="list-style-type: none"> Provision of food education experiences, nature explorations, and sports experiences to children Communication with local communities 	<ul style="list-style-type: none"> Visiting lectures "Forest Kindergarten" in the Angel Forest, Iga Exploratory expeditions Ottotto Calisthenics Participation in cleanup activities by local communities

Global environment

Major expectations and demands from society	Major responses by the Morinaga Group	Examples of engagement and communication opportunities
<ul style="list-style-type: none"> Contribution to the solution of environmental issues 	<ul style="list-style-type: none"> Revision of environmental policies Reduction of environmental load in business activities Reflection of environmental issues in business strategies 	<ul style="list-style-type: none"> Development of environmentally conscious products CO2 reduction Promotion of recycling and waste reduction Biodiversity initiatives Measurement of costs and effects of environmental conservation activities

Topics

Communication with Shareholders and Investors

In addition to annual general meetings of shareholders and biannual financial results briefings, we provide various opportunities to communicate with shareholders, investors, and securities analysts, with the aim of helping them better understand our business.

In FY2020/3, we started an email service to provide shareholders and investors with Morinaga's IR information, including IR meetings in the US and the UK, individual meetings by President Ota, small meetings for sell-side analysts, and the latest timely-disclosure information.

We also participated in the "Environmental Reporting Platform" ("ESG Dialogue Platform"), a pilot project undertaken by the Ministry of the Environment to provide a place for communication between businesses and investors. In our Environmental Report for the fiscal year ended March 2019, we included our answers to the CDP Climate Change Questionnaire 2019 to ensure more detailed information disclosure.

For more details, please visit our corporate website at:
<https://www.morinaga.co.jp/company/english/ir/>



Dialogues and Interviews with Experts

As social demands change on a daily basis, we seek opinions in a timely and appropriate manner from experts who have a wide range of knowledge about social expectations in the areas such as CSR and ESG investment. In January 2018, we invited some experts and our Board members actively exchanged opinions with them about how the Company should promote its CSR activities. For further details, see the Process for Reviewing Our CSR Basic Principles and CSR System on pp. 15-16.

Together with Customers

Commitment to Quality

Basic Concept

Since Morinaga's foundation, the Morinaga Group has consistently developed, manufactured and sold a diverse range of products. We believe that the mission of a food company is to always assure safety and secure quality and contribute to the healthy diet of our customers in addition to accurately read and understand the increasingly diversified needs of customers and society, undertake research and development, and provide new value.

Quality Policy

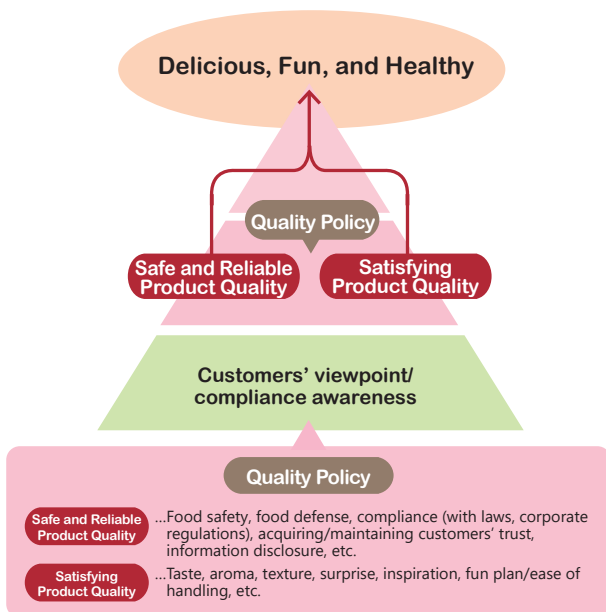
In realizing our vision—Delicious, Fun, and Healthy—we recognize our customers' trust as the most precious value, and we cherish our relationships of trust with customers.

We are aware that this trust is premised on continuing to develop and provide customers with products, services, and information that contribute to society, on placing the utmost priority on creating excellent quality products, and on ensuring customer safety and well-being, while at the same time expanding all Group company business activities in accordance with our corporate principles and in compliance with laws and ordinances, the corporate Code of Conduct, and internal regulations.

Quality Initiatives

In an effort to deliver safe products to our customers, we have established a safety-focused quality assurance system that employs various approaches and mechanisms throughout all processes from product development to procurement, production, distribution, and sales.

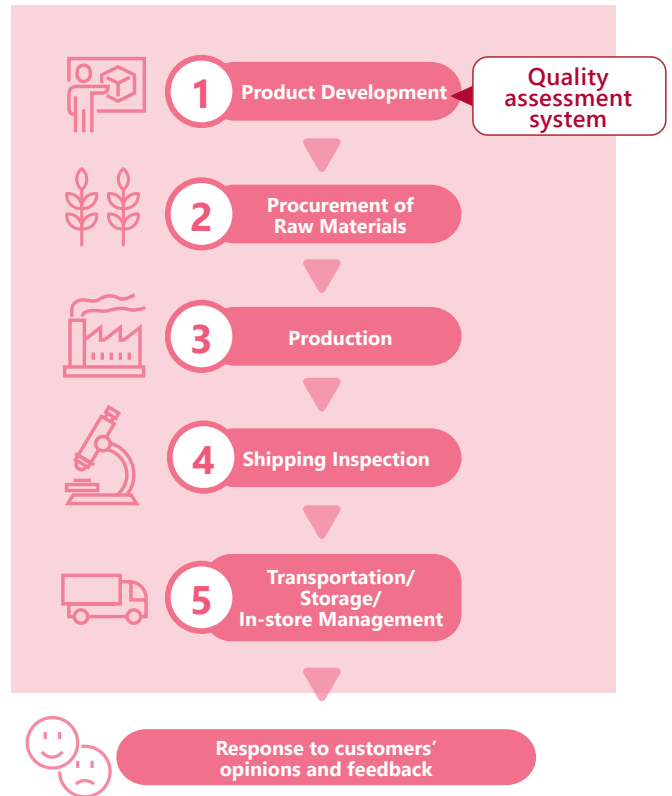
If a customer gives feedback about our products after the delivery thereof, we respond to it by conducting a variety of quality investigations and analyses and reporting their results back to the customer. We share these types of information within our organization to leverage it for purposes of product development and improvement. If an unexpected event occurs to our products, we would be committed to disclosing information accurately and promptly in order to restore our customers' trust.



We pursue the goal of delivering products that meet our customers' expectations, by placing the utmost priority on excellent product quality together with safety and peace of mind.

- Safe and Reliable Product Quality** In carrying out our operations, we put customer safety first. Giving top priority to earning even greater trust from customers, we disclose information as appropriate.
- Satisfying Product Quality** In carrying out our operations, we place top priority on having customers feel value and inspiration from our products.

Steps and Quality Assurance System Until Our Products Reach Our Customers



1 Product Development

In designing the quality and packages/containers and making proper labels, we comply with food-related laws and our internal rules set to protect the quality of products on store shelves as well as the quality and safety up to the best-before date.

Quality assessment system

Our Quality Assessment System is designed to identify and remove risks involved in any new or renewed products in the development phase, by reviewing and checking them in a cross-sectional and overarching manner before making the decision to launch them into the market, through the use of a checklist that covers 12 categories and approximately 180 items to check. Our product development process involves a number of divisions, with each of them being responsible for reviewing and confirming the product's safety and other specifications. At the same time, our Quality Assessment System serves as a cross-sectional tool to avoid any oversight or unchecked areas and ensure a consistent level of quality and regulatory compliance.

2 Procurement of Raw Materials

We have prescribed strict regulations for the raw materials used in our products, and purchase ingredients from manufacturers who can meet these requirements. We check information on the safety and security of raw materials with regard to not only compliance with the Food Sanitation Act but also food additives and allergenic substances. We also conduct necessary testing, confirming that raw materials are safe.

3 Production

All of our domestic production factories (four Morinaga factories and three affiliated production companies) have obtained the FSSC 22000 accreditation, an international accreditation standard for food safety systems.

[Accredited factories] (As of June 30, 2020)

Mishima Factory, Oyama Factory, Chukyo Factory, Tsurumi Factory, Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., and Morinaga Dessert Co., Ltd.

4 Shipping Inspection

Once produced in a factory, products undergo a shipping inspection as a final check in the factory before they reach our customers. The shipping inspection process is the last line of defense to ensure the safety for our customers. Specifically, the process is designed to verify the product's flavor, alignment with specified color tones, dimensions, and weight, and observance of bacterial standards (microorganism control), to identify any broken or defective packages, and to look at whether the best-before date is printed correctly.



Product inspection (measurement of the length and weight to determine the adherence to specifications)

5 Transportation/Storage/In-store Management

To deliver safe products to our customers, we request our business partners in the logistics chain—warehouses, transportation companies, wholesale and retail trade—to set rules, provide employee training, and ensure cooperation so as not to impair the quality of our products.

Analysis

The Morinaga Group is constantly engaged in the analysis and material characterization of, and the development of analytical techniques for, nutritional and functional ingredients, chemical substances, heavy metals, microorganisms, food allergens, and genetically modified organisms (GMOs). Based on scientific and objective evidences, we verify the safety and regulatory compliance of, and provide warranty to, the product development, raw materials, production, logistics, products, and defective products reported by customers.



Measurement of food allergens (specified raw materials)

Response to Customers' Opinions and Feedback

If a product is reported to be defective by a customer, we immediately carry out an investigation and analysis, verify compliance with quality and regulatory requirements, and report the results to the customer. Further, we quarterly hold a meeting of the Customer Voice Committee with the aim of taking customers' opinions and feedback into consideration in our company-wide efforts to improve product quality, packaging, labeling, sales campaigns, advertisements, and so forth.

For further details, see Communication with Customers on pp. 25-26.

Food Defense

As part of our efforts to prevent foreign substances being intentionally inserted into foods, we first of all endeavor to create a workplace environment where it is easy to work and importance is placed on communication, raising employee awareness so that they act in a manner that gives highest priority to customers' safety and peace of mind. On top of this, we implement both tangible and intangible measures to reduce risks, including stricter management of entry/exit to/from factory premises and production facilities, rigid compliance with rules concerning the prevention of contamination (restrictions on personal belongings allowed to be brought in and the handling of chemicals), and installation of camera-based recording systems.



Controller room



Camera-based recording system

Traceability

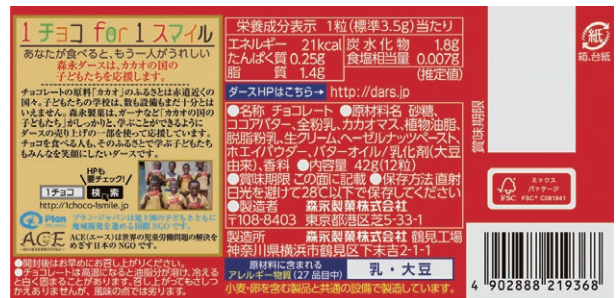
Throughout the process from raw materials and ingredients to manufacturing, storage, and delivery, we maintain product traceability by keeping complete records of, and take strict control over, raw materials and products. We also carry out training on a regular basis and confirm whether the traceability system is working properly.



Traceability is checked using with a bar code reader

Correct and Easy-to-understand Labeling

In addition to being in compliance with laws such as the Food Labeling Act, labeling on packaging provides important information for customers when selecting products. We contrive ways to ensure health-related information such as allergy information, nutritional information, and best-before dates are easy to read and understand. We are also engaged in efforts to label individual packaging with allergen information and cross-contamination statements in sequence (a warning for possible contamination arising from production at shared facilities) (excluding those of certain products).



Product label on the package of DARS <Milk>

Response to Food Allergies

We provide not only legible and easy-to-understand allergen data on product packages but a list of allergens on our website to help customers feel safe when selecting our products. For the sake of customers with allergies, we will continue to carry out strict quality control over specified raw materials and their equivalents as part of our sustained efforts to deliver safe products to our customers.

List of allergens

▶ <https://www.morinaga.co.jp/products/allergy/index.php>

Allergen-related information (website)

Chocoball <Peanuts>



● Genetically Modified Raw Materials

In principle, we do not use genetically modified materials in our products. Soybeans and corns are treated under Identity Preserved Handling (IP Handling) so that genetically modified raw materials are not included.

We use vegetable oils, emulsifiers, flavors, etc. that contain ingredients not critically separated from genetically modified crops. However, it is not required to list these ingredients on product labels, as their protein component has been removed or decomposed during the production process and therefore it is technically infeasible to determine whether the food is genetically modified or not.

● Human Resource Development

Since 2015, we have offered some training courses at Morinaga Techno College (MTC) as part of our Human Resource Development Program. Participated by personnel who are expected to be a next-generation quality-control leader for their respective factories, these courses intend to help participants acquire and hone their quality control techniques and ensure a stable product quality.

In FY2020/3, we taught a total of 450 employees in 7 courses on production techniques, 16 courses on equipment engineering, 10 courses on management techniques, and 8 courses on special themes. We also offered quality control courses to 254 employees.

<Quality control-related courses in FY2020/3>

- Quality control on manufacturing premise
- Basic knowledge of microorganisms necessary for hygiene management
- Basic knowledge of food allergies: Management of manufacturing premise
- FSSC 22000 training



Training scenes

● Quality Assurance Initiatives Overseas

All of our three overseas production bases—Taiwan Morinaga Co., Ltd., Morinaga Food (Zhejiang) Co., Ltd., and Morinaga America Foods, Inc.—have received third-party accreditation under an international accreditation standard for food safety systems (FSSC 22000 and SQF*), demonstrating their commitment to safe production procedures. We also include our overseas production subcontractors in the scope of quality inspections to confirm that they ship safe products under an appropriate quality assurance system.

*SQF (Safe Quality Food): An international accreditation standard that combines a HACCP-based food safety management system and a quality control system to ensure food safety and quality.



Process inspection in Morinaga America Foods, Inc.



X-ray inspection in Morinaga America Foods, Inc.

● Initiatives by Cooperating Companies

The Morinaga Group has not only its own production facilities but a number of cooperating companies (approximately 90 companies as of April 2020) who act as our production subcontractors in Japan.

Before entering into a subcontract with a cooperating company, we confirm that they have in place a quality control system that is comparable to that of the Morinaga Group's production facilities by conducting a Good Manufacturing Factory (GMF) Inspection* and checking a maximum of more than 150 points.

Even after the subcontract is entered into, we continue to carry out the GMF Inspection regularly and request the cooperating company to maintain and enhance its quality control system, while sharing necessary information through information exchange forums, etc. and providing support imperative for quality improvement.

*GMF (Good Manufacturing Factory): Morinaga's quality inspection system in which factories are visited by inspectors to determine whether systems are in place for allergen control, avoidance of contamination by foreign substances, microbial control, etc.

Communication with Customers

Framework for Customer Satisfaction

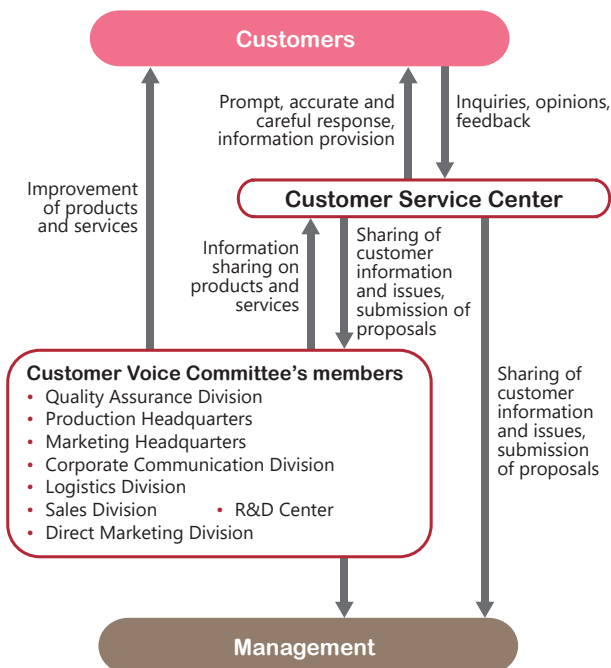
The Morinaga Group considers customers' voices as the key to creating better products and services and to formulating management strategies. Led by the Customer Service Center, Production Management Division, and Quality Assurance Division, a meeting of the Customer Voice Committee is held quarterly to share customers' voices among all relevant divisions.

In the meeting, attendees share, for example, ideas that may lead to an improvement of products and services and measures to improve the manufacturing-related division, and the Director in charge reports them to the Board of Directors.

All of the customers' voices we received are shared by officers and the entire organization, on a daily basis through the daily report, and on a monthly basis as a tabulated data. This enables us to detect issues at their early stages, take countermeasures promptly, and make efficient use of the voices in our marketing activities including product development and sales promotion.

Furthermore, our Customer Service Center has committed itself to achieving a higher level of customer satisfaction in accordance with ISO 10002, with which the Company made a self-declaration of conformity in 2013.

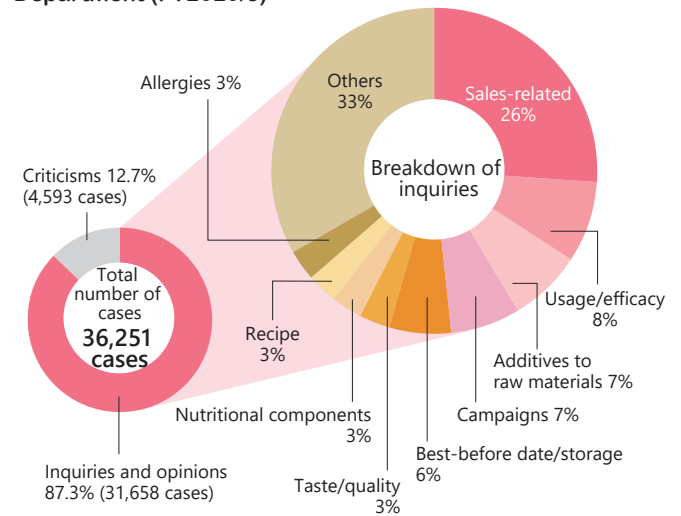
Customer Voice Committee —Mechanism for Making Use of Customers' Voices—



Initiatives by the Customer Service Center

Having established the Customer Service Department as a point of direct contact with customers, we ensure to respond to our customers in a sincere, swift, and accurate manner through such means as telephone numbers, emails, and letters. We share customers' opinions and requests across the organization and make use of them for the improvement of products and services. We have published frequently asked Q&A on our website to help our customers find solutions speedily.

Breakdown of Inquiries to the Customer Service Department (FY2020/3)



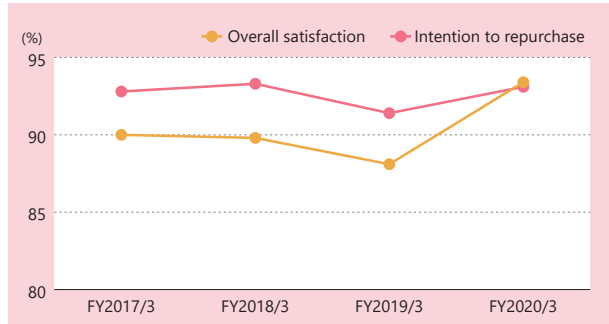
Results of Customer Satisfaction Survey

Our Customer Service Department is in charge of addressing feedback from customers. It analyzes every piece of feedback, investigate the cause, and report the result to the customer who gave the feedback. With the report, we enclose a postcard that requests the recipient to respond to a survey, which we undertake annually to assess the level of customer satisfaction with our customer service. We use the survey results to make further improvements to our customer service practices.

The FY2020/3 survey shows that 93.4% of our customers are satisfied with our customer service as a whole, and 93.1% want to buy our products "more than ever" or "as ever." We interpret that these favorable responses from those who once gave feedback regarding our products or services are the results of our ongoing efforts to offer sincere, prompt, and accurate service.

On the other hand, we also hear critical comments and remarks from our customers. Seeing them as valuable feedback that helps us make our services better, we will make use of them in our efforts for the future.

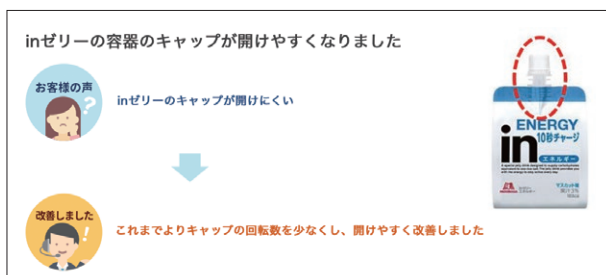
Customer Satisfaction Survey



Improving Products and Services Based on Customers' Voices

We share our customers' voices across the organization and make use of them to detect issues in an early stage and create better products and services. Favorable comments about our products are published in wall newspapers, which are distributed monthly to individual divisions and departments as well as branches and factories nationwide. Even when we receive critical comments, we take them seriously and make use of them to improve our products and services. Some of the improvements made in response to them are posted on our website.

▶ https://morinaga-faq.dga.jp/news/faq_list.html?page=500&category=524



Use of easier-to-open caps (website)



Wall newspaper No. 112, published in December 2019

Wider Q&A Information on Website

We regularly update the list of questions and answers on our website to improve the content. Most frequently asked questions are included in the FAQ section. Questions in the section are sorted in the order of how frequently they are asked, helping users find necessary information easily.

▶ <https://morinaga-faq.dga.jp/>



Fan Meetings and Communications via SNS

We communicate with our customers directly and interactively via Angel Plus, a membership-based fan site, in addition to various social media. Customers' candid voices collected through these communications are not only translated into our product development and marketing activities, but used for the development of highly-engaged Morinaga fans.

To facilitate communications through direct interaction, we hold the Snacks and Treats Summit, which is participated by the members of the Angel Plus and Morinaga's marketing team, in 15 cities nationwide.



Participants in the Snacks and Treats Summit

Together with Clients/Business Partners

Supply Chain Management

Basic Concept

The Morinaga Group intends to contribute to the realization of a sustainable society by formulating the Morinaga Group Procurement Policy, building equitable, fair, and transparent relationships with clients, and engaging socially and environmentally conscious procurement activities working together with the clients/business partners.

Morinaga Group Procurement Policy

In order to realize food safety and reliability as well as a sustainable society, the Morinaga Group endeavors to build fair and equitable relationships with our business partners and carry out procurement activities that are considerate of society and the environment.

- 1. Compliance/adherence to social norms, etc.**
We comply with laws and social norms, etc., carrying out healthy procurement activities in accordance with the Morinaga Group's Code of Conduct.
- 2. Product quality/safety assurance**
Placing top priority on customers' safety and peace of mind, we strive to ensure product quality in carrying out our procurement activities.
- 3. Strengthening partnerships**
We work together with our business partners with the common goals of "Customer Delight" and "Customer First," building relationships that enable mutual expansion.
- 4. Fair and equitable trading**
Comprehensively taking into account efforts related to product quality, prices, delivery deadlines, technological strength, and social/environmental aspects, we undertake fair and equitable trading activities.
- 5. Consideration for human rights/work environment/safety**
Based on the Morinaga Group's human rights policies, we carry out procurement activities giving consideration to human rights, the work environment, and safety.
- 6. Consideration for the global environment**
Based on the Morinaga Group's environmental policies, we carry out procurement activities aimed at realizing a sustainable society, giving consideration to the global environment.

(Established in May 2018)

Supply Chain Management System

In May 2018, in pursuit of sustainable procurement of raw materials, the Morinaga Group established its procurement policy under the leadership of Morinaga & Co., Ltd. Based on the policy, primary responsible divisions—the Procurement Division, the Marketing Headquarters, and the CSR Group of the Corporate Communication Division—develop plans, set goals, and assess activities undertaken by the Group's member companies. In the CSR Committee, management reviews the Group's CSR activities and discusses its response to individual issues relating to such matters as palm oil and cacao.



Promotion of Sustainable Procurement of Palm Oil

Palm oil is a type of vegetable oil obtained from oil palms. Because of its easy-to-use nature and excellent keeping quality, palm oil is used in various products such as processed foods, cosmetics, and detergents. On the other hand, palm plantation areas are facing social challenges such as environmental and ecosystem destruction, child labor, and other human rights issues. As the Morinaga Group uses palm oil mainly in its soft candy, biscuit, and frozen dessert products, it considers the sourcing of palm oil as one of its key management issues.

To consider this, Morinaga & Co., Ltd. undertook an investigation in FY2020/3 on the volume of palm oil purchased and used on a product-by-product basis. Later, in October 2019, the Company joined the Roundtable on Sustainable Palm Oil*1 (RSPO) and the Japan Sustainable Palm Oil Network*2 (JaSPON). From FY2021/3 onwards, we will increase the use of sustainable palm oil by shifting to the RSPO-certified palm oil and expanding, gradually, the scope of products that use the RSPO-certified palm oil.

*1: RSPO (Roundtable on Sustainable Palm Oil): An international certification program aimed at producing and using sustainable palm oil taking into consideration to the environment and human rights.

*2: JaSPON (Japan Sustainable Palm Oil Network): A network mainly consisted of Japanese firms and NGOs. It was established in April 2019 to solve various environmental and other issues arising from the palm oil production, and to encourage procurement and consumption of sustainable palm oil in the Japanese market (Secretariat: WWF Japan).

RSPO (Roundtable on Sustainable Palm Oil)

▶ <https://www.wwf.or.jp/activities/basicinfo/3520.html>

JaSPON (Japan Sustainable Palm Oil Network)

▶ <http://rspo.jp/>

Promoting Procurement of Environmentally Conscious FSC®*-certified Paper

The production of paper heavily depends on overseas forests, as approximately 70% of wood chips, the raw material for paper, are imported. FSC®-certified paper is defined as paper made from raw materials that: 1) came from well-managed sources; or 2) have been certified based on the assessment of whether they were sourced

from forests appropriately managed and logged in an ecosystem-friendly manner to ensure environment conservation. Morinaga intends to use more FSC®-certified paper in the future.

For more details, see Environment- friendly Packaging Materials on p. 47.

*FSC® (Forest Stewardship Council®): An international non-profit organization that works for appropriate use and conservation of forests.

FSC® (Forest Stewardship Council®)

▶ <https://jp.fsc.org/jp-jp>

Promotion of Procurement of Sustainable Cacao Beans

A wide range of social issues are involved in cacao beans, the raw material for chocolate. These issues include poor working environment, child labor, poverty among cocoa farmers due to lack of appropriate skills and knowledge, and global warming (deforestation). Cacao beans are regarded as sustainable when they can contribute to sustainable procurement by solving or supporting the resolution of social issues that are causing supply shortages.

With the aim of solving social issues facing cacao-producing areas, the Morinaga Group conducted a research on the volume of cacao beans consumed in each product and has begun to use sustainable cacao beans certified by the Cocoa Horizons* in some products.

* Cocoa Horizons: A non-profit program designed to accomplish the mission of improving the livelihood of cocoa bean producers and residents in the area through sustainable and entrepreneurial farming, improved productivity, and the promotion of regional development. It is run by the Cocoa Horizons Foundation, an organization led by Barry Callebaut, a Swiss-based manufacturer of cocoa and chocolate products.

Cocoa Horizons

▶ <https://www.cocoahorizons.org/>

Training and support for cocoa farmers by the Cocoa Horizons Foundation



Work training after harvesting cacao beans (drying process)



Supporting potable water infrastructure for cocoa farmers

Strengthening Partnerships with Business Partners

To achieve food safety and reliability and a sustainable society, a trust-based cooperative relationship must be built with business partners throughout the supply chain from procurement to production and distribution.

In August 2019, an information exchange meeting with cooperating companies was held and participated by 58 people from 31 companies. In the meeting, we explained the Morinaga Group Procurement Policy and asked for their cooperation for socially and environmentally conscious procurement activities. We will continue to inform our business partners of the need to cooperate from a sustainability perspective, and ask for their understanding of, and engagement in, the initiative.



Explained our procurement policy at an information exchange meeting

Communication in raw material origin countries

As part of our sustainable procurement initiative, we are working on the solution of issues related to palm oil and cacao beans with their suppliers, palm oil and cacao bean producers.

In FY2020/3, Morinaga’s members of procurement division visited an Indonesian cacao plantation to collect information from, and exchange opinions with, local cacao producers. During the visit, they not only saw how sustainable cacao beans were produced, what sort of efforts were made, and how the farming of seedlings was supported, but also offered lectures on the cultivation of cacao to local producers. As a result of these activities, the members raised their awareness about the importance of the initiative.

Visit to Indonesia (FY2020/3)



Visit to a cacao seedling farmer

Visit to a cultivation lecture class for producers



Together with Employees

Diversity

Basic Concept

The Morinaga Group promotes diversity as a management strategy. Our objective in promoting diversity is to encourage employees to work enthusiastically while demonstrating their individual strengths, as well as to generate innovation while showing respect for each other and exchanging knowledge. To this end, we are undertaking initiatives that include health management, human resource development, and workstyle reform.

Diversity Promotion System

In April 2020, in an effort to position diversity at the centerpiece of its management strategy, Morinaga established the Diversity Promotion Office as a direct report to the President. Our diversity promotion efforts began in 2001 when the Company started its initiative to promote women's empowerment with a goal of creating an organization where women can demonstrate their abilities and play an active role. Later, in FY2013/3, Morinaga appointed the Diversity Promotion Team to accelerate the initiative. As society increasingly considers that maintaining a job even after a childbirth or during child care is a more usual option than quitting a job, roles of corporations' diversity initiatives is shifting from the creation of an organization where employees can have a long career to the creation of organization that can provide job satisfaction to all employees. In order to pursue the happiness of each and every customer and employee and continue to be a company recognized and selected by society, we will continue to promote activities toward the goal of leveraging each person's individuality, engaging all of them in the activities.



Workstyle Reform

We aim to create an organization that enables our employees to demonstrate their creativity to the full potential through: 1) the implementation of flexible work hours and locations; and 2) the use of ICTs and office functions. We have taken various measures including the introduction of telework arrangements for 1) above, as well as the adoption of a free-address system to replace the conventional arrangement of desks at the headquarters, research lab, certain sales branches, and factories for 2).

Telework system

In April 2017, Morinaga introduced a telework program that covers approximately 1,000 employees. At the time of the introduction, we made some enhancements to our facilities and institutional arrangements, such as the use of ICTs and the removal of the core time requirements from the flexible work arrangements. In FY2020/3, more than 80% of eligible employees used the telework program, achieving a good balance between work and childcare, as well as a higher efficiency through an effective use of traveling time.

In March 2020, the scope of eligible employees was expanded to associate employees. As of May 2020, the number of employees eligible to the program has reached approximately 1,400.

For more details, please visit our recruitment site at:

▶ <https://www.i-note.jp/morinaga/recruit/environment/workstyle.html>

Other programs that support work-life balance

Morinaga has established a workplace environment in which employees in different life stages can demonstrate their abilities and play an active role, while feeling motivated to grow further. This environment was achieved through the implementation of various employee programs, including the childcare leave program that is available to both male and female employees, as well as other programs that reduce the workload of employees who have an infant, child, or parent who needs care (see the table on p. 30).

Furthermore, Morinaga has been certified by the government as a "parent-friendly company" for the sixth consecutive term since 2007, and has continuously achieved the Platinum Kurumin* certification criteria since September 2017. In FY2020/3, we set a primary goal of increasing the percentage of male employees who take childcare leave, and implemented relevant measures such as a revision of manuals, negotiation with the All Morinaga Labor Union, and approaching individual male employees. As a result, the percentage increased 2.9 times compared to the previous year.



* The Platinum Kurumin
A certification mark is granted by the Ministry of Health, Labor and Welfare to companies that provide support to their employees who want to achieve a good work-childcare balance and implement high-level initiatives as a parent-friendly company.

Angel Family Day Initiative

The Angel Family Day, which marked the sixth time this year (2019), is an initiative to deepen mutual understanding between employees, by interacting with other employees and their family members visiting the workplace.

In FY2020/3, a total of 79 participants had a fun day joining a workplace tour, enjoying a lunch time at the employee cafeteria, and participating in a foot race class at the Morinaga Training Lab.



Actual Ratio of Female Managers (Morinaga & Co., Ltd.)

April 2017	5.2%
April 2018	6.7%
April 2019	7.7%
April 2020	8.3%

Outline of Programs and Schemes/Number of Leave Days Taken (Morinaga & Co., Ltd.)

Program Title	Scheme Outline	Actual Number of Leave Days Taken (FY2020/3)
Outpatient/morning sickness leave	A leave of up to 7 days if it is difficult to work during pregnancy or within 1 year after giving birth	22 persons (124 days)
Prenatal and postnatal leave	A leave of 6 weeks before and 8 weeks after childbirth	26 persons (1,327 days)
Childcare leave (female)	A leave of up to 30 months	92.3%
Childcare leave (male)		41 % (2.9 times the previous fiscal year)
Shorter work hour system for childcare	4 working hours until the child reaches 18 months of age; 6 working hours until the child completes the third grade of elementary school	26 persons (As of March 2020)
Child nursing leave	Up to 5 days a year in the case of one child or up to 10 days a year in the case of 2 or more children in the third grade of elementary school or younger	3 persons (8 days)
Long-term nursing care leave/short working hours for nursing care	A total of up to 1 year for each family member in need of nursing care, if the long-term nursing care leave and the 4-hour short working for nursing care are combined	0 persons
Nursing care leave	Up to 5 days a year for one family member or up to 10 days a year for two or more family members in need of nursing care; available in units of 1 day	1 person (4 days)
Angel Return Program	Former employees can rejoin the company after their resignation due to marriage, spouse's job transfer, child-raising, or family member's nursing care	0 persons

Joint Diversity Promotion Activities by Six Food Companies

Sharing a number of similarities in their business models, history, and personnel issues, a group of six food companies, including Morinaga, formed a collaborative network in an effort of promoting diversity and inclusion beyond organizational boundaries and contributing to the improvement of corporate value and the development of the food industry. In the Network, they jointly organize a wide range of events such as the Diversity Forum.

(The six food companies: Sapporo Holdings Limited, Nichirei Foods Inc., Nisshin Seifun Group Inc., Morinaga & Co., Ltd., Morinaga Milk Industry Co., Ltd., and Lotte Co., Ltd.)

Initially, the group focused on the promotion of active participation of women in society. Later, they came to the view that, in order to create a vibrant industry that can continue to provide new value to its customers, each and every employee, irrespective of gender, must fully demonstrate his or her strength. Based on the view, the group expanded the scope of their activities to the promotion of the spirit of diversity and inclusion.

In January 2020, a Diversity Forum entitled "SPIRAL UP!—What is Kaisha for you?" was held at 64 satellite venues nationwide, and participated by approximately 900 people in total.

Diversity

Promotion of Employing People with Disabilities

Under the company policy of providing a place where each employee can demonstrate their personal qualities and skills, we have employees with disabilities playing an active role in a range of workplaces within the company from the Administration and Sales Divisions to the Production Division. In the future, we will continue to proactively create employment opportunities for people with disabilities.

Actual Number of Employees with Disabilities (Morinaga & Co., Ltd.)

	FY2018/3	FY2019/3	FY2020/3
Number of employees with disabilities (person)	54	56	63
Rate of employees with disabilities (%)	2.44	2.53	2.79

*Actual number of employees as of the end of each fiscal year.

Reemployment

Morinaga has introduced a retiree reemployment system. As a general rule, all retiring employees who wish to do so are reemployed for the period until they reach the age of eligibility for pension benefits. We have also introduced a senior ranking system and evaluation system in the expectation that employees will continue to demonstrate their expertise even after retirement age, encouraging motivation and the desire to take on challenges.

Diversity —Initiatives for Health Management—

Health Management Initiatives

Morinaga's health management

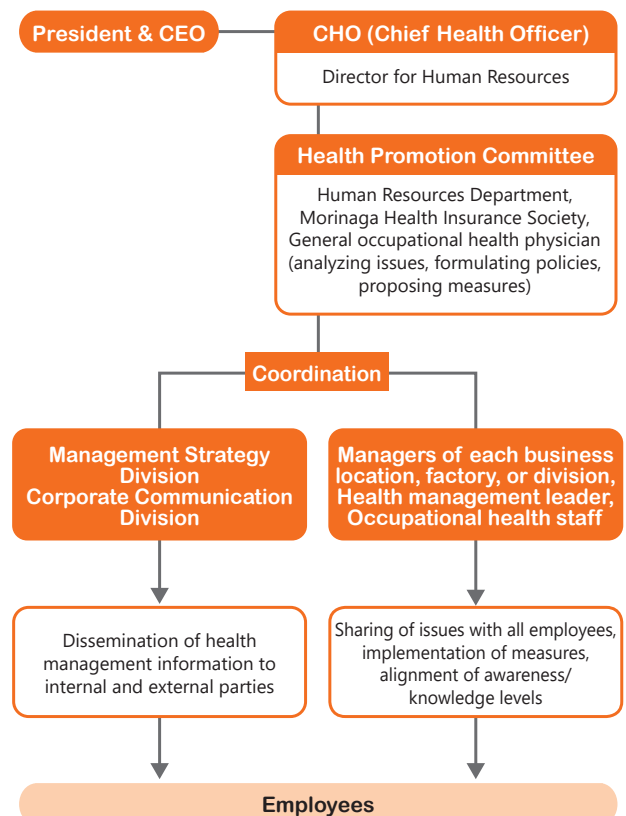
By supporting the maintenance and enhancement of the health of employees—who are the source of our corporate vitality and our most important assets—and their families, Morinaga promotes health management in order to create a company where it is rewarding to work and that enriches the lives of each employee.

In April 2018, we issued the Morinaga Health Declaration. Led by the Chief Health Officer (CHO), our Health Promotion Committee is active to strengthen collaborations with occupational health staff and the Morinaga Health Insurance Association, accelerate the promotion of health management, and promote various initiatives by seeing employees' health from a managerial perspective.

By definition, the CHO is the chief executive who is responsible for helping a company or organization recognize its employees' and their family members' health as part of corporate management, and carrying out health management systematically as a member of management, for employees and others.

The Morinaga Group will continue to actively support its employees' and their family members' mental and physical health through work style reform and health maintenance/promotion activities, in an effort to establish a foundation for active and extended work life.

Health Management Promotion Structural Chart (Morinaga & Co., Ltd.)



Practice of Morinaga Calisthenics

Since October 2018, Morinaga Calisthenics, which were devised by the Morinaga Training Lab,* have been practiced every day at all Morinaga offices and factories. These simple exercises can be performed in the workplace and are helpful in ameliorating stiff shoulders and preventing back pain.

They were devised by the Lab's staff to enhance employees' health and work performance, based on the knowledge they gained during supporting top athletes.

Furthermore, in FY2020/3, we held an app-based walking event to help all Morinaga employees nationwide improve their health and exercise habits.



A Morinaga Calisthenics session in progress

*Morinaga Training Lab: A training facility focused on the improvement of top athletes' performance through training, nutrition, and conditioning programs.

Recognized as The Certified Health and Productivity Management Organization in the White 500 category

For three consecutive years from 2018 through 2020, Morinaga was certified as The Certified Health and Productivity Management Organization in the White 500 (large enterprise) category. This program awards enterprises that practice particularly outstanding health management based on health promotion initiatives. In the future, we will continue our efforts to create and maintain a workplace environment that allows employees to actively and enthusiastically demonstrate their maximum capabilities and to proactively support the maintenance and improvement of the physical and mental health of all employees.

Under our Vision and Mission, we will focus on the expansion of the health product segment.



Initiatives to Reduce Overtime Hours

We are committed to helping our employees have a wide range of work-style options through company-wide initiatives such as the telework arrangements and Premium Friday, as well as experimental efforts at some offices, including No Overtime Day, rules for leaving work on time, and personal-choice holidays. As a result of these initiatives, Morinaga & Co. Ltd. successfully reduced the overtime work of FY2019 by 26 hours per person in average, compared to FY2019/3.

Occupational Health and Safety Initiatives

Based on the idea that "employees are the source of corporate vitality and the most important management resource," the company's labor and management work together to create a safe and comfortable working environment, by, for example, establishing the Health and Safety Committee, carrying out workplace safety and health patrols, providing safe driving training, and holding anti-overtime labor-management meetings.

We are also stepping up our health management efforts in collaboration with the Health Insurance Society, by encouraging employees to have health checkups and follow post-diagnosis health guidance to prevent life-style-related diseases.

We are also focusing on the prevention of mental health problems by taking various measures such as the setting up of an external point of consultation and providing employee training sessions.

Furthermore, in FY2020/3, we achieved zero lost time injuries for the first time, by ensuring that all employees receive safety education that will be reviewed as necessary, while taking safety measures for using company equipment. The rate of frequency is on a downward trend from 3.07 in FY2018/3 to 2.02 in FY2019/3 to 1.05 in FY2020/3, illustrating the results of our daily safety efforts.

Rate of Frequency

	FY2018/3	FY2019/3	FY2020/3
Rate of frequency	3.07	2.02	1.05
Lost time injury frequency rate	1.18	0.50	0.00

(1)The rate of frequency indicates the frequency of occupational accidents, using the number of employees taking leave from work due to work-related injuries per million actual work hours.

(2)The lost time injury frequency rate indicates the frequency of occupational accidents, using the number of employees who suffered lost time injuries per million actual work hours.

*Definition of lost time injury (Morinaga & Co., Ltd.)
Occupational injuries that force the injured to take a leave of absence from the day after the accident to receive a medical treatment and cure the injury or illness.

*Scope of frequency rate analysis

Four factories of Morinaga & Co., Ltd.

Tsurumi Factory, Oyama Factory, Mishima Factory, Chukyo Factory

Five affiliated production companies

Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd., Morinaga Snack Foods Co., Ltd., Morinaga Kofu Foods Co., Ltd.

Diversity —Human Resource Development—

Basic Concept

A company's growth depends on its individual employees' development. We consider that human resource development is an important strategic challenge that must be overcome not only to achieve our vision and mission but to ensure an enduring growth. Based on the concept above, we continue to support the growth of each and every employee.

Morinaga Group's Ideal Employee Profile

To prepare for the next new age, the Morinaga Group is looking for personnel who are highly motivated, eager to take on challenges, and capable of creating new value. The Group has defined an ideal employee profile and broken it down into the following four characteristics: 1) capable of taking on challenges; 2) capable of acting independently; 3) capable of thinking thoroughly; and 4) capable of engaging others.

Human Resource Development Framework

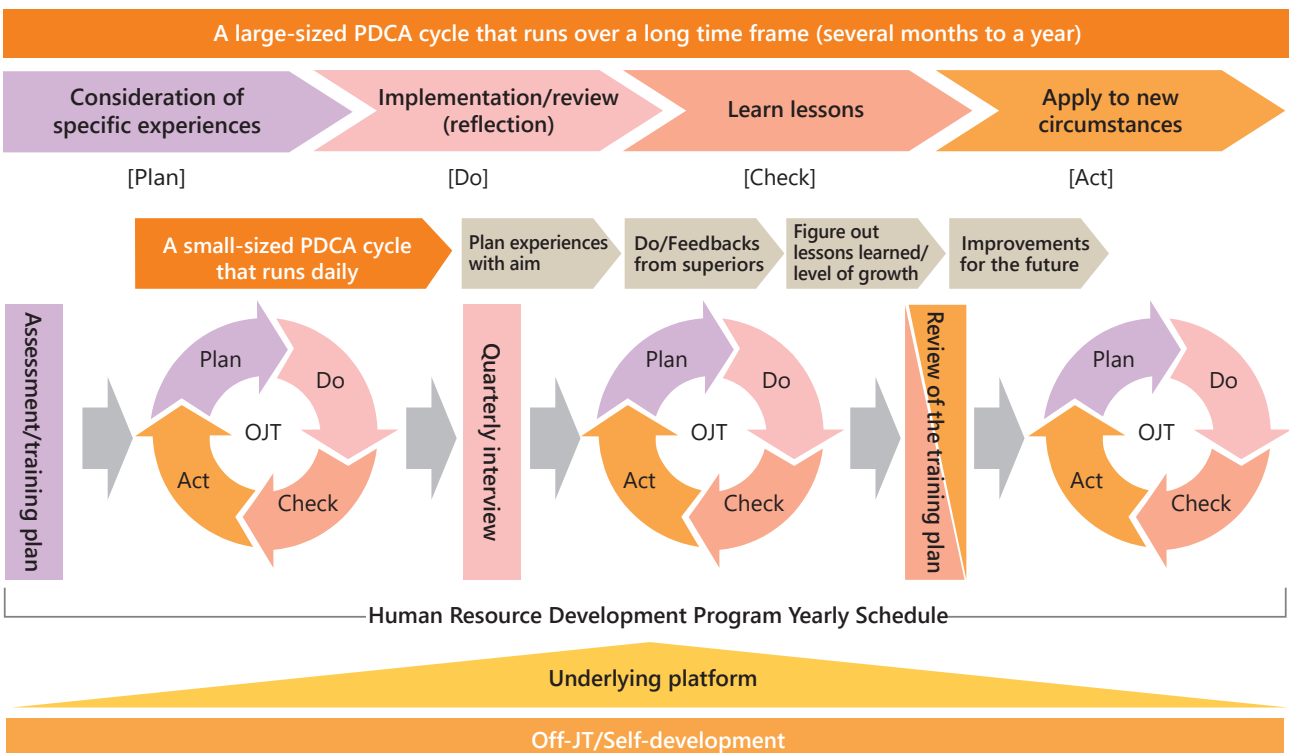
In an effort to promote human resource development, we support our employees' growth by providing training and educational opportunities according to their job grade, division, and skill, taking into account qualifications required for an employee of Morinaga & Co., Ltd. Moreover, to ensure effective upgrading of employee skills, we adopted the Human Resource Development Program—a new framework for human resource development—in FY2019/3, and are expanding the scope of employees subject to the Program in sequence.

Aimed at clearly defining individual employees' growth path and properly running a training PDCA cycle on site, the Program consists of three phases: assessment, development of a training plan based thereon, and implementation of the plan. In the assessment phase, the person subject to the training identifies his/her own strengths and weaknesses jointly with his/her supervisor according to the definition of capabilities required for all Morinaga employees regardless of the job type, and develop an annual OJT- and Off-JT-based training plan. In the implementation phase, an interview session is held every quarter to review the employee's performance and confirm programs scheduled in the future. When these phases are completed, a training PDCA cycle is run.

FY2020/3 training cost per employee (Morinaga & Co., Ltd.)

Approx. 70,000 yen

Training PDCA Cycle



Morinaga's Human Resource Development System

We view OJTs, Off-JTs, and self-development as the three pillars of our human resource development system. The system is aimed at supporting the growth of our employees based on the career path envisioned by each of them and helping them achieve self-actualization. In pursuit of the aim, the system provides varied training programs ranging from on-the-job trainings (OJTs) to job-rank-based and other off-the-job trainings (Off-JTs)

to self-development training programs such as distance learning and e-learning programs.

We also actively support employees' efforts to acquire qualifications, by providing official qualification acquisition incentives and offering a license acquisition course as part of the self-development training (distance learning).

Off-JT and Self-development Training of Morinaga & Co., Ltd.

Key target employees	Training category	Mandatory Training	Self-choice Type	Training for Select Employee	Common
		By job rank	Open Application Type	Selection Type	
Managerial segment Expert segment		Training for newly-appointed managers Training for newly-appointed appraisers		Next-generation managerial personnel development program	
	Career development segment		Group training Basic Management Strategy Course	Next-generation leader development program	Compliance training Stress management training Management game training
Job rotation segment		Newly-appointed S-grade Employee Training OJT Trainer Training Basic Business Skill Enhancement Program • Business manners • Work procedures • Basic accounting knowledge • Logical thinking • Engagement ability, etc.	Critical Thinking Course Basic Marketing Course	Skill development goals are set in a Human Resource Development Program ↓ Programs are selected based on the goals set.	
	Before joining the company	Prospective Employee Training			

Self-development/distant learning/e-learning

Management skills/business skills
Function-based skills, deeper accounting knowledge, higher linguistic ability, support for acquiring qualifications

Training through Off-JT

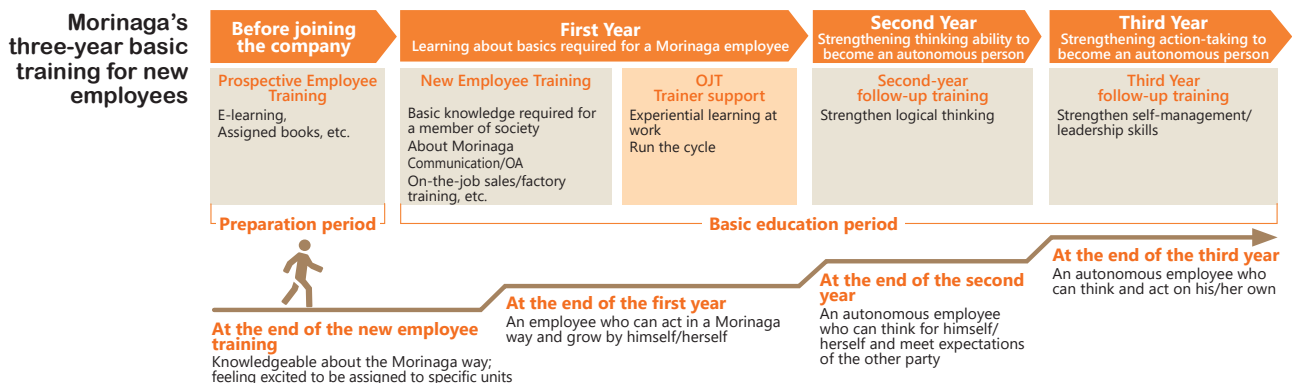
Basic employee education to develop "autonomous personnel" in 3 years

Morinaga has been particularly focused on the education and training of young employees and provide them with a basic training program that spans three years after joining the company. Included in the program are the OJT Trainer System for new employees, annual group training in the form of an Off-JT, and career interviews by the Human Resources Division. The Human Resources Division provides diversified support to younger personnel in such areas as skill, mind, and career. The three-year program is designed to help participants develop

themselves into an autonomous person who can think and act for himself/herself.



New employee training in session



Rank-based training

We continue to provide training to employees who have completed the three-year basic training program to help them further improve their skills, mindset, and behavior, according to the organizational roles they are expected to play.

Theme-based training

Our theme-based training programs, which are focused on management and business challenges, include the following: next-generation leader training, management game training, and educational training to improve specialized knowledge and skills required to perform duties specific to each division.

Morinaga Recipe

Morinaga Recipe is a phrase commonly used in our organization to share a logical-thinking framework. The training is provided in a group-based or class-wide discussion style, using specific case studies and participants' own business tasks. The thinking framework is used to ensure smooth communication in a diverse team while facilitating innovation.



Scenes from Morinaga Recipe training

Human Resource Development through OJT

At their assigned workplace, new employees learn how to accomplish their duties by running the experiential learning cycle for a period of one year, under the guidance of the OJT trainer in charge of them. An increasing number of facilities and employees have adopted the Human Resource Development Program in sequence, and, in conjunction with the use of personnel appraisal system, each workplace is actively implementing OJT programs to ensuring that employees can grow and develop their skills through the programs.

Self-development Training

We provide a wide range of programs that motivate employees to learn more, according to individual employees' training themes. These free-choice programs include distance learning, e-learning, Company-sponsored theme-based training, and external seminars whose fees are partly paid by the Company. Participants in the distance- and/or e-learning programs can freely select their own courses from approximately 200 options. We have established financial assistance programs under which employees can receive an amount roughly equivalent to half of tuition fees, or monetary incentives if they attend a course as a group. A number of affiliate companies have adopted similar assistance programs to support their employees' learning.

Communication with Employees

Conducting regular interviews

In an effort to listen to our employees, we hold various interview sessions between supervisors and their subordinates every quarter. These opportunities include quarterly accomplishment review, the Human Resource Development Program, and career interviews. In addition, the Human Resources Division holds an interview with participants in the rank-based training programs, ensuring that the Division can directly listen to employees and share their opinions.

Labor union

The All Morinaga Labor Union, which consists of nine labor unions—six from Morinaga Group member companies and three from Morinaga Milk Industry Group member companies—operates under a union shop system. All regular employees, except for managerial or executive positions, are members of the Union. The Union discusses various measures and is working on such issues as the improvement of workplace environment.

Initiative to make a better organization with good culture

We have continuously and regularly conducted employee awareness survey for more than 40 years. The survey is designed to investigate employees' views on the corporate climate and various measures and to identify issues to be resolved. The survey questions

include those concerning the level of satisfaction with work, company, workplace, and supervisors, as well as other unique questions aligned with the times or circumstances, such as those asking the respondents' degree of understanding of the Medium-term Management Plan and their awareness of regulatory revisions. The results are shared with the management and each division's top executives, allowing them to use the results as important data for formulating management strategies and solving issues in respective organizations.

Morinaga is characterized by high employee satisfaction with the top management's communication regarding corporate vision and employees' great pride in their work and the Company.

Results of the FY2020/3 Employee Awareness Survey

	Morinaga & Co., Ltd.	Other companies' average
Overall satisfaction	3.84	3.60
Satisfaction with top management's communication regarding corporate vision	3.93	3.53
I'm proud of my current job	4.01	3.67
I'm proud to be part of the company	4.18	3.68
The company will grow and develop	3.87	3.51

* A 5.0-point scale; 3.5 or higher is considered excellent.
 * "Other companies' average" refers to the average of all companies that use a survey similar to that of Morinaga.

Information dissemination using in-house newsletter
 The Morinaga Group issues an in-house bimonthly newsletter "Morinaga Life" for its employees.

The newsletter is designed to provide employees with important information in an easy-to-understand format with the following three themes: 1) Dissemination of management policies; 2) Sharing of the latest information; and 3) Two-way communication.



Morinaga Life (May and July 2020 issues)

Initiatives to Facilitate Innovation

Every year, Morinaga carries out initiatives to employ the diversity of ideas produced by individual employees and generate innovation.

President's Awards for Inventions and the Spirit of Challenge and Action

Under this system, the President personally screens and honors employees (teams) who have brought tremendous tangible benefits to the company through inventions, discoveries, or ideas, or who have demonstrated the spirit of challenge and action in achieving goals that would be impossible to achieve through ordinary efforts or ideas.



President's Award recipients (FY2020/3)

Initiatives through new business divisions

Since FY2016/3, the Business Creation and Development Division, which is engaged in efforts to create new business models, has recruited members through an internal open recruitment system and implemented an accelerator program, an initiative to launch new businesses jointly with venture companies and startups by investing in, supporting, and collaborating with them. The Division is also creating a culture of pioneering spirit, by providing training sessions for employees who wish to be involved in the creation of new businesses and by organizing lectures to learn about changes in the external environment and gain a heightened or broad perspective.

Together with Children



Philosophy of Activities

Basic Concept

Spanning over 120 years, Morinaga's history has been sustained by the smiles of our customers, especially children.

With gratitude in our hearts, we therefore wish to continue to carry out activities that put even brighter smiles on the faces of children who will lead the future.

Basic principles of Morinaga's social contribution activities

"Aiming to nurture children's healthy physical and mental development" through hands-on experiences

Offering Experience-based Programs

Children develop by interacting with people in society and by accumulating a broad range of experiences. Nowadays, however, the social environment is changing because of advances in IT and other factors, and the opportunities for children to have direct experiences are decreasing.

Just as our founder wished to provide nutritional support to children of the Meiji and Taisho periods (the late

1800s and early 1900s) through Western confectioneries, Morinaga today aims to support the healthy physical and mental development of children—leaders of the future—by providing experience-based programs tailored to the developmental stage and appropriate themes for each age group from the perspectives of experience in food education, nature exploration, and sports.

Food Education Experiences

Confectionery Education

Morinaga believes that the value of confectioneries lies in supplementing nutrition and its role in communication that connects people to people and hearts to hearts.

Morinaga donates "Mel and Mar's Picnic," our original picture book for confectionery education, to children's nursery facilities. This is aimed at helping children develop creativity while learning about, in a fun way, confectionery's roles and how to properly associate with confectionery. The nursery facilities use the book for such purposes as storytelling and drama-based workshop.



Children listening to stories/participating in drama-based workshops



KidZania Tokyo

At the Sweets Factory, a pavilion exhibited by Morinaga in the KidZania, children can experience the joy of working and try manufacturing techniques through the production of HI-CHEW candies. They can also learn about food hygiene, rules, and manners, while developing independence and sociality.

Factory Tour

Through factory tours, participants see and experience, through hands-on activities, the fun and true pleasure of manufacturing, as well as the measures used to ensure food safety and security. Furthermore, as a 120th anniversary commemoration project, we opened the Morinaga Angel Museum "MORIUM" within the premises of the Tsurumi Factory in the spring of 2020. Visitors to MORIUM can learn about Morinaga's history in a fun manner through various exhibits and videos.



Oyama Factory



Morinaga Angel Museum "MORIUM" (Public open day: Yet to be decided)

Visiting Lecture—A Caramel Lesson by Morinaga

Employees visit elementary schools to teach a class about the industrial production of milk caramels. The class targets fifth graders and offers a sense of realism as if they are on a factory tour. The class aims to teach about the ingenious attempts and hard work of industrial production, as well as our passion toward manufacturing. This helps deepen their learning in textbook.

Pupils watch the video of production process and take part in quiz and workshop to participate experience-based class.

Number of children participated (FY2020/3)	1,760 children
Number of employees participated (FY2020/3)	69 employees



Lecture



Quiz session



Workshop

Voice

[Comments of employees who participated in the Caramel Lesson]

Confectioneries have the power to make people happy

I participated in the lesson because I wanted children to love caramel more. I was nervous about standing on the podium, but I was very happy that many children listened to me with serious faces and asked questions earnestly. The smiles the children gave me when they received caramels as a souvenir reminded me that "Confectioneries make people happy," and made me love caramels even more. This is an opportunity to understand the value of our products. I would like to expand this activity to many employees.



Motoki Matsui

MIRAI Research & Innovation, R&D Center, Morinaga & Co., Ltd.

Nature Exploration

Business Philosophy

—To support the healthy physical and mental development of children who will lead the future—
 “Help children find something important for their lives with their own eyes through hands-on experiences in the great outdoors.”
 Based on this business philosophy, we provide camping opportunities to children in the hope that they will gain the “ability to survive” spontaneously in an extraordinary environment.

Exploratory Expeditions

Since 1999, we have organized six-day/five-night exploratory expeditions to uninhabited Islands under the Morinaga Little Angels Education Project. The Project, a commemoration of the 100th anniversary of our founding, was launched to reflect on the significant changes occurred in our children’s living environment during the last ten decades and to help them have an active but lively and spiritually-affluent childhood in the 21st century.

In FY2020/3, the Project’s location was shifted from uninhabited islands to the Fuji Five Lakes area near the majestic Mt. Fuji. A total of 32 elementary school pupils went on a five-day/four-night adventure as a team of comrades who had never met before with each other. They explored the transparent lake waters, clear skies, dense woodlands, and caves. By participating in the camp and various adventures away from their everyday lives, the children gained the ability to survive and achieved a significant growth.



Over two hours of mountain climbing



Adventurous swimming in the Lake Saiko

Participating in SDGs Work in Camping Trip (Exploratory Expeditions)

In the exploratory expedition event, which was held for the first time in FY2020/3, we conduct the SDGs Work in which children work on the SDGs through the camping experience. Participants in the SDGs Work, an original program developed by Morinaga, learn about the SDGs before joining the camp, select the SDGs goals they want to work on during the camping trip, and share the goals with their group’s members. They also select goals to be worked on as the group, take actions necessary to achieve the goals in cooperation with the group’s members, and carry out a review after the camp.

The most selected SDGs goal was the “Goal 12: Responsible Consumption and Production.”

To achieve the Goals, the participants made efforts voluntary and daily. These efforts included avoiding food waste, eating all the food cooked, and ensuring recycling to reduce garbage.



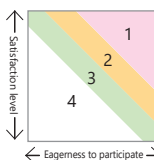
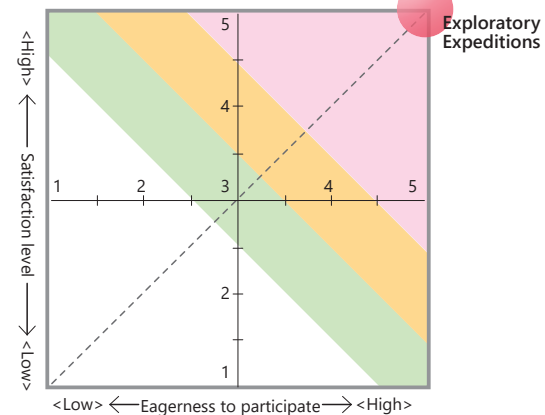
Group discussions on SDGs

Industry-Academia Joint Research on Exploratory Expeditions

Since 2008, we have been conducting industry-academia joint research in collaboration with Tokyo Gakugei University, in an effort to evaluate our nature exploration program from an external professional perspective and upgrade the content of the program’s activities. In the research, we conduct surveys before, immediately after, and one month after the camp, to measure their level of satisfaction with the camp, eagerness to participate in activities, and the degree of their growth. The research’s results are used to further improve the program. In the survey conducted in FY2020/3, a high score was observed for all items.

Balance between Satisfaction Level and Eagerness to Participate in Activities

● denotes the position of the exploratory expedition.



[Descriptions of Zones]

- 1) **Highly active region**... An extremely activated state is observed.
- 2) **Active region**..... A very activated state is observed.
- 3) **Normal region**..... A certain degree of activation is observed.
- 4) **Improvement-required region**... It is seemingly necessary to make improvements to the program, etc.

Sports Experiences

Supporting Junior Athletes

We annually hold a nutrition seminar and an exercise event designed to improve athletic competency for athletes—elementary school pupils and junior to high school students who belong to the “AEON Bike Jr. Academy,” a project jointly led by professional mountain bike athletes and AEON Bike Co., Ltd.—and their parents.

After a demonstration by professional mountain bikers, trainers and nutritionists from Morinaga Training Lab (see p. 32) provide training lessons in which participants are required to do physical activities, as well as lectures on the hydration and recovery and on nutrients necessary for children in their growth phases.



Exercise to improve athletic competency (FY2020/3)



A lecture on the nutrients required in the growth phase (FY2020/3)

Ottotto Calisthenics

Morinaga Training Lab, which is mainly in charge of providing training guidance and nutritional support to athletes, devised the Ottotto Calisthenics in collaboration with Yokohama Sport Association, in the aim of promoting, as much as possible, children’s healthy growth through exercise and diet.

The Calisthenics was devised in the expectation that various forms of body movements, such as jumping, rolling, and standing on one leg, will promote the development of athletic ability in early childhood, thereby reducing injuries caused by falls. In the Calisthenics, we incorporated the image of the sea friends, the characters appearing in our Ottotto snack, so that children can enjoy the exercise.



Ottotto Calisthenics educational videos



Voice

[Comment by the partner of the industry-academia joint research on the exploratory expedition program]

Great social contribution! —Development of children through nature exploration—

It has been 22 years since the launch of the joint research. It was launched in 1999, when I participated as staff member in the exploratory expedition to uninhabited islands under the Morinaga Little Angels Education Project, which was carried out to commemorate the 100th anniversary of Morinaga’s founding. Since then, the project has been continued until today on an annual basis, as a gift for children.

Since I assumed my current position (in Tokyo Gakugei University) in 2008, I have also been engaged in the verification of the project’s educational effect in the form of industry-academia joint research, which pays particular attention to children’s “ability to survive.” The research showed, with scientific evidence, that the camping experience allows children to grow significantly, by playing and cooperating with friends in the wilderness and overcoming various challenges.

No other company implements any initiative like this. I know that camping is a risky project for a company. However, I hope that Morinaga will continue the project in the future and make use of its expertise to play a pioneering role and act as a model case of a social contribution project aimed at developing the youth through nature exploration.



Shin-ichi Komori
Associate Professor,
Advisor to the President
Tokyo Gakugei University

Environmental Initiatives

Environmental Management

Basic Concept

Through our business activities, the Morinaga Group promotes the creation of a sustainable circular economy.

We are also continually improving our environmental management system, implementing environmentally conscious initiatives in various aspects of our business activities.

Morinaga Group Environmental Policy

Through our business activities, the Morinaga Group promotes the creation of a sustainable circular economy.

We are also continually improving our environmental management system, implementing environmentally conscious initiatives in various aspects of our business activities.

1. Compliance with environment-related laws, ordinances, and regulations, etc.

We will comply with domestic and international environment-related laws, ordinances, and regulations, adhering to international standards and norms.

2. Reduction of environmental load in all product-related processes

From the product planning and development through to production, sales, and disposal, we will consider and strive to reduce environmental load in all product-related processes.

3. Reduction of CO₂ and other greenhouse gas emissions

We will implement carbon management through measures such as the promotion of energy-saving and visualization of energy consumption amounts, endeavoring to reduce CO₂ and other greenhouse gas emissions and prevent global warming.

4. Promotion of resource saving, waste reduction, and recycling

We will strive to use water resources, raw materials effectively, endeavoring to both reduce waste generation amounts and promote recycling.

5. Promotion of management and reduction of environmental pollutants

We will appropriately manage harmful chemicals and other environmental pollutants, striving to prevent and reduce pollution.

6. Biodiversity preservation and ecosystem protection

We will endeavor to deepen our understanding of biodiversity, maintain and preserve biodiversity, and protect ecosystems.

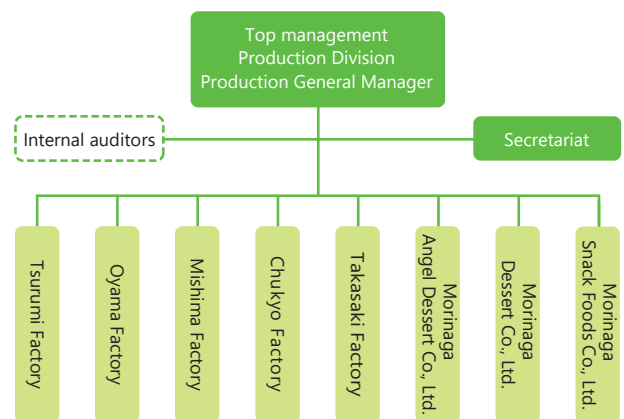
(Revised in May 2018)

We have built an environmental management system centered on the ISO 14001 (international standard for environmental management system). In January 2018, the Morinaga Group Production Division obtained multiple site certification.

In FY2020/3, we received five inquiries and complaints from neighbors regarding odors, noise, etc. from our factories. We responded promptly to these issues and took remedial measures.

- In July 1998, our Oyama Factory acquired the ISO 14001 certification for the first time in the Japanese confectionery industry.
- Later, all factories and affiliated production companies acquired the accreditation in sequence.

Multi-site Organization Chart



(As of April 2019)

Environmental Management System

The Morinaga Group plans, sets goals, and reviews important environmental policies at its CSR Committee, which is chaired by the President. The Environment Integration Office was established with members from the Production Supervising Division and the Corporate Communication Division to exchange information with the Factory Environment Management Committee and other organs, as well as to promote continuous improvements to our management system and to reduce the environmental load and increase productivity.

Environmental goals and progress

Having set long-term goals for reducing CO₂ and waste emissions, the Morinaga Group is working to contribute to the realization of a low-carbon society and the formation of a circular economy.

Environmental goals

CO₂ Emissions

Reduce CO₂ emissions from our factories by **15%** compared to the FY2006/3 level by the end of FY2021/3.

Waste Emissions

Reduce waste emissions from our factories by **25%** compared to the FY2006/3 level by the end of FY2021/3.

Even after the achievement of our CO₂ emission reduction goal in FY2015/3, we are continuously working on the emission reduction activities.

Our waste emission levels remained below set goals for the period from FY2010/3 through FY2012/3; however, since FY2013/3, the emissions have been on an upward trajectory, driving us to accelerate our efforts to achieve the goals again.

For the actual results in FY2020/3, see pp. 44-46.

In addition, the Morinaga Group is continuing discussions towards the formulation of environmental targets for FY2031/3.

Acquired multi-site ISO 14001 certification

Previously, each production sites acquired the ISO 14001: 2004 certification individually. Simultaneously with the transfer to a new standard ISO 14001: 2015, the Morinaga Group Production Division including the Headquarters Environment Integration Office has obtained the multiple site certification on January 23, 2018, using the multiple-site method integrating multiple sites as one organization. For your information, Morinaga Snack Foods Co., Ltd., which discontinued its production in August 2019 and then was merged into Morinaga & Co., Ltd., was removed from the registration scope when we made revisions to the registration on January 23, 2020.

List of ISO 14001-accredited Facilities (As of April 2019)

Name of Accredited Production Sites	Location	First Registration Date
Oyama Factory, Morinaga & Co., Ltd.	Tochigi Prefecture	July 7, 1998
Chukyo Factory, Morinaga & Co., Ltd.	Aichi Prefecture	March 15, 2000
Mishima Factory, Morinaga & Co., Ltd.	Shizuoka Prefecture	March 16, 2000
Tsurumi Factory, Morinaga & Co., Ltd.	Kanagawa Prefecture	July 26, 2000
Morinaga Snack Foods Co., Ltd.	Chiba Prefecture	February 20, 2001
Morinaga Angel Dessert Co., Ltd.,	Kanagawa Prefecture	March 20, 2001
Morinaga Dessert Co., Ltd.,	Saga Prefecture	March 20, 2001
Takasaki Morinaga & Co., Ltd.	Gunma Prefecture	December 21, 2018

Percentage of ISO 14001-accredited production sites

Morinaga & Co., Ltd. ... 4/4 factories **100%**

Affiliated production companies...4 companies
(As of April 2019)

Environmental Education and Awareness

In an effort to implement environmentally-conscious initiatives in all aspects of our corporate activities, we ensure to raise our employees' environmental awareness while promoting environmental education and enlightenment. Furthermore, we annually hold an Internal Environmental Auditor Training Seminar to train each production sites internal environmental auditors and upgrade their skills. In FY2020/3, 36 people attended the course, and the total number of participants under the ISO 14001: 2015 standard reached 143.



Internal environmental auditor training seminar

Internal Audit/External Inspection

In order not only to assess the conformity and effectiveness of our environmental management system but also to improve its efficiency, we undertake an internal audit by our employees and undergo an external inspection by an independent inspection body on an annual basis. In FY2020/3, we audited four business locations through joint internal audits by the Environment Integration Office and internal auditors from accredited factories. In addition to the regulatory compliance and the system's operating effectiveness, these audits focused on the improvements in environmental performance and the system efficiency. In an internal audit, those who have completed the Internal Environmental Auditor Training Seminar serve as auditors and verify whether the system: 1) conforms to the requirements of the ISO 14001: 2015 standard; and 2) is effectively implemented and maintained.

We also undergo an external inspection by an independent body to maintain a system that conforms to requirements of the ISO 14001: 2015 standard.



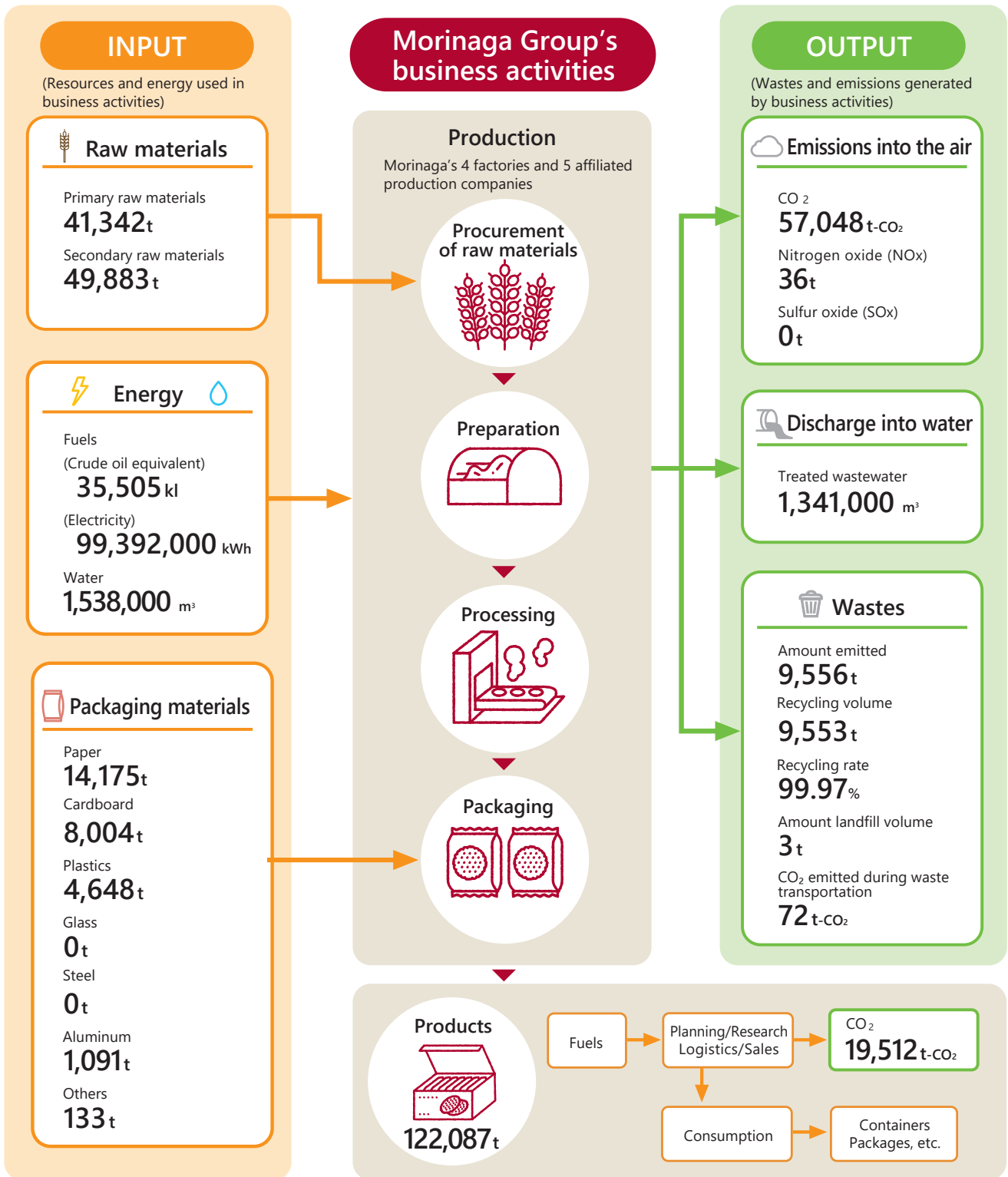
ISO 14001 external inspection

Environmental Load Generated by Business Activities

Basic Concept

In the course of business activities, a wide range of environmental loads are caused mainly in the product manufacturing process, including such occasions as consuming energy, raw materials and emitting wastes.

We will continue to carry out environmentally-friendly manufacturing, taking each and every environmental load into consideration.



► Environmental accounting is disclosed on the corporate website of Morinaga & Co., Ltd.

Realization of a Low-carbon Society

Basic Concept

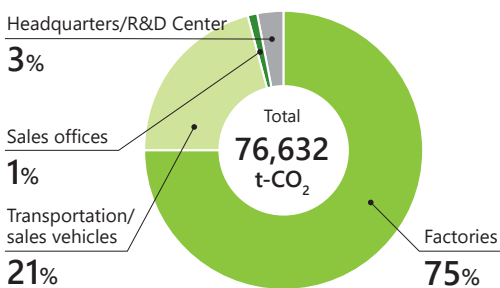
By implementing carbon management measures such as promoting energy-saving and visualizing energy use, as well as reducing emissions of CO₂, the main greenhouse gas, Morinaga aims to realize a low-carbon society and is making efforts towards preventing global warming.

Goal Reduce CO₂ emissions from our factories by **15%** compared to the FY2006/3 level by the end of FY2021/3.

Initiatives to Reduce CO₂ Emissions

We are working on the reduction of CO₂ emissions by measuring overall amount of emissions and promoting the visualization thereof. We set environmental goals and promote initiatives focusing on activities at factories, as CO₂ emissions are largely (75% of overall CO₂ emissions) generated by Morinaga's four factories and five affiliated production companies.

Ratio of CO₂ Emissions



Results in FY2020/3 (Domestic production facilities)

In FY2020/3, the amount of CO₂ emitted from Morinaga's four factories and five affiliated production companies was 57,048 t-CO₂, and the energy consumption rate per production unit was 0.467 t-CO₂. This shows that we reduced our CO₂ emissions by 19.5% compared to the FY2006/3 level. Compared to the FY2019/3 level, the emission amount was cut by 1.9%, and the energy consumption rate per production unit was reduced by 1.7%. Our CO₂ reduction efforts focus on the promotion of energy saving through the installation of energy saving-type equipment, etc. The amount of CO₂ emitted from over overseas production facilities in 2019 was 9,137 t-CO₂.

CO₂ Emissions (Total amount)

Goal	Results		
	FY2018/3	FY2019/3	FY2020/3
-15% (vs. FY2006/3)	-19.9% (vs. FY2006/3)	-17.9% (vs. FY2006/3)	-19.5% (vs. FY2006/3)

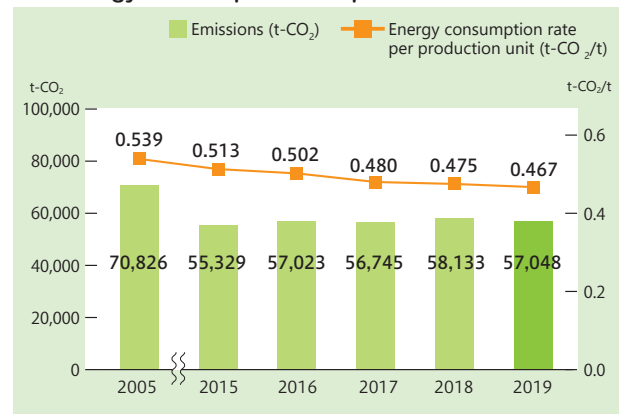
Energy consumption rate per production unit (FY2020/3)

-1.7% (year on year)

CO₂ emissions from overseas production bases (2019)

9,137t-CO₂

Changes in the Amount of CO₂ Emissions from Factories and Energy Consumption Rate per Production Unit



Initiatives on CFC-using facilities

We are currently examining the possibility of replacing CFC-using facilities with those using HCFCs and HFCs, with a low ozone depletion potential, or natural refrigerants. We intend to replace, in a planned manner, equipment and devices that use CFC R-22 with those using a low-global-warming-potential refrigerant. We have also implemented stricter measures to prevent leakage of CFC gas from existing facilities.

Morinaga Angel Dessert and Morinaga Dessert, whose product lines include frozen desserts, are proceeding with the replacement of refrigerant-equipments in their large-sized refrigerators with natural refrigerants that has zero ozone-depletion potential and low climate-change coefficient.

Reducing environmental load during storage and transportation

In an effort to load as many products as possible on a pallet, a platform used for product storage and transportation, we have adjusted dimensions of cardboard cases and apply our efficient stacking pattern for loading cases onto the pallets. Furthermore, we save the use of energy in the storage and transportation processes by designing our products to minimize the wasted space.

Realization of a Low-carbon Society

● Initiatives for Energy Saving

Energy-saving initiatives through production system reorganization

With a view to increasing major brands' productivity and responding to the diversifying market needs, the Morinaga Group is working on the reorganization of production systems and achieving high efficiency thereof.

In FY2020/3, in order to improve productivity, we decided to merge Morinaga Snack Foods Co., Ltd. and Morinaga Kofu Foods Co., Ltd. We also closed two production bases, transferred part of their production lines to, and rebuilt the lines in, the Tsurumi Factory and the Oyama Factory. We also constructed a third factory in the premises of Takasaki Morinaga Co., Ltd., intending to launch by the end of FY2021/3.

In the new factory and relocated production lines, we made capital investments taking into consideration energy saving. For example, we installed highly efficient energy-saving equipment and adopted a building design that features ceilings set lower than those of former buildings for the reduction of air conditioning loads.



Takasaki Morinaga's Third Factory

Facilitating energy conservation promotion activities

The Morinaga Group has continuously been engaged in the activities to promote energy conservation. In order to make as much contributions as possible to the prevention of global warming, an international environmental issue, we are focusing on the facilitation of energy conservation promotion activities at our production sites, as most of our energy consumption is attributable to these facilities.

We have so far implemented such measures as: conducting energy-saving patrols to prevent overlooking of compressed-air or steam leakage from pipes and failures to switch off the lights; replacement of aged equipment with highly efficient one; switching to LED lighting; and ensuring the optimal electricity consumption by installing inverters on pumps and fans with a power of 7.5 kW or above to respond to changes in equipment loads.

In FY2020/3, we accelerated our efforts in factories to switch to LED lighting. This resulted in a significant increase in the ratio of LED lights.

We intend to facilitate our energy consumption promotion activities further, by seeking advice from energy conservation consultants, energy management companies, and equipment manufacturers, and planning and implementing energy conservation measures based on their advice.

● Examples of Energy-saving Initiatives

Consolidation and rationalization of air compressors

At our Oyama Factory, a three-year equipment work is underway to consolidate and rationalize air compressors. As part of the work, the Factory visualized its use of compressed air, reviewed its operation control and supply routes, updated former air compressors to highly efficient ones, centralized the control of air compressors, and achieved an appropriate operation control thereof. As a result, the Factory's energy consumption rate has been improved significantly.



Oyama Factory: Consolidation and rationalization of air compressors

Thermal barrier coating on product warehouse roofs

Our Tsurumi Factory reduced its air conditioners' loads and energy consumption by applying thermal barrier coating to the roof of its product warehouses and thereby suppressing a rise in the temperature inside the warehouses caused by the direct sunlight.



Tsurumi Factory: Thermal barrier-coated product warehouse roof

● Major Initiatives in Logistics Process

As a measure to ensure efficient distribution and environmental friendliness, Morinaga has created a joint distribution system in collaboration with the corporations in the same industry.

Increasing the loading rate through the joint distribution reduces the number of transportation and delivery vehicles, leading to a decrease in air pollutant emissions.

As a Specified Consignor * under the revised Act on the Rationalization etc. of Energy Use ("Energy Saving Act"), we calculate and identify the amount of CO₂ emitted during transportation, which was 15,809 t-CO₂ in FY2020/3.

*A Specified Consignor under the revised Energy Saving Act refers to a consignor whose annual volume of freight transportation orders reaches 30 million ton kilometers per year or above.

Creating a Circular Economy

Basic Concept

With the aim of creating a circular economy, Morinaga is promoting the reduction of waste emissions and recycling activities by setting specific goals.

Goal

Reduce waste emissions from our factories by **25%** compared to the FY2006/3 level by the end of FY2021/3.

Initiatives to Reduce Waste Emissions

We are committed to reducing waste emissions by continuously undertaking productivity improvement activities and improving our mainstream work processes through, for example, the reduction of process losses.

Results in FY2020/3 (Factories)

Waste emissions from Morinaga's four factories and five affiliated production companies were 9,556 tons, a reduction of 19.8% from the FY2006/3 level and 1.6% from the FY2019/3 level. The energy consumption rate per production unit decreased by 0.078 t/t or 1.5% year on year. Along with the results of our continuous productivity improvement activities, improvements in our mainstream work processes, such as the reduction of process losses, have produced an additional effect of reducing the generation of animal and plant residues. In 2019, the amount of wastes emitted from our overseas production bases was 616 tons. We will continue to strengthen our activities to reduce waste emissions.

Waste Emissions from Factories (Total amount)

Goal	Results		
End of FY2021/3	FY2018/3	FY2019/3	FY2020/3
-25% (vs. FY2006/3)	-17.4% (vs. FY2006/3)	-17.9% (vs. FY2006/3)	-19.8% (vs. FY2006/3)

Energy consumption rate per production unit (FY2020/3)

-1.5% (year on year)

Waste emissions from overseas production bases (2019)

616 t

Promotion of Waste Recycling

Initiatives to improve recycling rates

All Morinaga Group factories are working on the improvement of recycling rates. In the aggregate, Morinaga's four factories and five affiliated production companies recycled 99.97% of their emissions in FY2020/3. Going forward, we will continue to ensure an effective use of resources through proper waste classification and promote efforts to convert them into value-added materials.

Waste recycling rate

Results in FY2020/3

99.97%

Initiatives to recycle food wastes

Morinaga's food recycling rate for FY2020/3 was 75.4%, which was approximately 3.4 percentage points lower than the previous year. Our factories are endeavoring to reduce the generation of waste and to recycle the food wastes they generated by transforming them mainly to animal feed, fertilizer, and raw materials for methane fermentation. Due to their characteristics, our product wastes are not always suitable for recycling. However, in the future, we will continue to promote recycling by selecting food waste recyclers in a manner aligned with our products' characteristics.

Food waste recycling rate

Results in FY2020/3

75.4%

Waste Classification and Management

Morinaga's four factories and five affiliated production companies are working on the waste classification and management to ensure an effective use of resources.

Results in FY2020/3

(Morinaga's four factories and five production affiliates)

	FY2019/3	FY2020/3		
	Emissions (t)	Emissions (t)	Composition (%)	YoY variance (t)
Sludge	1,717	1,619	16.94	-98
Waste oil	10	6	0.06	-4
Waste plastics	546	642	6.72	96
Paper scraps	2,020	2,073	21.69	53
Wood chips, fiber scraps, rubber scraps	15	11	0.12	-4
Animal and plant residues	4,925	4,739	49.59	-186
Metal scraps	422	390	4.08	-32
Glass/ceramic scraps	1	1	0.01	0
Others	60	75	0.79	15
Total	9,716	9,556	100.00	-160
Recycling volume	9,712	9,553	Recycling rate: 99.97%	

Effective Use of Water Resources

The Morinaga Group is committed to the effective use of water resources. We are working on the reduction of water consumption by recycling equipment cooling water and decreasing losses of raw materials, including preparation water.

For more details, see ESG Data on p. 56.

Environmentally-friendly Packaging Materials

Basic Concept

Owing to the variety and wideness of its product range, the Morinaga Group uses packaging materials made of diversified materials. It also uses packing materials for the storage and transportation purposes.

We are promoting environmentally conscious initiatives for packaging materials that involve multifaceted issues such as plastic issues, deforestation, and climate change.

Initiatives for Environmentally-friendly Packaging Materials

In FY2020/3, Morinaga identified the amount of packaging materials used by the Company and established a plan for reducing the amount of major packaging materials such as paper (incl. paper boxes), plastics (incl. plastic films), and cardboard (incl. cardboard boxes and cases). In the future, we will further promote: the reduction of use of fossil resource-based plastics; the shift to FSC®-certified paper sourced from well-managed forests and other controlled sources; and the shift to packaging materials with lower emissions.

Promotion of shift to FSC®-certified paper for core products' packaging materials

We replaced packaging materials for some Morinaga Chocolate products (DARS and Carre de chocolat) and the Morinaga Biscuits series (including Marie Biscuits) with those made of FSC®-sourced paper. We intend to promote the shift to the FSC®-certified paper and expand the scope of its use to other products in sequence.



The mark of responsible forestry



Replacement of core products' conventional paper packages with those using FSC®-certified paper

Reduction of plastics used in/use of biomass ink for "in Jelly" brand's packages

In February 2020, we reduced the amount of plastics used in the "in Jelly" brand's packages by saving the weight of plastic cap and straw by approximately 9% (approximately 70 tons per year) compared to the conventional level. In addition, we partly replaced the printing ink used in the product with plant-derived, environmentally-friendly biomass ink. At the same time, we adopted easier-to-open caps to improve customer convenience.



Use of biomass plastics in the Milk Cocoa Stick Type product series

Since 2013, we have used plant-derived plastics in part of stick packs of the Milk Cocoa Stick Type product series. This enabled us to reduce greenhouse gas emissions by approximately 1.1 tons a year over the entire life cycle, compared to cases where petroleum-derived materials are used.



Initiatives to Resolve Environmental Pollutants

Basic Concept

In order to prevent the pollution of air and other resources as well as the destruction of natural environment and ecosystem, we control environmental pollutants and promote their reduction.

Management of Environmental Pollutants and Promotion of their Reduction

Initiatives to reduce air pollutant emissions

In order to promote the reduction of NOx and CO₂, we have replaced all boilers in our factories with those that use city gas as fuel. We also request our business partners to stop idling their vehicles in our factory premises. Furthermore, as a result of our efforts to reduce the environmental impact of commercial vehicles, the percentage of low-emission vehicles in Morinaga's commercial vehicles reached 99.4% as of the end of FY2020/3.

Initiatives to prevent water pollution

We have established voluntary standards that govern the management and operation of all wastewater treatment facilities in our factories. We also use a checklist to monitor their performance regularly. Moreover, we implement measures to strengthen both tangible and intangible

resources. Measures for the former include the reviewing of the Operation Management Procedures Manual on an as-needed basis and the provision of employee education and training; measures for the latter include equipment maintenance and investments in the renewal or improvement of facilities.

Management of chemical substances

Our factories promote safe and proper management of chemical substances and reduction of their emissions according to the ISO 14001 management system. In particular, we ensure strict management of chemical substances by establishing and abiding by the Chemical Substance Management Manual in accordance with the "Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof" (the PRTR Act).

Initiatives for Biodiversity

Basic Concept

For the realization of a sustainable society, we ensure the conservation of biodiversity and the protection of ecosystems.

Biodiversity Conservation Initiatives

Formulation of Morinaga Group Procurement Policy

In accordance with the Morinaga Group Procurement Policy, we are committed to the conservation of biodiversity and engaged in our procurement activities focusing on the raw materials that are considerate of the global environment.

Membership in RSPO

In October 2019, Morinaga & Co., Ltd. joined the Roundtable on Sustainable Palm Oil (RSPO) and took the first steps towards the use of RSPO-certified oils.

Use of FSC®-certified paper

We aim to promote the shift to FSC®-certified paper sourced from well-managed forests and other sources and expand the scope of its use in sequence.

Sustainable cacao beans

We have started using Cocoa Horizons-certified raw materials in certain products

For more details, see Supply Chain Management on pp. 27-28.

Nature Exploration in the Iga Angel Forest

The Morinaga Group believes that children's exploration in the nature will lead to the conservation of biodiversity by the next generation. Based on this belief, since 2007, we have been engaged in activities designed to help children understand the importance of the environmental conservation. These activities are undertaken in collaboration with an NPO specialized in environmental education in the company-owned Iga Angel Forest in Mie Prefecture.



Forest Kindergarten program (FY2020/3)

Governance

Corporate Governance

Corporate Governance Basic Policy

The Morinaga Group will enhance its corporate governance with the aim of maximizing corporate value and achieving enduring corporate growth based on the basic policies of improving the health and efficiency of management, ensuring the reliability of its financial position, providing timely and appropriate disclosure of information, complying with laws and regulations, and strengthening the trust and relationships with all stakeholders.

(1) Positioning of Stakeholders

To enable us to fulfill our social responsibility in all areas of our business activities, we are committed to maintaining and further developing strong relationships with all stakeholders, who sustain our company, and achieving coexistence with society and sustainable growth in accordance with corporate principles and the code of conduct.

(2) Management Monitoring Functions

We are committed to building an effective internal control system by strengthening the management monitoring functions of the Board of Directors, appointing outside Directors and Statutory Auditors, requiring attendance by Standing Statutory Auditors at important meetings, and placing the Audit Division under the direct control of the President.

(3) Consistency in Thinking within the Entire Group

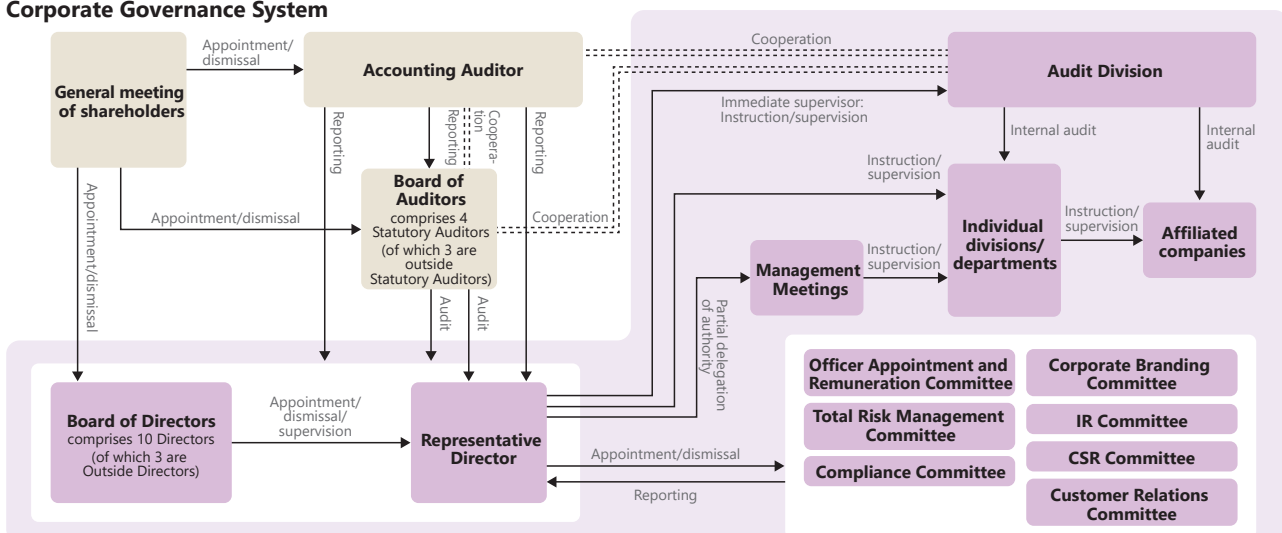
While respecting the independence of our subsidiaries, we endeavor to maintain close ties amongst the Group's member companies.

Corporate Governance System

Management of Corporate Affairs

Morinaga's "Rules on Decision-Making Criteria" states clear definitions of authority and responsibility for respective decision-making units, including the Board of Directors, Management Meetings, Directors, Executive

Corporate Governance System



(As of June 26, 2020)

Officers, and General Managers of individual divisions and departments.

<Board of Directors>

The Board of Directors deliberately makes decisions on statutory matters and the execution of important business based on the business judgment principle and supervises the execution of business. The Board consists of ten Directors, out of which three are Outside Directors, seven are male, and three are female Directors.

Diversity of Directors (As of June 26, 2020)

Ratio of female Directors	30% (3 out of 10)	Ratio of Outside Directors	30% (3 out of 10)
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<Management Meetings>

Management Meetings, which is mainly comprised of Directors and Standing Statutory Auditors, deliberates and makes decisions on important management themes and other matters for which authority is delegated by the Board of Directors. To ensure the effectiveness and efficiency of deliberations at the Board of Directors and Management Meetings, sufficient prior discussions are made at various committees that serve as advisory bodies for the Boards. These committees include the IR Committee, which is concerned with information disclosure, and the Officer Appointment and Remuneration Committee, a forum to discuss matters concerning Directors' personnel and remuneration matters.

<Executive Officer System>

With the aim of increasing the agility to respond to the changing business environment and accelerating the decision-making process, Morinaga has adopted an executive officer system. With this move, the Company delegated authority and responsibility for executing regular business relating to the implementation of strategies to Executive Officers, ensuring efficient management and a clarification of responsibilities for business execution.

List of Directors (As of June 26, 2020)

Name	Attribute	Title	FY2020/3 Board Meeting Attendance
Eijiro Ota		Representative Director and President	100% (16/16 times)
Machiko Miyai		Director Managing Executive Officer	100% (16/16 times)
Takashi Hirakue		Director Senior Executive Officer	100% (16/16 times)
Shinichi Uchiyama		Director Senior Executive Officer	100% (16/16 times)
Toshiyuki Sakai		Director Senior Executive Officer	100% (16/16 times)
Shinya Mori		Director Senior Executive Officer	100% (11/11 times)
Daisuke Fujii		Director Senior Executive Officer	100% (11/11 times)
Shiho Takano	Outside Independent	Director	100% (16/16 times)
Naomi Eto	Outside Independent	Director	Newly appointed
Shuichi Hoshi	Outside Independent	Director	Newly appointed

CSR Issues Discussed at the Board of Directors

In FY2020/3, the Board of Directors discussed the following matters related to CSR:

- **Donation to typhoon relief**
The Board decided to donate 10 million yen to the areas hit by Typhoon Faxai and Typhoon Hagibis in 2019 via the Japanese Red Cross Society.
- **Risk management**
Implementation of risk management and challenges in FY2019/3; activity plan for the current year
- **Compliance**
Compliance efforts and challenges in FY2019/3; activity plan for the current year
- **Customers' voice and feedback**
The Board discussed response to customers' opinions and requests and associated issues
- **Assessment of the Board's effectiveness**
The Board discussed whether it was functioning effectively based on third-party assessments and agreed on the issues towards improvement.
- **Internal Control**
The Board confirmed the effectiveness of internal control and approved the internal control report.

Auditing System

We have four Statutory Auditors, including three Outside Statutory Auditors. One of these three Outside Statutory Auditors is a Standing Statutory Auditor, and all of the

four Statutory Auditors are male. In accordance with the Guidelines for Auditors, Statutory Auditors audit the Directors' performance of their duties based on the Rules on Statutory Auditors' Audit. Standing Statutory Auditors hold regular meetings with the Representative Director and attend management meetings of the Board of Directors and other important gatherings to audit the Directors' performance of their duties. Audit Division, which is responsible for carrying out internal audit, directly reports to the President. Composed of five members, the Division audits all divisions (including subsidiaries) in a planned manner, and exchanges opinions with the divisions jointly with Standing Statutory Auditors. To ensure close cooperation, opinion exchange sessions are held regularly and as needed basis between all Statutory Auditors and the Accounting Auditor, as well as between Standing Statutory Auditors and the General Manager of the Audit Division. The General Manager of the Audit Division and the Standing Statutory Auditors attend the meetings of the Internal Control Steering Committee, which is composed of members selected from major divisions and departments, and exchange opinions with the Committee members on a regular basis. Morinaga appointed Deloitte Touche Tohmatsu LLC as its accounting auditor.

List of Statutory Auditors (As of June 26, 2020)

Name	Attribute	FY2020/3 Board of Auditors Attendance	FY2020/3 Board Meeting Attendance
Tadashi Nishimiya	Standing	100% (21/21 times)	100% (16/16 times)
Akiyuki Igarashi	Outside Standing	100% (15/15 times)	100% (11/11 times)
Koichi Sakaguchi	Outside	100% (21/21 times)	100% (16/16 times)
Hiroshi Iwamoto	Outside	100% (15/15 times)	100% (11/11 times)

Basic Policy and Structure of Executive Remuneration System

(1) Basic Policy

Our Executive Remuneration Basic Policy stipulates that the Company shall establish and operate a system that prioritizes the strengthening of executives' motivation for contributing to the enhancement of corporate value over the medium- to long-term and the achievement of sustainable growth, while discouraging excessive risk-taking. We are determined to continue pursuing a better remuneration system, ensuring the objectivity and transparency of the remuneration determination process and taking into account regulatory revisions and social trends in the future.

(2) Structure and Content of Remunerations

Under our executive remuneration system, a standard amount of total remuneration has been set for each title. To ensure competitiveness in the market, the standard amount is determined referring to the levels of executive remuneration paid by leading companies that are similar in size to Morinaga.

The standard amount of total remuneration for Executive Directors consists of fixed remuneration and performance-based remuneration.

Further, excluding non-residents in Japan, 10% of the total remuneration is paid in stock for the purpose of clarifying the linkage with the Company's stock value and motivating them to make contributions to an improvement of medium- to long-term performance and corporate value. Considering their need to keep independence from management, Outside Directors and Outside Statutory Auditors only receive fixed remuneration, and excluded from the payment of performance-based remuneration.

The following shows the basic ratio of fixed and performance-based remunerations by title:

Title	Fixed remuneration (%)	Performance-based remuneration (%)
Directors (excluding Outside Directors)	70	30
Outside Directors	100	0
Statutory Auditors	100	0

Assessment of the Board's effectiveness

(1) Method of Analysis and Assessment

To analyze and assess the effectiveness of the Board of Directors as a whole, the Company conducted, during the period from February through March 2020, a survey and interviews of all (including Outside) Directors and Statutory Auditors regarding: 1) the composition, operation, and agendas of the Board; 2) appointment of, and remuneration for, management team members; 3) risk management; 4) dialogues with shareholders; 5) systems supporting the Board; and 6) matters pointed out in the past Board meetings. Based on the results, an opinion exchange session was held at a Board meeting and a self-assessment was undertaken by each member.

Moreover, in order to obtain objective opinions from experts, we engaged an independent law firm to analyze and assess the results of the survey. By referring to the law firm's analysis and assessment, discussions were held at a Board meeting in May 2020, and the effectiveness of the Board of Directors was finally determined.

(2) Results of Assessment

As a result of the assessment, Morinaga's Board of Directors for FY2020/3 was determined to be "functioning effectively" in light of the Companies Act and the Corporate Governance Code, as no significant malfunctions or lack of systems were identified. Based on the above, it was acknowledged that the Board of Directors was demonstrating its effectiveness in accordance with the Morinaga Group's basic concept of corporate governance.

(3) Efforts for Improvement

There were some issues identified in the FY2019/3

assessment of the Board's effectiveness. They included: 1) enhancement of the content of reports to the Board of Directors; 2) review and adjustment of the report's scope; and 3) promotion of cross-functional discussions. While we believe that, with regard to these issues, a significant progress has been made based on the FY2020/3 effectiveness assessment, we are committed to making further improvements in the future by sharing newly arising issues and practical solution proposals at the meetings of the Board of Directors.

(4) Action to be Taken in the Future

On the other hand, we shared the recognition that the following issues must be resolved in the future to strengthen the functions of the Company's Board and further improve its effectiveness and governance:

- (i) The composition of the Board must be more balanced by, for example, increasing the ratio of Outside Directors;
- (ii) Matters to be resolved or reported should be selected appropriately after providing the Board with sufficient information (including an enhancement of the report's content and review/adjustment of the scope);
- (iii) The processes to nominate Directors and determine their remuneration should be clarified further;
- (iv) Sufficient discussions need to be held on the risk management;
- (v) Discussions with a stakeholder's perspective should be accelerated;
- (vi) Cross-functional discussions should be accelerated further.

Based on the assessment of the Board's effectiveness, we are determined to further improve the Board's effectiveness and strengthen our corporate governance by making necessary improvements for the solution of issues listed above.

Changes in Our Response to the Corporate Governance Code

November 2015	Submitted a Corporate Governance Report that was aligned with the Corporate Governance Code
June 2016	Appointed multiple Independent Outside Directors [Supplementary Principle 4-8-2]
June 2017	Introduced an electronic voting system and provided English translations of the notice of convocation of general meeting of shareholders [Supplementary Principle 1-2-4]
June 2018	Introduced a stock remuneration system for 10% of total remuneration for non-Outside Directors [Supplementary Principle 4-2-1]
July 2019	Published an English translation of Corporate Governance Report on our website

Internal Controls

The Morinaga Group is committed to maximizing corporate value and achieving an enduring corporate growth

by strengthening our internal control system, increasing the management efficiency, operating its business properly, and ensuring effective supervisory and audit practices. To ensure appropriate execution of duties, the Board of Directors endeavors to establish an effective internal control system as well as a system of compliance to legal requirements and internal rules including the

Articles of Incorporation, while Statutory Auditors are responsible for auditing the effectiveness and functionality of such systems. In addition, Morinaga and its subsidiaries home and abroad have introduced a helpline to collect a wide range of information about compliance issues take appropriate measures against them.

Compliance

Promotion of Compliance

Based on its awareness that compliance is a priority issue for all business activities, the Morinaga Group formulated the “Morinaga Code of Conduct/Standards of Conduct” in FY2002/3. In FY2009/3, it was revised to the “Morinaga Group Code of Conduct/Standards of Conduct” to ensure that the Group can share a common compliance management system.

Furthermore, we set up the Compliance Committee to establish and promote the compliance management. As a way to report compliance violations and seek consultation about compliance issues, we have established a helpline system. Under the system, we set up three points of contact for consultation—within the Company, labor union, and an external lawyer’s office—to prevent compliance violations from occurring.

Increasing Compliance Awareness

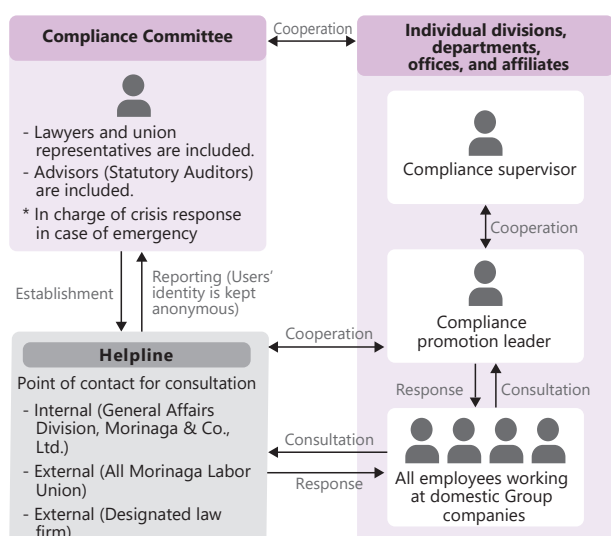
With the aim of embedding a compliance culture into the organization, we display the Morinaga Group Code of Conduct/Standards of Behavior on panels in each office, and distribute booklets and cards to all employees.

In order to increase compliance awareness, we provide compliance training not only as part of training sessions by job class, including those for new recruits and newly appointed managers, but at such locations as the headquarters and individual offices.

In addition, we conduct an annual compliance questionnaire that covers all employees working at a domestic member company of the Group, and use it to identify the Group’s level of compliance and take appropriate measures in the future.

For more details, see Respect for Human Rights on p.54.

Morinaga Group Compliance Management System



Compliance Training Sessions

In FY2020/3, the secretariat of the Compliance Committee held the following compliance training sessions:

New employee training	Morinaga Group's new employees	82 employees
Second-year training	Morinaga Group's second-year employees	32 employees
Third-year training	Morinaga Group's third-year employees	28 employees
Fifth-year training	Morinaga Group's fifth-year employees	24 employees
Newly-appointed S-grade employee training	Morinaga's employees appointed to the S grade (chief class)	34 employees
New manager training	Morinaga's employees appointed to a managerial position	31 employees
Training provided by office	Conducted based on the results of the compliance questionnaire Employees of Morinaga and affiliated companies	510 employees in total

In addition to the above, respective branches, factories and other business offices, and affiliated companies provide their own compliance training.

Risk Management

Philosophy of Total Risk Management

The Morinaga Group identifies total risk that potentially exists in its business activities and takes appropriate measures against the risk based on the philosophy of total risk management.

(1) To Fulfill Corporate Social Responsibility

- (i) Ensuring of the safety of employees and visitors
- (ii) Safeguarding of assets
- (iii) Early business recovery and ensuring of business continuity

(2) To Gain Corporate Social Responsibility

- (i) Timely and appropriate information disclosure
- (ii) Contribution to local communities
- (iii) Humanitarian considerations

Major Risks and Responses

In an effort to respond to potential risks existing in its business activities, the Morinaga Group established the "Total Risk Management Rules" in FY2002/3 as part of its internal control system. Based on the Rules, we classify and assess possible risks and implement preventive measures in normal times. See the table below for major possible risks and countermeasures.

The Total Risk Management Rules includes various manuals such as the Natural Disaster Crisis Preparedness Manual, which sets out measures to ensure an early resumption of business in case of crisis. In FY2018/3, in an attempt to take our business continuity plan (BCP) a step further, we began to work on the development of business continuity management (BCM), a framework

of continuous improvements that allow the Company to continue operations even when being affected by a disaster or accident, or resume operations as early as possible after an interruption.

In the event of a crisis, we will assess and judge the situation promptly, take necessary actions such as the establishment of a task force and information disclosure, while conducting a cause analysis and implementing recurrence prevention measures.

Further, to demonstrate our strong stance against anti-social forces, we appointed a person in charge of preventing unreasonable demands. We also work to collect information from related administrative agencies, and, in case of an emergency, we will take organization-wide actions swiftly, working closely with these agencies.

Morinaga Group's Total Risk Management System



Major Risks Anticipated by the Morinaga Group and Responses Thereto

Risk Items	Assumptions	Anticipated Risks	Response by the Morinaga Group
1 Risks related to food safety	The Group recognizes that ensuring food safety is the highest priority issue for a food company.	There is a risk that, if a large-scale recall or product liability compensation occurs due to an unexpected quality accident, our performance and financial position are negatively affected as a result of incurrence of significant costs and the Group's reputation being damaged severely.	<ul style="list-style-type: none"> • Establishment of the Quality Policy and the Quality Assurance Rules to build a systematic quality assurance framework • Introduction of FSSC 22000 and strengthening of the Quality Assessment System • Crisis Response Manuals should be referred to in case of a quality accident.
2 Risks in the production system	Basically, the Company adopts the one product/one factory production system.	There is a risk that the Group's business performance and financial position are negatively affected in the event of a large-scale disaster or accident that may have a significant impact not only on the Group's production and sales activities but on consumers' purchasing behavior.	<ul style="list-style-type: none"> • Identification of possible measures for core products as part of the business continuity management (BCM).
3 Raw material procurement risk	<ul style="list-style-type: none"> - Our primary raw materials are agricultural products such as wheat flour, cacao beans, and vegetable oils/fats. - We use petroleum products as packaging materials. 	There is a risk that the Group's performance and financial position are negatively affected in the event of price hike or difficulties in acquiring a sufficient volume of raw materials due to such reasons as poor crops resulting from unseasonable weather or political instability in the country of origin.	<ul style="list-style-type: none"> • Strengthening of information collection, diversification of procurement sources, maintenance of appropriate inventory levels, forward exchange contracts, etc.
4 Weather, natural disasters, infectious diseases, etc. (environmental and social risks in the supply chain)	<ul style="list-style-type: none"> - Products purchasing behavior of which are susceptible to weather conditions. - Unforeseen, large-scale natural disasters and infectious disease pandemics 	There is a risk that the Group's performance and financial position are negatively affected by a stagnation of supply chain (mainly production and logistics).	<ul style="list-style-type: none"> • Flexible production management based on the collection and analysis of weather information • Prompt establishment of a task force as well as a production and supply system in case of a natural disaster, infectious disease, etc.
5 Leakage of corporate and/or personal information	Information systems cover all of the business operations and handle classified data.	In the event of an unexpected information leakage due to, for example, an unauthorized access using an unforeseen technology, there is a risk that our performance and financial position are negatively affected as a result of incurrence of significant costs and the Group's reputation being damaged severely.	<ul style="list-style-type: none"> • Enhancement of the Group's preparedness through the establishment of Personal Information Handling Policy • In the unlikely event of information leakage, restore our reputation by immediately announcing the incident and taking specific measures.
6 Business expansion into overseas markets	As a global strategy, we expand our business into overseas markets through our subsidiaries in the United States, China, Southeast Asia, etc.	There is a risk that the Group's performance and financial position are negatively affected in case of unpredictable events such as a war, terrorism, political and social changes, changes in local regulatory and taxation frameworks, business practices, and sudden exchange rate fluctuations.	<ul style="list-style-type: none"> • Strengthening of business and risk management systems through information collection in host countries
7 Corporate Social Responsibility	Compliance with laws and social norms	A regulatory violation or anti-social behavior will entail a risk of legal punishment, social sanctions, loss of trust, and damage to the reputation and brand.	<ul style="list-style-type: none"> • Strengthening of compliance with laws, rules, and regulations by establishing the Morinaga Group Code of Conduct • Management of compliance risks by the Compliance Committee

Respect for Human Rights

Human Rights Policy

The Morinaga Group considers that respect for human rights is an important corporate social responsibility. Based on the Morinaga Group Human Rights Policy, each and every employee shall respect human rights, proceed with the creation of a workplace free from discriminations and harassments, and take human rights into consideration on a supply chain-wide basis.

Morinaga Group Human Rights Policy

As a member of the international community, the Morinaga Group respects fundamental human rights, undertaking sincere business activities that do not tolerate human rights violations.

1. Respect for human rights and prohibition of discrimination

We respect fundamental human rights, and will not discriminate in any way based on a person's race, gender, nationality, religion, ideology, age, or physical characteristics, or for any other reason.

2. Prohibition of harassment

We will not participate in power harassment, sexual harassment, or any other behavior whatsoever that injures human dignity.

3. Consideration for safety/hygiene

We will give consideration to safety and hygiene in the workplace, endeavoring to ensure a comfortable work environment, and respect employees' fundamental human rights.

4. Building and maintenance of good labor-management relations

We will respect the right to freedom of association and collective bargaining and other fundamental rights, building and maintaining good labor-management relations.

5. Elimination of child labor/forced labor

In our various business activities, we will not accept child labor, forced labor, or any other unfair labor practices.

(Established in May 2018)

session videos that can be accessed online by every employee of the Company.

Identifying harassments through compliance survey

The Morinaga Group conducts a compliance survey in every December, targeting all employees working at domestic Group companies (the number of respondents to the survey conducted in December 2019: 3,733), with the view to determine the level of compliance in the Group on a regular basis. In the survey, we attach a special attention to harassing behaviors and include questions asking whether the respondent was directly harassed or saw or heard of a harassing behavior in the last 12 months and in any past year, respectively. Answers to these questions are tabulated separately so that we can have a detailed view of the Company's level of compliance.

We also ask questions about the corporate culture that respects for workplace compliance as well as the respondent's view on the Company's degree of engagement in the compliance management, in an effort to identify our employees' level of compliance awareness. The summary of the survey results is fed back to all the survey respondents to share the understanding about the extent of the Group's compliance.

Examples of questions in the compliance survey

- Have you ever been a victim of a power or sexual harassment?
- In the workplace, do you consult or confirm with your supervisor or colleague when you have any compliance or work-related questions? Alternatively, does your workplace have an atmosphere (environment) that allows such consultation or confirmation?

Furthermore, as part of our proactive activities for an improvement of corporate culture, these results are used as a basis for holding interviews and opinion exchange sessions with respective business offices and making proposals on possible measures to solve compliance issues.

Consideration for Employees' Human Rights

Anti-harassment training

According to our pro-human rights policy, we set the elimination of harassments as a goal of our compliance activities. In our compliance training sessions, we continuously provide educational programs designed to prevent and raise awareness about power, sexual, and other harassments.

Such programs ranges from two types of anti-harassment trainings for executives (one are trainings provided by external lawyers targeting all executives of Morinaga, the other are those for Morinaga's all General Managers leading a division or department, heads of business offices, and executives of Group companies) to training



Online anti-harassment training

ESG Data

Environment

• Policy

Environmental policy

"Morinaga Group Environmental Policy" <https://www.morinaga.co.jp/company/english/csr/environment/management.html>

Scope of ESG Data (Environment) Reporting

Morinaga & Co., Ltd., Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd., Morinaga Snack Foods Co., Ltd., Morinaga Kofu Foods Co., Ltd., Aunt Stella Inc., Morinaga Market Development Co., Ltd., Morinaga Shoji Co., Ltd., Morinaga Takataki Country Co., Ltd., Morinaga Business Partner Co., Ltd., and Morinaga Institute of Biological Science, Inc.
Taiwan Morinaga Co. Ltd, Morinaga Food (Zhejiang) Co., Ltd., and Morinaga America Foods, Inc.

• Greenhouse gas emissions

CO ₂ emissions	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
CO ₂ emissions	t-CO ₂	36,256	37,588	37,131	Morinaga & Co., Ltd.
	t-CO ₂	56,745	58,133	57,048	
Basic unit (per manufacturing weight)	t-CO ₂ /t	0.48	0.48	0.47	Morinaga Group's production bases in Japan
CO ₂ emissions	t-CO ₂ /t	-	8,167	9,137	Morinaga Group's production bases overseas

Supply chain emissions (Scopes 1, 2, 3) •FY2020/3 results		Unit	Emissions	Scope for calculation	Remarks
Scope 1	Total	t-CO ₂ e	20,794	Domestic consolidated companies	
Scope 2 (Location standard)	Total	t-CO ₂ e	52,024	Domestic consolidated companies	
Scope 2 (Market standard)	Total	t-CO ₂ e	49,605	Domestic consolidated companies	
Scope 3					
Category 1	Purchased goods and services	t-CO ₂ e	248,003	Domestic consolidated companies	Amount of raw materials and contract manufacturing products purchased
Category 2	Capital goods	t-CO ₂ e	122,971	Domestic consolidated companies	
Category 3	Fuel- and energy-related activities	t-CO ₂ e	3,774	Domestic consolidated companies	
Category 4	Upstream transportation and distribution	t-CO ₂ e	15,809	Morinaga & Co., Ltd.	
Category 5	Waste generated in operations	t-CO ₂ e	4,176	Domestic consolidated companies	
Category 6	Business travel	t-CO ₂ e	618	Domestic consolidated companies	
Category 7	Employee commuting	t-CO ₂ e	1,607	Domestic consolidated companies	
Category 8	Upstream leased assets	t-CO ₂ e	557	Morinaga & Co., Ltd.	
Category 9	Downstream transportation and distribution	t-CO ₂ e	-	-	Not applicable
Category 10	Processing of sold products	t-CO ₂ e	-	-	Not applicable
Category 11	Use of sold products	t-CO ₂ e	-	-	Not applicable
Category 12	Disposal of sold products	t-CO ₂ e	6,603	Domestic consolidated companies	
Category 13	Downstream leased assets	t-CO ₂ e	-	-	Not applicable
Category 14	Franchises	t-CO ₂ e	-	-	Not applicable
Category 15	Investments	t-CO ₂ e	-	-	Not applicable
Category 16	Other (upstream)	t-CO ₂ e	-	-	Not evaluated
Category 17	Other (downstream)	t-CO ₂ e	-	-	Not evaluated

• Energy

		Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Energy consumption	Crude oil equivalent	kl	35,395	36,213	35,505	Morinaga Group's production bases in Japan
	Basic unit (per manufacturing weight)	kl/t	0.30	0.30	0.30	
	Electricity	10,000 kWh	9,937	10,107	9,939	
	City gas	1,000 m ³	9,079	9,434	9,221	
	LPG	t	13	11	11	
	Fuel oil	kl	0	0	0	
	Kerosene	kl	2	3	3	
Recyclable energy consumption	Crude oil equivalent	kl	0	0	0	
Total recyclable energy purchased or generated	Crude oil equivalent	kl	0	0	0	

● Resources and waste

		Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Amount of raw materials consumption	Primary raw material	t	46,665	42,460	41,342	Morinaga Group's production bases in Japan
	Secondary raw material	t	46,276	52,901	49,883	
Amount of materials consumption	Paper	t	16,397	14,350	14,175	
	Cardboard	t	8,722	9,041	8,004	
	Plastic	t	4,247	5,094	4,648	
	Glass	t	0	0	0	
	Steel	t	0	0	0	
	Aluminum	t	721	875	1,091	
	Others	t	46	153	133	
Waste emissions		t	9,843	9,716	9,556	
Recycling volume		t	9,840	9,712	9,553	
Recycling rate		%	99.97	99.96	99.97	
Final landfill volume		t	3	4	3	
NOx emissions		t	29	38	36	
SOx emissions		t	0	0	0	
Number of products using environmentally-friendly paper materials		Number of products	0	1	19	

	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Waste emissions	t	-	515	616	Morinaga Group's production bases overseas

● Water

	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Water resource consumption	1,000 m ³	1,530	1,504	1,538	Morinaga Group's production bases in Japan
Waste water volume	1,000 m ³	1,039	1,080	1,341	

	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Water resource consumption	1,000 m ³	-	159	148	Morinaga Group's production bases overseas

● Environmental management

	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Number of ISO 14001 certifications	certification	1	1	1	We acquired the certification using the multi-site approach which combines our own factories, affiliated production companies, and the headquarters' integration secretariat.

● Compliance (environment)

	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Number of times fined for environmental violations	Times	0	0	0	Morinaga Group's production bases in Japan
Environmental violation fine amount	yen	0	0	0	

Society

• Policy

Human Rights Policy	"Morinaga Group Human Rights Policy" https://www.morinaga.co.jp/company/english/about/governance.html
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• Customers

Customer policy	"Basic Policy for Customer Satisfaction" aligned with ISO 10002 https://www.morinaga.co.jp/contact/service.html
Responsible marketing policy	Included in "Morinaga Group Code of Conduct" and "Morinaga Group Standards of Behavior" https://www.morinaga.co.jp/company/english/about/vision.html

Customer feedbacks received by Customer Service Center	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Inquiries and opinions	contact	33,861	32,804	31,658	Morinaga & Co., Ltd.
Complaints	contact	5,579	5,413	4,593	
Total	contact	39,440	38,217	36,251	

• Employee

Basic human resources policy	Included in "Handbook of Human Resources System"
Occupational safety and health policy	Included in "Health and Safety Management Regulation"

	Unit	FY2018/3	FY2019/3	FY2020/3	Remarks	Scope	
Number of full-time employees	Female	person (%)	317 (20.3)	332 (20.9)	343 (21.0)	Includes seconded employees	Morinaga & Co., Ltd.
	Male	person (%)	1,244 (79.7)	1,254 (79.1)	1,290 (79.0)		
	Total	person (%)	1,561 (100)	1,586 (100)	1,633 (100)		
Number of temporary employees	Female	person (%)	195 (43.6)	194 (44.2)	208 (46.3)	The number of directly-hired associate employees as of the end of the fiscal year	
	Male	person (%)	252 (56.4)	245 (55.8)	241 (53.7)		
	Total	person (%)	447 (100)	439 (100)	449 (100)		
Average age	Female	years of age	39.7	39.7	40.0	Includes seconded employees	
	Male	years of age	42.9	43.3	43.6		
	Total	years of age	42.3	42.5	42.9		
Average service years	Female	year(s)	17.3	17.1	17.1	Includes seconded employees	
	Male	year(s)	19.2	19.5	19.4		
	Total	year(s)	18.8	19.0	18.9		
Number of regular employees working at domestic affiliated companies	Female	person (%)	210 (32.1)	224 (33.6)	234 (34.8)	Excludes employees seconded from Morinaga & Co., Ltd.	
	Male	person (%)	444 (67.9)	443 (66.4)	439 (65.2)		
	Total	person (%)	654 (100)	667 (100)	673 (100)		
Number of temporary employees working at domestic affiliated companies	Female	person (%)	828 (77.5)	835 (76.1)	769 (79.0)	Including reemployed employees (rehires plus temporary employees)	
	Male	person (%)	240 (22.5)	262 (23.9)	205 (21.0)		
	Total	person (%)	1,068 (100)	1,097 (100)	974 (100)		
Number of new recruits	Female	person (%)	17 (48.6)	19 (35.8)	35 (70.0)	Including new graduates and career-track employees	
	Male	person (%)	18 (51.4)	34 (64.2)	15 (30.0)		
	Total	person (%)	35 (100)	53 (100)	50 (100)		
Number of new recruits by domestic affiliates	Female	person (%)	21 (39.6)	19 (31.1)	37 (54.4)		
	Male	person (%)	32 (60.4)	42 (68.9)	31 (45.6)		
	Total	person (%)	53 (100)	61 (100)	68 (100)		
Turnover rate (of new graduates resigned after less than three years of service)	%	-	3.4	3.2			
Employment rate of people with disabilities	%	2.44	2.53	2.79	Ending of each fiscal year (as of March 31)		
Number of female managers	person	25	33	43	Beginning of each fiscal year (as of April 1)		
Ratio of female managers	%	5.2	6.7	7.7			
Ratio of female Directors	%	9.1	20.0	22.2			
Number of employees taking childcare leave	Female	person (%)	18 (69.2)	13 (65.0)	16 (48.5)	Based on the date when childcare leave commenced (including seconded employees and associated employees)	
	Male	person (%)	8 (30.8)	7 (35.0)	17 (51.5)		
	Total	person (%)	26 (100)	20 (100)	33 (100)		
Reinstatement rate	%	95.7	100	100			
Number of employees utilizing shorter work hour system for childcare	Female	person (%)	21 (100)	24 (100)	26 (100)		
	Male	person (%)	0 (0.0)	0 (0.0)	0 (0.0)		
	Total	person (%)	21 (100)	24 (100)	26 (100)		
Number of employees wishing to be reemployed after retirement	person	34	76	72			
Reemployment rate of post retirement employees	%	85.0	93.0	89.0			
Average overtime hours (per employee)	hours/month	16.2	16.8	15.1			
Days of annual paid leave acquired	day	11.8	12.3	12.6			
Annual paid leave acquisition rate	%	93.0	96.1	94.7			
Number of employees using nursing care leave	person	0	0	1			
Ratio of union members	%	100	100	100	Counted regular employees only		
Rate of stress check implementation	%	100	100	100			
Percentage of employees participating in health checkups	%	100	100	100			
Rate of frequency	-	3.07	2.02	1.05	Rate of frequency of employees taking leave from work due to work-related injuries per million actual work hours at domestic factories		
Number of fatal occupational accidents	person	0	0	0			

Governance

• Corporate governance

			Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Number of Directors	Internal	Female	person (%)	0 (0.0)	1 (12.5)	1 (14.3)	Morinaga & Co., Ltd.
		Male	person (%)	9 (100)	7 (87.5)	6 (85.7)	
		Total	person (%)	9 (100)	8 (100)	7 (100)	
	Independent Outside	Female	person (%)	1 (50.0)	1 (50.0)	1 (50.0)	
		Male	person (%)	1 (50.0)	1 (50.0)	1 (50.0)	
		Total	person (%)	2 (100)	2 (100)	2 (100)	
	Grand total	Female	person (%)	1 (9.1)	2 (20.0)	2 (22.2)	
		Male	person (%)	10 (90.9)	8 (80.0)	7 (77.8)	
		Total	person (%)	11 (100)	10 (100)	9 (100)	
Number of Statutory Auditors	Internal	Female	person (%)	0 (0.0)	0 (0.0)	0 (0.0)	
		Male	person (%)	2 (100)	2 (100)	1 (100)	
		Total	person (%)	2 (100)	2 (100)	1 (100)	
	Independent Outside	Female	person (%)	0 (0.0)	0 (0.0)	0 (0.0)	
		Male	person (%)	2 (100)	2 (100)	3 (100)	
		Total	person (%)	2 (100)	2 (100)	3 (100)	
	Grand total	Female	person (%)	0 (0.0)	0 (0.0)	0 (0.0)	
		Male	person (%)	4 (100)	4 (100)	4 (100)	
		Total	person (%)	4 (100)	4 (100)	4 (100)	
Number of times Board of Directors meetings held			Times	16	17	16	
Attendance rate for Board of Directors meetings			%	98	99	100	
Number of times Board of Auditors meetings held			Times	21	21	21	
Percentage of attendance at Board of Auditors meetings			%	100	99	100	
Remuneration for internal Directors*			million yen	293	237	169	
Remuneration for Auditors			million yen	51	51	48	
Remuneration for Outside Directors			million yen	22	20	20	

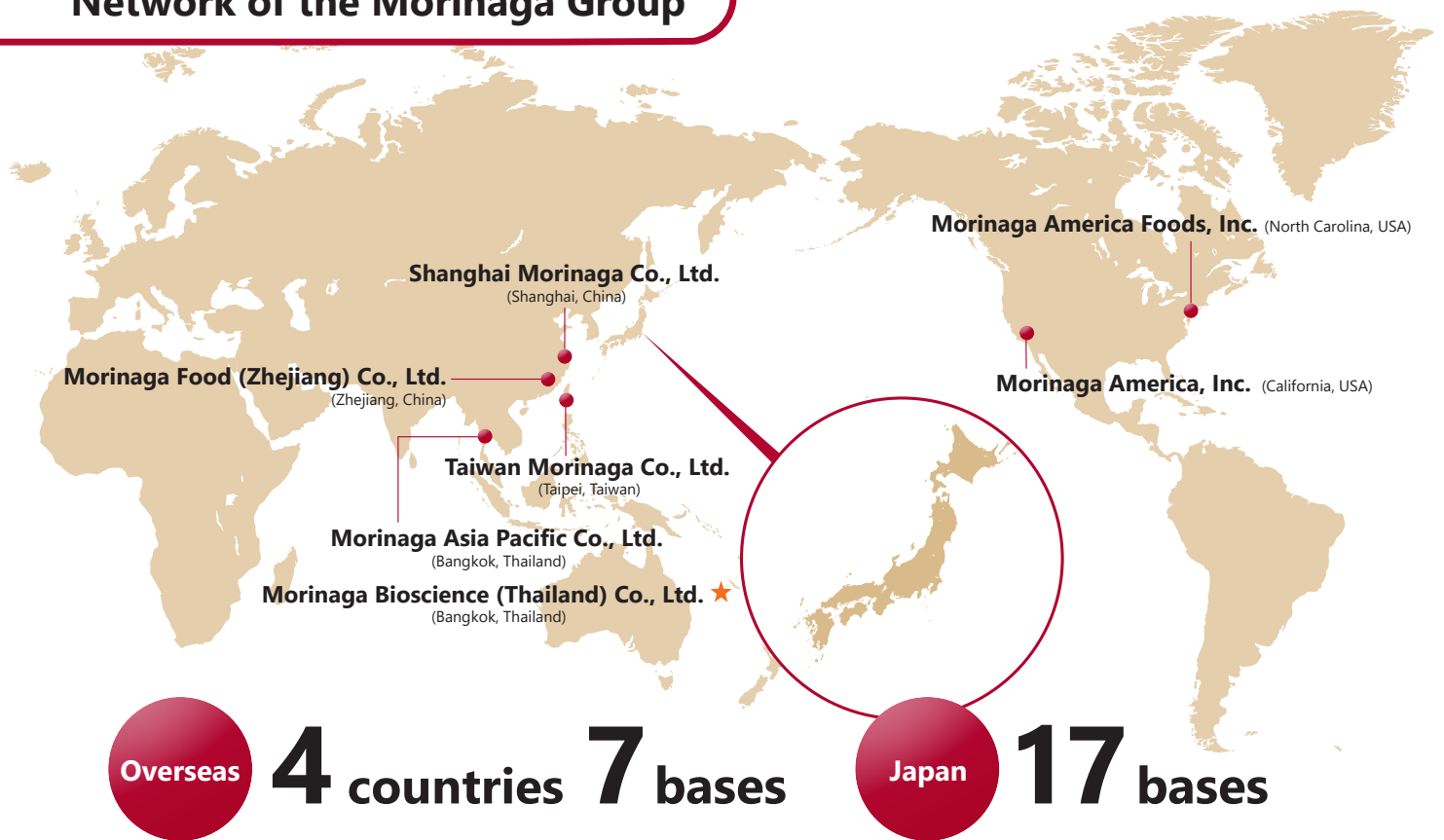
* Excluding employee-portion salaries for employee-directors

• Compliance

Code of Ethics	Included in "Morinaga Group Code of Conduct" and "Morinaga Group Standards of Behavior"
Anti-Corruption Policy	Included in "Morinaga Group Code of Conduct" and "Morinaga Group Standards of Behavior"
Bribery Policy	Included in "Morinaga Group Code of Conduct" and "Morinaga Group Standards of Behavior"
Whistleblower Protection Policy	Included in work regulations
Policy regarding Conflicts of Interest	Included in the Rules of Decision-Making Criteria
Related-Party Transaction Policy for Directors	Included in the Rules of Decision-Making Criteria

	Unit	FY2018/3	FY2019/3	FY2020/3	Scope
Number of cases of anti-corruption violations	violation	0	0	0	Morinaga & Co., Ltd.
Amount of anti-corruption violation penalties	yen	0	0	0	
Number of regulatory violations	violation	0	0	1 (recommendation)	
Legal violation fine amount	yen	0	0	0	

Network of the Morinaga Group



Overseas

4 countries 7 bases

Japan

17 bases

Sales

208,878,000,000 yen

Number of employees

2,711 employees (As of March 2020)

List of Group Companies and Business Fields

Domestic group companies

Food manufacturing

- Takasaki Morinaga Co., Ltd.
- Morinaga Angel Dessert Co., Ltd.
- Morinaga Dessert Co., Ltd.
- Aunt Stella Inc.
- Morinaga Market Development Co., Ltd.

Food Sales

- Morinaga Shoji Co., Ltd.

Real estate and services

- Morinaga Takataki Country Co., Ltd.

Others

- Morinaga Business Partner Co., Ltd.
- Morinaga Institute of Biological Science, Inc.
- Morinaga Finance Co., Ltd.
- SEE THE SUN Inc.★
- Welights Inc.★

Overseas Group companies

- Taiwan Morinaga Co., Ltd. (Taipei, Taiwan)
- Shanghai Morinaga Co., Ltd. (Shanghai, China)
- Morinaga Food (Zhejiang) Co., Ltd. (Zhejiang, China)
- Morinaga America, Inc. (California, USA)
- Morinaga America Foods, Inc. (North Carolina, USA)
- Morinaga Asia Pacific Co., Ltd. (Bangkok, Thailand)
- Morinaga Bioscience (Thailand) Co., Ltd.★(Bangkok, Thailand)



★ = Non-consolidated subsidiary accounted for by the equity method

Morinaga & Co., Ltd. Corporate Profile

Company Name Morinaga & Co., Ltd.

Representative Eijiro Ota, President and Representative Director

Head office address 5-33-1 Shiba, Minato-ku, Tokyo 108-8403 Japan

Establishment August 15, 1899 Founded as Morinaga's Western Confectionery Shop

Capital 18,610,000,000 yen

Main business activities Manufacturing, purchasing, and sale of confectioneries (caramel, biscuits, chocolate, etc.), foods (cocoa, cake mix, etc.), frozen desserts (ice cream, etc.) and health products (jelly drinks, etc.)

Sales 187,159,000,000 yen (208,878,000,000 yen on a Morinaga Group consolidated basis)

Number of employees 1,414 (2,711 on a Morinaga Group consolidated basis) (As of March 2020)

Scope of reporting

This report is mainly relevant to Morinaga & Co., Ltd. However, the environmental data of the ESG data section shows the aggregate results of the Morinaga Group, including four factories of Morinaga & Co., Ltd and five affiliated production companies, as well as the results of overseas production bases.

Four factories of Morinaga & Co. Ltd.:

Tsurumi Factory, Oyama Factory, Mishima Factory, and Chukyo Factory

Affiliated production companies:

Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd., Morinaga Snack Foods Co., Ltd., and Morinaga Kofu Foods Co., Ltd.

Overseas production bases:

Taiwan Morinaga Co. Ltd., Morinaga Food (Zhejiang) Co., Ltd., and Morinaga America Foods, Inc.

Period covered by the Report

April 1, 2019 through March 31, 2020

* The Report includes certain initiatives before FY2020/3 and activities after April 2020.

* The ESG data of the overseas production bases covers the period from January 1, 2019 to December 31, 2019.

Month of issuance

Japanese version: September 2020 (previous issue: October 2019)

Reference guidelines

- "Environmental Reporting Guidelines 2018" issued by the Ministry of the Environment
- ISO 26000 (Guidance on Social Responsibility)
- GRI Standards

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Evaluation by external bodies

- The Certified Health and Productivity Management Organization 2020 (White 500)

Morinaga & Co., Ltd. has been selected as the Certified Health and Productivity Management Organization 2020 in the White 500 category for three consecutive years and ranked within the top 10% of the food industry under a program jointly administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

- MSCI Japan Empowering Women Index (WIN)

Morinaga & Co., Ltd. has been selected as a constituent of the MSCI Japan Empowering Women Index as a company with excellent gender diversity.

- CDP Climate Change 2019

Morinaga & Co. Ltd. has achieved a B score in the Climate Change Report issued by the CDP, an international non-profit organization that works on the achievement of sustainable economy.



2020 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)



Editorial Policy

The Morinaga Group has issued "Morinaga CSR Report" in booklet and PDF formats since FY2015/3 to help stakeholders better understand its attitude towards, and initiatives on, corporate social responsibility (CSR) that should be fulfilled by the Group based on its vision and mission statement.

The FY2021/3 version is designed to cover a wider range of CSR information than ever before. We are committed to promoting our CSR activities, while using this Report as a way to help our stakeholders better understand what we do for CSR and build a deeper and more trustful relationship with them.

For our latest CSR information, please visit our corporate website at:
<https://www.morinaga.co.jp/company/csr/>



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