

Morinaga Milk Group TNFD Report

Morinaga Milk Group TNFD Summary

Initiatives related to TNFD implemented this time were summarized into a story composed of the following 11 chapters.

1. Sustainability of the Morinaga Milk Group
2. Role of the Morinaga Milk Group in the Supply Chain and Its Potential Impact on Nature
3. The Morinaga Milk Group and Dairy Farming in Japan
4. Nature-related Initiatives Addressed by the Morinaga Milk Group
5. The Morinaga Milk Group's Governance
6. The Morinaga Milk Group's TCFD Disclosure
7. Assessment of Physical and Transition Risks to Natural Capital of the Morinaga Milk Group's Value Chain and Opportunities
8. Scenario and Strategies for the Procurement of Coffee Beans and the Manufacturing of Coffee Products by the Morinaga Milk Group
9. TNFD Global Core Disclosure Metrics and Measurement Metrics Related to the Morinaga Milk Group's Nature-related Dependence and Its Impact
10. The Morinaga Milk Group's Sustainability Medium- to Long-term Plan
11. Summary of the Morinaga Milk Group's Approach toward TNFD Disclosure

The followings are the summary of the contents.

Chapter 1 discusses the business summary of the Morinaga Milk Group, its basic attitude including corporate philosophy and vision, and the concept of how it approaches natural capital.

Chapter 2 through Chapter 4 show the features of the Company's value chain, and how our business approaches nature, and the examples of initiatives that we have implemented.

Chapter 5 explains the governance system for the Company's sustainability, and Chapter 6 provides the main points of activities that are already performed based on the TCFD recommendations.

In Chapter 7, we have conducted secondary assessment by using our business data of 2020 and public tools, and selected the procurement of coffee beans and the manufacture of coffee products as our materiality areas. In addition, Chapter 8 discusses the details of the risks associated with the selected areas and how we respond to them.

Chapter 9 and Chapter 10 describe evaluation indexes for the procurement of major 20 items and the domestic production bases as well as the status of nature-related indexes set in our Medium- to Long-Term Sustainability Plan 2030, as overall assessment for the areas including those not selected in Chapter 7.

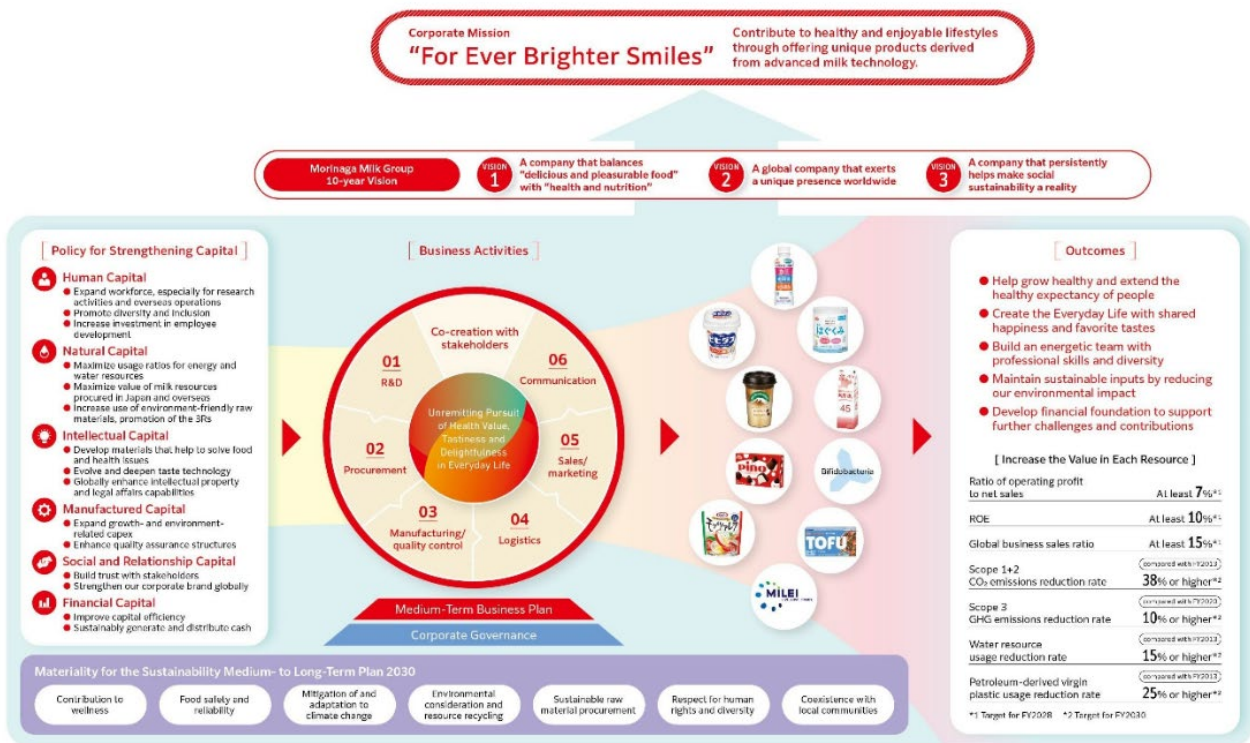
Finally, Chapter 11 describes the recognition the management has gained through the information disclosure implemented this time based on the TNFD recommendations and our future direction.

1. Sustainability of the Morinaga Milk Group

Since its foundation in 1917, Morinaga Milk has centered its business on the manufacture and sale of dairy products.

The Company has achieved high brand recognition through its own product development capacities that maximize the impressive qualities of milk and its provision of high-quality, safe and reliable foods, instead of sticking to milk as products, celebrating its 100th anniversary

in 2017. In addition to condensed milk and infant formula, products that it has offered since its founding, the Group has produced a wide range of products based on milk meeting the needs of our customers, including Morinaga Oishii Gyunyu Milk, Bifidus Yogurt containing Bifidobacteria BB536, instant creaming powder Creap, and chilled coffee Mt. RAINIER CAFFE LATTE. In addition to developing businesses in Japan, the Morinaga Milk Group is developing its businesses globally such as by establishing overseas subsidiaries and joint venture companies.

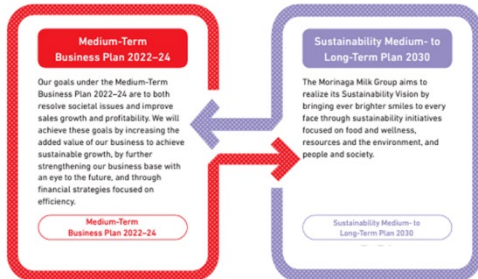


In addition, at the Morinaga Milk Group, we have joined the Japanese Well-being Initiative, aiming to create a positive cycle of that will contribute the well-being of us and others. We have worked on the development of various human resources, in addition of achieving rewarding work, through the promotion of diversity and inclusion and health management, the creation of safe workplace environment, and the spreading of flexible working styles, as well as the provision of learning opportunities. In 2022, we also joined in the Human Capital Management Consortium, in which the Ministry of Economy, Trade and Industry and the Financial Services Agency have participated as observers, aiming at the creation of new value and sustainable growth through further investment in human capital and appropriate information disclosure. In addition, we formulated Well-Being Statement as our basic stance in March 2023, and made it known to the public.

Well-being Initiative

GDW

Under the corporate slogan “For Ever Brighter Smile,” the Morinaga Milk Group has set forth “contribute to healthy and enjoyable lifestyles to create a prosperous society” as its Corporate Philosophy, and in order to continue to be a company chosen by customers, the Group has established the Morinaga Milk Group 10-year Vision that aims to balance the resolution of social issues and the improvement of profitability through providing “health value” and “tastiness and delightfulness,” values uniquely provided by the Morinaga Milk Group alone. In this vision, we have emphasized “maximizing usage ratios of energy and water resources,” “optimizing the value of milk resources procured in Japan and overseas,” and “increasing the use of environment-friendly raw materials, and the promotion of the 3Rs” as policies for strengthening the field of natural capital.



In addition, toward ensuring compatibility between the resolution of social issues and the improvement of profitability, we are advancing business activities while mutually interlocking the Medium-Term Business Plan 2022–2024 and the Sustainability Medium- to Long-Term Plan 2030, which is based on three themes of “Food and Wellness,” “Resources and the Environment,” and “People and Society.”

In providing our brand value to customers, various materials provided from suppliers, who are our partners, are indispensable. Since due to its nature of providing foods, the Morinaga Milk Group’s business greatly depends on natural capital, it is necessary to preserve nature and the ecosystem that have nurtured these blessings for business continuation. Amid growing concerns over the rapid loss of biodiversity, we believe that it is important to accurately understand how our business activities relate to nature and work for its preservation.

This time, as part of such efforts, we have conducted assessment in reference to the information disclosure framework of TNFD ver. 1.0 and guidances for food-related businesses, and conducted an analysis of risks and opportunities related to natural capital in our business activities.

By continuing to develop our business activities while assessing impact and dependence of such activities on natural capital and their risks, we will strive to realize the Sustainability Medium- to Long-Term Plan 2030, aiming to enhance our credibility with stakeholders.



2. Role of the Morinaga Milk Group in the Supply Chain and Its Potential Impact on Nature

The Morinaga Milk Group procures raw material milk through the producers’ association, and agricultural products and other raw materials mainly through its suppliers. The Group’s main business activities include, for example, producing beverages through the processes of mixing, sterilization, packaging, etc. at manufacturing sites, and supplying such products so that customers can enjoy whenever they need them based on market needs.

We will carry out these business activities in accordance with the Morinaga Milk Group’s policies such as the Morinaga Group Environmental Policy, the Biodiversity Policy and the Procurement Policy, with due consideration for compliance with laws and regulations, the reduction of environmental impacts, and the preservation of biodiversity.

This time, in accordance with the TNFD recommendations on information disclosure, we decided to examine the value chain centering on manufacturing sites in Japan, and conducted a survey on how the Morinaga Milk Group’s direct manufacturing sites are close to key biodiversity areas by using IBAT*, a biodiversity assessment tool. As a result, it was found that all of those manufacturing sites are located within

only a 50-km radius from those key biodiversity areas, and we recognized the importance of maintaining nature around such manufacturing sites.

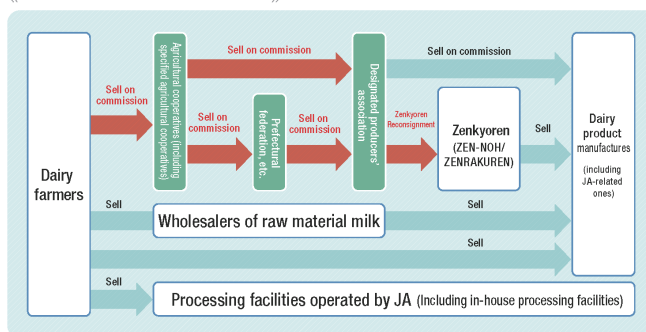
At those manufacturing sites, we have conducted assessment of risks and opportunities based on communications, etc. with surrounding stakeholders using the method specified in the ISO14001 Environmental Management System to understand and grasp the situation of each site, and then, worked on compliance with environmental laws, and the reduction of environmental impacts such as CO₂ emissions, use of water resources and waste materials. There was no violation of environmental laws at any of the domestic manufacturing sites in FY 2023. We will continue to promote such environmental management activities and carry out business activities that considers biodiversity around our manufacturing sites.

*Data on endangered species, protected areas, the IUCN Red List of threatened species in key biodiversity areas downloaded from Integrated Biodiversity Assessment (IBAT) (<http://www.ibat-alliance.org>). The data is provided from BirdLife International, Conservation International, IUCN, and UNEP-WCMC. For more information, please contact us at ibat@ibat-alliance.org.

3. The Morinaga Milk Group and Dairy Farming in Japan

In Japan's dairy farming, the production of raw material milk is large in Hokkaido due to its climate and suitability for securing land, while milk and dairy products are mostly consumed in large metropolitan areas such as Tokyo and Osaka where the population is concentrated, and there exists a gap between the production of raw material milk and the demand for drinking milk depending on the season. (In summer, production volume decreases but demand increases, while production volume increases but demand decreases in winter.) In addition, characteristically, raw material milk has (1) short storage life and (2) high versatility. In the raw material milk supply chain in Japan, the Morinaga Milk Group has successfully supplied milk and dairy products to the market as a distributor on the market side while closely collaborating with dairy farmers, the designated producers' association, and the government.

《 Distribution channel of raw material milk 》



Note: Trading relationship in which ownership is transferred: — Consignment-sale relationship: —
Created by Yoshiharu Shimizu, Graduate School of Agriculture, Hokkaido University

4. Nature-related Initiatives Addressed by the Morinaga Milk Group

4-1. Initiatives related to human rights

The Morinaga Milk Group has announced in the Sustainability Medium- to Long-Term Plan 2030 that “respect for human rights and diversity” is one of the priority issues. In respect for various international codes of conducts regarding human rights, such as the International Bill of Human Rights and the United Nations Global Compact, we have formulated the Morinaga Milk Group Human Rights Policy, which was approved by the Board of Directors, based on the Guiding Principles on Business and Human Rights of the United Nations to promote initiatives related to respecting human rights. The director in charge of human resources at Morinaga Milk Industry Co., Ltd. is responsible for the implementation of the Morinaga Milk Group Human Rights Policy and supervises its implementation. To promote initiatives related to respect for human rights that have been specified in the Human Rights Policy since FY 2022, we are implementing human rights due diligence activities with the aim of identifying any risks of human rights violations associated with the Group's business activities and taking measures to prevent and mitigate such risks.

Morinaga Milk Group Human Rights Policy(<https://www.morinagamilk.co.jp/english/sustainability/policy/#humanrights>)

4-2. Initiatives related to procurement

The Morinaga Milk Group's products are mostly made from nature's rich bounty of agricultural products such as milk.

As climate change in recent years has significantly affected agricultural products, we recognize that in order to realize sustainable procurement, it is necessary to make concerted efforts throughout the supply chain, in addition to promoting collaboration across the entire dairy industry and support from dairy farmers. The Morinaga Milk Group has announced in the Sustainability Medium- to Long-Term Plan 2030 that sustainable raw material procurement is one of the priority issues, working to procure raw materials in consideration of the environment and human rights in line with the Morinaga Milk Group Procurement Policy. In addition, regarding such raw materials as raw material milk, palm oil, and soybeans, whose procurement is said to pose issues related to the environment and human rights, we have formulated guidelines for the procurement of raw materials, and in particular, the Guidelines for the Procurement of Palm Oil announces that Morinaga Milk Group supports the NDPE Policy*. Moreover, to carry out sustainable raw material procurement with suppliers, we have formulated the Supplier Guideline, conducting questionnaire survey on suppliers.

Morinaga Milk Group Procurement Policy (<https://www.morinagamilk.co.jp/english/sustainability/policy/#humanrights>)
 Supplier Guideline (<https://www.morinagamilk.co.jp/english/sustainability/policy/#supplier>)

*No Deforestation, No Peat, and No Exploitation

4-3. Initiatives related to local communities

The Morinaga Milk Group continues its business on a basis of understanding by local communities, and views coexistence with people in communities as essential. By engaging in provision of learning opportunities, conservation of regional environments, and other unique activities at our business sites across the country, we will contribute to the sustainable development of regions.

The Morinaga Milk Group has announced in the Sustainability Medium- to Long-Term Plan 2030 that coexistence with local communities is one of the priority issues, working to live in harmony with local communities in line with the Morinaga Milk Group Communities Policy. For example, we carry out clean-up campaign in June every year to promote environmental beautification in areas around our business sites.

Morinaga Milk Group Communities Policy (<https://www.morinagamilk.co.jp/english/sustainability/policy/#community>)

5. The Morinaga Milk Group's Governance

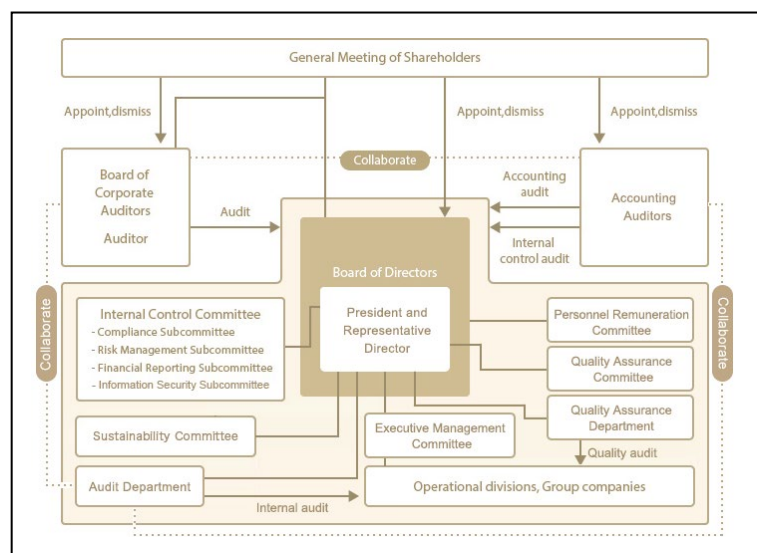
5-1 Governance system

In conformity with its Corporate Mission, the Morinaga Milk Group is making continuous effort for the development of a highly effective corporate governance system and its improvement with the aim of contributing to society through business activities and realizing the sustainable growth and the improvement of corporate value.

In addition to bearing the function of the highest decision-making body for management, the Board of Directors organically cooperates with individual organizations constituting the corporate governance system to maintain and improve the transparency,

fairness and promptness of management and ensure its effectiveness.

Moreover, we have established the Risk Management Subcommittee under the Internal Control Committee chaired by the president. The Risk Management Subcommittee operates a management cycle that assesses risk items that should be managed on a company-wide level, examines countermeasures, and identifies new issues, and also assigned Risk Management Promotion Committee members to all business sites and all affiliate companies to advance the development of a system for reporting to the Internal Control Committee



and Risk Management Subcommittee and a system for cooperation between organizations. These members also build and operate an individual risk management system of each organization.

5-2 Sustainability management promotion system

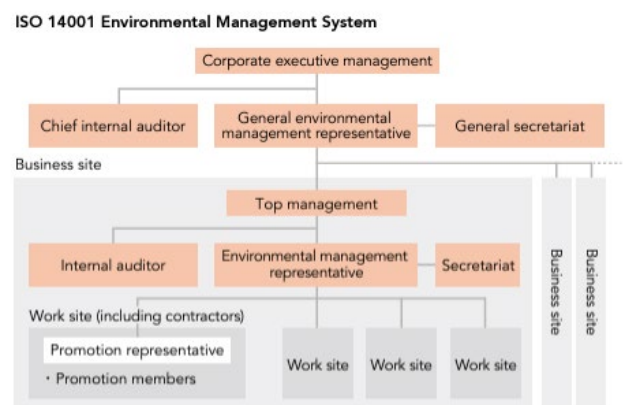
The Morinaga Group holds a Sustainability Committee meeting twice a year, in which the president serves as committee chair, the head of the Sustainability Division serves as the vice-chair, and internal directors and all division managers serve as committee members. The



Sustainability Committee formulates a basic policy for sustainability activities by the Morinaga Milk Group, discusses and examines reports and proposals from subcommittees composing the committee, and reports the content of discussions to the Board of Directors toward the realization of sustainability management. We have also established four subcommittees, that is, the Climate Change Subcommittee, the Plastics Subcommittee, the Human Rights Subcommittee, and the Wellbeing Subcommittee under the Sustainability Committee. These subcommittees consisting of members selected across various departments engage in the formulation of policies, and the planning and execution of strategies, and make reports to the Sustainability Committee. When it becomes necessary to handle areas that require expert knowledge, we will establish a project under the subcommittees, and findings are to reflected in their discussion. We advance discussion of natural capital in projects conducted within the Climate Change Subcommittee.

5-3 Risk assessment, compliance with laws and regulations and setting and management of environmental goals at individual business sites based on the ISO 14001 environmental management system

Considering its close relation to the environment, the Morinaga Milk Group has introduced the ISO 14001 environmental management system mainly to its domestic manufacturing sites. Morinaga Milk Group has acquired ISO14001 multi-site certification that collectively covers multiple business sites, and individual business sites are carrying out business activities in line with the Morinaga Milk Group’s common environmental policy. Within the Head Office, a secretariat to supervise the entire Group has been established to manage and support the progress of the Sustainability Medium- to Long-Term Plan 2030 and environmental activities carried out by individual business sites, etc.



In the ISO 14001 environmental management system, the president and directors in charge of sustainability supervise the entire Group as the top management. At individual business sites, progress toward company-wide environmental goals specified in the Sustainability Medium- to Long-Term Plan 2030 and risks and opportunities associated with the characteristics of its business activities are assessed, and business site-specific key performance indicators (KPIs) are also established according to the needs. In addition, in order to confirm whether these activities are appropriately carried out, we adopt two types of internal audits, those carried out at a business site by internal auditors employed at that site and those by auditors from other sites, as well as certification reviews conducted by certification bodies. The following business sites are covered by the ISO14001 multi-site certification.

ISO14001-certified business sites (as of March 29, 2024)

Scope of certification: Manufacture, research, development, and sales of milk, milk products, ice cream, beverages, concentrated liquid foods, chilled desserts, tofu, bifidobacteria, powdered lactobacillus, its fungus liquid or culture media, lactulose, confectionery, and boxed lunches

Head office (Head-Office Building and Shibaura DF Building), Research & Information Center, Tokyo Office, Kanto Shinetsu Branch Office, Order Control Center, Saroma Plant, Betsukai Plant, Morioka Plant, Fukushima Plant, Tone Plant, Tokyo Tama Plant, Yamato Plant, Chilled Products Coordination Center - East Japan, Matsumoto Plant, Fuji Plant, Chukyo Plant, Kobe Plant, Chilled Products Coordination Center -West Japan, Hokkaido Hosho Milk Plant Co., Ltd., Tokachi Urahoro Morinaga Milk Industry Co., Ltd., Tohoku Morinaga Milk Co., Ltd., Akita Plant, Tohoku Morinaga Milk Co., Ltd., Sendai Plant, Nihon Seinyu, MK Cheese Co., Ltd., Yokohama Morinaga Milk Industry Co., Ltd., Fuji Morinaga Milk Industry Co., Ltd., Morinaga-Hokuriku Milk Industry Co., Ltd., Toyama Plant, Morinaga-Hokuriku Milk Industry Co., Ltd., Fukui Plant, Hiroshima Morinaga Milk Industry Co., Ltd., Kumamoto Morinaga Milk Industry Co., Ltd., Furijipport Co., Ltd., Chiba Plant, Furijipport Co., Ltd., Kumamoto Plant, and Okinawa Morinaga Milk Co., Ltd.

*Furijipport Co., Ltd.'s Okinawa Uruma Plant is advancing preparations toward acquisition.

*Overseas business sites are working to acquire certifications individually.

6. The Morinaga Milk Group's TCFD Disclosure

The Morinaga Milk Group had expressed support for the TCFD (Task Force on Climate-related Financial Disclosures), and joined the TCFD Consortium.

The Climate Change Provision Subcommittee examined the content of TCFD's recommended disclosure, and disclosed risks and opportunities based on a 4°C scenario and a 1.5°C scenario for the years 2030 to 2050. In the 4°C scenario, a decrease in operational efficiency at

Impact	Main risks	Risk category response strategy	Financial impact	Degree of impact			
				Degree of impact		Likelihood	
				4°C scenario	1.5°C scenario	4°C scenario	1.5°C scenario
Climate disasters	Manufacturing sites and distribution networks suffer damage due to the increasing intensity and frequency of climate disasters (typhoons, storm surges).	Physical risk (acute)	Establish BCPs for manufacturing sites and logistics sites.	Medium	Medium	High	Medium
Raw material procurement (raw milk)	Rising temperatures cause a decline in domestic raw milk production.	Physical risk (chronic)	Mitigate climate change by supporting the efforts of the domestic dairy industry to reduce greenhouse gas emissions.	Large	Medium	High	Medium
Raw material procurement (dairy ingredients)	Production of dairy ingredients declines worldwide due to temperature rise.	Physical risk (chronic)	Leverage MILEI (Germany) to secure supplies of lactose, milk protein, and other dairy ingredients.	Medium	Medium	Medium	Medium
Raw material procurement (agricultural products)	There is a global decline in the area of land suitable for coffee cultivation due to rising temperatures.	Physical risk (chronic)	Strengthen BCPs for raw materials and support producers by considering sustainability when procuring raw materials.	Medium	Medium	High	Medium
Carbon taxes	Plant operation and logistics costs rise due to the introduction of carbon taxes to curb the use of fossil energy.	Transition risk (laws and regulations)	Mitigate financial impacts by working to reduce carbon dioxide and other greenhouse gas emission across entire supply chains.	Medium	Large	Medium	High

manufacturing sites and a difficulty in raw materials procurement (raw milk, dairy ingredients, and agricultural products) were listed as risks, and in the 1.5°C scenario, an increase in operating costs due to the introduction of carbon taxes was listed.

The results of these assessments were examined, and have been reflected in our initiatives for the reduction of greenhouse gas emissions, the improvement of the usage rate of certified raw materials, responses to demands influenced by global warming, and the enhancement of the business continuity plan (BCP).

These results have been disclosed through our Integrated Report, and the details of this TNFD disclosure will be provided in another chapter.

We will pay close attention to a future trend for disclosure standards, and promote information disclosure.

7. Assessment of Physical and Transition Risks to Natural Capital of the Morinaga Milk Group's Value Chain and Opportunities

7-1. Impact of the value chain on natural capital and dependence on ecosystem services

7-1-1. Assessment by ENCORE*1 and WWF Risk Filter Suite*2

In accordance with the LEAP approach of TNFD ver. 1.0, we have conducted research on the impact of the Morinaga Milk Group's business activities on natural capital, and natural capital-related risks to its activities' dependence on ecosystem services. The research was conducted by using ENCORE and WWF Risk Filter Suite, which are assessment tools based on global data, and agricultural product procurement, raw material

milk procurement, manufacturing, and distribution on the Morinaga Milk Group's value chain were assessed. The agricultural product procurement and the raw material milk procurement include major 20 items procured by the Morinaga Milk Group. In addition, assessment of the manufacturing was conducted at main plants. The distribution refers to domestic distribution.

As the assessments using ENCORE and WWF Risk Filter Suite were performed by using representative values of the industry, their results did not adequately reflect the risks qualitatively understood in our business operations. Therefore, we separately conducted a qualitative assessment tailored to the actual status of the Morinaga Milk Group's value chain, and reflected evaluation results in the following heat map. (Items in which risks were identified are marked with VH or H, and as for items which were changed after the actual condition survey, such marks are given in < > .)

*1 ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)

It is an online tool created by the Natural Capital Finance Alliance (NCFA) that enables users to organize and visualize the impact of environmental changes on the economy.

*2 Biodiversity Risk Filter

It is an online tool created by the World Wide Fund for Nature (WWF) that enables companies and financial institutions to confirm whether there are risks related to biodiversity arising in their supply chains or businesses that they have invested in, and take measures when necessary.

a. Assessment Related to Impact on Nature (Heat map)

Process	Modification			Direct extraction		Climate change		Pollution			Others
	Land areas	Freshwater area	Sea area	Water	Other than water	Greenhouse effect gas	Atmosphere	Water area	Soil	Wastes	Noise/light pollution
Procurement of agricultural products	VH	H	L,VL	H	L,VL	L,VL	L,VL	H	M	L,VL	L,VL
Procurement of raw material milk	H	H	M	M	M	<VH>*1	M	H	<H>	M	L,VL
Manufacturing	L,VL	L,VL	L,VL	M	L,VL	VH	<H>*2	<H>*2	<H>*2	<H>*2	M
Distribution	L,VL	L,VL	L,VL	L,VL	L,VL	VH	M	L,VL	L,VL	L,VL	H

※VL=Very Low , L=Low , M=Medium , H=High , VH=Very High

b. Assessment Related to Dependence on Nature (Heat map)

Process	Provisioning services						Regulating service						
	Animal-based energy	Fibers and other raw materials	Genetic material	Provision of underground water	Provision of surface stream water	Contaminant Discomposition/ mitigation/ detoxification	Dilution by atmosphere and ecosystems	Transport and storage of deposits	Climate regulation	Prevention of diseases	Mitigation of impact from floods or rainstorms	Maintenance of habitat environment	Stabilization by vegetation and soil erosion control
Procurement of agricultural products	L,VL	-	M	H	H	M	M	H	M	H	H	L,VL	VH
Procurement of raw material milk	L,VL	VH	L,VL	H	H	L,VL	L,VL	L,VL	L,VL	M	H	L,VL	M
Manufacturing	L,VL	L,VL	L,VL	H	VH	L,VL	L,VL	L,VL	L,VL	L,VL	H	L,VL	M
Distribution	L,VL	L,VL	L,VL	L,VL	L,VL	L,VL	L,VL	L,VL	M	L,VL	H	L,VL	H

Process	Regulating service		Supporting service				
	Harmful organism control	Reduction of noise and light pollution	Pollination	Maintenance of soil fertility	Ventilation	Maintenance of water flow	Maintenance of water quality
Procurement of agricultural products	M	L,VL	M	H	L,VL	M	H
Procurement of raw material milk	M	L,VL	L,VL	M	L,VL	L,VL	<H>
Manufacturing	L,VL	M	L,VL	L,VL	<H>*3	<H>*3	<H>*3
Distribution	L,VL	L,VL	L,VL	L,VL	L,VL	L,VL	L,VL

*1 The reason that Climate change × Raw material milk procurement was assessed at VH

Since it is known that methane derived from fermentation in the gastrointestinal tract of cattle in the manufacturing process of raw material milk and manure contribute to climate change as greenhouse gas, greenhouse gas generated during the raw material milk procurement process was assessed at Very High.

- Expectations on Environmental Initiative “Visualization” “Pathway to Net Zero” Launched *J-Milk International Dairy Report Vol.7 2022 Winter*
<https://www.j-milk.jp/report/international/h4ogb4000008b2d-att/h4ogb4000008b4o.pdf>
P3-P6
- Ministry of Agriculture, Forestry and Fisheries, MIDORI Strategy for Sustainable Food Systems Reference: Global Greenhouse Gas (GHG) Emissions and GHG Emissions Derived from Japanese Agriculture
<https://www.maff.go.jp/j/kanbo/kankyo/seisaku/midori/attach/pdf/team1-153.pdf>
P5
- IFCN “2.2% – that’s the milk production share on all global greenhouse gas emissions (GHG)”
<https://ifcndairy.org/dairy-share-on-global-ghg-emissions/>

*2 The reason that Pollution × Manufacturing was assessed at VH

At our domestic manufacturing plants, gas emission is legally regulated by the Air Pollution Control Act, water discharge by the Water Pollution Prevention Act, waste material by the Wastes Disposal and Public Cleansing Act, and noise by the Noise Regulation Act. They are regulations from the perspective of the protection of “human health or the living environment.” However, since the living environment includes “flora and fauna closely related to human life and their growing environments,” items under legal restraints were assessed at High.

Example: Water pollution has been assessed by reference to Reference Materials on the Grounds for the Establishment of the Environmental Quality Standards published from National Institute for Environmental Studies, National Research and Development Agency (<https://www.nies.go.jp/eqsbasis/water.html>).

*3 The reason that Fundamental services (ventilation, water flow maintenance, and water quality maintenance) × Manufacturing was assessed at H

Since a lot of water is used for washing facilities and equipment in food manufacturing, the items for water flow maintenance and water quality maintenance were assessed at High. In addition, as outdoor air is used for the drying process, Ventilation was also assessed at High.

7-2. Assessment of physical and transition risks to natural capital, and opportunities

According to the results of analysis and assessment using the assessment tools, regarding the impact on natural capital, it was recognized that the modification of land use pattern of agriculture product procurement, and the climate change of raw material milk procurement, manufacturing and distribution were assessed at VH, and regarding dependence on ecosystem service, it was recognized that the supply service of raw material milk procurement, and manufacturing and the adjustment service of agriculture product procurement were also assessed at VH.

Since the Morinaga Milk Group is mainly serving as a supplier on the market side in the raw material milk supply chain in Japan for the procurement of raw material milk, it was decided that issues of the dairy sector that were found in the raw material milk procurement process in the upstream side would be separately addressed by dairy farmers, the designated producers' association, dairy companies and individual industry groups in collaboration with the government. In FY 2024, we focused on the detailed analysis of coffee beans and coffee products, which are attracting increasing international attention in terms of natural capital-related risks, of the major 20 items procured by the Morinaga Milk Group.

In addition, to increase the resolution of coffee bean procurement-related risks, we adopted aiESG, Inc.'s Input-Output Analysis created by applying the Multi-Regional Extended Input-Output Analysis method to estimate environmental impacts (impact on cultivated land, total water usage and CO₂ Emissions) up to 10th level business partners based on coffee beans.

*The aiESG analysis is an analytical method to calculate environmental impacts by utilizing international input-output table. The aiESG analysis, which was developed based on collaborative research by Kyushu University and Harvard University, is designed to quantitatively assess burdens on environment, society and governance (ESG) in supply chains for companies, products and services in 3,200 items or more. Amid the growing concerns of consumers and investors over the environment and human rights, companies can clarify ESG burdens of their products and services (ESG burdens, environmental risks and human rights risks around the world that requested by consumers and investors).

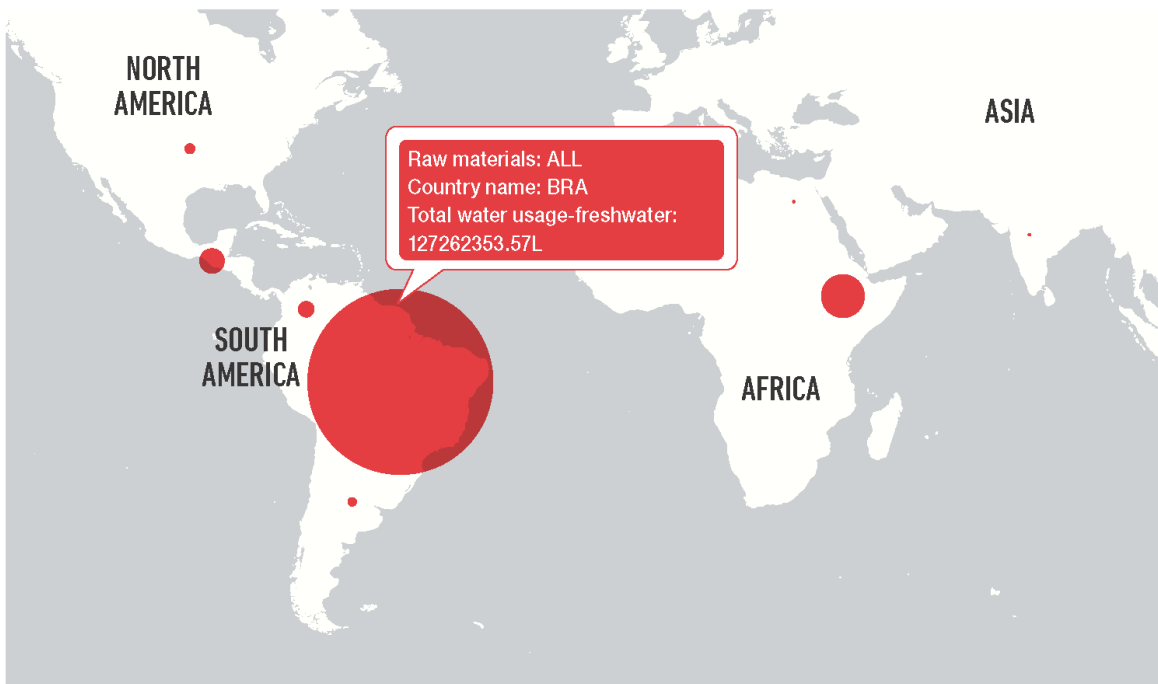
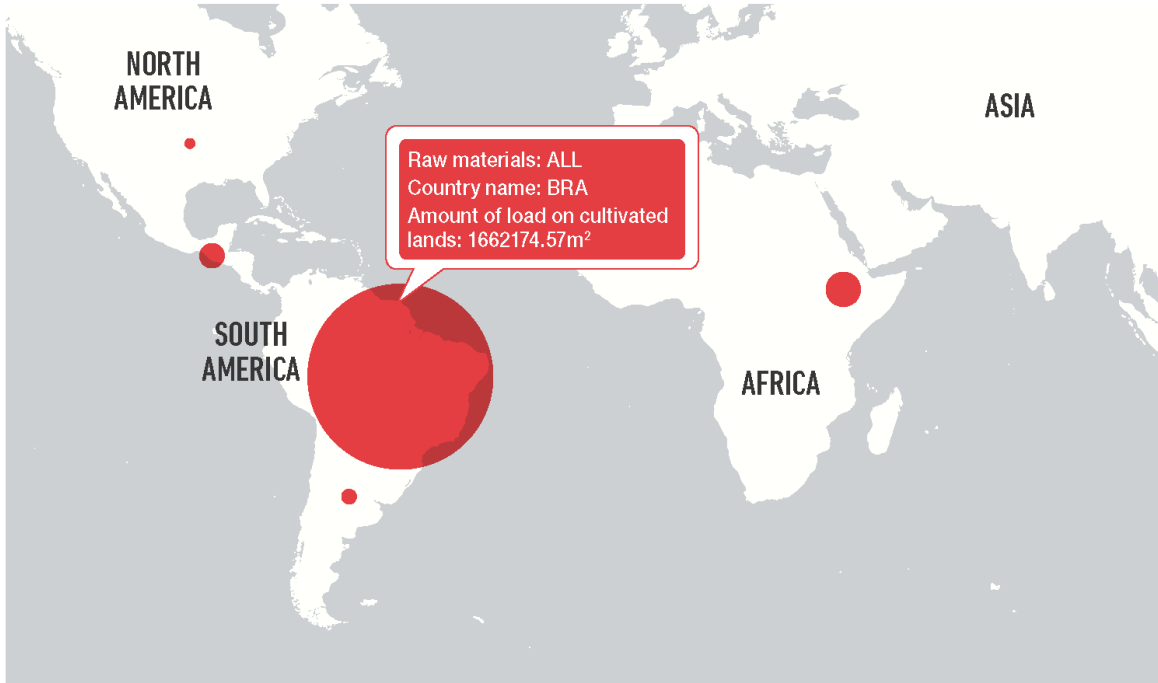
In the risk assessment, acute risks, chronic risks, and potential risks in business considering those risks, financial impact, and strategies to deal with such risks were clearly set out for the procurement of coffee beans as well as the manufacture of coffee products. In the calculation of financial impact, we estimated risks corresponding to sales with the procurement of coffee beans and the manufacture of coffee products for the No. 1* selling chilled coffee brand, Mt. RAINIER CAFFÈ LATTE series, one of Morinaga Milk's flagship products in mind, and then examined business opportunities considering those risks (Large Impact: 5 to 10 billion yen, Medium: 2.5 to 5 billion yen, Small: 2.5 billion yen or less).

*Source: Intage SRI + Chilled Beverage Market (coffee-type) Total sales amount for April 2023 to March 2024

7-2-1. Assessment on physical risks and transition risks of the procurement of coffee beans and the manufacture of coffee products

a. Impact on cultivated land and water loading in the procurement of coffee beans

Plotting cultivated land for coffee beans and areas under the load of water consumption (fresh water) by using an international input-output table (aiESG, Inc.) shows that Brazil and Ethiopia are under loaded conditions.



b. Procurement of coffee beans

	Item	Risk	Anticipated business risk	Impact of business risks on finance	Status of responses
Impact of physical risks	Modification of land areas	Acute) Modification of habitats Causing transition risks due to global warming and the loss of organism species	Impact on transition risks (development control for the preservation of species)	Assessed in terms of transition risks	(1) Procurement from multiple suppliers (2) Survey on countries of origin with less environmental risks - CSR procurement questionnaires - Introduction of Sedex - Assessment on countries of origin (3) Production support contributing to environmental load reduction (4) Production support contributing to environmental resilience (The above have been carried out in accordance with Procurement Policy, Supplier Guideline, and Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments]-Topics: BCP Measures to Respond to Climate Change, and Sustainable Raw Material Procurement) (5) Development of a variety of products by leveraging advanced milk technology
	Modification of freshwater areas	Acute) Modification of habitats Chronic) Spread of invasive species and increase in their settlements Causing transition risks due to global warming and the loss of organism species			
	Water extraction	Acute) Droughts, and massive pollution of water areas and soil Acute) Decrease in water intake, and massive pollution of water areas and soil	Impact on physical risks (provision of underground water and provision of surface stream water) and transition risks (measures)	Assessed in terms of physical risks (provision of underground water and provision of surface stream water) and transition risks (measures)	
	Pollution of water areas	Water extraction having impact on the provisioning services of underground water and surface stream water	Rise in procurement prices due to yield decline	Large	
Provision of underground water					
Dependence on physical risks	Provision of surface stream water	Chronic) Water quality deterioration	Rise in procurement prices due to yield decline	Large	
	Filtration of contaminants	Chronic) Water quality deterioration			
	Transport and storage of deposits	Chronic) Soil erosion			
	Soil disease control	Acute) Outbreak of crop diseases			
	Mitigation of impact from floods or rainstorms	Acute) Floods and rainstorms			
	Stabilization by vegetation and soil erosion control	Acute) Landslides and soil erosion			
Transition risk	Measures	Rise in procurement costs due to development control for the preservation of species (suspension of operation, fines, etc.), the obligation to practice human rights/environmental due diligence, carbon tax, and distribution regulation for non-certified agricultural products	Consumption decline	Medium	- Production support for supplying farmers - Initiatives for carbon neutrality carried out across the entire supply chain (Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments]-Topics: Sustainable Raw Material Procurement) - Adoption of certified agricultural products (Procurement Policy)
	Market	Shortage in coffee beans due to a global increase in the number of coffee drinkers			
		Falling behind in intensified purchasing competition for certified coffee beans (procurement shortage, price rise, etc.)	Consumption decline	Medium	- Production support contributing to environmental resilience, and active information dissemination to stake holders (Environmental Policy)
	Reputation	Improvement of consumers' environmental awareness in Japan (trends to actively purchase certified products and not to chose non-certified ones)			
		Trends toward treating coffee production itself as something having negative impact on the environment			
Liability	Consumers' loss of interest in coffee due to damage caused by negative and harmful rumors on the procurement, processing, and manufacture of coffee (child labor, energy consumption, occurrence of food residue, etc.)	Lawsuits	Medium	-Promotion of survey on countries of origin with less environmental risks as well as survey on raw materials, and active information dissemination to stake holders (Environmental Policy, Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments]) -Topics: Sustainable Raw Material Procurement)	

(Large impact: 5 to 10 billion yen, Medium: 2.5 to 5 billion yen, Small: 2.5 billion yen or less)

c. Manufacture of coffee products

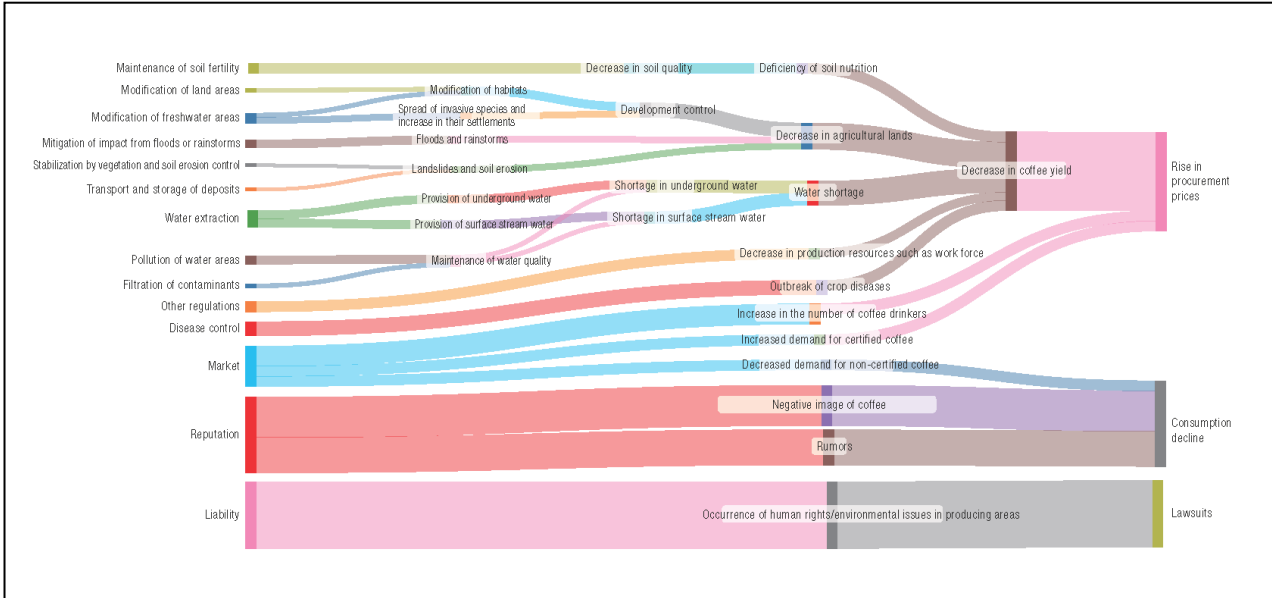
	Item	Risk	Anticipated business risk	Impact of business risks on finance	Status of responses
Impact of physical risks	Pollution (atmosphere)	Acute) Exhaust gas emission not conforming to emission standards Chronic) Polluted gas emission due to inadequate exhaust gas treatment capacity	Transition risks (operational restriction due to violation of laws and regulations)	Transition risks (operational restriction due to violation of laws and regulations)	Periodic measurement of gas emissions (certified according to ISO14001)
	Pollution (water areas)	Acute) Discharge of contaminated water due to drainage control malfunction Chronic) Discharge of contaminated water due to inadequate drainage water treatment capacity			Periodic measurement of drainage water quality, and ascertaining the amount of wastewater (certified according to ISO14001)
	Pollution (waste)	Acute) Leakage due to the improper management of waste Acute) Leakage due to the improper management of waste-collection points			Verification of the condition of waste-collection points (certified according to ISO14001)
	Water extraction	Acute) Leakage due to the improper management of waste Acute) Leakage due to the improper management of waste-collection points			Initiative for water intake reduction (Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments] -KPI: Reduction of Water Resource Usage)
	Greenhouse gas	Acute) Nothing Chronic) Emissions due to energy use and CFC leakage	Cost rise due to an increase in energy prices	Small	Initiatives for reduction in Scope 1+2 (Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments] -KPI: CO ₂ reduction in Scope 1+2
Dependence on physical risks	Provision of underground water	Acute) Droughts Chronic) Decrease in water intake	Securing of substitute water supplier, and cost generation for countermeasures	Small	Risk assessment by water source investigation, formulation of BCPs as necessary (Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments]-Topics: BCP measures to respond to climate change
	Provision of surface stream water	Acute) Droughts Chronic) Decrease in water intake			Acute) Periodic measurement of intake water quality and gas emissions and use of sensors Chronic) Improvement of water intake facilities (certified according to ISO14001)
	Maintenance of water quality	Acute) Water quality deterioration by mixing of contaminants Chronic) Inadequate underground water quality			
	Mitigation of impact from floods or rainstorms	Acute) Floods and rainstorms	Production decrease due to operational restriction	Medium-Large	Risk assessment by water source investigation, formulation of BCPs as necessary (Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments]-Topics: BCP measures to respond to climate change
Transition risk	Measures	Violation of laws and regulations related to atmosphere, water quality and waste	Production decrease due to operational restriction	Medium	Compliance management (certified according to ISO14001)
	Market	Operational restriction due to labor shortage			- Continuous compliance with Human Rights Policy across the entire supply chain (Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments] -Topics: Sustainable Raw Material Procurement) - Promotion of well-being activities (corporate philosophy)
	Reputation	Consumers' loss of interest in coffee due to damage caused by negative and harmful rumors on the procurement, processing, and manufacture of coffee (child labor, energy consumption, occurrence of food residue, etc.)	Consumption decline	Small-Large	Promotion of environmental load reduction and active information dissemination to stake holders (Environmental Policy) and interactions with local communities (Communities Policy)
	Liability	Operational restriction due to the accusation of issues related to the environmental or human rights, and risks of accusation, lawsuits and compensation	Lawsuits	Medium	- Continuous compliance with Human Rights Policy across the entire supply chain Sustainability Medium- to Long-Term Plan 2030 [Resources and the Environments] -Topics: Sustainable Raw Material Procurement)

(Large impact: 5 to 10 billion yen, Medium: 2.5 to 5 billion yen, Small: 2.5 billion yen or less)

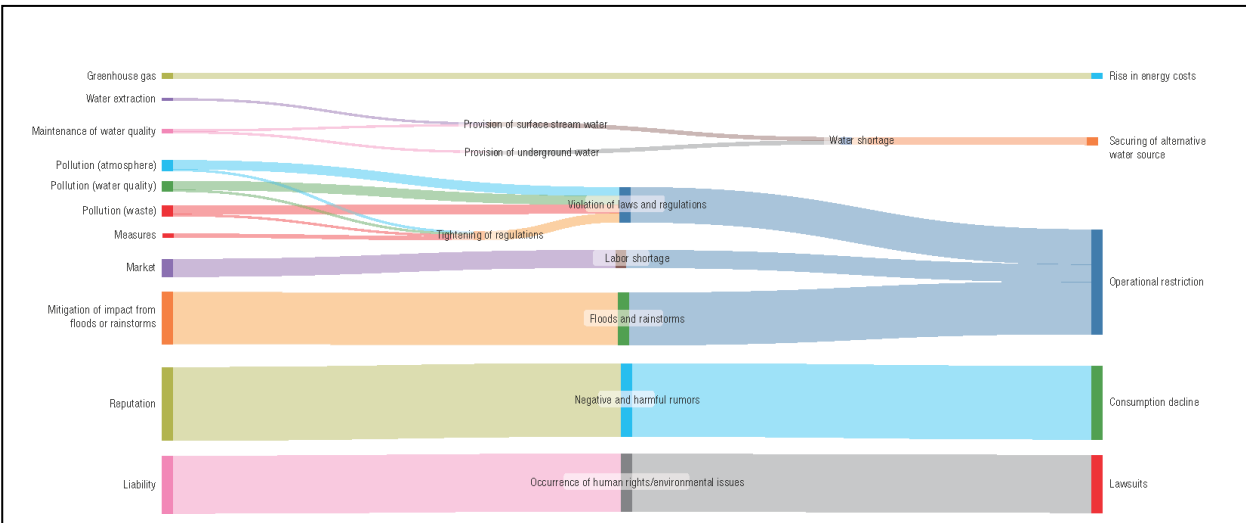
7-2-2. Sankey diagram of the value chain

Potential risks and estimated financial impact of the coffee beans procurement business and the manufacturing business were visualized in sankey diagrams to confirm their relations (plotted according to the sales amount).

a. Procurement of coffee beans



b. Manufacture of coffee products



7-2-3. Assessment of opportunities

Item	Opportunity	Impact on business
Opportunity/Reputation	Increase in the social value of environmentally conscious business activities such as shift toward recyclable energy, the dissemination of recycling-oriented agriculture, tree-planting in forests around farms, the cultivation of water resources, and the recovery of containers	Preferential treatments for fund raising such as green bonds and ESG score improvement
Opportunity/Procurement of coffee beans	The advancement and development of raw material procurement network and traceability, the standardization of certified beans, the dissemination of high-quality coffee beans that is resilient to climate change and soil disease having high disease resistance, and the stabilization of harvests due to plant factory dissemination	Securing of procurement amount, price stability, and cost reduction
Opportunity/coffee products	Emergence of coffee substitutes and coffee that is not made from coffee beans	Cultivation of new markets and demands

8. Scenario and strategies for the procurement of coffee beans and the manufacture of coffee products by the Morinaga Milk Group

Events that can potentially arise due to physical risks and transition risks are summarized as follows.

8-1. Procurement of coffee beans

8-1-1. Scenario for the procurement of coffee beans

1. Shortage in raw materials for coffee beans

Since it is difficult for Morinaga Milk to conduct business activities without agricultural products for raw materials, it is vital to obtain the necessary amount of needed raw materials. With a world-wide increase in living standards, it is expected that increasing amount of coffee will be enjoyed in the future. However, forests in tropical regions, which are suitable for coffee production, are a source of various ecosystem service including the absorption of CO₂ that is believed to cause global warming, the development of those forests has become more and more severely restricted every year. It used to be possible to secure sufficient farmland by altering a forest to a coffee farm; however, it is expected that it will become difficult to expand agricultural farms in a large scale to increase production in the future. In addition, since coffee can be cultivated under limited climatic conditions, if global warming increases, it might be possible for land suited for coffee production to move, in which case, however, it will not be easy to move farms amid restrictions on development becoming tighter. Under such circumstances, due to a global shortage of coffee beans, it is expected that there will be risks of unavailability and price increase. Even today, coffee beans are viewed as an object of speculation according to their harvest condition, being subject to price fluctuation, which is believed to entail a great risk of price increase.

Therefore, it is necessary to devise a way of increasing yields from the existing farm lands and efficiently and stably harvesting agricultural products while paying every possible consideration to environmental impact during the cultivation process, so as not to invite further environmental degradation. (Large impact)

2. Decrease in consumption

If the environment impact on the entire coffee production industry expands to the point of affecting other industries and people's lives, it will be criticized as a social problem, and the coffee production industry will be subject to output restriction to be applied to specific production items in some areas. In addition, if the impression that coffee production itself causes problems spreads widely to the general public, damaging the public image of the industry, coffee consumption itself will be likely to decline. In that case, Morinaga Milk with a large share of mass-produced coffee milk beverages in Japan is expected to be affected significantly. (Medium impact)

3. Deterioration of the Company's credibility and lawsuits

Environmental issues and human rights of workers are attracting increasing attention globally. In the case that working conditions or new farmland development taken as measures to increase yields in countries supplying coffee to be used by Morinaga Milk as raw materials cause environmental degradation or human rights issues, the Company might be subject not only to legal actions taken by persons concerned, but also to social criticism, and this can lead to a boycott campaign. If such events lead Morinaga Milk to become classified as a company that is not adequately responding to environments, the sale of products other than those called into questions can also be affected. (Medium impact)

8-1-2. Strategies for the procurement of coffee beans

With the above potential risks in mind, we are considering the following strategies.

1. Selection of suppliers

Environmental risks associated with natural capital significantly vary from region to region. In order to flexibly respond to environmental issues or those related to human rights taking place in specific countries or regions, as well as to an increase or decrease of production volume and price fluctuation associated with such a change, we are proceeding with the following measures.

(1) Procuring in accordance with the Procurement Policy

The Procurement Policy states: "Considering the importance of social responsibility, compliance, and corporate ethics, we hope our business partners also consider (1) compliance with laws and social

standards, (2) environment, and (3) human rights and occupational health and safety.” We conduct questionnaire surveys of our suppliers to make sure how they respond to those requirements. In addition, we will introduce Sedex, an information-sharing platform, to strengthen the management of risks related to environmental and social issues that are likely to arise in the supply chains.

(2) Ensuring traceability of raw materials

If circumstances differ depending on the producing area even in the same country of origin, we will make a full effort to identify areas. We will clarify farm producers and suppliers so as to reduce risks and promptly respond if problems occur.

(3) Procuring critical raw materials from multiple countries or regions

In particular, we will work to procure critical raw materials not from specific countries or regions but from a number of countries or regions to the extent possible.

2. Production support contributing to the reduction of environmental impact, and production support contributing to environmental resilience

Since the Morinaga Milk Group purchases most of the raw materials through its suppliers, its contact with most of the farm producers is only indirect; however, through the analysis up to this point, it was found that the production of a lot of agricultural products for raw materials has had an impact on natural capital, and that at the same time, it has benefited from natural capital including ecosystem services. As for particularly critical raw materials, in order to constantly obtain high-quality ones, we are taking the following measures.

① Introduction of coffee beans from Daterra Farm for Mt. RAINIER CAFFÈ LATTE series (coffee beans produced at the Rainforest Alliance Certified Farm)

The Mt. RAINIER CAFFÈ LATTE series by Morinaga Milk was released in 1993, having enjoyed support from a lot of customers as the No. 1* selling chilled coffee brand.

*Source: Intage SRI + Chilled Beverage Market (coffee-type) Total sales amount for April 2023 to March 2024

We came to recognize that coffee beans play a key element in the creation of commercial value of the Mt. RAINIER CAFFÈ LATTE series. Morinaga Milk acknowledges that the requirements to enhance the commercial value of Mt. RAINIER CAFFÈ LATTE are the following three points, that is, (1) stable flavor and quality, (2) sustainable productivity, and (3) securing of traceability. As one of the candidates for raw coffee beans meeting such requirements, we thought of those certified by the Rainforest Alliance. However, since certified farms those days were small and medium-sized ones, it was difficult to ensure a sufficient procurement amount. Under such circumstances, we received the news saying that Daterra Farm became the first coffee farm in Brazil, the world's largest coffee producer, that acquired the Rainforest Alliance certification in 2003. While hearing more about their business, Morinaga Milk identified with their passion for producing high-quality coffee beans, and has adopted Rainforest Alliance certified coffee beans produced at the farm for part of the Mt. RAINIER CAFFÈ LATTE series in 2005.

Finally in 2009, we successfully placed Mt. RAINIER DOUBLE ESPRESSO made from 100% Daterra Farm coffee beans certified by the the Rainforest Alliance on the market, and since then, it has been enjoying support from customers as the product featuring stable flavor and quality, sustainable productivity, and traceability for as long as 15 years down to the present day.

② Mt. Rainier Forest

Daterra Farm has been implementing a planting project called Tree_Illion_PROJECT which Morinaga Milk has also been participating in since 2020.

Its name Tree_Illion is a coined word created by combining “tree” and “trillion.” Trillion is believed to be the number of trees necessary to stop global warming, expressing their hope that this project will lead to world-wide collaboration to achieve this goal.

This project itself is proceeding with the goal of planting 20 million trees by 2030, and Morinaga Milk is the only participant in this project from Japan. The farm area in which Mt. Rainier has planted trees is called Mt. Rainier Forest.

On the occasion of the 30th anniversary of the Mt. RAINIER CAFFÈ LATTE brand, we determined to raise the target number of trees to be planted by four times to 300 thousand, hoping to create an environment to

continue to produce coffee with Datterra Farm in a sustainable manner.

8-2. Manufacture of coffee products

8-2-1. Scenario for the manufacture of coffee products

1. Energy price increase

Our manufacturing sites operate equipment with energy including gas and electricity to conduct the business activities, product manufacturing, of the Morinaga Milk Group. Since CO₂ emission, which is ascribed as the cause of global warming, taking place according to energy consumption for operating equipment necessary for product manufacturing associated with these business activities, has become subject to regulation, tax levied on the carbon emissions poses a risk of an increase in energy procurement costs. (Small impact)

2. Water supply risk (supply of underground water, supply of surface stream water, and maintenance of water quality)

At manufacturing sites, a lot of water is used for washing production equipment, etc. According to regional characteristics, water from various sources such as underground water or river water is used. Normally, they use only clean water that has undergone necessary pre-treatment process. However, when water is found to be unexpectedly polluted or contain contaminants, since it is impossible to adequately purify such water, they can not use it. If such clean water becomes unavailable at manufacturing sites and its supply is disrupted, it will become impossible to continue production activities. (Small impact)

3. Flood damage (floods, rainstorms, etc)

If a manufacturing site is inundated by a flood, etc, it may become impossible to continue business operations at that manufacturing site. (Medium to large impact)

4. Restriction of operations due to legal violations

Our manufacturing sites are subject to various environmental laws, such as the the Water Pollution Prevention Act for water discharge, the Air Pollution Control Act for gas emission, and the Wastes Disposal and Public Cleansing Act for waste material. Unless the requirements of these laws and regulations are not satisfied, various administrative punishments including the suspension of operations might be imposed. (Medium impact)

5. Deterioration of the Company's credibility, and lawsuits

Due to the insufficient improvement of working environments for employees working at manufacturing sites and the occurrence of occupational accidents, the Company might be subject not only to legal actions taken by persons concerned, but also to social criticism, and this can lead to a boycott campaign. This may also result in an increase in the number of workers quitting their jobs and hiring difficulty, making it impossible to keep the business running. (Medium impact)

8-2-2. Strategies for the manufacture of coffee products

With potential risks in mind, we have considered the following strategies.

1. Business site-based risk assessment, compliance with laws and regulations, setting of environmental goals and the management of such goals

The Morinaga Milk Group has introduced ISO14001: 2015 environmental management system at its head office laboratory, plants, and Group companies.

With ISO 14001, we assess the magnitude of environmental impact arising in association with business activities, risks and opportunities that environmental changes such as global warming bring to business activities on company-wide and business site levels, establish KPIs serving as environmental goals, and manage their progress status monthly on a business site level. At each business site, Morinaga Milk confirms whether it is implementing matters such as initiatives toward its environmental goals, compliance with environmental laws, and environmental education through internal audits carried out by internal auditors employed at that site as well as general internal audits carried out by auditors from other sites. In addition, this system was checked by an external organization concerning its effectiveness and received certification. In addition to the country's laws, we have set more stringent standards considering local conditions, and manage

gas emissions, pollutant emissions from water discharge, and the quantity of water taken from underground water in compliance with those laws and standards by using the environmental management system. In the event of an incident with values exceeding criteria values, we will submit a report to the government and take measures for preventing its recurrence in accordance with a predetermined procedure.

2. Water risk assessment

Considering a loss of supply of water, the recourse necessary for production, as a serious risk, Morinaga Milk Group conducts a water risk survey at manufacturing sites.

In the survey, in addition to conducting assessment using Aqueduct, a risk survey tool, we verify the conditions of manufacturing sites, and identify the manufacturing sites that should be prioritized due to risks related to water resource, underground water resource, drought, floods, and water quality found there, as well as risks related to regulations, reputation, etc. concerning the quantity of water intake and the quality of discharged water, from the perspective of indicators considering business characteristics, and then, address the promotion of appropriate countermeasures.

3. Human rights due diligence Morinaga Milk Group's initiatives for respect for human rights and diversity Human Rights Policy, Health and Safety Basic Policy, and Communities Policy

Considering that employees working with vigor and enthusiasm are the starting point of value creation, the Morinaga Milk Group has established the Human Rights Policy, the Health and Safety Basic Policy, and the Communities Policy. We practice consideration for human rights and diversity of employees, suppliers, and all stakeholders with whom we are involved through our products and services. In addition, through the promotion of in-house D&I, the preparation of safe workplaces, the instilling of flexible working styles, and the provision of learning opportunities, we will achieve rewarding, humane work and will create diverse values and innovations for the Company.

9. TNFD Global Core Disclosure Metrics and Measurement Metrics Related to Morinaga Milk Group's Nature-related Dependence and Its Impact

9-1. Major 20 items procured by Morinaga Milk Group

Metric no.	Factor for changes in nature	Index	Disclosure (aiESG estimation)
—	Climate change	GHG emissions	For the procurement of the 20 major items: 257,370 t
C1.0	Change in the use of land/freshwater/oceans	Land use	For the procurement of the 20 major items: 99,213.5 ha
C2.0	Contamination/decontamination	Total amount of contaminants released into soil by type	For the procurement of the 20 major items: total amount of nitrogen emission from manure (11954.6 t), and total amount of phosphorus emission from manure (2558 t)
C2.1		Wastewater discharge	For the procurement of the 20 major items: 135,972,203 kl as grey water
C2.2		Generation and disposal of waste	—
C2.3		Plastic package usage	—
C2.4		Total amount of air pollutants other than greenhouse gas (GHG)	For the procurement of the 20 major items: amount of NOx emission (3519.5 t), discharge amount of non-methane VOC (4192.5 t), amount of ammonia emission (4403.2 t), amount of SO2 (2662.6 t), and amount of PM10 emission (5459.3 t)
C3.0	Resource usage/resource replenishment	Water intake from areas with water shortage and water consumption in such areas	For the procurement of the 20 major items: green water (953,722,012 kl), and blue water (111,706,717 kl) (with areas with water shortage not identified)
C3.1		//Quantity of high-risk natural commodities sourced from land/ocean/freshwater	—
C4.0	Invasive species	Countermeasures for the unintentional importation of invasive species	—
C5.0	Natural condition	Ecosystem condition Risk of species extinction	—

9-2. Morinaga Milk Group's domestic manufacturing sites

Metric no.	Factor for changes in nature	Index	Disclosure
—	Climate change	GHG emissions	Integrated Report 2023
C1.0	Change in the use of land/freshwater/oceans	Land use	Annual Securities Report for the FY 2024 ended on March 31
C2.0	Contamination/decontamination	Total amount of contaminants released into soil by type	No contaminant emissions from Company-owned facilities
C2.1		Wastewater discharge	14.909 million m ³
C2.2		Generation and disposal of waste	Integrated Report 2023
C2.3		Plastic package usage	Integrated Report 2023
C2.4		Total amount of air pollutants other than greenhouse gas (GHG)	SOx: 50 t NOx: 270 t
C3.0	Resource usage/resource replenishment	Water intake from areas with water shortage and water consumption in such areas	16.169 million m ³
C3.1		//Quantity of high-risk natural commodities sourced from land/ocean/freshwater	Raw milk production: Milk and dairy products statistics survey https://www.maff.go.jp/j/tokei/kouhyou/gyunyu/index.html Amount of coffee production: Statistics from ICO https://coffee.ajca.or.jp/pdf/data-ico202312.pdf
C4.0	Invasive species	Countermeasures for the unintentional importation of invasive species	
C5.0	Natural condition	Ecosystem condition Risk of species extinction	

Metric no.	Category	Index	Disclosure
C7.0	Risk	Assets, liabilities, profits and expenses assessed vulnerable to nature-related transition risks (total and ratio)	Work in progress
C7.1		Assets, liabilities, profits and expenses assessed vulnerable to nature-related physical risks (total and ratio)	Work in progress
C7.2		Large fines imposed due to nature-related adverse impact, explanation on lawsuits, and the amount of such fines	Work in progress
C7.3	Opportunity	Capital investment, fund procurement, or investment amount toward acquiring nature-related opportunities	Work in progress
C7.4		Increase in profit from products that have visible positive impact on nature and their profit ratio (with explanation on their impact)	Work in progress

Of the above items, those that have not been fully quantitatively managed at the present moment are marked with “Work in progress.” We will disclose those items sequentially, starting with those that can be implemented.

10. Morinaga Milk Group's Sustainability Medium- to Long-Term Targets

Morinaga Milk Group manages nature-related independence and impact as well as risks and opportunities by using the following indicators and targets.

Identified risk	Index	Target for 2030
Physical risks to manufacturing at Company-owned sites	Scope 1+2 CO ₂ emissions reduction rate (compared with fiscal 2013 level)	38% or higher
Risk to raw material procurement	Scope 3 GHG emissions reduction rate (compared with fiscal 2020 level)	10% or higher
Physical risks in general to manufacturing at Company-owned sites (GHG, water extraction, water area pollution, waste)	Rate of domestic manufacturing sites maintaining ISO14001 certification	100%
	Rate of sites that have developed BCPs for climate change	100%
Risk to the procurement of other raw materials	Reduction rate of petroleum-based virgin plastic usage (compared with 2013 level)	25% or higher
	Recycling rate of industrial waste	Achievement of zero emissions
Water risk to manufacturing at Company-owned sites	Reduction rate of water resource usage (compared with 2013 level)	15% or higher
	Maintenance and improvement of drainage water quality	
Risk to the procurement of coffee and raw material milk	Application rate of environmentally-friendly design by major brands	100%
	Rate of switch to RSPC Mass Balance Certification	100% (by FY 2028)
	Usage ratio of environment-friendly paper such as FSC-certified paper	100% (by FY 2024)

11. Summary of the Morinaga Milk Group's Approach toward TNFD Disclosure

Through summarizing the details of the disclosure, the management has recognized the following.

- (1) Based on the understanding that it has become increasingly difficult to procure raw materials that depend on natural capital, it is necessary to take measures from where progress can be made within a limited period of time.
- (2) It is necessary to further strengthen the risk management for the procurement of critical raw materials, which is Morinaga Milk's life line, from the perspective of BCP.
- (3) In the face of expected increased prices of certified raw materials and intensifying procurement competition, it is important to determine costs required for reliable access and sustainability value.
- (4) To achieve a sustainable society, it is necessary to promote initiatives in collaboration with the country, companies in the upstream side of the supply chain, and other groups, in addition to simply promoting them in-house.

The framework of these initiatives have already been set up in various policies established by the Company, and the Sustainability Medium- to Long-Term Plan 2030, as well as in individual initiatives. However, considering the findings from this summary, we intend to make good use of such findings to understand the status of these initiatives and enhance them.

Due to the loss of biodiversity, it is becoming difficult to stably procure agricultural products including coffee. In addition, the fact that there is an increase in water risks including those of disasters such as rainstorms, etc. at manufacturing sites poses a risk to the sustainability of the Morinaga Milk Group's business.

We have started to address part of those risks through implementing medium- to long-term sustainability strategies. We will practicing the Sustainability Medium- to Long-Term Plan 2030 to reduce the risks in the value chain and work to facilitate the continuation of sustainable business with the aim of realizing a prosperous society that contributes to healthy and enjoyable lifestyles for ever brighter smiles.

End of the article