



INTEGRATED REPORT 2022

Morinaga Group For the Fiscal Year Ended March 31, 2022

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The Morinaga Group traces its roots back to the commitment of its founder Taichiro Morinaga to deliver highly nutritious and delicious Western confections to the people of Japan. Beginning with caramel, which he learned about in the United States, it was his vision to bring foods from Japan to the world and create food culture beyond borders. His commitment has been passed down over the years, regardless of changes in the times and business environment, becoming a driving force behind the Group's growth.

The Morinaga Group's Corporate Philosophy



The Morinaga Group's Corporate Philosophy is composed of Our Mission, Our Visions, and Our Commitments. Our Mission states how the Group will contribute to society, and Our Visions comprise the five visions that we will pursue toward the future. Our Commitments represent the values that we have developed during the more than 100-year history since the founding of the Group and will continue to uphold as our firm belief for many more years to come. To describe the essence of our Corporate Philosophy in one expression, it is "Delicious, Fun, and Healthy."

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Delicious, Fun, and Healthy

The Morinaga Group will continue to create healthy foods that can be enjoyed beyond generations, thereby bringing smiles to the faces of people around the world now and in the future.

- Good quality**
Pursue quality with integrity
- Only-one value**
Create new value and inspiration
- Act globally**
Expand the scope and possibilities of activities
- Link together**
Strengthen relations of trust with stakeholders
- Sustainable society**
Contribute to a sustainable society

- Altruism**
- Give first priority to customers
- Be a pioneer
- Have an indomitable spirit
- Value ties between people
- Align our business imperatives with social challenges

Cautionary Statement about Forward-looking Statements
This report contains forward-looking statements on such matters as the Morinaga Group's plans, strategies, and business performance. These statements are based on judgments made using information obtainable at present. Consequently, actual performance could vary greatly from forecasts because it is subject to various risks and uncertainties. Elements affecting forward-looking statements include the economic environment surrounding the Morinaga Group's business domains, competitive pressures, relevant laws and regulations, changes in the development status of products, and fluctuations in foreign exchange rates. However, elements affecting future forecasts are not limited to these. Furthermore, the Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of the fiscal year (FY) ended March 31, 2022. The figures for FY2021/3 are from after retroactive application of the said accounting standard.

History

History of the Morinaga Group's Value Creation

The Morinaga Group has been consistently providing customers with new value and inspiration, while responding to changes of the times and those in the lifestyles of customers. Through continuing to make food that helps to keep people's minds and bodies healthy, from today to tomorrow and from one generation to the next, we will continue to bring smiles to the faces of people around the world.

Net sales

(Billion yen)

200

150

100

50

0

Paving the way for the modernization of Japan's confectionery industry

Our founder Taichiro Morinaga, who spent 11 years in the United States learning about confectionery manufacturing technology, founded Morinaga's Western Confectionery Shop with the commitment to deliver highly nutritious and delicious confections to the people of Japan. With the aim of modernizing Japan's confectionery industry, the company created a foundation for the confectionery business in Japan such as mass production with machinery and mass sales by establishment of sales networks and advertising, and spread Western confections nationwide in the process.



Delivering deliciousness and smiles to people around the world

The Morinaga Group has created new values pivoting around technology developed in confectionery manufacturing with the aim of bringing a richer and healthy diet to the people of Japan. First, we expanded business of foodstuffs, frozen desserts and health products focusing on Japan. In recent years, we have also been accelerating the growth of our overseas business centered on HI-CHEW. In 2022, we launched *Chargel*, aiming to create a market for jelly drinks in the United States. We are continuing our efforts to deliver value to people around the world.



1905

Registered our first symbolic trademark



1928

Develops Morinaga Belt Line Store (sales network)



1904

First in the industry to require employees to wear uniforms to enhance hygiene



1919

First in the industry to introduce an eight-hour work day

1937

Holds the first Morinaga Mother's Day Meeting to popularize Mother's Day in Japan

1918

Releases the first domestically produced milk chocolate in Japan



1915

Begins manufacturing biscuits

1899

Founded as Morinaga's Western Confectionery Shop

1912

Company name is changed to Morinaga & Co., Ltd.

1961

Establishes Taiwan Seika Co., Ltd. (currently Taiwan Morinaga Co., Ltd.)



1971

Establishes Consumer Room (customer service departments)



1983

Commences the health business

2000

Morinaga's four factories in Japan obtain ISO 14001 certification

2010

Establishes Morinaga Food (Zhejiang) Co., Ltd.



2008

Establishes Morinaga America, Inc. Launches the "One Chocolate for One Smile" campaign



2019

Establishes Morinaga Asia Pacific Co., Ltd.



2018

Morinaga's factories in Japan and production subsidiaries obtain FSSC 22000 certification

2017

Obtains Platinum Kurumin certification, a symbol of a company supporting childcare.

2013

Establishes Morinaga America Foods, Inc. Develops proprietary health ingredient called Passienol™



2022

Morinaga R&D Center begins operations as our new research center

* Consolidated net sales from FY1978/3

* The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3. The figures for FY2021/3 are from after retroactive application of the said accounting standard.

Morinaga's Main Brands

Brands more than a century old



1913 Milk Caramel
1919 Milk Cocoa

Brands more than 50 years old



1923 Marie
1957 Morinaga Hotcake Mix
1967 Chocoball
1971 Koeda
1972 Choco Monaka Jumbo

Brands more than 30 years old



1973 Morinaga Ramune
1974 Morinaga Amazake (canned)
1975 HI-CHEW
1982 Ottotto
1989 Ice Box

Brands more than 10 years old



1993 DARS
1994 in Jelly
2003 Carré de chocolat
2006 Morinaga Collagen Drink
2009 in Bar

*Product names and images as of September 2022.

At a Glance

The Morinaga Group engages in the confectionery and foodstuffs business, frozen desserts business, "in-" business and direct marketing business in Japan, and in the food manufacturing business overseas mainly involving the U.S. business. Particularly, we aspire to drive the entire Group's growth, defining the four businesses "in-" business, direct marketing business, U.S. business and frozen desserts business as the focused domain categories.

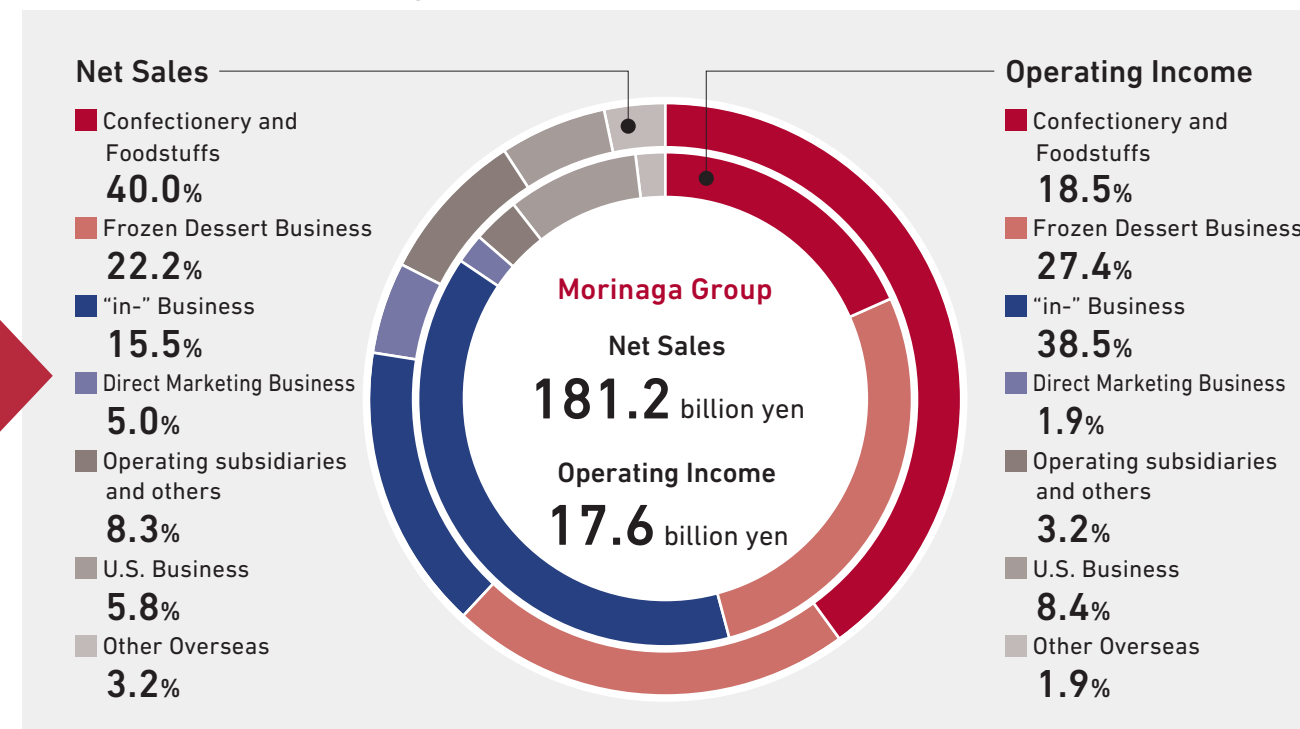
The Morinaga Group Today

Strategic Business Categories		Business Overview/ Strengths	
Main Products	Net Sales/ Operating Income		
Japan	Confectionery & Foodstuffs*1 	(Billion yen) 2021/3: 73.3 (Net sales), 6.1 (Operating income) 2022/3 (FY): 72.4 (Net sales), 3.2 (Operating income)	We are constantly creating new and delicious food solutions pivoting around our long-selling brands such as <i>Morinaga Biscuits</i> , <i>Choco Ball</i> , <i>HI-CHEW</i> , and <i>Morinaga Cocoa</i> . Commanding our proprietary food processing technologies combining innovations with our traditions of more than 120 years in business, we are working on value creation that contributes to people's healthy and vibrant lifestyles including high cacao chocolate, cocoa drink, and amazake drink blending deliciousness and health functions.
	Frozen Desserts Business 	(Billion yen) 2021/3: 38.4 (Net sales), 7.4 (Operating income) 2022/3 (FY): 40.1 (Net sales), 4.8 (Operating income)	We continue to deliver value and inspiration to customers through products made with the Group's unique confectionery technologies in sub-zero temperatures such as in our top brands of <i>Choco Monaka Jumbo</i> , which marks its 50th anniversary this year, and <i>Ita Choco Ice</i> , featuring the shape and texture of a chocolate bar. By concentrating management resources on mainstay brands, we are implementing effective marketing.
	"in-" Business*1 	(Billion yen) 2021/3: 23.6 (Net sales), 4.5 (Operating income) 2022/3 (FY): 28.0 (Net sales), 6.8 (Operating income)	We are working to create new value aimed at "health of mind and body" through foods. <i>in Jelly</i> , which replenishes nutrition anywhere and anytime based on sports science theory, has maintained its top share in the jelly drinks market for 27 years. Our product initiatives in the "in-" brand are meeting the health needs of various lifestyles in modern society.
	Direct Marketing Business*2 	(Billion yen) 2021/3: 7.4 (Net sales), 0.6 (Operating income) 2022/3 (FY): 9.1 (Net sales), 0.3 (Operating income)	We support customers' wellness life by directly bringing products with both function and deliciousness to consumers. <i>Morinaga Collagen Drink</i> , which is sold exclusively in the direct marketing channel, has sold more than 300 million units to date ⁵ , making it the best-selling collagen drink in Japan ⁶ .
	Operating subsidiaries and others 	(Billion yen) 2021/3: 13.4 (Net sales), -0.7 (Operating income) 2022/3 (FY): 15.0 (Net sales), 0.5 (Operating income)	Aunt Stella Inc. manufactures and sells cookies and other products and operates restaurants. Morinaga Market Development Co., Ltd. sells confectioneries and foods to theme parks and companies as well as sells imported products. Morinaga Shoji Co., Ltd. develops and markets commercial-use food ingredients. Morinaga Institute of Biological Science, Inc. researches, develops, manufactures, and markets food allergen test kits and other products. For other businesses, we own real estate properties and manage a golf course.
	Overseas	U.S. Business*4 	(Billion yen) 2021/3: 7.2 (Net sales), 1.0 (Operating income) 2022/3 (FY): 10.5 (Net sales), 1.4 (Operating income)
Other Overseas 		(Billion yen) 2021/3: 4.5 (Net sales), 0.0 (Operating income) 2022/3 (FY): 5.7 (Net sales), 0.3 (Operating income)	Including global expansion of <i>HI-CHEW</i> , we deliver products with unique texture and taste based on our long-standing technologies cultivated in our domestic business to customers around the world together with the Morinaga Brand and our Corporate Message of "Delicious, Fun, and Healthy." In Taiwan, <i>in Jelly</i> was launched in 1999, and is also sold in response to rising health awareness. It is also sold in Hong Kong and Singapore. We are also working to tap into new markets while expanding wellness products such as <i>Morinaga Collagen Drink</i> in China via e-commerce.

*1. Products including candies, chocolates, etc., in the "in-" brand are included in the confectionery and foodstuffs business.
 *2. Including Overseas (Thailand)
 *3. Aojiru is a Japanese vegetable beverage
 *4. Including profits relating to exports to the U.S. market from China and Taiwan

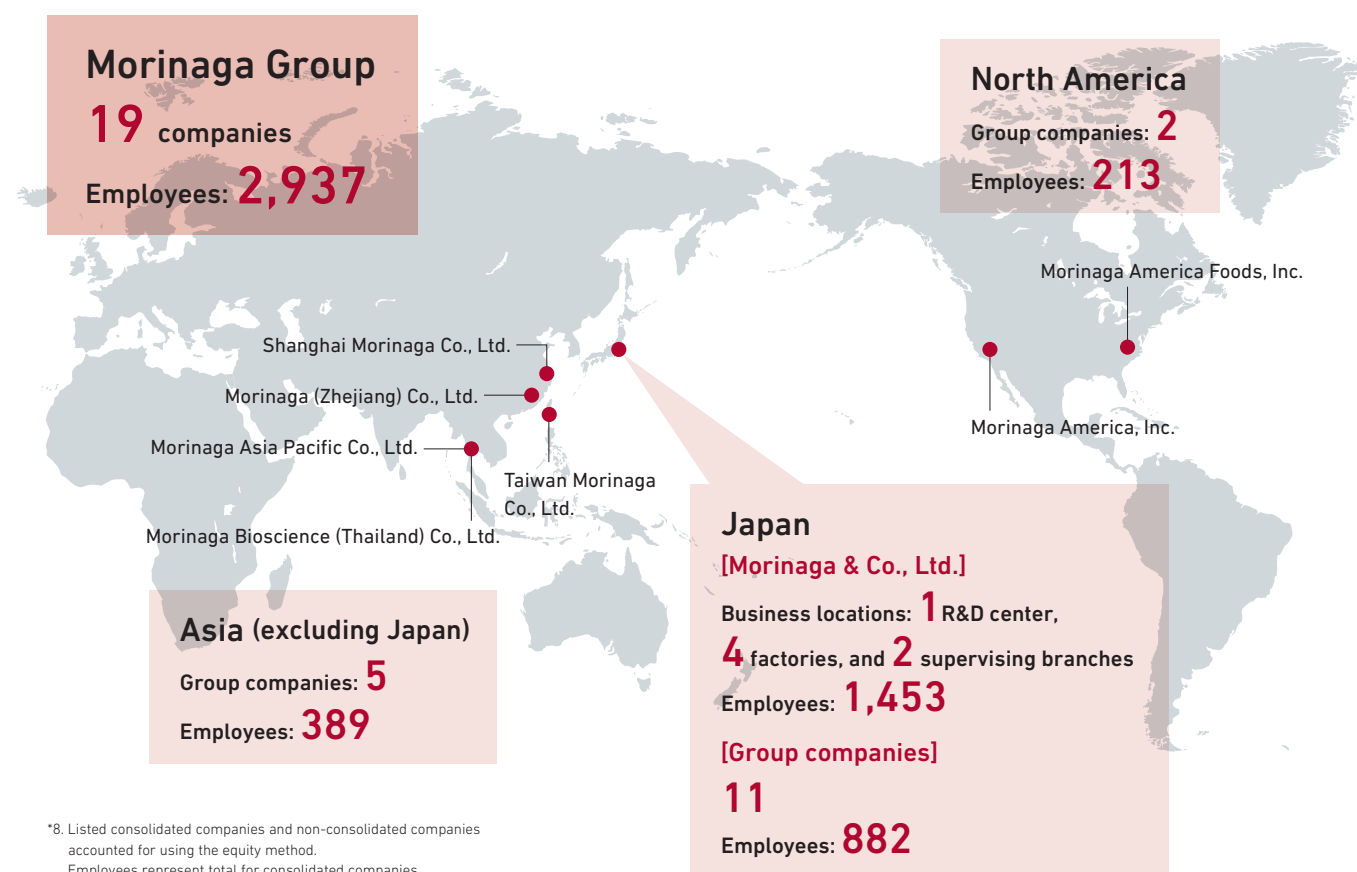
*5. Including Morinaga Collagen Drink series and products before and after updating, as of October 2021 (survey by Morinaga & Co., Ltd.)
 *6. Source: H.B. Foods Marketing Handbook 2022 No. 1, Fuji Keizai (beauty effect/ collagen category/ 2020 results), for the Morinaga Collagen Drink series, including products before and after updating.

Net Sales and Operating Income (FY2022/3)*7



*7. Breakdown of operating income contains 0.2% as an adjustment excluding the above.

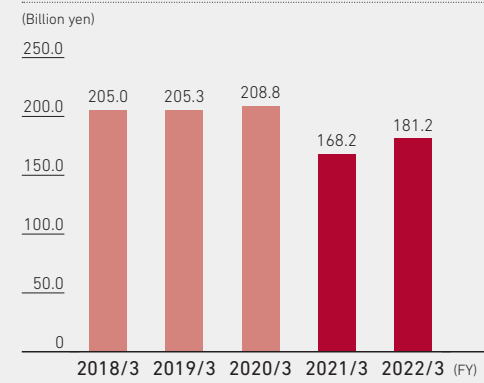
Reach of the Morinaga Group (As of March 31, 2022)*8



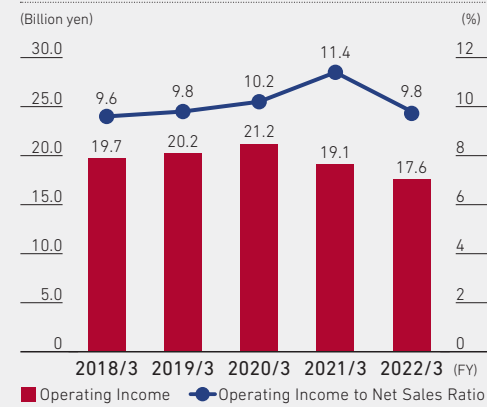
*8. Listed consolidated companies and non-consolidated companies accounted for using the equity method. Employees represent total for consolidated companies.

Financial Highlights

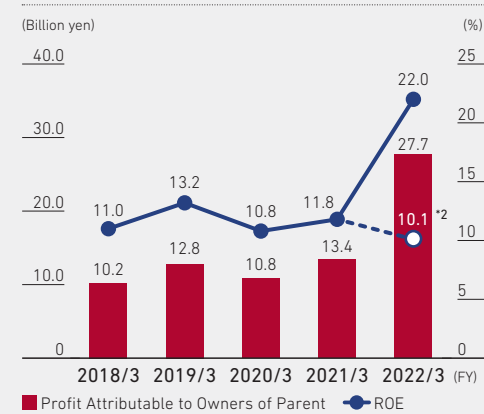
Net Sales*1



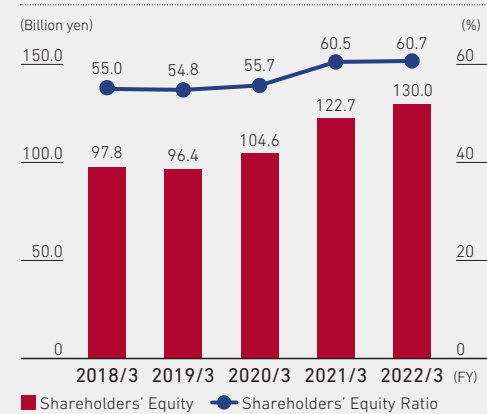
Operating Income*1/
Operating Income to Net Sales Ratio*1



Profit Attributable to Owners of Parent*1/ROE*1



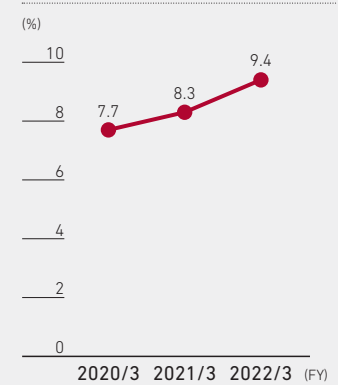
Shareholders' Equity/ Shareholders' Equity Ratio*3



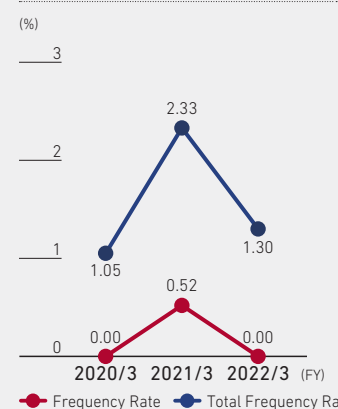
*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3. The figures for FY2021/3 are from after retroactive application of the said accounting standard.
 *2 Excluding impacts of extraordinary income from the sale of cross-shareholdings
 *3 The Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting, etc., from FY2019/3, and figures for FY2018/3 were retroactively adjusted in line with this accounting standard.

Non-Financial Highlights

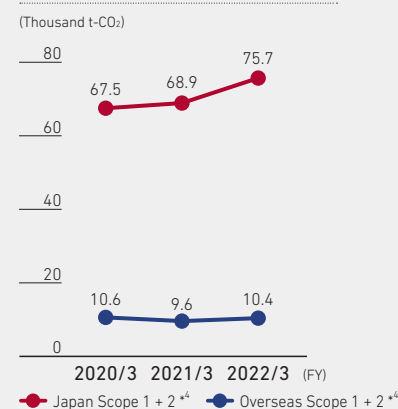
Ratio of Female Managers*1



Rate of Occupational Injury
(Frequency Rate*2 / Total Frequency Rate*3)



CO2 Emissions



*1. Figures are non-consolidated for Morinaga & Co., Ltd. as of April 1 of each fiscal year.
 *2. Frequency of occupational accidents indicates the number of injuries / fatalities (not including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd. factories and production-related affiliated companies)
 *3. Frequency of occupational accidents indicates the number of injuries / fatalities (including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd. factories and production-related affiliated companies)
 *4. Consolidated basis.

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Message from Top Management



Eijiro Ota

Representative Director, President

We will continue working to become a “Wellness Company” that pursues the enriched and glorious life of people around the world by creating highly resilient organizations capable of flexibly responding to various changes.

Looking Back on FY2022/3

The world faced a number of challenges in 2021 caused by the ongoing COVID-19 pandemic and spread of variants. I would like to express my sympathy to everyone affected and I would also like to express my heartfelt gratitude and respect to essential workers on the front lines. As in the previous year, we donated approximately 10,000 units of *in Jelly* to WeSupport, a food support platform working to address social issues, in support of healthcare professionals. In addition, to support Ukrainian children and their parents who were forced to leave their homes due to the war in Ukraine, we donated 10 million yen to Plan International Japan (NGO) in April 2022. Our employees and officers also made humanitarian donations which were matched by the company.

“Altruism” outlined in our Value (our commitments) in our corporate philosophy is the key driver supporting these initiatives. I would like to continue passing down this spirit, which has formed the basis of our actions since our founding.

Due to COVID-19 and changes in the global situation, the business environment has also undergone changes beyond our

expectations, foremost of which have been soaring raw material and energy prices and fluctuations in foreign exchange rates. In April and May 2020, sales of *in Jelly*, one of our mainstay products, plummeted by about half. Nevertheless, we managed to post a V-shaped recovery of net sales in just one year by expanding new target customers through the release of *in Jelly Fruit Texture*, in addition to capitalizing on demand for an easy source of energy amid the work-from-home trend. As a result, we recorded our highest ever net sales in the fiscal year ended March 31, 2022. This recovery was made possible because of our strong technical prowess and brand power as a frontrunner in jelly drinks. The Group’s net sales totaled 181.2 billion yen, a new record high*. However, operating income fell 1.5 billion yen from the previous fiscal year to 17.6 billion yen. The surge in raw material prices and the impact of foreign exchange rates were responsible for a 1.9 billion yen decrease in operating income. As various changes in the external environment are expected in the future, we must further enhance our resilience to respond flexibly.

* Accounting Standard for Revenue Recognition applied retrospectively.

Meetings to Exchange Opinions for Instilling Our Corporate Philosophy

Since becoming President in June 2019, I have asked myself what the Morinaga Group will need to value in the future. The answer I arrived at was “permanence,” which we have achieved by overcoming a number of challenges during our 120-year history. I have found that creating value needed by society, as well as growing and developing sustainably as a corporation, no matter the business environment going forward, will lead to the happiness of all stakeholders.

We asked employees to voice their opinions regarding the position the Morinaga Group wants to be in and the meaning of its existence. In response, we received passionate feedback from close to 1,000 employees. The corporate philosophy formulated in May 2021 represents the culmination of discussions by our executive management team based on employees’ opinions. We will increase our corporate value by keeping our Purpose (Mission) “The Morinaga Group will continue to create healthy foods that can be enjoyed beyond generations, thereby bringing smiles to the faces of people around the world now and in the future” in mind during all corporate activities.

Also, we believe that organizations clearly centering around its corporate philosophy have a high degree of resilience. Over the past year, I held meetings with employees to exchange views, based on the belief that each and every employee must embrace our corporate philosophy as their own, instead of viewing it as

just words, and make concrete efforts toward achieving it. Despite the COVID-19 pandemic, I managed to hold 50 meetings, including at Group companies, engaging 1,147 employees in dialogue. After reading the comments from employees who participated, I feel that these meetings have led to a deeper understanding of the corporate philosophy and the direction of the company, and the meetings also promoted a real sense of being a member of the Group. On the other hand, I have been unable to hear from some of business sites including overseas subsidiaries, so I will continue to create opportunities for dialogue.



Dialogue between the President and employees

Start of the 2030 Business Plan

The 2030 Business Plan is a long-term management plan for 2030 formulated in May 2021. It states as its vision "The Morinaga Group will Change into a Wellness Company in 2030." We broke through the barrier of 10 billion yen in operating income for the first time in FY2016/3, and since then, our business performance has improved and the company has definitely risen to a greater stage of growth. The word "change" was used based on my strong conviction that Morinaga will be able to sustain its permanence if we evolve and change to ensure that the Group continues to shine for the next 100 years. We cannot be satisfied with the status quo. Initially, there were perplexed voices from within the company about the word "change." Even during meetings with employees, I have been particularly conscious of ensuring that they understand my conviction to change.

I believe that one of my roles is to expand the possibilities of our people. We have a long history and many long-selling products, but because of that, our thinking tends to be merely an extension of our past success. By setting bold management goals, I also wanted to encourage employees to take on new challenges. My motto is "You won't understand without trying."

That is, knowing and understanding are two different things. You never know how something will turn out until you have given it a try. I myself have tried to tackle many challenges and sometimes failed. During the meetings, I have told employees, "Let's take on new challenges, and proud of them, even if the challenges end up as failures." This is because I believe that challenging ourselves helps both the company and individuals grow.

In addition, we are further refining each strategy aimed at changing into a wellness company that continuously supplies the three values of "health of mind, body, and environment" to customers, employees, and society. There are still issues to be addressed, but each employee is more aware of what needs to be done to achieve the 2030 Vision. For example, this includes the start of discussions on various themes related to "health of mind" at the R&D Center. I am convinced that the bold and strong message

encapsulated in the word "change" was necessary. In order to demonstrate to customers and other stakeholders that we are a "wellness company that energizes," we have also revamped the jingle in our television commercial. To achieve the 2030 Vision, we will further improve on various initiatives going forward.

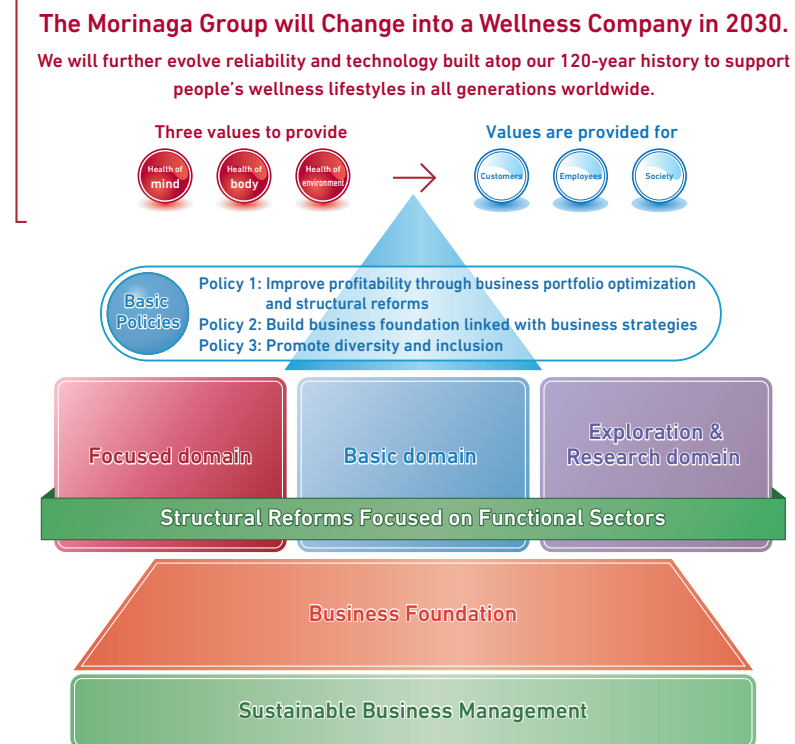
Basic Policies Aimed at Achieving the 2030 Vision

Under the 2030 Business Plan, we are following three basic policies. First is to "Improve Profitability through Business Portfolio Optimization and Structural Reforms." We selected four businesses with high profitability and promising growth prospects and designated these as the "focused domain." In turn, we will concentrate management resources in these four businesses, which are the "in-" business, direct marketing business, the U.S. business and frozen desserts business, so that they drive the entire Group's growth.

In FY2022/3, focused domain sales totaled 114% of the previous year, and 11 billion yen of the 13 billion yen increase in consolidated sales came from the focused domain. This shows that we made great progress. The focused domain accounted for 48.8% of the Group's sales for the year. As a result, we achieved the target of the 2021 Medium-Term Business Plan two years ahead of schedule and we marked a solid start toward our target to increase this to 60% by 2030.

Looking at the situation of each business, first, in the "in-" business, *in Jelly* experienced a V-shaped recovery from the initial impacts of the COVID-19 pandemic thanks to our efforts to take various measures. The number of users has grown, and the purchase rate exceeded 14%*, setting a new record high. We have also started an initiative to strengthen ties between the corporate brand and the "in-" brand. For example, we have developed a television commercial that highlights the activities at *Morinaga "in" Training Lab* supporting athletes. We will increase customers trust

* INTAGE Inc. SCI Market data for Jelly Drinks from April 2021 to March 2022



in the "in-" brand, which is symbolic of our change into a wellness company, and will further grow the "in-" business through the development of not only jelly but also bars and a wide range of other products.

Through aggressive advertising in the direct marketing business, the number of regular customers increased, and both *Oishii Collagen Drink* and *Oishii Aojiru* recorded strong sales during the course of the year. Furthermore, we are promoting IT system renewal and digitalization to scale up operations and strengthen our business foundation. In the future, we intend to build a cross-functional customer data platform that will increase customer lifetime value (LTV).

In the U.S. business, despite headwinds such as soaring personnel and logistics costs, net sales exceeded the record high of 10 billion yen, achieving the target of the 2021 Medium-Term Business Plan a full two years ahead of schedule. In this manner, we were able to achieve greater progress in terms of both growth potential and profitability.

In the frozen desserts business, the market as a whole was down compared to the previous year and while growth slowed, our sales were at 102% of the previous year in terms of amount, beating the market*1. Going forward, we will also sow the seeds for medium- to long-term growth, such as frozen foods, in addition to strengthening our mainstay brands with our advanced technical prowess.

Moreover, the confectionery and foodstuffs business supporting the entire Group through improved profitability was greatly impacted by rising raw material prices and higher depreciation expenses. Looking ahead, as raw material prices continue to rise, we recognize the need to revise product prices with promptness and accuracy,

reduce costs, streamline operating expenses, and scrutinize investment projects.

With regard to the second basic policy of "Build Business Foundation Linked with Business Strategies," we have been working to further strengthen the management base for human resources, R&D, DX*2, and finance. In terms of finance, we have made decision-making criteria for investments clearer and are managing investments fully aware of capital costs while continuously monitoring returns post investment. We will invest in growth with an awareness of capital costs in order to increase corporate value over the medium to long term while continuing to invest in intangible assets for growth such as R&D and DX. In order to further accelerate growth, we established the Strategic Investment & Alliance Division in FY2022/3 as a standalone organization focusing on our inorganic growth. We place the highest priority on investing in focused domains. We are currently conducting research and reviews to reallocate management resources to inorganic growth. With regard to shareholder returns, we aim to raise the dividend on equity (DOE), which we use as an indicator for capital policy, over the medium to long term. In terms of DX, we will strengthen our business foundation and business competitiveness by strategically introducing and utilizing digital technologies.

As for the third basic policy, "Promoting Diversity and Inclusion," we will sustain innovation by promoting diversity and inclusion based on the belief of leveraging each employee's individuality.

Below, I will share details about my thoughts on the U.S. business, R&D, and diversity and inclusion.

*1. INTAGE Inc. SRI+
*2. Digital transformation

Financial and Non-Financial Targets for 2030

Financial Targets *1

Net sales:	300 billion yen
Operating income to net sales ratio:	12% or higher
Overseas sales ratio:	15% or higher
Focused domains' sales ratio:	60%

Non-Financial Targets

Provide value of health to 70% or more of the Japanese population through new initiatives aimed at becoming a wellness company *2	
Ratio of employees who find their job meaningful and who are in good mental and physical health at work:	80%*3
Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper):	100%*4
CO2 emissions reduction:	30%*5

*1. The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3.

*2. Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79.) Going forward, the Company will explore establishment of a vision on a global basis.

*3. Ratio of affirmative answers on the employee awareness survey.

*4. Consolidated basis. Paper covers product packaging only.

*5. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3.)



Restructuring of Overseas Strategy and Evolution of the U.S. Business

In restructuring the Group's entire overseas strategy, we are placing utmost emphasis on the U.S. market and positioned the U.S. business within the focused domain in the 2030 Business Plan. Previously, the Group's basic overseas strategy was to expand the soft candy brand *HI-CHEW* worldwide. Through various learning experiences, however, we feel that we should focus our resources in the U.S. and increase the Group's presence there.

To speed up product development, we established our first-ever R&D lab in the U.S. and expanded our lineup of healthy products geared toward the high level of health awareness in the country. Although our distribution ratio across the U.S. is steadily increasing, our product lineup is still relatively small compared to peer companies. Additionally, *HI-CHEW* brand's recognition rate in the U.S. is 48%^{*1}, so there is still ample room for growth.

At the same time, we will establish a business structure that enables us to further evolve and grow our entire value chain, including bolstering production capacity. Furthermore, I feel that we need to accelerate the global brand strategy of *HI-CHEW* based on our target to increase the overseas sales ratio to 15% or higher by 2030.

In the U.S., we are exploring various possibilities besides the *HI-CHEW* brand. One example is *Chargel*, a jelly drink launched in 2022. The jelly drinks popular in Japan are still relatively newcomers to the U.S. market, but I feel they offer great potential given the size of the market for energy drinks and energy bars. We believe that *Chargel* offers the same potential as *HI-CHEW*. Popularizing an all-new product is no easy task. The Group's founder Taichiro Morinaga was a pioneer who popularized Western confectioneries in Japan during the late 1800s when they were completely foreign to the market. Following this spirit, we will tackle new challenges to further develop the *Chargel* business.

*1. Survey by Morinaga & Co., Ltd.

Expanding R&D for the Future

I believe that R&D plays a vital role in the building of a robust business foundation. We believe that a driving force behind our uniqueness and customer trust cultivated over our 120-year history is the technical prowess generating the texture and taste of our products. Our emphasis on R&D will refine our strengths and differentiate us from peer companies.

In April 2022, we opened a new research building as the base of Morinaga R&D Center. The Center's theme is co-creation. We incorporated the feedback of many R&D staff from the design stage to ensure the completed center reflects our vision for R&D. This includes generating new value and products for the future through co-creation with our various partners such as external research institutes and establish a system ensuring that production engineering departments work as one to bring products to market more quickly.

We also increased R&D spending by 1 billion yen during the period of the 2021 Medium-Term Business Plan^{*2}.

We are moving ahead with various other initiatives such as strengthening growth strategy on "health of mind and body" in addition to updating core technologies to realize the 2030 Vision of "Change into a Wellness Company."

Promoting Diversity and Inclusion as a Focal Point of Management Strategy

In my first message as President, I declared that diversity and inclusion forms a focal point of our business strategy. When backcasting to consider how to achieve the 2030 Vision, we found it critical that we adapt to various environmental changes, such as upgrading management capabilities and promoting diversity in our workforce. Toward this end, we must commence full-fledged efforts toward the promotion of diversity and inclusion as our corporate strategy.

The achievement of our Purpose and the 2030 Vision will depend on the capabilities of our people. Ten people will have ten different opinions, and I hope to foster a corporate culture where everyone listens to these different opinions. As such, management will need to lead by example in promoting diversity and inclusion. We are promoting various initiatives with a sense of urgency, such as diversity and inclusion training for 370 managerial staff of the Group. To increase corporate value, we will create a diverse and dynamic organization with the strength and flexibility to embrace and utilize the distinctive autonomy of each employee. Under our approach of "leveraging each person's individuality," we will accelerate our promotion of diversity and inclusion to continuously create innovation.

*2. Compared to the period of the 2018 Medium-Term Business Plan

Achieving Our Purpose Begins with Sustainable Business Management

In the world today, it is already commonplace for a company to contribute to realization of a sustainable society. "Bringing smiles to the faces of people around the world now and in the future," as stated in our Purpose, truly makes a difference when it comes to achieving a sustainable society. Sustainability business management stands as the foundation of our Purpose, and we can only begin to achieve our Purpose by practicing sustainable business management.

As such, to strengthen our sustainable business management, we created the Sustainable Management Division in 2021. We also established the Sustainability Advisory Board in 2022 to obtain advice from an outside perspective. In addition, to resolve various social issues as a responsible manufacturer of consumer goods, we have formulated targets for 2030 and are actively working toward them. For procurement of raw materials, we have set a target to achieve 100%^{*1} sustainable procurement of raw materials for cacao beans, palm oil, and paper. We also plan to reduce our use of plastics for *in Jelly* by 25%^{*2}. Furthermore, together with TerraCycle Japan G.K., we launched a recycling program that collects empty pouch-type jelly drink containers of *in Jelly* and others. *in Jelly* is popular among student athletes, and given rising awareness of the SDGs among the younger generation in recent years, we are first expanding the program at schools across Japan.

Additionally, we have established a target to reduce food loss and waste by 70%^{*3}. We continue to promote a cycle and effective use of food resources in various ways such as increasing recycling rates and make donations to food banks. For climate change, we have set targets for reducing CO₂ emissions by 30%^{*4} on a domestic Group consolidated basis and net-zero GHG emissions by FY2051/3 based on a Group consolidated basis. To achieve these targets, management must take the lead in following the recommendations of the TCFD^{*5}.

All these activities will be made possible through the cooperation of local communities and customers. The Group has been conducting the consumer-participation campaign of "One

▶ **One Chocolate for One Smile (Japanese only)** <https://www.morinaga.co.jp/1choco-1smile/>
Morinaga Sustainable Project to Connect Smiles to the Future (Japanese only) <https://www.morinaga.co.jp/sustainability/>

As a Company Growing Sustainably with Stakeholders

As we work toward the 2030 Vision, we may be exposed to other major changes in the external environment, such as political situation and international relations, and things may not always go according to plan. The number of businesses in the focused domain and our business structure may be different in 2030.

To be a company that continuously shines over the next 100 years, we will need to become a highly resilient company that can flexibly respond to these various changes.

Going forward, with stakeholders by our side, we will continue

Chocolate for One Smile," which has been making donations to resolve social issues for 14 consecutive years. Through activities to improve the educational environment for children and prevent child labor in cacao-producing countries of our support partners, Plan International Japan and the non-profit organization, ACE, the cumulative donation amount by FY2022/3 has reached 276.79 million yen. As a co-creative action with customers, we are expanding the "Project to Connect Smiles to the Future."^{*6} We will continue to focus on initiatives for achieving a sustainable society in various forms.

Aimed at the 2030 Vision, we decided to rebuild our aging Shibaura Building and relocate the functions of the Morinaga head office in order to provide a more employee- and environmentally friendly workplace. We will develop a work environment and facilities for a diverse workforce and make the new head office a cornerstone of our corporate philosophy and the 2030 Vision as a co-creative office with a lower carbon footprint.



Left: Collection box for the *in Jelly* Recycling Program
 Right: Delivering ingredients for school lunches purchased with funds from Morinaga to a school in Ghana

©ACE
1チョコ for 1スマイル
 あなたが食べると、もう一人がうれしい

*1. Consolidated basis. Paper covers product packaging only.

*2. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics.)

*3. Domestic Group consolidated basis. Intensity; compared to FY2020/3

*4. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3.)

*5. Task Force on Climate-related Financial Disclosures

*6. Activities to co-create a sustainable society with customers by addressing the current social situations and challenges in an easy-to-understand manner, through donation-linked campaigns and information dissemination on our website.

working to become a Wellness Company that can contribute to the enriched and glorious life of people around the world with our Purpose as a compass guiding us to grow in a sustainable manner.

太田 栄二郎

Eijiro Ota

Representative Director, President

Sustainability Advisory Board

Objective of Establishment and Operations

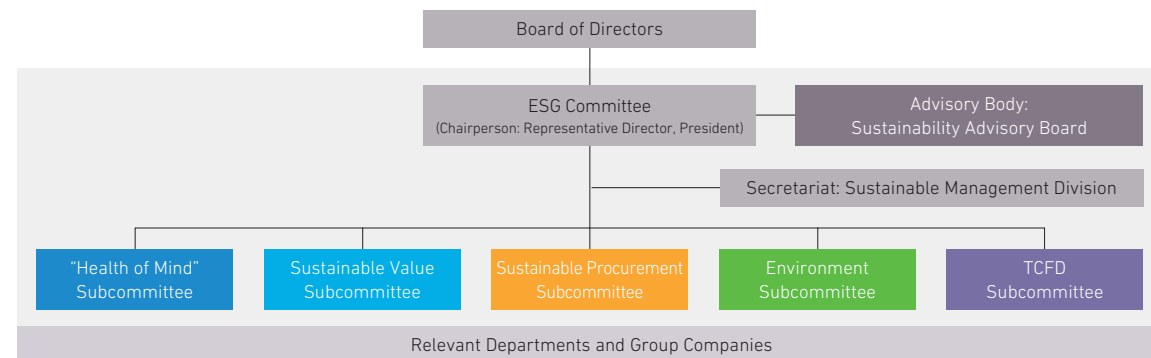
The Morinaga Group established the Sustainability Advisory Board (SAB) in April 2022 as an advisory body to the ESG Committee. SAB's mission is to accurately identify and respond to the rapidly changing external environment and diversifying needs of stakeholders, and raise the level of sustainable business management. Three outside experts specializing in such fields as the SDGs business, ESG investment and diversity and inclusion participate in SAB to provide advice and recommendations on the Group's strategies and initiatives.

SAB's first meeting was attended by these three outside

experts along with four representatives from Morinaga, including the President, each director in charge of the Corporate Strategy Division and Sustainable Management Division and the Executive Officer and General Manager of the Sustainable Management Division. Members shared their views on the Group's initiatives for achieving our Purpose and the 2030 Vision.

By reflecting the advice and recommendations received from SAB in future measures and initiatives, we hope to make steady progress with the implementation of sustainability management as well as achieve sustainable growth and enhance corporate value.

Schematics of Sustainability Promotion



First Meeting of the Sustainability Advisory Board

The main agenda items of the first SAB meeting held in May 2022 were as follows.

Main Agenda Items

1. Morinaga Group Integrated Report 2021 and 2030 Business Plan
2. Disclosure of Non-Financial Information
3. Promotion of Diversity and Inclusion

1. SAB praised Morinaga Group Integrated Report 2021 for conveying information concisely to investors and establishing shared understanding of the concept of "health of mind, body, and environment." However, SAB shared the view that certain improvements can be made to the 2030 Vision; for example, providing greater detail regarding the initiatives to change into a wellness company.
2. Regarding disclosure of non-financial information, SAB provided and discussed the latest domestic and overseas information



- on disclosure trends in recent years, such as the TCFD recommendations and requests for disclosure of human capital.
3. For promotion of diversity and inclusion, SAB members provided advice and discussed relevant international standards and the considerations that should be made with a global perspective.

These valuable opinions will be reflected in the Group's future sustainable business management and for the Group's new value creation.

MESSAGE



Representative Director of
Virtue Design

Mari Yoshitaka

People affected by disasters have said that they would like to have their normal everyday confectioneries in emergency preparedness kits. This is because they felt that eating something familiar would help ease their worries compared to the rations at evacuation sites. Adding nutritional value to these confectioneries will truly provide "health of mind and body." When speaking of disasters, climate change comes to mind. The early achievement of carbon neutrality is a must. I am very pleased to see that Morinaga announced its vision as company that society needs in terms of resolving social issues that harnesses its own strength (business opportunities) and mitigating risks, simultaneously. The key is the path to achieving this vision. Today, the world faces immeasurable uncertainty and risks in the form of DX, resource depletion and geopolitics. The basic business of confectioneries that can bury the gap between genders and generations offer a promising solution for achieving the SDGs. I would like to see Morinaga deeply engage customers, shareholders, business partners, employees, and other stakeholders to develop resilient and flexible management with a long-term perspective.



President of Takasaki City University
of Economics

Takeshi Mizuguchi

I can identify with Morinaga's vision of becoming a wellness company that provides the three values of "health of mind, body, and environment." The Group's products are no doubt appealing to customers. I would like to see Morinaga use this concept to increase its presence as the Morinaga Group.

The foodstuff industry in particular is closely involved in the sustainability of communities and biodiversity through the procurement of raw materials, and health of body is an important issue for an aging society. Moreover, in a time like today, when society is divided and peace itself is threatened, I hope that Morinaga can deliver "moments of relief" in the form of deliciousness and enjoyment to people around the world.

I have witnessed firsthand changes in approach and behaviors of investors during the course of close to three decades of research in ESG investment and non-financial disclosures. Today, investors are looking not only at risk and return but also impact. I look forward to working with Morinaga to explore the impacts of its vision of becoming a wellness company.



President of Gender Action Platform
(NPO)

Asako Osaki

At the beginning of SAB's first meeting, we heard from President Ota how Morinaga established its corporate philosophy using employee participation. Organizational reform requires not only the commitment of top management, but also that employees buy into it. The meeting was cordial yet enthusiastic, and I found that Morinaga already has both in place.

I have promoted gender equality globally (through international cooperation), nationally (in government policy), and locally (with local governments and NPOs.) Gender equality is a vital element of such frameworks and approaches as "SDGs/ESG investment," "business and human rights" and "diversity, equity and inclusion (DEI.)" Following this international trend and rapid changes in Japan's demographics and lifestyles, new public policies are being developed rapidly even in Japan, including mandatory disclosure of gender pay gaps and enhanced childcare leave opportunities for men. Through provision of the latest information and expert knowledge on gender, human rights and DEI, I hope to play a role in helping Morinaga to achieve its 2030 Vision.

Value Creation Process for Achieving Our Vision for 2030

To achieve 2030 Vision, we will create “the three values of health of mind, body and environment,” and realize sustainable growth by contributing to people’s wellness around the world.

Purpose

The Morinaga Group will continue to create healthy foods that can be enjoyed beyond generations, thereby bringing smiles to the faces of people around the world now and in the future.

External Environment

- Rising health consciousness through food
- Socioeconomic and lifestyle changes brought about by the COVID-19 pandemic
- Declining birthrate/ aging population and contraction of Japanese market (labor shortages)
- Changes in consumer behavior and business model driven by the evolution of digital technologies
- Rising world population and climate change, etc. (unstable raw materials procurement)
- Rising needs to resolve social issues (SDGs and ESG investment)

Materiality

- Contribute to healthy lives of people around the world
- Diversity and inclusion of people
- Achieve sustainable value chains
- Conserve the global environment
- Strengthen the business management foundation

See page 18

2030 Vision

See page 28

We Will Change into a Wellness Company.

Evolution of Management

Promote management with a long-term perspective using our current business model as a foundation

1. Promote Purpose-driven Management
2. Implement the 2030 Business Plan

See pages 28 and 46

Customer value

- Provide value of health to more than **70%** of Japan's population through new initiatives aimed at becoming a wellness company*2

Employee value

- Ratio of employees who find their job meaningful at work and who are in good mental and physical health at work: **80%***3

Shareholder value

- Management aware of capital costs
- Realize a stable and consistent shareholder return

Social value

- Procurement ratio of sustainable raw materials: **100%***4 (cacao beans, palm oil, and paper)
- CO2 emissions: **30%***5 reduction
- Use of plastics for *in Jelly* products: **25% reduction***6
- Food loss and waste: **70% reduction***7

Economic value*1

- Net sales: **300 billion yen**
- Operating income to net sales ratio: **12% or higher**
- Overseas sales ratio: **15% or higher**
- Focused domains' sales ratio: **60%**

Transition strategy

Management Capital (FY2022/3)

[Financial capital]

- Net assets: 131.1 billion yen
- Shareholders' equity ratio: 60.7%
- Long-term credit rating: A stable (obtained from JCR)

[Production capital]

- Production sites: 8 factories in Japan and 3 overseas
- 1 R&D center

[Intellectual capital]

- Patents owned: 176 in Japan and 105 overseas
- Trademarks owned: 535 in Japan and 596 overseas*
- R&D expenses: 2.6 billion yen

[Human capital]

- Employee loyalty: 80%*9
- Health management: Certified Health & Productivity Management Outstanding Organization

[Social capital]

- Relationships of trust with various stakeholders built over more than 120 years in the business
- Many long-seller brands

[Natural capital]

- Diverse raw materials with consideration for sustainability and close quality control

Business Model

Fast development and mass production of products that meet customer needs and deliver them across a broad range of channels

For whom

- Consumers looking for a delicious, easy, and quick nutritional support
- Consumers looking to satisfy a craving or refresh with confections or ice cream

Development and marketing

- Plan and develop products that meet constantly changing needs from customer's perspective
- Process healthy ingredients in a delicious manner

Procurement and manufacturing

- Stable procurement based on strong partnerships with suppliers
- Stable manufacturing of safe and reliable products by way of proprietary mass production technologies and sophisticated quality management

Logistics and sales

- Distribute products utilizing a stable logistics system and diverse sales channels
- Advertising and in-store promotions for new products with familiar brands

Outputs

"in-" Business

Direct Marketing Business

U.S. Business

Frozen Desserts Business

Domestic Confectionery and Foodstuffs Business

Value Created (FY2022/3)

[Value provided to customers]

- Delicious • Fun • Healthy • Nutritional
- Convenient (easy and quick)

[Value provided to shareholders]

- Dividends paid: 4.4 billion yen
- Share buybacks: 1.4 billion yen
- Total returns to shareholders: 5.9 billion yen

[Morinaga's value]

- Achieved record high net sales*10
- Growing net sales of focused domains
- Receiving higher ESG scores from outside institutions

Strengths of the Morinaga Group

Trust

(history and brands spanning more than 120 years)

Basic research/ Ingredient research

Food processing technologies

Product developing capability

Production technologies/ Mass production technologies

Product distribution capabilities and information provision capabilities

Employee-friendly workplace environment

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3. *2 Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore establishment of a vision on a global basis. *3. Rate of positive responses on the employee awareness survey. *4. Group consolidated basis; paper covers product packaging. *5. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3).

*6. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics). *7. Scope: Food loss and waste occurring from receipt of raw materials to delivery (distribution) (domestic Group consolidated basis; intensity; compared to FY2020/3). Excludes feedstuffs and fertilizers, etc., that are returned to the food resource chain. Food disposed of by incineration or in landfills is defined as "food loss and waste." *8. Number of rights owned as of the end of FY2022/3. *9. Positive responses to "I feel proud as a member of this company" on the employee awareness survey. *10 Accounting Standard for Revenue Recognition retroactively applied.

Materiality

The Morinaga Group's Materiality

We identified the materiality that the Morinaga Group must address in order to achieve our Purpose and the 2030 Vision.



Materiality	Main Challenges Included in Materiality	Main Expected Opportunity and Risks (● indicates opportunities and ▲ indicates risks)	Long-Term Targets for 2030 and Their Response to SDGs	Main Actions Ahead of 2030	Main Actions for FY2022/3 to FY2024/3	Results of FY2022/3 for Our Long-Term Targets
1. Contribute to Healthy Lives of People around the World	1. Develop delicious and healthy foods	● Growing business opportunities following the rising health consciousness of consumers ▲ Declining market competitiveness over the medium to long term caused by delayed response	Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company* 	1. Develop and supply products that contribute to "health of mind and body"	<ul style="list-style-type: none"> Contribute to health through existing and new products Enhance R&D Communicate with consumers 	Reviewing detailed requirements
	2. Develop products with new value in response to consumer needs	● Growing business opportunities and improving competitiveness by tapping into latent markets ▲ Declining market competitiveness over the medium to long term caused by delayed response				
	3. Develop sustainable products	● Growing business opportunities from rising awareness of sustainability among consumers				
	4. Food security and quality assurance	● Increasing social trust ▲ Declining social trust, brand value, and corporate value				
	5. Appropriately convey social and environmental information about products					
2. Diversity and Inclusion of People	1. Foster human resources to achieve our vision	● Securing of talent needed to contribute to realization of our Purpose and the 2030 Vision ▲ Declining sustainable growth capabilities due to delayed response	Rate of positive responses on the employee awareness survey: 80% 1) Morinaga Group's contributions to building a sustainable society 2) Corporate growth driven by diverse workforce 3) Employee motivation and achievement of "health of mind and body" 	1. Foster people, culture, and organizations to achieve our Purpose and the 2030 Vision 2. Foster organizations that are diverse and dynamic 3. Build workplaces that are healthy and comfortable, and drive motivation	<ul style="list-style-type: none"> Spread corporate philosophy Entrench human resources development programs Increase workforce in overseas business 	P50-51
	2. Diversity and inclusion	● Improving innovation capabilities and environmental response capabilities ▲ Declining organizational competitiveness and social reputation due to delayed response				
3. Achieve Sustainable Value Chains	1. Sustainable procurement of raw materials	● Achieving long-term stable procurement of safe and high-quality raw materials ▲ Growing risks surrounding procurement of agricultural raw materials due to delayed response	1) Sustainable procurement of raw materials: 100% (cacao beans, palm oil, and paper)* ² 2) CSR supply chain management: implement for 80% or more of raw materials transaction value* ³ 3) Reduce food loss and waste: 70%* ⁴ 	1. Promote sustainable raw materials procurement 2. Promote CSR supply chain management 3. Reduce food loss and waste 4. Co-exist and co-prosper with local communities	<ul style="list-style-type: none"> Promote sustainable procurement in Japan (cacao beans, palm oil, and paper packaging materials for products) Formulate supplier guidelines and hold briefings Conduct assessments Control food loss and waste and promote recycling Collaborate with local governments and companies Strengthen ties with communities near our factories 	P52-53
	2. Human rights and environmental issues in the production stage of agricultural raw materials	● Reducing human rights and environmental risks ▲ Declining social trust, brand value, and corporate value				
	3. Reduce food loss and waste	● Lowering costs by reducing manufacturing loss and returns ▲ Declining social reputation due to delayed response				
	4. Co-exist and co-prosper with local communities	● Increasing social trust ▲ Growing operational risks at business sites, etc.				
4. Conserve the Global Environment	1. Mitigate and adapt to climate change	▲ Growing risks in procurement of agricultural raw materials ▲ Rising production costs due to carbon taxes, etc. ▲ Declining corporate value due to delayed response	1) Reduce greenhouse gas (GHG) emissions • Achieve net-zero GHG emissions by FY2051/3* ⁵ • Reduce CO ₂ emissions by 30% by FY2031/3* ⁶ 2) Reduce plastic waste: 25% reduction of plastics used for <i>in Jelly</i> products* ⁷ 	1. Respond to climate change issues 2. Promote environmental consideration in containers and packaging 3. Effective use of water resources	<ul style="list-style-type: none"> Endorsed the TCFD and disclosures following its recommendations Reduce CO₂ emissions and introduce renewable energy Crystalize adaptation measures to climate change Reduce use of plastics for <i>in Jelly</i> products Consider recycling for containers of <i>in Jelly</i> products Identify regions with high water stress Efficient use of water resources 	1) P54-55 2) Reduction in consideration
	2. Eco-friendly plastic containers and packaging along with recycling and reuse	● Creation of innovation through external collaboration ▲ Declining corporate value due to delayed response				
5. Strengthen the Business Management Foundation	1. Strengthen corporate governance	● Increasing management efficiency and corporate value ▲ Declining evaluations from capital markets	Instead of uniform targets for 2030, we promote response to individual issues as needed 	1. Build a highly transparent and efficient governance system 2. Promote globalization of management foundation 3. Reinforce human rights management 4. Evolve business operations using DX 5. Increase ESG information disclosures	<ul style="list-style-type: none"> Comply with Japan's Corporate Governance Code Organize requirements for globalization of management foundation Develop infrastructure and formulate action plan Conduct training on business and human rights Streamline operations with IT Consider data utilization system that helps improve competitiveness Disclose information on website, etc. 	P60-69 *Human rights P58
	2. Globalize management foundation (strengthen base for overseas expansion and respect local cultures, etc.)	● Acquiring trust from countries and regions where we operate ● Increasing ability to promote and implement management strategy				
	3. Human rights management	▲ Damage to social trust, brand value and corporate value				
	4. Address next-generation food technologies (next-generation food services, DX and robotics, etc.)	● Improving productivity ● Growing business opportunities from innovation				
	5. Increase social trust and reputation through disclosure of ESG information	● Increasing social trust and corporate value				

*1 Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79.) Going forward, the Company will explore establishment of a vision on a global basis. *2. Group consolidated basis; paper covers product packaging. *3. Group consolidated basis.

*4. Scope: The data is based on domestic Group consolidated basis; intensity: compared to FY2020/3. Food loss and waste occurring from receipt of raw materials to delivery (distribution.) Food loss and waste is defined as food product waste disposed of by incineration or in landfills, excluding food product waste that can be recycled as feed or fertilizer. *5. Group consolidated basis. *6. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3). *7. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics.)

Special Feature

Challenges the Morinaga Group Aimed at Becoming a Wellness Company

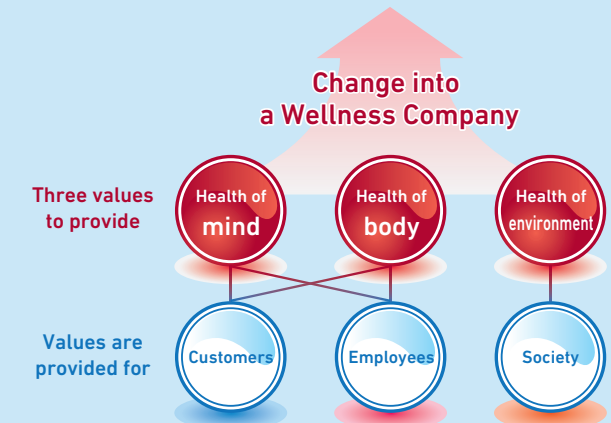
Quest for Health since Our Establishment

The Group's quest for health begins with the founder Taichiro Morinaga's idea to bring delicious and highly nutritious Western confections to Japan and the statement of "rich in nourishment / exquisite flavor," as written on the package of *Milk Caramel*. Since then, for over 120 years, we have been striving in our basic research, food processing technology, product developing capability, production technology, and product promotion capability, in order to consistently provide customers with values over the age. Today, we

continue striving to provide value for customers of all generations and lifestyles by harnessing these capabilities as our strengths. Particularly, the business environment has changed in various ways as of late during the COVID-19 pandemic. This is increasing the importance of not only "health of body" but also "health of mind." We will continue to meet changing customer needs, embracing the challenge of further evolution while using the Group's past research, technical prowess and knowledge as a foundation.

Becoming a Wellness Company by 2030

In 2021, the Morinaga Group established the 2030 Vision to outline the position we want to be in by 2030 in fulfilling our Purpose. This vision declares that we will "Change into a Wellness Company" that contributes to a sustainable and fulfilling society by continuously providing the three values of health (health of mind, health of body, and health of environment) to the three stakeholders of customers, employees, and society. By achieving this 2030 Vision, we aim to realize sustainable growth and enhance corporate value for the Group.



Value Provided to Customers Aimed at Becoming a Wellness Company

Basic research and materials research

- Functionality research on protein + E lutein*¹ (effect on muscle mass from simultaneous intake)
- Functionality research on collagen (impact on skin, knees, bones, etc.)
- Functionality research on amazake and cocoa powder drink (health effects of continued intake: improvement of blood flow, etc.)
- Research on sirtuin (long-life gene) of PassienolTM*²
- Joint research with external institutions on "health of the mind"



Food processing technology

- Further evolution of technologies of jelly drink, confectionery in sub-zero temperatures, and soft candy
- Deep exploration of compounding and processing technologies that balance taste with nutritional ingredients and reduction of carbs and calories
- Product development based on the changing needs of customers



Product developing capability

- Deep understanding of customers
 - Development of low-carbs and low-calorie *in* Jelly products
 - Development of reduced-sugar *HI-CHEW*
- ➔ Pursuit of the great taste of *Morinaga Collagen Drink* and *in Bar Protein*
- Construction of data platforms and initiatives to enhance customer experience value, etc.

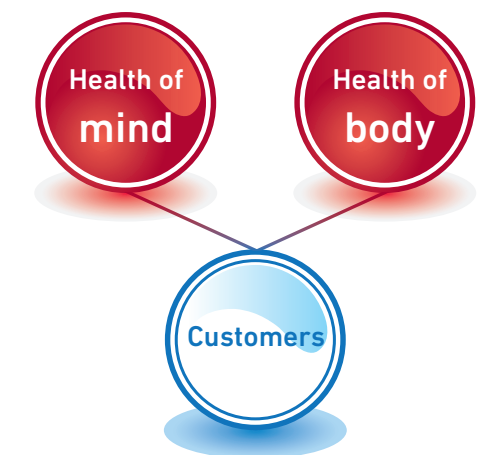
Production technology and mass production technology

- Promotion of smart factories that will realize safe, secure, and highly efficient production
 - We will combine our long-standing production technologies with digital data from manufacturing facilities to increase the stability of operations and improve production efficiency (promote DX).
- Development of mass production technology through strong collaboration between R&D departments and manufacturing departments
 - Establishment of dedicated organization responsible for promoting mass production technology development in the R&D Center and integrated management from product development to manufacturing



Product promotion and information provision capacities

- Enhancement of proposals to meet the health needs of customers
- Increased information dissemination of protein and collagen, etc., on website and in newspaper advertising, etc.
- Initiatives for co-creation with consumers towards a sustainable society
 - Creation of sales displays emphasizing seasonal health needs (heat stroke countermeasures) and preparations, etc., for poor health
 - Donation-linked campaigns ("One Chocolate for One Smile" and "Project to Connect Smiles to the Future")
 - Operation of website where visitors can easily learn about sustainability using KyoroChan



Contribute to customers' "health of mind and body" through provision of delicious and sustainable values

- Relax and refresh
- Nutrition supplements such as energy and vitamins
- Replenishing protein
- Replenishing water and salt
- Low-carbs and low-calories
- Safe and reliable

*1 A type of polyphenol with strong antioxidant effect.

*2 A first-ever proprietary food ingredient developed by the Company containing extract from passion fruit seeds containing piceatannol (a type of polyphenol).

▶ "R&D" <https://www.morinaga.co.jp/company/english/rd/>
 "One Chocolate for One Smile" (Japanese only) <https://www.morinaga.co.jp/1choco-1smile/>
 "Project to Connect Smiles to the Future" (Japanese only) <https://www.morinaga.co.jp/sustainability/>

Special Feature: Challenges the Morinaga Group Aimed at Becoming a Wellness Company

[2030 Vision]

Supporting the Change into a Wellness Company

R&D

Promoting Value Creation and Co-Creation for the Future

Initiatives for 2030

We will promote the following initiatives to realize health of mind and body with technology. We plan to increase R&D expenses in stages, boosting spending in FY2031/3 (single year basis) by 150% or more compared to FY2021/3.

● 1. Deep dive into health of mind

We will begin sensitivity research of *Choco Monaka Jumbo* and *HI-CHEW* and work on the visualization of emotional value of each product.

● 2. Accelerate health of body

We will enhance the nutritional value of products such as via deep exploration of technologies that provide protein in a delicious manner and the development of food with functional claim. We will enhance research on "E lutein," which strengthens the function of protein, along with the proprietary developed called *Passienol™*.

● 3. Evolve from health of mind to health of body

We believe that there will be growing preference among consumers for indulgence items to be healthy. Following this trend, we will add nutritional elements to products and reduce carbs.

Specifically, we will develop products that contain protein and various lactic acid bacteria, develop with reduced carbs and calories, and conduct functional research on amazake, cocoa powder drinks, and *Morinaga Ramune* (glucose), etc.

● 4. Strengthen R&D functions in the U.S.

We established R&D Lab in the U.S. for speeding up localized product development, cultivating new needs in the U.S. wellness market, quickly entrenching *Chargel* in the marketplace, and further evolving *HI-CHEW* such as reduced-sugar type. Going forward, we will further expand R&D functions.

Opening of New Research Center

In spring 2022, we opened Morinaga R&D Center to generate new value for customers aimed at the future pivoting around technology. In August 2022, this facility received the New Office Promotion Award in the 35th Nikkei New Office Award program, which recognizes offices that are both comfortable and functional. We are committed to tackling challenges associated with the creation of new value while encouraging co-creation inside and outside the Group and encouraging researchers to work dynamically.



第35回
日経ニューオフィス賞
"The 35th Nikkei
New Office Award" logo

Connect Park, an open meeting area around a large stairway connecting the third floor trial product area and fourth floor testing area. The space is flat and conducive to discussions, which provides a backdrop to improved communication and daily intense meetings.



"MoLiving," a test kitchen designed based on the LDK (living, dining, and kitchen) layout of a typical home. Employees play the role of customer in preparing and sampling new food ideas.

We will Further Evolve Jelly Drink Technologies and Support Product Development in Response to Customer Needs.

For the *in Jelly* series, we have been evolving technology by focusing on the right texture and taste since its launch in 1994. We change textures based on product characteristics and after finding the right combination or blend from among countless gelling agents tailored to concept and flavoring. We have been pursuing blends that balance the taste and texture of each product because the texture created with each gelling agent affects flavor and drinkability.

In Jelly Multi Vitamins Zero Calories, revamped and released in spring 2022, feature a solid texture as a product in response to consumers looking to satisfy a craving but with lower sugar and calories. In addition to the fact that flavor lessens with harder textures, there are restrictions on the raw materials that can be used to lessen sugars and calories, and it was difficult to bring out the deliciousness, but we managed to balance both



Preparing trial product

the texture and deliciousness required thanks to our blending technology.

We will continue working to develop new products and improve existing products so that they can be enjoyed by even more consumers.



*in Jelly Multi Vitamins
Zero Calories*

Health of Mind and Body of Employees

[2030 Vision]

Supporting the Change into a Wellness Company

Promotion of Health Management

Health Management

For the Morinaga Group, employees are vital stakeholders, and they will play an important role in the Company's change into a wellness company by 2030.

We believe efforts to maintain and improve employees' health of mind and body will energize the organization, boosting productivity and increasing employee's vitality. We are now enhancing these initiatives under the Morinaga Health Declaration of 2018. While using the declaration as a guideline, we will continue to strategically promote health management, linking together our initiatives for work style reforms, increased engagement, and diversity and inclusion. By creating a workplace environment where employees are proactive and healthy, we will work toward the Morinaga Group's sustainable growth and continue to create better value for society.

The Health Promotion Committee creates the philosophy and policies, analyzes issues, defines targets, and plans and formulates initiatives. Under the leadership of the Chief Health Officer (CHO), who reports directly to the President & CEO, we will continue to strengthen information sharing and the coordination system involving industrial health staff and the Morinaga Health Insurance Society, promoting cross-functional initiatives for our employees to realize an enriched, glorious life.

Targets and Initiatives

Employee Awareness Survey

"Employees find their job meaningful at work and they are in good mental and physical health at work."

Rate of positive responses: **80%**

In implementing health management, we have set the above targets recognizing that each employee must play an active role while finding their job meaningful and understanding their own mental and physical health.

We are implementing measures for (1) health of mind, (2) health of body and (3) developing an employee-friendly labor environment, aimed at better health management.

For "health of mind", we maintain a stress check uptake rate of 90% or higher, carry out various measures based on stress check analysis results, and offer seminars that educate employees on how to deal with stress and on health issues unique to women.

For "health of body", we are working to reduce total annual working hours and maintain the health checkup uptake rate at 100%. In FY2022/3, at our Health Forum led by an industrial physician and others, we organized a lecture on the importance of health checkups. In addition, we hold Morinaga Calisthenics at each business site based on an idea proposed at the *Morinaga "in" Training Lab*, which helps to alleviate shoulder stiffness and prevent lower back pain. We are also holding events that establish individual goals for health promotion.

For "developing an employee-friendly labor environment," we are working to prevent the spread of infectious diseases with staggered working hours and working from home, washing and disinfecting hands upon arriving at work, and maintaining social distancing in seating arrangements.

Going forward, we plan to enhance initiatives for seniors, to develop a workplace where seniors with greater experience and advanced skill sets can play a more active role. We are exploring the creation of a mechanism to encourage employees to be aware of changes in their physical and mental functions (introduction of physical fitness measurement, etc.), support for maintaining and improving these functions, and relevant training.

Morinaga Health Declaration

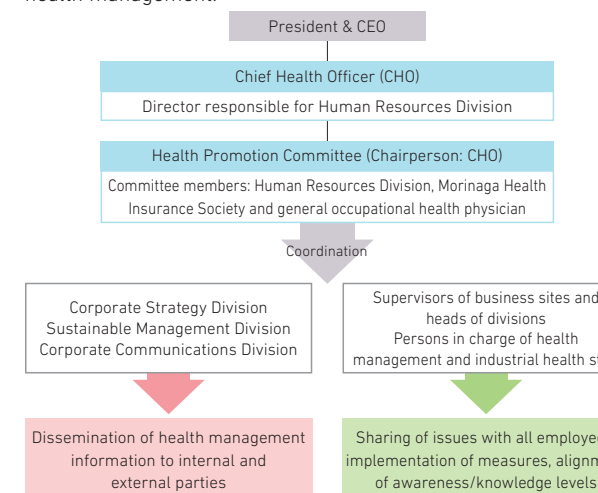
As an enduring, sustainable company, we will offer employee health programs for everyone working at the Morinaga Group in order to create food that benefits a healthy mind and body and to contribute to the realization of a sustainable society where everyone can smile.



1. We support each and every employee to ensure they can increase their health awareness and independently maintain and improve their own health.
2. We seek to increase employee engagement by promoting diversity management and supporting employee efforts and their autonomous growth.
3. We provide a work environment where our employees can work in safety and comfort.

Health Management Promotion Structural Chart

The following diagram illustrates our promotion structure for health management.



Build Business Foundation Linked with Business Strategies

Message from the CFO



Tetsuya Takagi
Director,
Senior Executive Officer

Aimed at 2030

We will sustainably increase corporate value and achieve consistent shareholder returns using proactive investments in growth and by maintaining our stable financial base.

2021 Medium-Term Business Plan and Review of FY2022/3

In the 2021 Medium-Term Business Plan, the Morinaga Group is working diligently to realize "Build a New Foundation for Dramatic Growth." In FY2022/3, we posted record high net sales^{*1} amid the signs of recovery from the COVID-19 pandemic and double digit growth of the focused domain designated in the 2030 Business Plan. While steady progress was made with business portfolio optimization, profitability somewhat declined due to soaring raw material prices and increased burden from investments in future business growth. Raw material prices are expected to remain elevated over the medium-term. Consequently, we will implement prompt and accurate price revision, cost reduction, and improve expense management and investment efficiency to address these risks.

In addition, it is the Group's policy to reduce cross-shareholdings from the viewpoint of improving capital efficiency. In FY2022/3, we recorded a high level of ROE at 22.0% following the extraordinary profit from the partial sale of our stake of common stock in Morinaga Milk Industry Co., Ltd. and others. Excluding this extraordinary profit, ROE was still double digits at 10.1%. The ratio of cross-shareholdings

(market value basis) to net assets declined from 29% to 8%. Going forward, we will continue working to streamline our balance sheet further and improve capital efficiency.

KPIs in the 2021 Medium-Term Business Plan^{*2}

	FY2021/3	FY2022/3	FY2024/3 Targets
Net sales	168.2 billion yen	181.2 billion yen	190.0 billion yen
Operating income	19.1 billion yen	17.6 billion yen	21.5 billion yen
Operating income to net sales ratio	11.4%	9.8%	11% or higher
Overseas sales ratio	7.0%	9.1%	9% or higher
Focused domains' sales ratio:	46.0%	48.8%	+5 points or higher ^{*3}
ROE	11.8%	22.0% (10.1%)^{*4}	10% or higher

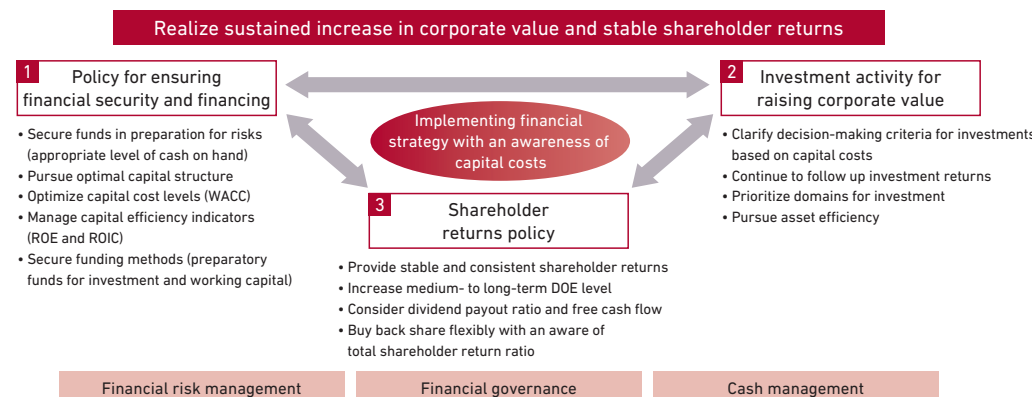
^{*1} Accounting Standard for Revenue Recognition applied retrospectively
^{*2} Since the Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3, the figures for results in FY2021/3 used for year-on-year comparisons have been calculated following retrospective application of said accounting standard.
^{*3} Comparison with the average during the period of the 2018 Medium-Term Business Plan
^{*4} When excluding the impact of extraordinary profit from the sale of cross-shareholdings

Medium- and Long-Term Financial Strategy

The Morinaga Group's basic policy is to increase corporate value sustainably and achieve consistent shareholder returns using proactive investments in growth and by maintaining our stable financial base. Aimed at achieving the 2030 Business Plan, we will contribute to all stakeholders by implementing "capital cost management" and maximizing corporate value.

Toward this end, we will enhance our financial management over the medium- and long-term following the three policies outlined below.

1. Financial stability and Funding
2. Investments in Corporate Value
3. Shareholder Returns

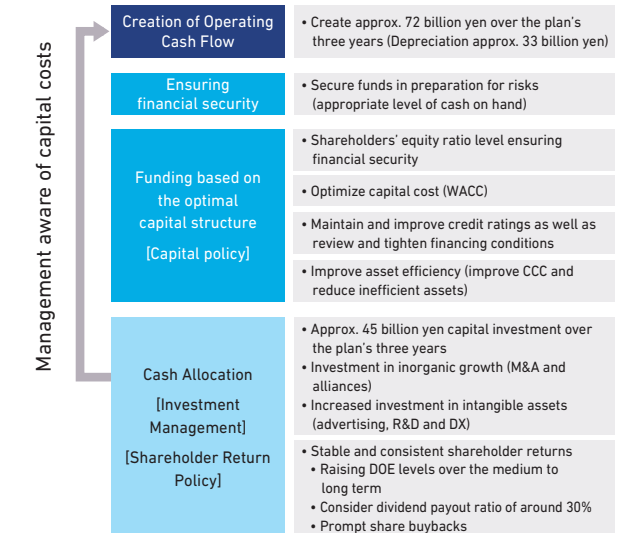


Policy 1. Financial Stability and Funding

The Morinaga Group's basic policy is to ensure a certain level of financial security in preparation for changes in the macroeconomic environment, uncertainty in the business environment, and management risks increase. On top of this, financing will be executed after comprehensive consideration of the appropriate level of cash on hand, funding costs and other conditions, shareholders' equity ratio level, and impacts on financial indicators such as ROE and ROIC to reach the optimal capital structure.

During the period of the 2021 Medium-Term Business Plan, we are planning to create operating cash flow of around 72 billion yen over three years while also improving CCC* and reducing inefficient assets. Moreover, with an eye toward the optimal capital structure, we will arrange financing in a way so as to undertake investments as well as to offer a stable and consistent shareholder return.

*An acronym for Cash Conversion Cycle. An indicator showing the number of days from purchase obligation to collection of accounts receivable.



Policy 2. Investing to Increase Corporate Value

We will invest in growth to enhance corporate value over the medium to long term. We clarified our decision-making criteria for investments and manage investments fully aware of capital costs while continuously monitoring the investment return status post investment.

As a target area of investment, we will prioritize investments in the focused domain, including investments for inorganic growth such as business alliances and M&A, aiming for dramatic growth. Additionally, we will create a foundation for new value creation by increasing investment in the exploration and research domain that will produce the seeds of future business growth, investment in the basic domain for underpinning sustainability management, and investment in intangible assets such as advertising, R&D, and DX.

Main Capital Investments in FY2023/3

Category	Investment Details	Aim
Focused Domain-Frozen Desserts Business	Machinery and equipment for production subsidiaries	Support stable growth of frozen desserts business
Focused Domain-U.S. Business	Expansion of HI-CHEW production line for Taiwan Morinaga Co., Ltd.	Support accelerated growth of the U.S. business
Basic Domain-Confectionery and Foodstuffs Business	Increase production of biscuits at Takasaki Morinaga Co., Ltd.	Support accelerated expansion in the growth category of biscuits
	Update equipment of Chukyo Factory	Provide a stable supply of safe and reliable products
Business Foundation-Tsurumi Factory	Reconstruction of former R&D center building, etc.	Consolidate sites of Group companies (Morinaga Institute of Biological Science, Inc. and Morinaga Business Partner Co., Ltd.)
Others: Extension of smart factory equipment as well as introduction of energy-saving and eco-friendly equipment, etc.		

Total of 16 billion yen

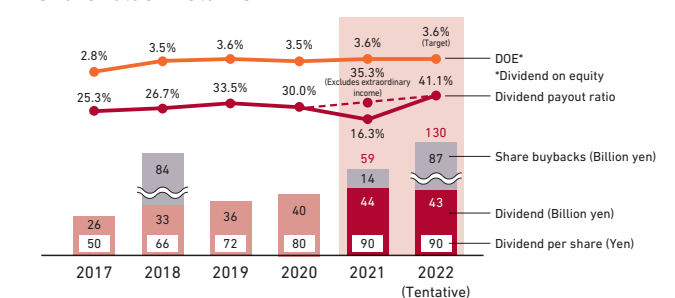
Policy 3. Implementing Shareholder Return Policy

The Morinaga Group's basic policy is to offer stable and consistent shareholder returns backed by a solidified business foundation. As for shareholder returns, we will seek to raise dividend on equity (DOE), an indicator of capital policy, over the medium- to long-term while considering dividend payout ratio level and free cash flow. In addition, we will also consider prompt approaches to share buybacks as needed with an eye toward the total shareholder return ratio.

In FY2022/3, in addition to paying a year-end dividend totaling 4.4 billion yen, we approved share buybacks up to 10 billion yen*, of which we used 1.4 billion yen. We will continue to enhance shareholder returns and increase capital efficiency going forward.

We recognize that implementing management aware of capital costs through these financial strategies is one of our top priorities. Going forward, we will further enhance information disclosures and

Shareholder Returns



*Acquisition period: March 1, 2022 to February 28, 2023

utilize valuable opinions gained through dialogue with stakeholders and IR activities to management activities in an effort to increase corporate value in a sustainable manner.

Build Business Foundation Linked with Business Strategies

Message from Officer Responsible for Human Resources



Masaaki Takahashi
Senior Executive Officer
General Manager of
Human Resources Division

Aimed at 2030

We are working to achieve employee happiness by encouraging their autonomous growth based on mutual relationships of trust with the company and to continuously generate value for society, all in an effort to achieve the Company's sustainable growth.

Medium- to Long-Term Strategy

Our basic human resources strategy is to balance development of human resources for achieving the 2030 Vision with the autonomous growth and self-sustaining career development of employees. The main tasks of our human resources strategy are to train future leaders to develop leadership skills for driving the business, foster and secure human resources with advanced expertise and further increase productivity. Additionally, we are promoting a variety of human resources measures to foster the self-sustaining career of

employees. The Group has positioned diversity at the center of its management, and is developing a workplace that fosters the active participation of diverse human resources.

Looking towards 2030, we aim to disseminate our corporate philosophy and the 2030 Vision, and to achieve sustainable growth through continuous training of human resources who will make these a reality.

▶ Please see page 50-51 for our approach to diversity.

Human Resources Strategy for Achieving Our Purpose and the 2030 Vision



Foster Human Resources Aimed at Achieving the 2030 Vision

We have identified an ideal employee profile and required skills, and are conducting skill development of employees based on these criteria. We offer human resources development programs, including position-specific training, elective training, as well as training to enhance the six required skills. Our human resources development program offers a system to develop skills through

both on-the-job training (OJT) and off-the-job training (Off-JT) with regular evaluation of one's skills and actions. Among these, we have over 180 learning options in the elective training for Off-JT. This initiative fosters deeper self-awareness and encourages a cycle of self-directed learning among employees, which in turn supports their autonomous growth.

Ideal profile of employee	Employee who is capable of grasping and thinking through the essence of matters from a wide perspective	Employee who possesses entrepreneurial mindset and looks outwardly, and is capable of making decisions from higher perspective	
	Employee who is capable of acting independently to embrace challenges without being content with the current situation	Employee who is capable of producing results by engaging others in order to achieve the Vision	
Required skills	Problem identification	Planning and development	Embracing challenges
	Execution	Nurturing and self-development	Organization

Initiatives in FY2022/3

In FY2022/3, we implemented the succession plan for training future leaders and improved managers' management skills and ability to develop their team members. We also strengthened efforts to promote self-sustaining career development among employees.

Implementation of Succession Plan

We are implementing systematic training for candidates of executives, general managers, and group managers. We conduct one-on-one coaching to foster new knowledge and insight as well as programs to promote inspiration and challenges between employees of the same job position of different companies. A total of 38 employees have participated in training for future leaders over the previous three years. This training intends to develop candidates for group manager positions.

Enhancement of Managers' Management Skills and Abilities to Develop Team Members

We held a new training session for employees of all job types. The training fostered the skills of effective coaching and development

and shared knowledge on how to resolve issues using case studies in order to improve management skills.

Promotion of Self-Sustaining Career Development

We launched an initiative for envisioning one's self-image in 10 years which creates an opportunity for employees to reflect on their strengths, weaknesses, and values. In addition, we conduct events to highlight each division to provide employees with an understanding of our business operations and to consider specific career paths.



Management skills and nurturing skills enhancement training. Held 24 times.

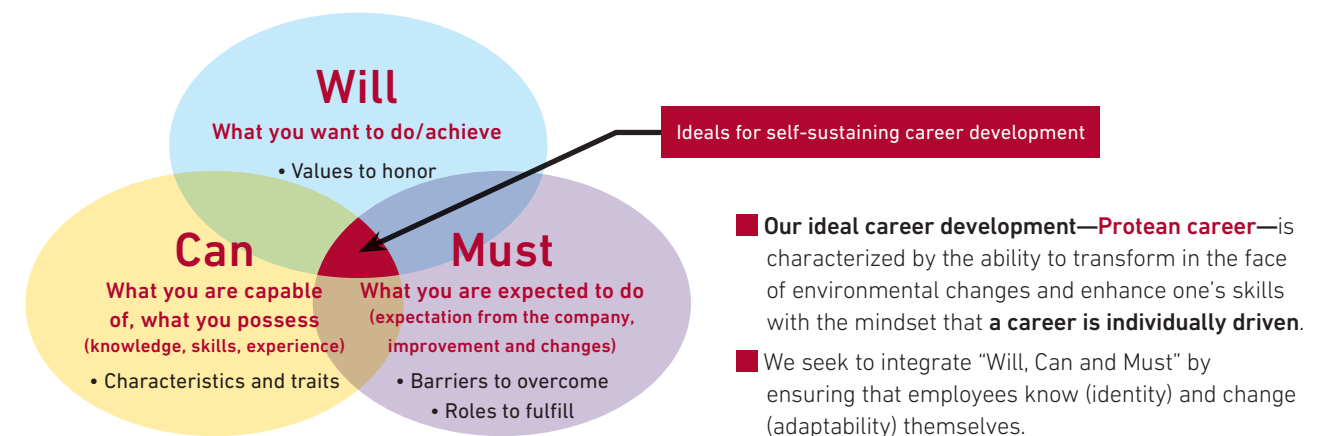
Looking Ahead

We will further implement initiatives to (1) achieve self-sustaining career development for employees, (2) encourage active participation at work from senior employees, and (3) foster and secure human resources with advanced expertise.

- To achieve self-sustaining career development of employees, we will disseminate the Morinaga Group's Approach to Career Development (Protean career) throughout the entire Group.
- In order to encourage active participation at work of senior employees, we will develop new training programs for reskilling

- senior employees and promote their active participation.
- To foster and secure human resources with advanced expertise, we will clarify the required skill sets for R&D, overseas business, accounting, and DX to accelerate the development of essential skills, and conduct recruitment of new graduates and mid-career personnel based on this criteria.
- Through these initiatives, we seek to implement our human resources strategy, and further enhance the Group's sustainable growth.

Morinaga Group's Approach to Self-sustaining Career Development



Long-Term Business Plan

2030 Business Plan

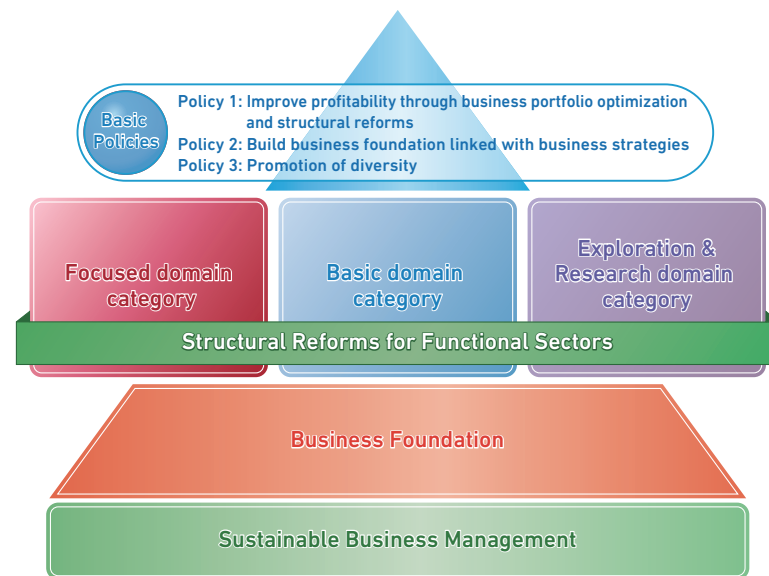
The Morinaga Group formulated the 2030 Business Plan as a long-term business plan aimed at 2030 in order to enhance corporate value by achieving medium- to long-term growth while contributing to the realization of a sustainable society under its new corporate philosophy.

2030 Vision

The Morinaga Group will Change into a Wellness Company in 2030.

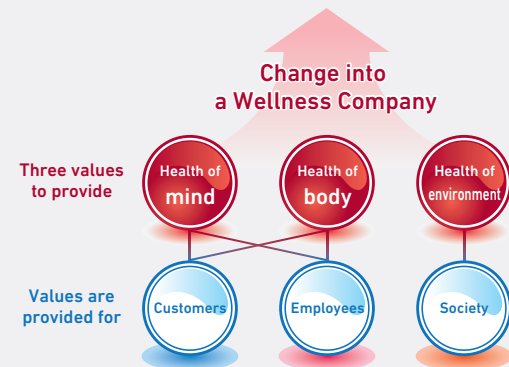
We will further evolve reliability and technology built on in our 120-year history to support people's wellness lifestyles in all generations worldwide.

We formulated the 2030 Vision to outline the position we intend to be in 2030 as the Group's goal of the 2030 Business Plan. The Morinaga Group has cultivated its brand and enhanced its technical prowess during the course of its more than 120-year history supported by the trust of customers. Looking ahead, the Morinaga Group will seek to achieve sustainable growth through value creation in "health of mind, body and environment," which will drive its change into a wellness company.



Contribution to "Health of Mind, Body, and Environment"

The Morinaga Group defines wellness as "the state of realizing or pursuing an enriched and glorious life on the basis of health of mind, body, and environment." By providing the three values of "health of mind," "health of body," and "health of environment" to the three stakeholders of customers, employees, and society, the Morinaga Group will achieve sustainable growth.



Customers x "Health of Mind" and "Health of Body"

We are further evolving the values we provide in order to contribute to "health of mind" and "health of body" of customers through all our products. Under "health of mind," we will enhance emotional values using a science-based approach to further enhance customer satisfaction. Under "health of body," we also address health needs through food by further enhancing the value we provide via the development of food with functional claim.

Employees x "Health of Mind" and "Health of Body"

We will further promote work style reforms along with health management including mental healthcare to foster an organization where employees find their job meaningful and can share their skills dynamically.

Society x "Health of Environment"

To achieve customer wellness, we believe it is essential not only to make our foods delicious and healthy, but also to ensure that our manufacturing process producing these foods and the value chain are sustainable. Therefore, we are working to address social issues related to our business, such as food loss and waste, human rights issues, and environmental issues, aiming to achieve an environment where customers truly feel deliciousness in the foods we make.

Financial and Non-Financial Targets for 2030

Financial Targets *1

Net sales:	300 billion yen
Operating income to net sales ratio:	12% or higher
Overseas sales ratio:	15% or higher
Focused domains' sales ratio:	60%

Non-Financial Targets

Provide value of health to 70% or more of the Japanese population through new initiatives aimed at becoming a wellness company *2	
Ratio of employees who find their job meaningful and who are in good mental and physical health at work:	80% *3
Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper):	100% *4
CO ₂ emission reduction:	30% *5

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3.

*2. Scope: products the Company defines as "Deep dive into 'health of mind'", "Accelerate 'health of body'", and "Evolve 'health of mind' to 'health of body'." Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79.) Going forward, the Company will explore the establishment of a vision on a global basis.

*3. Ratio of affirmative answers on the employee awareness survey *4. Consolidated basis; paper covers product packaging only. *5. Scope 1 + Scope 2 (domestic consolidated basis compared to FY2019/3)

Three Basic Policies and Strategies

Policies	Strategies
Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms	Concentration of Management Resources on Focused Domain By deploying management resources to the focused domain in a concentrated manner, we will drive the Group's growth.
Business Portfolio Optimization	We will seek to achieve steady and high sales growth and enhance earnings while further increasing the added value in order to contribute to "health of mind" and "health of body" of our customers.
Component Ratio	Stable Cash Generation from the Basic Domain Initiatives in the Exploration and Research Domain
	Improving Earnings Power through Structural Reforms Mainly Targeting Functional Sectors
Policy 2 Build Business Foundation Linked with Business Strategies	Enhancing human resources management from a global standpoint to realize our Purpose and 2030 Vision Evolving highly competitive and important technologies to underpin the growth of the focused domain
Human Resources Strategy	Increase corporate value by implementing management that is fully aware of capital costs in a sustainable manner.
R&D Strategy	Strategically introducing and utilizing digital technologies to strengthen the management foundation and business competitiveness
Policy 3 Promotion of Diversity	Under the belief of "leveraging each person's individuality," seeking to realize an organization where our diverse workforce can exhibit their skills, and encouraging innovation capable of creating value for customers and society
Financial Strategy	
DX Strategy	

Long-Term Business Plan

2030 Business Plan: Progress of Key Measures

FY2022/3 Activities to Achieve Targets for 2030

Net sales in the focused domain which are “in-” business, direct marketing, U.S. business, and frozen desserts business steadily grew, helping the focused domain sales ratio achieve the goal of the third year of the 2021 Medium-Term Business Plan. We worked to improve the profitability of the domestic confectionery and foodstuffs business in the basic domain. However, the operating income to net sales ratio

declined compared to the previous year due to soaring raw materials prices and depreciation expenses from capital investments.

The following table contains details of the results and progress of 2021 Medium-Term Business Plan.

		Target State in 2030	Key Measures	2021 Medium-Term Business Plan: FY2022/3 Results and Progress
Focused Domain	“in-” Business	Aiming to become No. 1 brand among foods supporting “health of mind and body” centering around sports	<ol style="list-style-type: none"> Growth of <i>in Jelly</i> Products Growth of <i>in Bar</i> Products Creation of New Foods Leveraging the “in-” Brand 	<ol style="list-style-type: none"> “<i>in Jelly</i>” broke the previous record high for net sales as it addressed customers’ growing health awareness and changing lifestyles, achieving a V-shaped recovery one year after the outbreak of the COVID-19 pandemic. As a result, steady progress is being made toward the 2021 Medium-Term Business Plan target. “<i>in Bar</i>” also recorded its highest-ever net sales because of demand growth owing to the increased time people spent at home with snacking and it addressed growing customer awareness toward health. To further promote the health value provided by the “in-” brand, we worked on developing and fostering new “in-” product brands, such as <i>in Cough Drops</i> (throat lozenges) made with plasma lactic acid bacteria.
	Direct Marketing Business	Evolving into a healthcare business supporting realization of customers’ wellness	<ol style="list-style-type: none"> Evolution of existing businesses using digitalization Creation of new businesses using foundation cultivated in the direct marketing business 	<ol style="list-style-type: none"> Steadily increased the number of subscription customers of <i>Morinaga Collagen Drink</i> and <i>Oishii Aojiru</i> through proactive advertising Explored the creation of a customer data platform (CDP), in order to further improve customer convenience, through integrating customer information within the Group, for creating new businesses
	U.S. Business	Growth of the U.S. business through expanding the <i>Hi-CHEW</i> brand and creating a jelly drinks market	<ol style="list-style-type: none"> Further acceleration of growth of the <i>Hi-CHEW</i> brand Creation of jelly drink market and exploration of potential for wellness domain products 	<ol style="list-style-type: none"> The <i>Hi-CHEW</i> brand broke through the 10 billion yen mark for net sales for the first time amid the increase in distribution ratio of the brand’s products and strong sales in these stores, achieving the final fiscal year target of the 2021 Medium-Term Business Plan two years ahead of schedule In February 2022, sales of <i>Chargel</i> were launched on the direct marketing site operated by Morinaga America, Inc. in order to create a jelly drink market in the United States
	Frozen Desserts Business	Stably expanding the frozen desserts business by concentrating on differentiated products that exploit our confectionery technologies	<ol style="list-style-type: none"> Evolution of freshness marketing for the <i>Jumbo</i> group of products Acquisition of customers in peripheral markets and creation of new markets using technological advantages 	<ol style="list-style-type: none"> The <i>Jumbo</i> group of products experienced a downturn in sales due to unseasonable weather and the recoil from strong growth in the previous fiscal year due to the pandemic, but we recorded the highest ever purchase rate*1 owing to such initiatives as delaying the moisture absorption of monaka. Sales of <i>Ita Choco Ice</i> are steadily growing after the brand posted its highest-ever purchase rate*1 in its second year stemming from promotions to capture customer demand and increased production capacity from the start of operations at Takasaki Morinaga Co., Ltd.
Basic Domain	Confectionery Business	Change the category portfolio so as to build a high revenue base	<ol style="list-style-type: none"> Improvement of chocolate business profitability and increase in net sales Stimulation of demand through invigoration of the candy market Further increase of demand in the biscuit market 	<ol style="list-style-type: none"> Sales of <i>Carré de chocolat</i> and <i>DARS</i>, which was revamped for the first time in two decades, struggled in the first half of the year, but net sales recovered into the second half, which is the peak demand period, amid changes made to marketing strategy. And the efforts were made to start-up and stabilize production at Takasaki Morinaga Co., Ltd., which features the latest facilities High earning power <i>Hi-CHEW</i> has seen net sales exceed the previous year amid the further evolution of its texture High earning power <i>Morinaga Biscuits</i> recorded strong sales that even surpassed the previous year’s strong figures made possible by market growth driven by stay-at-home demand during the COVID-19 pandemic
	Foodstuffs Business	Shifting from article-of-taste brands to health-oriented brands	<ol style="list-style-type: none"> Establishment of <i>Morinaga Amazake</i> as health-oriented brand Establishment of <i>Morinaga Cocoa</i> as health-oriented brand 	<ol style="list-style-type: none"> <i>Morinaga Amazake</i> showed signs of a recovery in sales, despite market contraction, as it underwent a brand renewal and efforts were stepped up to appeal its health value <i>Morinaga Cocoa</i> was impacted by competition, but functional cocoa <i>Senobi</i> saw its purchase rate*2 increase
Functional Sectors	Procurement Sectors	Beating the labor shortage as well as establishing a powerful profit structure to allow us to compete around the world	[Procurement] Control of rising raw materials expense ratio by reviewing product specifications [Manufacturing] Creation of smart factories using digitalization [Logistics] Control of rising logistics costs with an eye toward hub optimization [Sales] Optimization of sales bases and productivity improvement looking ahead to future market changes	[Procurement] Affected by soaring raw materials prices caused by sharp changes in the environment, but cost reduction measures were implemented, including review of product standards [Manufacturing] Promoted initiatives to visualize the operating status of lines, including the <i>DARS</i> line at Takasaki Morinaga Co., Ltd. [Logistics] Reviewed mechanisms for more effective transport, such as active use of ships, railways and tractor trailers to rein in soaring distribution expenses [Sales] Streamlined operations from the consolidation of sales offices and increased efforts to localize sales activities
	Manufacturing Sectors			
	Logistics Sectors			
	Sales Sectors			
Business Foundation	Human Resources Strategy	Establishing powerful management foundation to support the business strategies to increase corporate value over the medium to long term	[Human Resources] Establishment and execution of plans for maximizing human capital [R&D] Cross-functional support of business strategy by creating new value centering around technology [DX] Reforms of business activities using digitalization and continued improvement of profitability [Finance] Explored optimal capital structure, strengthened investment management system, and increased shareholder returns aimed at the promotion of capital cost management	[Human Resources] Systematically developing candidates for each position as part of the succession plan, defining requirements for acquiring and developing specialized human resources, and recruiting both new graduates and mid-career employees that meet the requirements [R&D] Moved ahead with preparations for opening of new R&D center and began creating new value by further revitalizing interactions within and outside the company after selecting new R&D themes for 2030 [DX] Building new IT systems to streamline product development operations [Finance] Developing management structure for capital cost management while pursuing various measures such as sale of cross-shareholdings and share buybacks
	R&D Strategy			
	DX Strategy			
	Financial Strategy			

*1 INTAGE SCI Ice Cream Market April 2021 to March 2022

*2 INTAGE SCI Coca and Health Products Category Market April 2021 to March 2022

Medium-Term Business Plan

2021 Medium-Term Business Plan



Daisuke Fujii
Director, Senior Executive Officer
Responsible for Corporate Strategy Division

We aim to reach record high operating income by further enhancing earnings power in response to the sharply changing environment characterized by soaring raw material cost.

Looking Back on FY2022/3

Result

In FY2022/3, the "in-" business, direct marketing business, and the U.S. business drove growth, and we broke the record high for net sales*. Operating income declined year on year due to the impacts of soaring raw material costs and investments to build a business foundation for growth over the medium to long term. We will continue to take the initiative in terms of both financial and non-financial aspects aimed at achieving the 2021 Medium-Term Business Plan.

Issues and Looking ahead

In the focused domain category, we will continue to concentrate management resources, as we seek out greater growth. In the basic domain category, we will focus on product development in line with

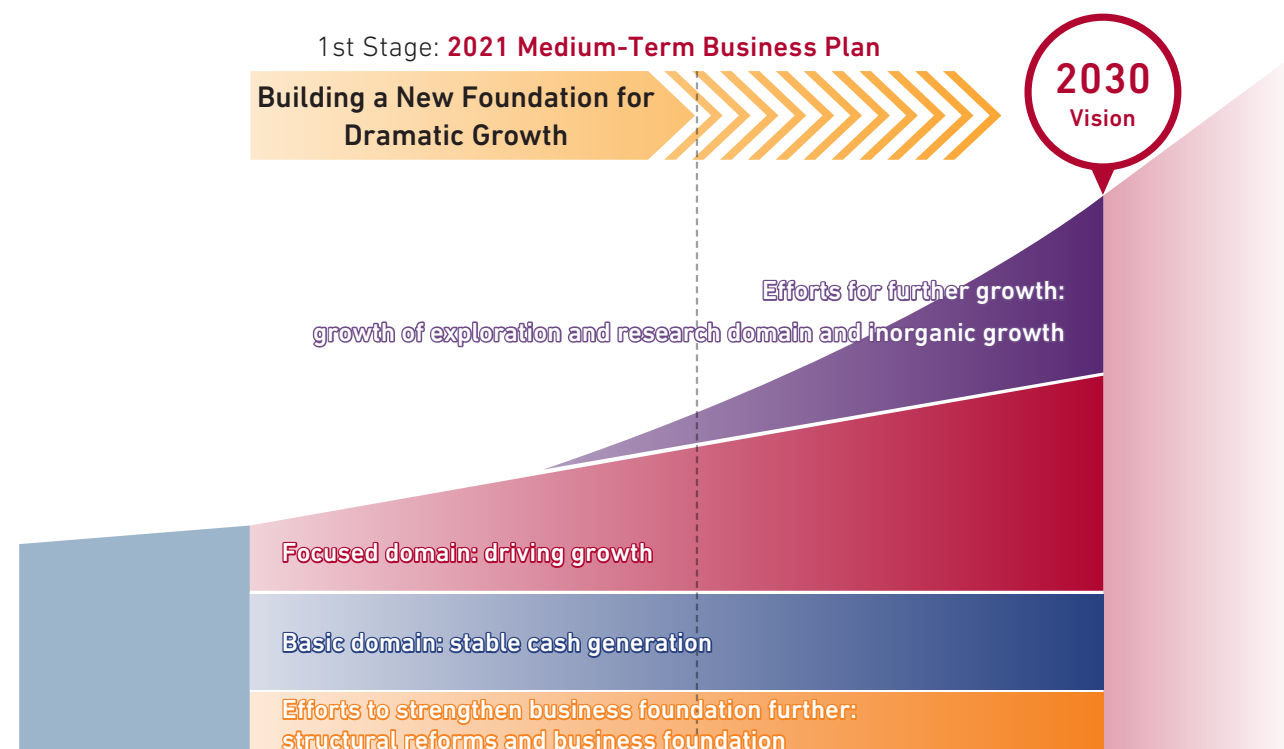
changes in consumption styles, continuing with efforts to achieve steady sales growth and enhance profitability.

Toward this end, we will address soaring raw materials costs, explore possibilities for inorganic growth, and develop new products that contribute to "health of mind" and "health of body" of consumers.

In addition, we will continue to implement structural reforms mainly in the functional sectors of production, logistics, and sales in order to address changes in the external environment and further improve our profitability.

Furthermore, we will actively allocate management resources to our management foundation such as R&D, DX and human resources to support the execution of our business strategies companywide.

*Accounting Standard for Revenue Recognition applied retrospectively



Targets of the 2021 Medium-Term Business Plan

Financial Targets *¹

	Results for FY2022/3	FY2024/3 Targets
Net sales	181.2 billion yen	190.0 billion yen
Operating income	17.6 billion yen	21.5 billion yen
<Key Performance Indicators>		
Operating income to net sales ratio	9.8%	11% or higher
Overseas sales ratio	9.1%	9% or higher
Focused domains' sales ratio	48.8%	+5 points or higher ²
ROE	22.0% (10.1%) ³	10% or higher
Dividend payout ratio	16.3% ⁴	30%

*1. The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3.

*2. Comparison with the average during the period of the 2018 Medium-Term Business Plan

*3. Excluding the impact of extraordinary income from the sale of cross-shareholdings

*4. 35.3% excluding the impact of the sale of Morinaga Milk Industry Co., Ltd. shares

Non-Financial Targets

Procurement ratio of sustainable raw materials*		
Cacao beans	FY2026/3	100%
Palm oil	FY2024/3	100%
Paper	FY2023/3	100%

* Scope: Morinaga products in Japan. Paper covers product packaging only.

Key Measures in FY2023/3

Focused Domain

In the "in-" business, we will accelerate growth of *in Jelly* by further expanding drinking scenes and targets. Also, we will strengthen branding to symbolize our change into a wellness company. In the direct marketing business, we will expand sales of *Oishii Collagen Drink* and work to develop products such as *Oishii Ajiru* that will become the pillars of future growth. Moreover, by striving to further increase customer convenience through a revamped direct marketing system, we aim to expand our business and create new value. In the U.S. business, aimed at further expansion of our business activities, we have started to enhance product development centered on the health value of *HI-CHEW*, bolstering manufacturing capabilities and proactive marketing activities. Additionally, we will begin marketing *Chargel* as we create a market for jelly drinks. In the frozen desserts business, we will enhance promotional initiatives of *Choco Monaka Jumbo* following the 50th anniversary of its release and we will focus on product development of *Ita Choco Ice*, *The Crepe*, and other products that will become the pillars of future growth.

Basic Domain

In the confectionery business, in order to improve the candy and biscuit categories' composition of sales which have the relatively high profitability, we will start promoting products centered on "Health of Mind" and "Health of Body" among the main brands of *Morinaga Ramune*, *HI-CHEW*, and *Morinaga Biscuits*. In the foodstuffs business, by releasing and marketing *Morinaga Cocoa* as a food with functional claim, we will seek to establish it as a healthy beverage.

Structural Reforms Focused on Functional Sectors

Procurement departments will continue to enhance our efforts to lower costs and improve profitability in response to soaring raw material costs. Manufacturing departments will convert Takasaki Morinaga Co., Ltd., as well as Mishima Factory into smart factories to visualize line operating status. Logistics departments will work on systemization of arranging vehicles for more efficient transportation. Sales departments will work on promotions under the key word "wellness" tailored to the characteristics of each retailers type.

Building a Strong Management Foundation

Under our Human Resources Strategy, we will continue to focus on recruitment activities as well as strive for clarification of the required skills and promotion of skills development for acquiring and training specialists. In terms of R&D Strategy, we will work on visualizing emotional values through research on "Health of Body" and texture sensitivity. Under our DX Strategy, we will encourage the introduction of new IT systems to streamline product operations, as well as strengthen security measures and build secure information management systems. Under our Financial Strategy, we will undertake measures for improving the system of decision-making with an aware of capital costs, review and implement capital efficiency measures of assets, shareholder returns in line with financial policy, and debt financing.

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain "in-" Business



Minoru Sato
General Manager of
Health Marketing Department
Marketing Headquarters

What we are aiming for in 2030

Aiming to become No. 1 brand among foodstuffs supporting "health of mind and body" centering around sports

Target for 2030 Net sales **50** billion yen



Awareness of Business Environment

We released *in Jelly* in 1994, and since then, the Group has created a new food culture of replenishing nutrition easily on the go when playing sports or looking for a quick breakfast. With rising health awareness and diversifying lifestyles brought about by the

COVID-19 pandemic over the short term, we predict that customers will become more conscious of health over the medium to long term; therefore, there will be a gradual shift to an era where we manage our own health individually.

Medium- to Long-Term Strategy

There will be a greater necessity for exercise and adjusting nutrient intake to avoid malnutrition or overnutrition against the backdrop of an increased elderly population and concerns future contagious diseases. In the "in-" business, the Morinaga Group will utilize its know-how in nutrition and physique building cultivated through our knowledge of sports nutrition along with proprietary food processing technologies to respond to the needs of customers seeking delicious and healthy eating.

By 2030, our goal is to be recognized as "the No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to improve their conditioning based on sports science."

Toward this end, we will continue to evolve and provide greater health value by growth of *in Jelly* and "in-" brand.

Overview of the Medium- to Long-Term Strategy for the "in-" Business

Brand Vision for "in-"

No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to improve their conditioning based on sports science

Growth of *in Jelly* Products

Provide wellness value to diverse customers in various lifestyle scenarios

- Expand consumption scenes of core products (energy, etc.)
- Respond to new needs and targets

Growth of "in-" Brands

Provide new value to customers using the *in Bar* and new "in-" products, following the success of *in Jelly*, and foster the brand so that it creates new markets

Initiatives in the 2021 Medium-Term Business Plan

Aimed at achieving the "in-" brand vision by 2030, the "in-" business will follow three basic strategies during the 2021 Medium-Term Business Plan, as we seek greater growth as a key driver of our change into a wellness company.

Basic Strategies of the "in-" Business in the 2021 Medium-Term Business Plan

Basic strategies	Details
1 Growth of <i>in Jelly</i> Products	<ul style="list-style-type: none"> Encourage people to play sports to stay healthy and respond to convenience needs Cultivate needs by taking increased stay-at-home hours as an opportunity Expand target age group (children, seniors, etc.) and drinking scenes
2 Growth of <i>in Bar</i> Products	<ul style="list-style-type: none"> Meet diversified and growing needs for protein Meet needs in two directions for better sports performance and bodybuilding (high protein content), and for health maintenance (protein replenishment + carbohydrate restriction)
3 New Brands	<ul style="list-style-type: none"> Begin efforts to create future foods by taking advantage of the "in-" brand

Expanding Advertising to Enhance Sports Image of the "in-" Brand



We will increase the trustworthiness of our brands by increasing the visibility that they support top athletes at Morinaga "in" Training Lab*.

* See "Becoming a Wellness Company" on page 35.

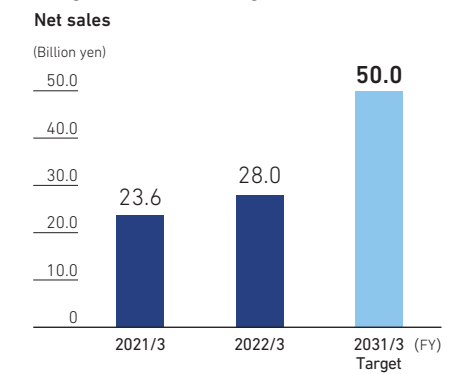
Results for FY2022/3 and Future Issues

Demand for *in Jelly* in sports scenes declined due to the COVID-19 pandemic and sales struggled in FY2021/3 as a result. However, sales grew by 3% in FY2022/3 compared to FY2020/3 prior to the pandemic. By addressing the need to replenish the energy to "think" while working or studying and the growing need for meal replacements when having no appetite, we have seen the number of users increase and sales grow.

Looking ahead, we will accelerate our growth strategy by stepping up promotions of *in Jelly Fruit Texture* targeting women and proposing a new eating scenes aimed at further increasing targets and scenes.

Net sales of *in Bar* grew by 1% compared to the previous year. In response to health-conscious snacking and the need for protein intake during muscle training, we marketed the bar-type products that can easily be consumed, which has led to net sales growth. Competition in protein bars market is heating up and we will endeavor to further reinforce product strengths.

Progress toward Target for 2030



Business Highlights

in Jelly saw users increase as a product that can replenish nutrition during loss of appetite after a COVID-19 vaccination. We also sponsored the 71st ALSOK Cup Osho Tournament, a shogi (Japanese chess) title match, and tapped into demand for drinking *in Jelly Energy with Glucose* to promote thinking when working or studying. Moreover, we enhanced our proposals for snacking mindful of nutritional intake, such as vitamins and minerals.

Through release of *in Bar Protein <Super Crunchy Chocolate>* and *in Bar Protein <Super Vanilla White>* with 20g of protein, we respond to demand for higher protein products, which contributed to net sales growth.



Shogi title match

Becoming a Wellness Company

We will support nutrition and training based on sports science, which forms the foundation of the "in-" brand, and accumulate know-how of nutrition and physique building. We changed the name of our training center for top athletes to Morinaga "in" Training Lab and held the official reopening in Odaiba, Tokyo in fall 2021. We will utilize knowledge cultivated in support of top athletes' nutrition and training to achieve the vision of the "in-" brand.

In addition, while investing in advertising to strengthen brands, we will enhance links with the corporate brand by using a logo mark combining our corporate mark and the "in-" brand logo.

To further promote the health value offered by the "in-" brand, we are working to create future foods, which has included launching *in Nodaome (cough drops)* made with lactic acid bacteria and *in Chocolat Protein with Crispy Puff* (chocolate candy). We will expand our business activities aiming to achieve the targets for 2030 by using the Group's food processing technologies to develop

and cultivate new "in-" product brands, including combining confectioneries easy to enjoy with nutrients.



Morinaga "in" Training Lab



Strengthening links between our corporate brand and "in-" brand

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain

Direct Marketing Business



Koji Nagano
General Manager of
Direct Marketing Division

What we are aiming for in 2030

We will evolve into healthcare business supporting customers' wellness realization.

Target for 2030

Net sales **20 billion yen**



Morinaga
Collagen Drink



Oishii Ajiru

Awareness of Business Environment

Morinaga Direct Store supports the wellness lifestyle of each and every customer through direct delivery of health and beauty products such as collagen drinks. The size of the direct market for health products in FY2021/3 was 593.0 billion yen*, reaching 119% growth in the past five years. The market is growing steadily

following increased consumption through online direct sales and rising health awareness as a result of the COVID-19 pandemic.

* Source: H.B. Foods Marketing Handbook 2022, Fuji Keizai

Morinaga Direct Store (Japanese only)
<https://www.morinaga.co.jp/direct-store/>

Medium- to Long-Term Strategy

We provide products that are both functional and delicious at the Morinaga Direct Store to support our customers' "health of mind and body."

The continuous patronage of our products and services is essential in order for us to contribute to "health of mind and body" through food, and as such, it is important to enhance customer experience (CX.) We are visualizing customer behavior and emotions through data that we can collect from various contact points; from product recognition to after care, in order to implement product design and customer service that are tailored to each individual. This will allow us to improve CX and maintain an amiable long-term relationship with customers. In addition, we will harness the Group's strengths in basic research on nutrition, materials research, food processing technology, and raw material procurement that we have amassed over more than 120 years of

business to conduct product development and provide that best supports the health of customers.

Initiatives in the 2021 Medium-Term Business Plan

Aimed at the creation of experience-based value for customers, we have established the Customer Experience Management (CXM) Promotion Office in an effort to develop an organizational system for promoting business activities. At the same time, we are developing an operational structure to maximize value provision by utilizing the huge amount of customer data. As for products, we will launch new products with collagen as ingredients to expand the collagen business, as well as enhance the sales promotion of *Oishii Ajiru* to develop the next potential brand for growth.

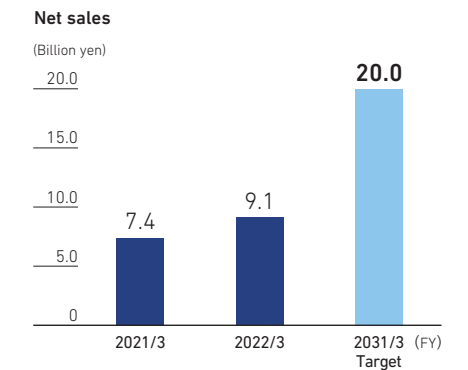
Results for FY2022/3 and Future Issues

Through active investments in advertising, the number of subscription customers has increased and sales of Morinaga Direct Store centered on *Morinaga Collagen Drink* have grown steadily. Net sales of our direct marketing business grew 23% compared to the previous year, marking the 17th straight year of year-on-year growth. This largely beat the market average* at 3%. The number of subscription customers of the Morinaga Direct Store increased by 26% compared to previous year.

We have kicked off specific activities aimed at creating experience-based value following the establishment of the Customer Experience Management (CXM) Promotion Office in April 2021. We believe that our challenge going forward is to further deepen our understanding of customers using customer data and deliver an even higher quality customer experience.

* Japan Direct Marketing Association: Direct Marketing Sales of "Health Products"

Progress toward Target for 2030



Business Highlights

In FY2022/3, our major brand *Morinaga Collagen Drink* broke through the 300 million mark of cumulative units sold and it recorded the highest net sales in the collagen drink market for the fifth consecutive year.

We have also launched a new product focused on knee joint issues called *Hizakaru Collagen*, based on our desire to address various health and beauty needs with products using collagen ingredients.

Net Sales of *Oishii Ajiru*, a candidate for the second pillar after *Morinaga Collagen Drink*, have steadily grown with a CAGR* of 188% over the previous four years, having established a positive reputation among customers facing issues different from collagen ingredients.

*Compound annual growth rate



Hizakaru Collagen

Becoming a Wellness Company

We revamped our drink series of five products aiming to further grow our major brands of *Morinaga Collagen Drink* and *Oishii Ajiru*. Based on our regular customers' requests, we use stevia, a plant-based sweetener in three collagen drink products and switched straws to those made from environmentally conscious bioplastic. We will enhance the revenue base through price revisions and lowering costs in response to spike in raw material costs. We will continue with basic research of collagen ingredients and provide new value to customers in accordance with science-based evidence.

Additionally, we will expand the product lineup of Morinaga Direct Store and provide customers with a place to enjoy a novel shopping experience that goes beyond health and beauty products.

We will largely revamp our direct marketing system in FY2023/3, aiming to streamline operations and build a system for data utilization. This will enable us to create services tailored to each individual by forecasting each customer's situation gleaned from massive amounts of data.

Secrets behind the Success of Morinaga Collagen Drink

Morinaga Collagen Drink, sold exclusively in our direct marketing channel, is a food with verified functional claim of collagen peptide in terms of efficacy on skin, knee joints and bones. While it contains the highest content of collagen peptide in the industry at 10,000 mg, it does not have the odor that is unique to collagen, thanks to our proprietary food processing technology, making it enjoyable and delicious.

*1 Morinaga Collagen Drink, including products before and after updating, as of October 2021. (survey by Morinaga & Co., Ltd.)

*2 Source: H.B. Foods Marketing Handbook 2018-2022, Fuji Keizai (Category for beauty-oriented products and collagen products/ 2016-2020 results), for the *Morinaga Collagen Drink* series, including products before and after updating.



Total sales exceeded 300 million packs *1

No. 1 sales among all collagen drinks for the past 5 years *2



Morinaga Collagen Drink



Morinaga Collagen Drink Premium



Oishii Ajiru



Passienol Drink

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain

U.S. Business



Masaki Matsumoto
Senior Executive Officer
General Manager of Overseas Business Headquarters

What we are aiming for in 2030

Growth of the U.S. business through expanding the *HI-CHEW* brand and creating a jelly drinks market

Target for 2030

Net sales **30 billion yen**



HI-CHEW



Chargel

Awareness of Business Environment

As the U.S. candy market keeps growing, we are increasing brand recognition rate and distribution ratio across the U.S. through various advertising, sales measures and expanding the product lineup of *HI-CHEW* as well. Despite the impacts from the COVID-19 pandemic, such as rising transport cost and changes in consumer behavior, we steadily grew sales in FY2022/3, achieving net

sales of 10.5 billion yen and operating income by 1.4 billion yen*. Going forward, as an initiative to address growing global health awareness and environmental issues, we believe that products and product development that contribute to "health of mind, body, and environment" will be in greater demand.

*Includes profits relating to exports bound for the U.S. from China and Taiwan.

Medium- to Long-Term Strategy

We have increased the distribution ratio of *HI-CHEW* across the U.S. since its launch and we continue to expand contact points with customers. Going forward, we will promote brand extension products aimed at further increasing net sales. At the

same time, we will develop a global supply system to match expanded sales, collaborate with manufacturing companies, and re-establish a logistics system to ensure the steady supply structure of products.

HI-CHEW production factories for the U.S. market



Morinaga America Foods, Inc.
(North Carolina, USA)



Taiwan Morinaga Co., Ltd.
(Taipei, Taiwan)



Morinaga (Zhejiang) Co., Ltd.
(Zhejiang, China)

With the wellness market forecast to continue growing, we released jelly drinks as a wellness product that contributes to "health of mind and body" and have been searching for products that could be the third and fourth earning pillar following the success of *HI-CHEW*.

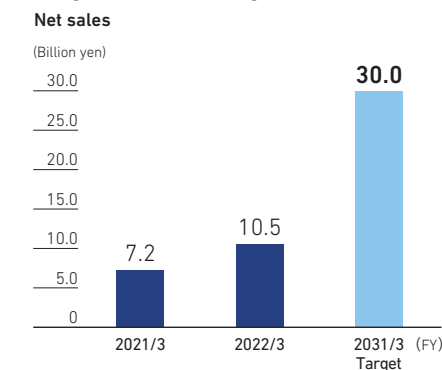
The U.S. has yet to see any product such as jelly drinks which are popular in Japan, and we believe that demand potentially exists. As such, we will provide new value to customers and

aim to create a market using jelly drinks developed specifically for the U.S. market. We received positive feedback through consumer surveys conducted in limited areas and channels, and we will execute our marketing and sales strategy based on these results. Going forward, we aim to change into a wellness company also in the U.S. through creating a new jelly drinks market while leveraging the business foundation established with *HI-CHEW*.

Results for FY2022/3 and Future Issues

We continued to expand contact points with customers in various terms, such as enhancing brand recognition through television commercials and digital advertisements and increasing retail store turnover. We also expanded our product lineup so as to meet expectations of customers who are fans of *HI-CHEW*. In addition, amid the inflationary economic environment, we revised prices in response to soaring raw material prices, but we still managed to maintain a positive distribution ratio and retail store turnover, sustaining powerful growth. As a result, we achieved our FY2024/3 target of 10 billion yen in net sales in the 2021 Medium-Term Business Plan two years ahead of schedule. On the other hand, increasing production capacity is an urgent issue following this growth in sales, and the Morinaga Group as a whole is now working to address this.

Progress toward Target for 2030



Business Highlights

HI-CHEW increased its nationwide distribution mainly in major sales channels in the U.S. and realized steady growth in terms of both net sales and profitability. We developed and launched new products that utilize features of *HI-CHEW* such as *HI-CHEW* <Plus Fruit>, with real fruit inside, and *HI-CHEW* <Berry Mix>, offering three different berry flavors. We will continue to capture various customer needs as we work to expand the U.S. business to ensure *HI-CHEW* can be purchased anytime, anywhere, and by anyone.



HI-CHEW <Plus Fruit>



HI-CHEW <Berry Mix>

Becoming a Wellness Company

As one of our *HI-CHEW* initiatives, we are accelerating development of the product lineup in a way that suits customer needs. We will enhance the value expected of *HI-CHEW*, such as real fruity taste and unique texture, and provide greater health value from reduced-sugar and low calorie versions so as to realize our sustainable growth.

Also, we will create a market for jelly drinks that provides new value as we laid out in the Medium- to Long-Term Strategy. As the first step, we launched the new brand *Chargel* on our e-commerce site (<https://www.chargel.com>) in February in 2022. *Chargel*, which is caffeine-free and can quickly replenish energy in the form of a jelly drink, has been featured in multiple web media articles since its release. This has made it a topic of conversation and earned it a positive reputation from customers who are particularly familiar with sports, as it is both unique and practical. Through sampling events and online advertising, we will first deliver value, and then

seek to grow sales across the U.S. as the second pillar after *HI-CHEW*, contributing to our consumers' health of mind and body.



HI-CHEW <REDUCED SUGAR>
Better-for-you-product version of *HI-CHEW* addressing growing health awareness. This product features a 30% reduction in sugar compared to conventional products. It delivers the same great taste of regular *HI-CHEW* even with less sugar because dietary fiber is used as a sugar alternative.



Chargel sampling event

Chargel



<WHITE GRAPE>



<GREEN APPLE>



<STRAWBERRY>

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain

Frozen Desserts Business



Kiyoshi Kawagishi
General Manager of
Frozen Dessert Marketing Division
Marketing Headquarters

What we are aiming for in 2030

We will stably expand the frozen desserts business by concentrating on differentiated products that exploit our confectionery technologies

Target for 2030 **Net sales 50 billion yen**



Choco Monaka Jumbo

Ita Choco Ice

Awareness of Business Environment

The frozen desserts business is expected to see market expansion due to increased opportunities for consumption by seniors, who comprise a growing part of the population, along with rising temperatures due to global warming. With a focus on *Jumbo* as the top brand in the frozen dessert market, we are concentrating

our management resources on market mainstay brands thereby conducting our business to effectively yield profits. Also, in addition to rising demand for convenience, consumption in the frozen foodstuff category has also been growing amid increased opportunities to eat at home.



Medium- to Long-Term Strategy

We aim for stable business growth by concentrating on proprietary product development using our long-standing confectionery technologies in sub-zero temperatures. For our major brand *Jumbo*, we will further evolve the unique value of "freshness marketing." We will also develop and establish the next round of major brands, such as *Ita Choco Ice* and *The Crepe*. We will tackle the challenge of value creation in line with customer needs by developing products with an eye toward such new markets as the frozen foodstuff category aimed at greater growth over the medium to long term. Furthermore, we will invest in equipment for the necessary improvement in the production system to achieve this strategy.

Initiatives in the 2021 Medium-Term Business Plan

We will promote business growth based on the framework of the three basic strategies.

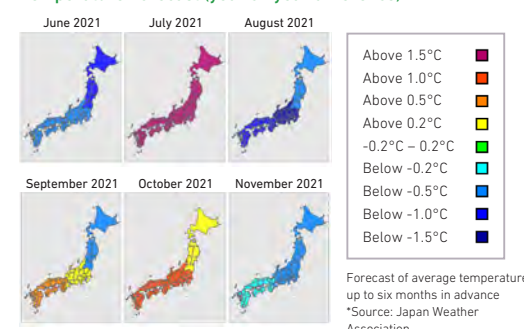
Basic Strategies for the Frozen Desserts Business in the 2021 Medium-Term Business Plan

Basic strategies	Details
1 Evolving of "freshness marketing"	<ul style="list-style-type: none"> Further evolve the <i>Jumbo</i> group's unique value "crisp texture" Expand the target and scenes for eating the product 
2 Capturing customers from adjacent markets	<ul style="list-style-type: none"> Capture customers from adjacent markets with differentiated products that are more like desserts Develop new products more closely tailored to customer needs Meet the challenges of increasing added value of products 
3 Creating new markets using product development with technological advantages	<ul style="list-style-type: none"> Expand applications of flavored ice products for new market entry 

Tackling the Challenges of "Freshness Marketing" Which is Unusual in the Ice Cream Industry

As time passes, monaka ice cream gradually transfers the moisture in ice cream to the crispy monaka. To ensure that customers are able to enjoy the fresh and delicious crispy texture of monaka ice cream, we continue to implement measures in supply chain management to shorten the delivery period from our factories to retail stores. In addition, we conduct demand forecasting using weather data in collaboration with the Japan Weather Association in an effort to further increase freshness with more accurate production and sales plans. Looking ahead, we will continue our one-of-a-kind "freshness marketing" in the ice cream industry.

Temperature Forecast (year on year difference)



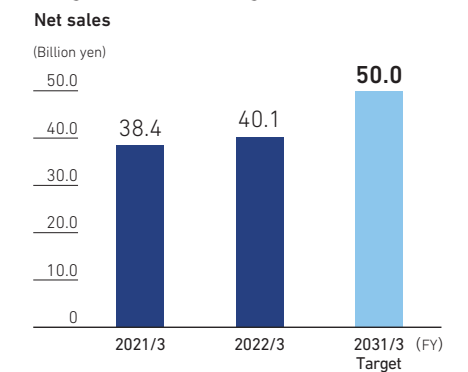
Results for FY2022/3 and Future Challenges

Although major brands *Jumbo* and *Ice Box* experienced a downturn in revenue due to the COVID-19 pandemic of the previous fiscal year and weather factors, secondary brands centered on *Ita Choco Ice* performed well. As a result, net sales increased 5% year on year for the frozen desserts business as a whole while the market diminished slightly. Moreover, the number of retail stores carrying *Pari Pari Sand* grew following its major revamping in the previous fiscal year, capturing demand for more sophisticated desserts.

We have also commenced operations on the frozen dessert lines at Factory Number 3 of Takasaki Morinaga Co., Ltd., reinforcing the production system underpinning our growth strategies.

However, rising costs caused by soaring raw material prices worldwide pose an issue. In June 2022, we hiked prices in order to secure business revenue.

Progress toward Target for 2030



Business Highlights

For the *Jumbo* brand, we made technological innovations to evolve the product's crispy texture using a new manufacturing technique for *Vanilla Monaka Jumbo*. This product has established its position in the market thanks to "freshness marketing" together with *Choco Monaka Jumbo*. (*Jumbo* brand share in the entire monaka ice cream category: 56.4% from April 2021 to March 2022*)

Pari Pari Bar features a combination of crispy chocolate and refreshing vanilla ice cream, earning it broad support mainly from families. In FY2022/3, we further expanded contact points with customers through a mash-up with anime content.

To offer new value, in autumn 2021, we launched *Choi Tabo Ice*, a small chocolate and vanilla ice cream treat that can be eaten in two or three bites.

Moonlight Cookie Dough and *Chocolate Chip Cookie Dough*, which challenge the status quo of the frozen food market, utilize classic, long-selling confectionery brands to provide value from simple and delicious baking involving parent and child.

* INTAGE SRI+



Becoming a Wellness Company

For *Choco Monaka Jumbo*, we will actively conduct various communications strategies following its 50th anniversary in spring 2022. We will also promote collaboration between industry and academia for research into consumers' emotional value of crispy texture, while continuing to evolve "freshness marketing" that contributes to "health of mind."

Ice Box is a product that efficiently and quickly hydrates and cools the body by using hypotonic quality*¹ of ice cubes, replenishing sodium lost in sweat.

Having endorsed the "Heat Illness Prevention-Communication Project"*² that started in 2019, we will work on additional measures going forward.

*¹ Having a lower osmotic pressure than the body's water content allowing moisture lost from sweating to be reincorporated quickly into the body.

*² The project for preventing heat illness by encouraging people in a hot environment to take a break.



熱中症予防
声かけプロジェクト
~ひと涼みしよう~

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Basic domain

Domestic Confectionery and Foodstuffs Business



Mitsutaka Murase
General Manager of Confectionery Marketing Division Marketing Headquarters

Azusa Murata
General Manager of Foodstuff Marketing Division Marketing Headquarters

What we are aiming for in 2030

Changing the category portfolio so as to build a high revenue base.

Target for 2030 Operating income to net sales ratio **10%**



Morinaga Milk Cocoa

Awareness of Business Environment

Domestic Confectionery Business

Our domestic confectionery business is a fundamental part of the company that values the founding spirit of "Delicious, Fun, and Healthy" through delivering confectionery products that contribute to "health of mind and body" of our customers. Consumer behaviors and consumption scenes have changed during the COVID-19 pandemic. As such, health needs and environmental awareness are expected to continue growing in the future. In addition, production and transportation costs are also expected to rise due to the soaring cost of raw material and energy.

Domestic Foodstuffs Business

We have led the Japanese market by refining our quality and brand image with a number of best-in-category products, including *Morinaga Cocoa*, the milk cocoa powder drink product manufactured and sold in Japan since 1919 and our long-standing best sellers, *Morinaga Amazake* and *Morinaga Hotcake Mix*.

We expect that demand for daily health care, eating at home, and cost cutting/stocking up sparked by various changes brought about by the pandemic will remain strong.

Medium- to Long-Term Strategy

Domestic Confectionery Business

In the chocolates category, we will strengthen brand power by promoting a communication strategy in line with new packaging formats and targets centered on *DARS* and *Carré de chocolat*.

At the same time, we will improve the net sales weighting of categories with excellent profitability (candies, biscuits, etc.) and improve the operating income to net sales ratio for each number of items. In particular, we aim to increase the net sales weighting of major candy categories that are highly profitable, such as *HI-CHEW* and *Morinaga Ramune*, through expanding the product lineup of textures and enhancing sales promotions to improve the operating income to net sales ratio of the entire confectionery business. Moreover, for the biscuits category, which has been growing in response to the demand for staying at home, we will boost production capacity and introduce products with high added value.

Domestic Foodstuffs Business

For *Morinaga Amazake*, *Morinaga Cocoa* and *Morinaga Hotcake Mix*, we will work on product proposals to expand opportunities for easily enjoying products in day-to-day life. We will achieve net sales growth by expanding communication and sales promotion that help spark demand for *Morinaga Amazake* as a product for replenishing water, glucose and salt for daily health management

and during increasingly hotter summer temperatures, for *Morinaga Cocoa* as a product that provides not only physical but also emotional nourishment, and for *Morinaga Hotcake Mix* as a product with excellent cost performance and that captures demand among consumers for cost cutting.

2021 Medium-Term Business Plan

Chocolates	<ul style="list-style-type: none"> Improve the operating income to net sales ratio and secure a sufficient sales scale by replanning the product, sales channel, and communications strategies
Candies	<ul style="list-style-type: none"> Strengthen sales promotion efforts for <i>HI-CHEW</i> and <i>Morinaga Ramune</i> Develop products to meet the needs of changed lifestyles and stress reduction due to the COVID-19 pandemic
Biscuits	<ul style="list-style-type: none"> Maintain and build up demand that has grown due to the COVID-19 pandemic Increase production capacity and develop new products

Results for FY2022/3 and Future Issues/ Business Highlights

Our response to changes in customer behaviors for snack times when working at home during the pandemic has helped to grow our presence in such growth categories as biscuits. However,

the rising cost of production from soaring raw material prices worldwide pose a challenge. We will now steadily increase product prices in an effort to secure business revenue.

HI-CHEW

Results for FY2022/3 and Future Challenges

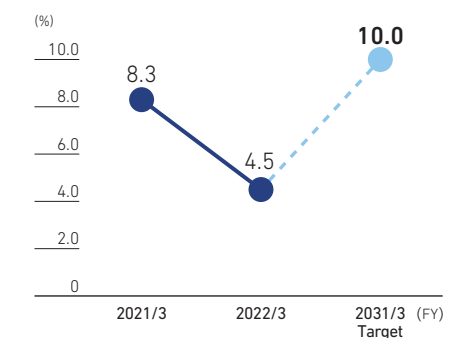
Pouch-type products struggled, but sales of mainstay stick-type products recovered, as overall sales of the *HI-CHEW* brand increased 2% compared to the previous year. Going forward, we will seek to enhance the value of texture through the further evolution of soft candy technologies, with the aim to expand sales of the entire brand.

Highlights

Sales of *HI-CHEW* products with evolved textures, such as *SUPPAI-CHEW* and *UMAI-CHEW* were strong, contributing to net sales growth.



Progress toward Target for 2030



Morinaga Biscuits

Results for FY2022/3 and Future Challenges

In addition to mainstay products, expanded packaging formats contributed to the top line, as net sales increased by 8% year on year, exceeding the growth seen in the previous fiscal year. We will seek to increase growth further by boosting manufacturing capacity. Going forward, we will also begin efforts for high-value-added products aimed at solidifying our earnings structure.

Highlights

Sales of both long-sellers and limited-edition seasonal products grew steadily, leading to higher net sales.



Amazake

Results for FY2022/3 and Future Challenges

Net sales fell below the previous fiscal year. On the other hand, the downtrend of the amazake boom appears to be over. We will emphasize to customers and to the market, which has more than doubled compared to before the boom, the deliciousness, nutritional value and benefits of continued drinking of our *Amazake* as the number one brand in the category* with the aim of restoring net sales.

Highlights

Focusing on regional characteristics, we strengthened the brand by launching area-specific products and carrying out sales promotions. *INTAGE SRI+ survey on cumulative sales amounts in the amazake category from April 2021 to March 2022



Becoming a Wellness Company

For the domestic confectionery business, we will provide value to "health of mind and body" available only through product groups that are easily enjoyable. We will provide nutritional value through products such as *Morinaga Ramune* to support school entrance exam takers with glucose, *Okashi with Supplement* series including calcium, iron and vitamin C as a product to support children's healthy growth and *MCT Style*, chocolate that is a food with functional claim containing medium-chain fatty acids that reduce fat in those with higher BMIs.

In the domestic foodstuffs business, we will increase sales and earnings power by working on product development with enhanced functional value leveraging research outcomes on health amassed over the years. In FY2023/3, we will rebrand,

Power of Cacao, one of our cocoa products, to further strengthen its health appeal and focus on sales promotions. We will work on creating demand for more sophisticated daily cocoa consumption that is delicious and good for the body.



Otsubu Ramune



Power of Cacao/ Cacao70

For Further Global Growth

Our management target for FY2031/3 is to boost the overseas sales ratio to 15% or higher. Here, we would like to introduce our initiatives outside of the U.S. aimed at achieving this target.

Global Expansion of HI-CHEW

Sales of HI-CHEW are steadily growing even in regions outside of the U.S., accepted among consumers for its real fruit taste and texture. HI-CHEW is sold in over 30 countries and areas around the world including China, Taiwan, Thailand, South Korea, New Zealand, Australia and the U.K. The brand features between 30 and 40 flavors tailored to local

preferences, including passion fruit, acai and mango. We will conduct extensive research on customer preferences in each local market and expand HI-CHEW as a global brand through marketing activities and product development tailored to each country.



Thailand
HI-CHEW<Strawberry>



Taiwan
HI-CHEW<Passion Fruit>



China
HI-CHEW<Peach>



Australia



U.K.



HI-CHEW ads on bus in New Zealand

"Change into a Wellness Company" on a Global Basis

We are utilizing knowledge gained from the market expansion of HI-CHEW to explore the potential for wellness products and for future commercialization. Outside Japan, *in Jelly* products have been sold in Taiwan since 1999, followed by Hong Kong and Singapore. We believe that they offer great potential amid people's rising health awareness in recent years. In China,

we sell *Morinaga Collagen Drink* and other products through e-commercial channel, and sales have grown steadily. We will continue to conduct in-depth research on local demand and preferences while harnessing the experience cultivated in the HI-CHEW business to change into a wellness company globally.



in Jelly in Taiwan



in Jelly ads on bus in Hong Kong



Morinaga Collagen Drink

Sustainability Section

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Initiatives for Sustainability

Sustainability Management



The Morinaga Group will enhance its overall sustainability management in order to achieve its Purpose and the 2030 Vision with Altruism as the foundation, a tenet valued by the Company's founder.

Machiko Miyai
Director, Managing Executive Officer
Responsible for Sustainable Management Division

Promoting Sustainable Management Based on Our Purpose

Currently in the global community, environmental changes, which are impacting business activities and increasing uncertainty toward the future, are taking place at an unprecedented speed. The changes involve intensifying social issues including climate change and

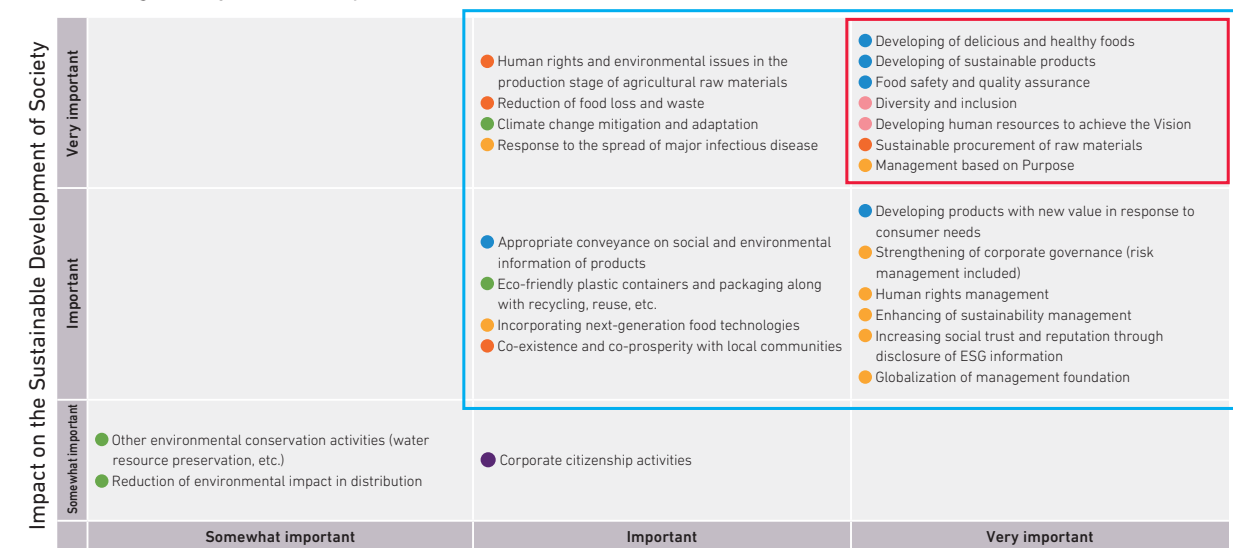
rapid advancement of digitization. Given this condition, we must work more actively from a long-term perspective and follow clearly established tasks to reach the position we aim at, in order to achieve our Purpose and the 2030 Vision.

Process of Identifying Materiality at Morinaga Group

In order to identify our materiality, we obtained opinions on issues that we should address with experts in the fields of sustainability, consumer issues, capital markets and ESG investment, etc., in July 2020. Following that, we summarized our 30 material issues for the realization of our Purpose and the 2030 Vision based on vital issues in management and business, international standards and initiatives such as SDGs, and Global Compact, expectations and requests from stakeholders such as customers, business partners, and NGOs, survey items received from survey organizations on CSR, ESG, and sustainability, and other factors such as the external environmental trend that surrounds the Morinaga

Group and the food industry. These material issues are evaluated for their importance from the two axes of "impact on the Morinaga Group's sustainable growth," and "impact on society's sustainable development" by 11 external stakeholders (three investors, four business partners, one NGO, and three Outside Directors) and 10 key members of the Company. As a result, 21 issues have been rated as important, while seven of which have been rated as the most important (see materiality matrix). Based on this result and repeated discussion among officers, we have identified five materialities.

The Morinaga Group's Materiality Matrix



Five materialities

1. Contribute to healthy lives of people around the world
2. Diversity and inclusion of people
3. Achieve sustainable value chains
4. Conserve the global environment
5. Strengthen the business management foundation

The Morinaga Group has been conducting business with a strong conviction toward contributing to society since its inception. With the formulation of a new corporate philosophy last year, we will take a more proactive approach toward efforts aimed at realizing a sustainable society, including achieving the SDGs as a member of the global community. We believe, these cumulative efforts will make the Group's business more sustainable as well as lead to sustainable growth and enhanced corporate value in the medium to long term.

Identifying Materiality

The Morinaga Group has deliberated material issues for achieving our Purpose and the 2030 Vision in July 2020, and identified material issues (Materiality) from both financial and non-financial aspects following the approval of the Board of Directors. (See pages 18 and 19 for details.)

We will steadily create social value and a highly resilient management foundation to achieve sustainable growth through addressing our materiality.

The Morinaga Group's Materiality



Defining Long-Term Targets for 2030 and Contributing to the SDGs

We have set Long-Term Targets for 2030 for each materiality to achieve our Purpose and the 2030 Vision. Furthermore, the actions to be taken during the period of the Medium-Term Business Plan are formulated by backcasting. (See pages 18 and 19 for details.)

Many of these efforts are compatible with the United Nation's Sustainable Development Goals (SDGs.) The Morinaga Group will be taking concerted efforts as a whole in order to achieve a sustainable society in which the SDGs aim to leave no one behind.

planning, and response to issues in order to achieve our Purpose and the 2030 Vision. The Committee met seven times in FY2022/3, formulating the Supplier Guideline and conducting reviews in line with the TCFD recommendations.

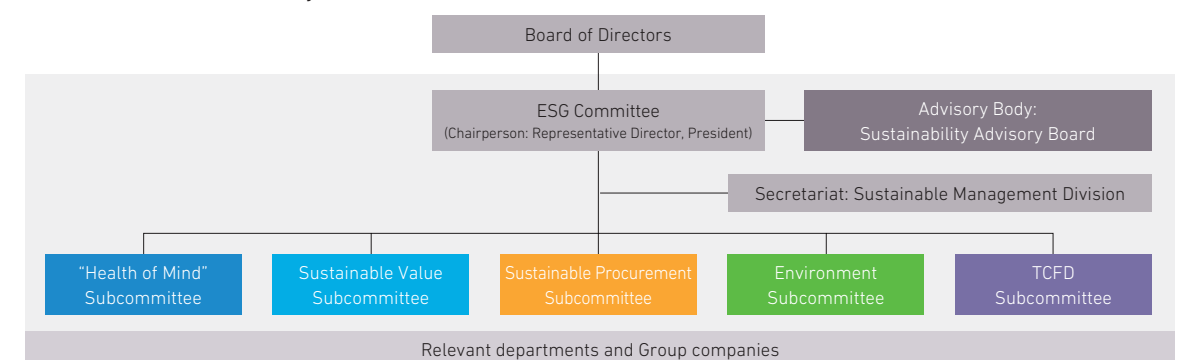
Moreover, we established five new subcommittees under the ESG Committee. Subcommittees are chaired by a Director and comprised of members from relevant departments. Aimed at achieving the Long-Term Targets for 2030, we will steadily implement activities for sustainability. In April 2022, we established the Sustainability Advisory Board, which three outside experts attended in order to qualitatively improve sustainable business management (see pages 14 and 15 for details).

The Morinaga Group will further make appropriate disclosure on our activity status and progress through integrated reports and our company website and increase the entire Group's transparency as well as build a trust relationship with all stakeholders through presenting the Morinaga Group's philosophy and activities. Also, we aim to refine our response to requests for ESG information disclosure from external survey organizations and business partners and achieve enhanced corporate value for the medium to long term.

Enhance Sustainability Management

In April 2021, we newly established the ESG Committee, which is chaired by the Representative Director, President, and the Sustainable Management Division to support and promote the entire Group's sustainability and ESG initiatives in order to promote initiatives for sustainability and achieve the Group's Purpose. The Sustainable Management Division serves as the secretariat for the ESG Committee, with the heads of departments working to attain our long-term targets for 2030 serving as committee members. The Committee reports on and shares the latest society trends related to sustainability, as well as deliberates necessary items on policy.

Schematics of Sustainability Promotion



Initiatives for Sustainability

Provision of Safe and Reliable Products

Initiatives for Quality

The Morinaga Group believes that its mission as a food manufacturer is to constantly ensure excellent quality and safety and deliver safe and reliable products and services to customers.

Our Philosophy on Quality Assurance

In realizing our Purpose and 2030 Vision, we believe that trust from our customers is the most important.

We have established the following quality policy in promoting quality assurance by placing the utmost priority on excellent product quality together with safety and reliability, which are the premise for earning customer trust.

Morinaga Group's Philosophy on Quality Assurance

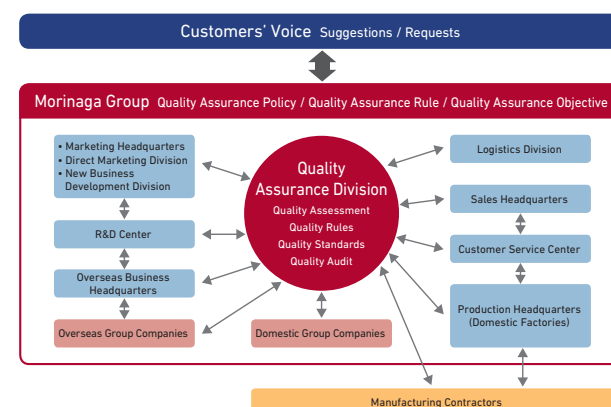


Quality Assurance System

In order to implement the quality policy, we have established the Quality Assurance Rules, and are centrally and systematically managing and maintaining the "Quality Assurance Objective," "Target Level," "Manuals Related to Quality Assurance," and "Quality Standards." We conduct activities on assuring quality in each department.

We have also developed a "Crisis Management Response" that outlines the handling of matters by directors and employees in the event of a quality accident.

Quality Assurance System



Framework for Quality Assurance

In an effort to deliver safe and reliable products to our customers, we have established a quality assurance system for all processes from product development to procurement, production, distribution, and sales.

1. Product development

We have established a Quality Assessment System as a mechanism to completely remove risks in the development phase (see below for details.)

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.

3. Production

All of our domestic production factories (four Morinaga factories and four affiliated production companies) have obtained the FSSC 22000 certification for food safety systems and JFS-B standard certification.

4. Shipping inspection

We conduct shipping inspections as the final check to ensure the quality of our products. These inspections verify the product's flavor, alignment with specified color tones, dimensions, weight, and observance of bacterial standards (microorganism control.)

5. Transportation/ Storage/ In-store management

We set rules and request our business partners in the value chain to follow them.

6. Ensuring traceability

We manage tracking data of product and raw material history at each stage, spanning from raw material procurement to manufacturing, storage, and delivery.

7. Responding to inquiries on quality

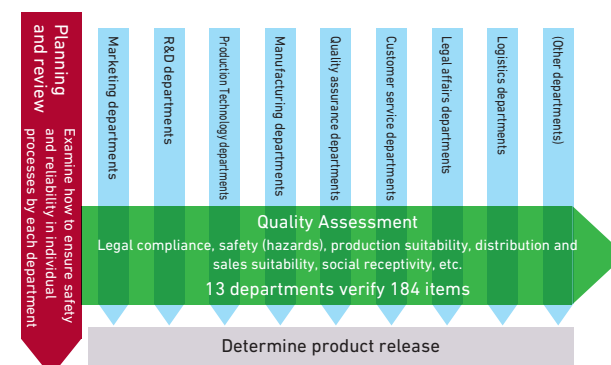
We conduct various investigations and analyses to determine quality and legal compliance and report the results to customers.

For more details, please refer to our corporate website "Supply Safe and Reliable Foods." <https://www.morinaga.co.jp/company/english/sustainability/healthy-lives/product-safety.html>

Quality Assessment System

Product development involves multiple departments and each department is responsible for conducting their own review in order to ensure safety and accountability. Quality assessment involves all product development processes. We have established

Role of Quality Assessment



important confirmation items that in particular could affect the safety and reliability of final products (covering 13 categories and approximately 184 items) and manage the items using a checklist. This represents a mechanism to identify and eliminate risks by looking at the entire plan before deciding on product release. This mechanism also prevents sectionalism between the development and review departments, rather than creating a cross-functional paradigm.

We encourage autonomous quality assurance actions by individual product development managers through quality assessment.

We conduct quality assessment for all products including revamped products to ensure a consistent quality level along with safety and compliance.

Quality Assurance Overseas

Our overseas production sites (Taiwan Morinaga Co., Ltd., Morinaga [Zhejiang] Co., Ltd. and Morinaga America Foods, Inc.) abide by the Morinaga Group Quality Policy, and based on local situation, have acquired international food safety management system certifications FSSC 22000 (in Taiwan and Zhejiang) and SQF Codes Edition 9* (in the United States), ensuring they manufacture safe products.

* SQF is an acronym for Safe Quality Food. It is an international certification standard for both food safety control systems based on HACCP and quality control systems in order to ensure product safety and quality.



X-ray testing system at Morinaga America Foods, Inc.

We also conduct quality inspections of manufacturing contractors located outside of Japan to verify that products shipped are safe based on the appropriate quality assurance systems.



Conducting a final inspection on standards for packaged products prior to shipping

Initiatives to Improve Customer Satisfaction

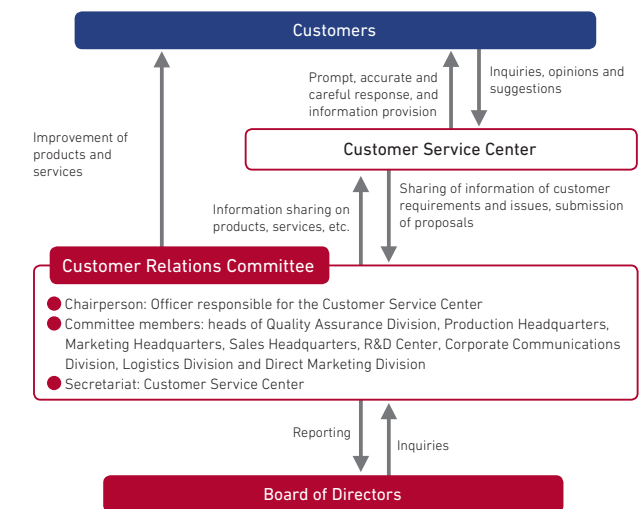
Framework for customer satisfaction

Led by the Customer Service Center, Production Headquarters, and Quality Assurance Division, meetings of the Customer Relations Committee are convened quarterly to share the voice of

customers with relevant divisions to further enhance customer satisfaction. Meeting results from the Committee are reported at the Board of Directors meetings by a representative officer in charge. In addition, we agree with consumer-oriented management recommended by the Consumer Affairs Agency and have made a voluntary declaration on consumer-orientation.

Customer Relations Committee

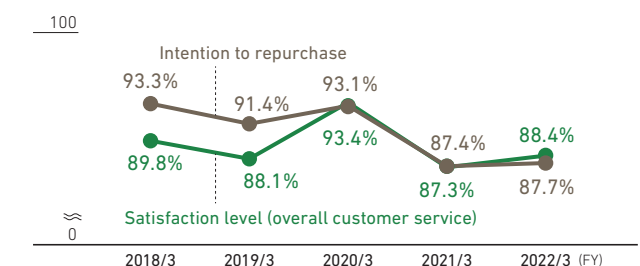
Mechanism for Making Use of Customers' Voices



Results of customer satisfaction survey

The Customer Service Center analyzes every piece of every suggestion, investigates the cause, and reports the result to the customer who gave the suggestions. With the report, we enclose a postcard that requests the recipient to respond to a survey, and the results are used in improving services.

Results of Customer Satisfaction Survey



In FY2022/3, both the overall satisfaction and intention to repurchase have reached over 87%. Because of accessibility issues caused by reduced operating hours and fewer operators due to COVID-19 in FY2021/3, we returned to our pre-pandemic operator staffing system in FY2022/3 and improved accessibility by telephone. Customers praised our prompt and thorough response, which led to slight improvements in customer satisfaction over FY2021/3. Going forward, we will focus on being more considerate of our customers in an effort to increase customer satisfaction.

Initiatives for Sustainability

Diversity and Inclusion of People

Aimed at 2030

The Morinaga Group aims to increase its competitiveness and achieve sustainable growth through creating a work environment that enables diverse personnel to shine and cultivates autonomous human resources who can continuously generate value for society.

Long-Term Targets for 2030

Rate of positive responses on the employee awareness survey: 80%

- "The Morinaga Group is contributing to enriching people's lives and creating a society that is more affluent and sustainable through its businesses."
- "The active participation of diverse human resources leads to the Company's growth and persistence."
- "Employees find their job meaningful and they are in good mental and physical health at work."

Basic Stance

The Group has positioned promoting diversity and inclusion at the center of its management, and is developing a workplace that fosters the active participation of diverse human resources and the satisfaction of taking part in a meaningful job based on the philosophy of "Leveraging each person's individuality." We are working on themes listed in the table on the right based on our human resources strategy in order to achieve the targets above.

The results of the employee awareness survey for FY2022/3 are shown at right. Although the score for contributing to sustainable society through business beat the target for 2030, scores for items on diversity and inclusion of people and corporate growth, and items on motivation and mental and physical health are still below the targets for 2030. We will analyze the survey results in detail and then work to improve these scores. In the future, the Morinaga Group will expand the coverage of surveys to Group companies in Japan and overseas, and work collectively as a Group to achieve the long-term targets. First, we will promote initiatives by expanding surveys to domestic Group companies in FY2023/3.

Initiative Themes to Achieve Long-Term Targets for 2030

1. Foster people, culture, and organizations to achieve our Purpose and the 2030 Vision
2. Foster organizations that are diverse and dynamic
3. Build healthy and comfortable workplaces and help employees to find their work meaningful

Rate of Positive Responses on the Employee Awareness Survey Long-Term Targets and Progress*

	FY2031/3 Targets	Results for FY2022/3
The Morinaga Group is contributing to enriching people's lives and creating a society that is more affluent and sustainable through its businesses	80%	89.7%
The active participation of diverse human resources leads to the Company's growth and persistence	80%	70.1%
Employees find their job meaningful and they are in good mental and physical health at work	80%	74.6%

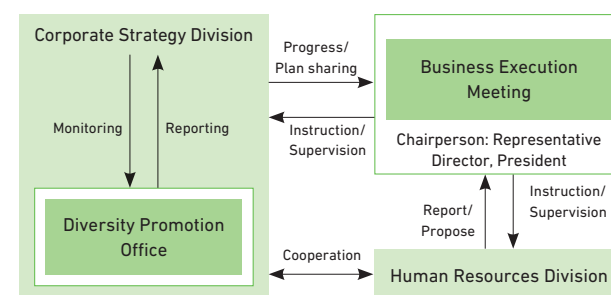
*Scope: Permanent employees of Morinaga & Co., Ltd. (non-consolidated) excluding forwarded employees

Fostering Organizations that Are Diverse and Dynamic

Diversity and Inclusion Promotion Structure

In FY2022/3 we changed the reporting line of the Diversity Promotion Office from the President to the Corporate Strategy Division to further incorporate diversity and inclusion, one of the

Diversity and Inclusion Promotion Structure



basic policies of the 2030 Business Plan, into more specific strategies.

Under this promotion structure, we will explore and implement measures to encourage understanding of diversity and inclusion and specific behaviors. Additionally, we will set and evaluate quantitative targets and KPIs to shift to more qualitative actions for responding to changes and creating new value.

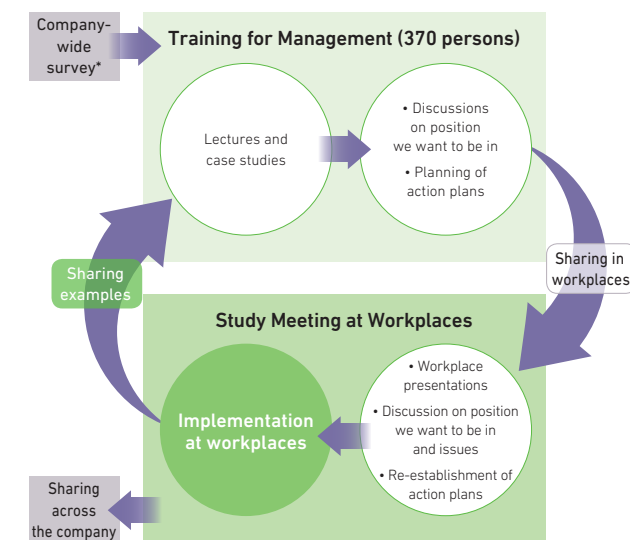
Implementation of Diversity and Inclusion Policy

● Promoting understanding

In FY2022/3, we focused on promoting understanding of the Diversity and Inclusion Policy and the five guidelines, undertaking various activities including training to make both further known to all.

First, we conducted training to educate employees about our Diversity and Inclusion Policy and the five guidelines and encourage them to put both into practice. We believe that end-to-end efforts are important. Following a lecture for officers, we held total of ten training sessions for the Group's management, from general managers to leaders, with 370 employees taking part. Moreover, we are promoting better understanding among all employees by holding seminars in each workplace for participants post training. This training will be held annually to foster a culture that embraces diversity and inclusion, and we will continue to evolve curriculum for promoting actions based on the policy and creation of innovation.

Program to Spread and Implement Diversity and Inclusion



*Survey on Corporate Philosophy and diversity

Making Workplaces More Diverse

● Lifting of ban on second jobs

In April 2022, we lifted the ban on second jobs with the goal of promoting employee-led open innovation and supporting autonomous career development. Using this as an opportunity for employee growth and skill building, we will boost the creation of new innovation and strengthen relationships with society.

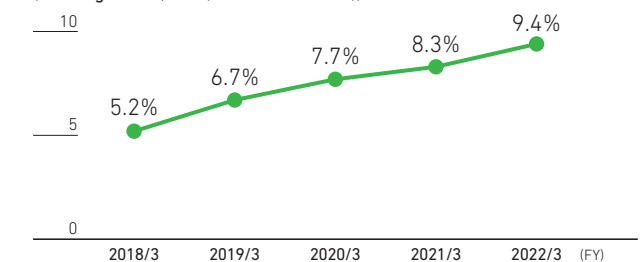
● Initiatives for mid-career hiring

The ratio of mid-career hires in overall recruitment was 22% in FY2022/3. We are promoting diversity and inclusion at our workplaces by recruiting mid-career employees for job openings such as in marketing and accounting.

● Initiatives for promoting female participation and career advancement in the workplace

We will enhance systems such as Angel Return* and promote working at home and flextime so that our people can fully harness their skills while balancing work and family. Also, we will forge a support system that encourages using work-life balance systems suited to an individual's situation and foster a culture across the Group that promotes the active participation of every employee. With these initiatives, the ratio of female managers has increased for the last five consecutive years.

Ratio of Female Managers (Morinaga & Co., Ltd. (non-consolidated))



*A system for rehiring an employee who previously resigned due to childbirth, childcare, family care or the transfer of a spouse once they are able to continue their career again.

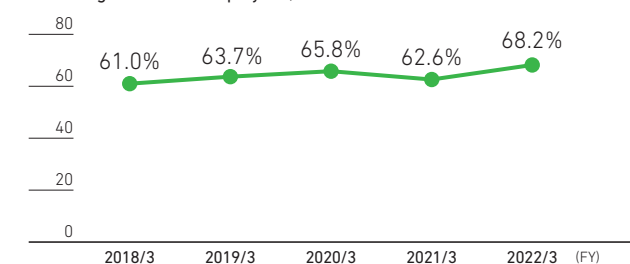
Developing a Workplace Where Employees Find Their Job Meaningful

Promoting Work-Life Balance

● Management of total working hours

In our management of total working hours, we take necessary measures as needed based on an analysis of an individual's overtime working hours, holiday working hours, usage of

Acquisition Rate of Annual Paid Leave (permanent employees of Morinaga & Co., Ltd. (non-consolidated) excluding forwarded employees)



compensatory holidays, and usage of annual paid leave. We also allow working at home and are making work more efficient with IT tools to encourage a better work-life balance among employees.

● Expanding eligibility for personal days off

We have established a system where individual employees can take personal days off based on the situation and workload of each workplace. In FY2022/3, we expanded eligibility from factory departments to all employees, with a total of 66 employees taking 110 days off. In addition to working at home and flextime, we are promoting working styles that extend beyond day of the week, time, and location.

● Volunteer leave

We adopted a volunteer leave system in April 2022. The goal of this system is to raise awareness of giving back to the community among employees and promote personal growth from participation in volunteer activities outside of work.

Initiatives for Sustainability

Achieving Sustainable Value Chains

Aimed at 2030

Taking actions to address social issues relevant to our businesses across the entire value chain in contributing to a sustainable society.

Long-Term Targets for 2030

- Sustainable procurement of raw materials: **100% for cacao beans, palm oil, and paper***1
- CSR supply chain management: **implement for 80% or more of raw materials transaction value***2
- Food loss and waste reduction: **Food loss and waste reduced by 70% from receiving of raw materials to delivery (distribution)***3

*1. Group consolidated basis. Paper covers product packaging only. *2. Group consolidated basis. *3. Domestic Group consolidated basis. Intensity, compared to FY2020/3

Promotion of Solving Social Issues in the Value Chain

With the intensifying severity of social issues such as climate change, all stakeholders are expected to address these issues in accordance with their own abilities and responsibility. The Morinaga Group is also making efforts to realize "health of environment" which will contribute to the sustainability of society and the global environment throughout our entire value chain. In

particular, we consider human rights and environmental issues in the production phase of agricultural raw materials, social and environmental issues that arise in the supply chain when procuring raw materials, issues related to stable procurement, and food loss and waste as our top priorities. As such, we are promoting the following initiatives.

1. Promote Sustainable Raw Materials Procurement

For main raw materials, including cacao beans, palm oil, and paper, we aim to switch to sustainable sources by 2030. In order to achieve this goal, we are cooperating and working together with our raw material suppliers based on the Morinaga Group Procurement Policy. First, we will carry out the following for our products in Japan.

Procurement Policy
<https://www.morinaga.co.jp/company/english/sustainability/valuechain/procurement.html>

Sustainable Procurement Medium-term Targets and Progress*

Initiatives	Targets	Results for FY2022/3	Single Month Results for March 2022
Cacao beans	FY2026/3 100%	9%	26%
Palm oil	FY2024/3 100%	2%	6%
Paper	FY2023/3 100%	98%	-

*Scope: Morinaga products in Japan. Paper covers product packaging only.

1. Cacao Beans

Cacao beans, a key raw material for chocolate, are associated with a range of social issues including human rights issues such as working conditions, poverty, child labor, and environmental issues such as deforestation. We began using certified cacao



Visit to a cacao sapling farmer in Indonesia by a director in charge (FY2020/3)

beans (Cocoa Horizons*- certified cacao supplied by Barry Callebaut Group) in some of our chocolate products in FY2021/3. We plan to switch 100% of cacao beans to sustainable sources by FY2026/3.

* Cocoa Horizons-certified cacao supplied by the Barry Callebaut Group are cacao beans using the Cocoa Horizons Foundation's mass balance method (certification model that combines certified and non-certified raw materials.)

2. Palm Oil

Illegal logging and human rights problems in producing regions of palm oil, which is extracted and refined from oil palm, have become social issues. We will switch to certified palm oil (e.g., RSP0*-certified) aimed at achieving sustainable procurement. We aim to start using certified palm oil in our soft candy and ice cream products in Japan by FY2023/3 and all other products by FY2024/3.

* RSP0 is an acronym for Roundtable on Sustainable Palm Oil, which is involved in the development and operation of the sustainable palm oil certification scheme.

3. Paper

Sustainable procurement of timber resources for raw paper material is in demand as resources continue to decline worldwide due to deforestation and illegal logging. In order to utilize forest resources with due consideration for the environment and local communities, we have been switching to procurement of raw materials such as FSC®-certified paper* (a part of specialty papers use recycled paper or certified paper by a third-party.) We switched 98% of paper used in all major brands to sustainable sources in FY2022/3. We aim to transition all of our products in Japan to sustainable paper by FY2023/3.

*FSC®N003064

2. Promote CSR Supply Chain Management

We are working together with our raw material suppliers in order to prevent human rights, labor, and environmental issues within the supply chain. The Supplier Guidelines formulated in June 2021 serve as a foundation for establishing a fair, just, and

The Morinaga Group Supplier Guideline
https://www.morinaga.co.jp/company/english/csr/management/pdf/policy_supplier-guideline.pdf

Formulation of the Morinaga Group Supplier Guideline

We will need to work across the entire supply chain in order to sustain our business activities with integrity. While requesting suppliers to comply with the Morinaga Group Procurement Policy, we also established the Supplier Guideline, which clearly sets out requirements for compliance with laws and social norms, ensuring quality and safety, fair and just purchasing transactions, respect for human rights, and environmentally conscious procurement activities. We held a briefing in October 2021 in which 49 companies participated.



Briefing on the Procurement Policy at a discussion for sharing information with partner companies

CSR Procurement Survey

To better understand the ESG measures of our raw material suppliers, in March 2022, we conducted a CSR procurement survey on the 48 main business partners of Morinaga & Co., Ltd. (Japan). In FY2022/3, we adopted the CSR/Sustainable Procurement Self-assessment Questionnaire of Global Compact Network Japan, which has a high affinity with our Supplier Guideline, to evaluate the main items of the environment and human rights.

The survey response rate was 100%, with an average score of 85%. Scores for quality and safety were high at 95% or higher

highly transparent relationship with our suppliers in promoting procurement activities with consideration toward society and the environment.

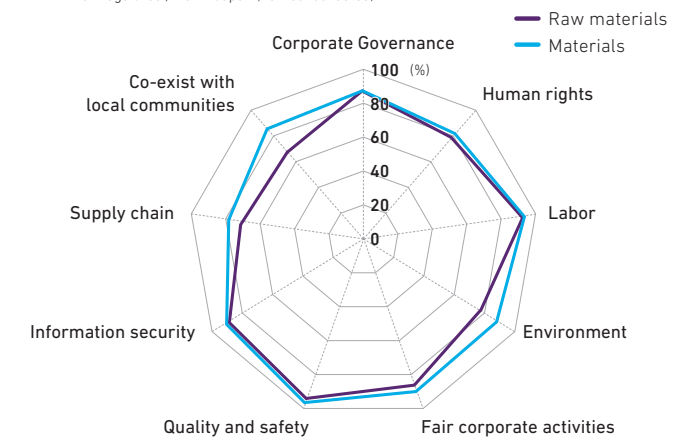
together with raw materials, but scores for supply chain and coexistence with local communities were somewhat low. We will hold dialogues with suppliers that had low scores to encourage improvement.

The Morinaga Group will continue building strong, long-term partnerships with suppliers through briefings and surveys based on the procurement policy. Using regular monitoring, we will realize sustainable procurement by continuing activities following the Supplier Guideline.

FY2022/3 Results of the CSR Procurement Survey*

	Number of companies receiving the survey	Raw materials transaction value*	Survey response rate	Average score
Raw materials	35 companies	81%	100%	83%
Materials	13 companies	81%	100%	88%
Total	48 companies	—	100%	85%

* Morinaga & Co., Ltd. in Japan (non-consolidated)



3. Reduction of Food Loss and Waste

As a responsible food company, we address the issue of food loss and waste. The Morinaga Group has established a long-term goal for food loss and waste reduction, which we are now working to achieve. As one example, the West Japan Branch Office is working with Osaka Prefecture as a member of the Osaka Food Loss and Waste Reduction Partnership System. In FY2022/3, although food loss increased temporarily due to the establishment of a frozen desserts manufacturing line at Takasaki Morinaga Co., Ltd., we will continue to promote a cycle for and effective use of food resources while helping reduce

occurrence of food loss and waste, improving the recycling rate and making donations to food banks.

Food Loss and Waste Reduction Long-term Target and Progress*

	Target	Results for FY2022/3
FY2031/3	-70%	+8%

* Scope: from receiving raw materials to product delivery (distribution) (Domestic Group consolidated)
 * Intensity [Annual Food Loss and Waste Amount (t) ÷ Annual Production Weight (t)] (Compared to FY2020/3)
 * Food loss and waste is defined as food that has been processed and disposed of by incineration, landfill, etc., except for food waste that has been returned to the circulation of food resources, such as feed and fertilizer.

Initiatives for Sustainability

Conserving the Global Environment

Aimed at 2030

In order to achieve “health of environment,” we strive for the health of society surrounding people by minimizing environmental impacts in our business activities and conducting environmental conservation activities from a medium to long term perspective.

Long-Term Targets for 2030

- Goal of net-zero GHG emissions by FY2051/3*1
- 30% reduction in CO₂ emissions by FY2031/3*2
- Reduce the plastics used in *in Jelly* products by 25%*3 by FY2031/3

*1. Group consolidated basis. *2. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3)
*3. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics)

1. Environment Management

Global environmental issues, such as climate change and environmental pollution caused by plastic waste, can potentially impact the Group’s business and performance over the medium to long term. We will accelerate our initiatives on environmental conservation appropriately and strategically following the Morinaga Group Environmental Policy in achieving sustainable growth for the Group and providing “health of environment.”

To achieve this, the ESG Committee deliberates, formulates, and reviews progress on important policies and targets related to the environment. The Environment Integration Office was established by the Production Administration Division and Sustainable Management 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 impacts and increase productivity.

We have built an environmental management system centered on ISO 14001. Since January 2018, the Morinaga Group’s Production Sites obtained multiple site certification (four factories of Morinaga & Co., Ltd., and three affiliated production companies.)

In addition, we endorsed the TCFD Recommendations in April 2022. Going forward, we will conduct analysis and disclose information in line with the recommendations. (See pages 56 and 57 for details.)

Please see our corporate website for the Morinaga Group’s environmental policy, Multi-site Organization Site, and ISO 14001 certification status.
Environmental Policy
<https://www.morinaga.co.jp/company/english/sustainability/environment/#policy>
Multi-site Organization Site and ISO 14001 Certification Status
<https://www.morinaga.co.jp/company/english/sustainability/environment/>

2. Response to Climate Change Issues

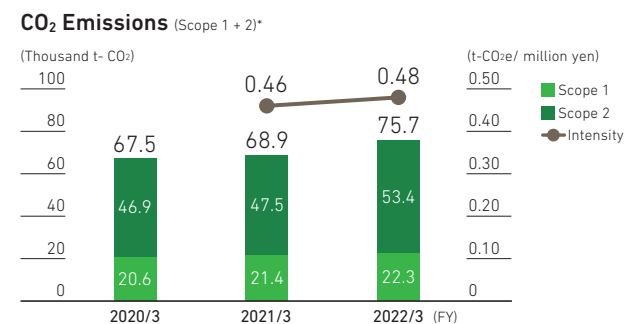
To contribute to a decarbonized society, we are promoting carbon management including energy conservation and visualization of energy usage to achieve the long-term goal of net-zero greenhouse gas emissions by 2050. In 2022/3, CO₂ emissions increased owing to the new frozen desserts manufacturing line at Takasaki Morinaga Co., Ltd., and other factors. We will continue to explore utilization of renewable energy while conserving energy to reduce CO₂ emissions. Also, we are switching to alternative fluorocarbons with a low ozone depletion potential and non-fluorocarbon materials for facilities that use fluorocarbons. Freezers that use natural refrigerant were adopted for the cold storage warehouse newly built at Takasaki

CO₂ Emissions Reduction: Long-term Target and Progress*

Target	Results for FY2022/3
FY2031/3	-30%
	+2%

* Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3).

Morinaga Co., Ltd. Going forward, we will work from various angles to further reduce the Group’s CO₂ emissions.



* Domestic Group consolidated basis. CO₂ emissions are rounded up to the second decimal place. Figures for FY2021/3 and onward are third-party-assured by LRQA. The Company applied the “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)”, etc., from the beginning of FY2022/3. The figures for FY2021/3 are from after retroactive application of the said accounting standard.

Main Initiatives Aimed at Reducing Greenhouse Gas Emissions

Initiatives	Details
1. Reducing CO ₂ emissions at production sites	<ul style="list-style-type: none"> • Promote visualization of CO₂ emissions • Establish a highly efficient production system • Implement energy conservation initiatives (adopt high-efficiency and energy-saving equipment, operate air conditioning efficiently, etc.)
2. Initiatives at facilities using fluorocarbons	<ul style="list-style-type: none"> • Consideration for switch to alternative fluorocarbons with a low ozone depletion potential and non-fluorocarbon materials • Strengthen preventive management of fluorocarbon leakage • Introduction of natural refrigerant equipment with zero ozone depletion potential and low global warming potential (Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd., and Takasaki Morinaga Co., Ltd.)
3. Initiatives in logistics	<ul style="list-style-type: none"> • Improve loading rate and reduce transportation and delivery vehicles by joining other companies in the industry in transportation and delivery

3. Promotion of Environmental Consideration in Containers and Packaging

In recent years, marine pollution by plastic waste has become a serious issue that is attracting growing concerns globally. The Group believes its efforts through business activities are important, and has established a long-term goal for reducing plastic use in

the packaging material for mainstay *in Jelly* products. With this long-term goal as a starting point, we will promote the initiatives towards achieving a resource-recycling society.

Environmental Initiatives in the Containers and Packaging of Major Brands

Initiatives	Current initiatives (includes tentative items)
Reduce weight and volume of plastic	Reduce the amount of plastic used in the packaging of products including <i>in Jelly</i> and <i>Choco Monaka Jumbo</i>
Switch to eco-friendly materials for packaging	Switch plastic package of <i>HI-CHEW</i> and <i>in Jelly</i> to biomass-derived plastic packaging
Promote recycling	Launched <i>in Jelly</i> Recycling Program in September 2021

Initiatives for reducing plastic waste: *in Jelly* Recycling Program

To further reduce plastic waste, Morinaga and TerraCycle Japan G.K. launched a recycling program to collect empty jelly drink containers in September 2021. The program works to collect used containers and recycle them into new plastic products as resources. We will continue to promote recycling initiatives for *in Jelly* as a leading jelly drink brand.

The collection box and students of Koriyama High School in Fukushima Prefecture



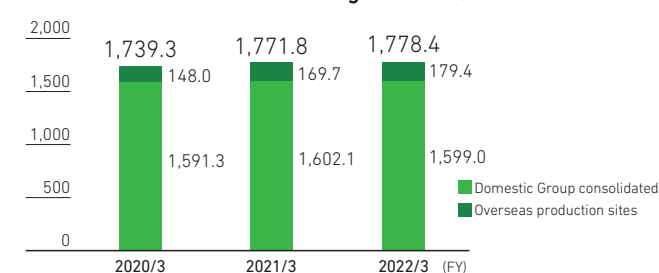
4. Effective Use of Water Resources

In recent years, there is growing risk of water resource shortages due to rising populations and frequent occurrence of natural disasters caused by climate change. We believe that water resources are essential to our Group’s business activities, and it is important to promote business activities that effectively assess water stress*1 and utilize water resources. We assessed water stress and conducted water withdrawal surveys in regions where production

sites are located using Aqueduct*2, which identified regions facing high water stress and water resources usage. We will now strive to ascertain risks related to water resources to ensure effective use of these resources.

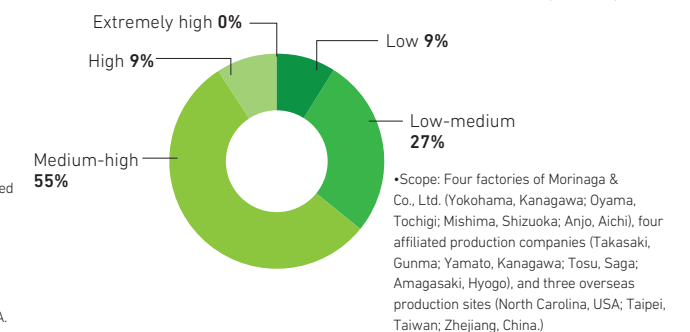
*1. A state in which water supply and demand is tight. Water stress occurs when maximum available water resources per capita falls below 1,700 m³.
*2. World Resources Institute (WRI)’s Aqueduct Water Risk Atlas

Amount of Water Resource Usage* (Thousand t)



* Domestic figures reflect Group consolidated figures. Overseas figures reflect figures at production sites. The domestic Group consolidated figure for FY2021/3 and later is third-party assured by LRQA.

Water Stress Evaluation of all Production Sites (FY2022/3)



Initiatives for Sustainability

Information Disclosures Based on the TCFD Recommendations

The Morinaga Group recognizes that climate change is an important issue that affects the continuity of its operations and sustainable growth. In April 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB.) Since then, we have been addressing the TCFD recommendations, including conducting climate change scenario analysis.

Area	Details												
Governance	<p>The Morinaga Group's reporting, target setting, and progress monitoring concerning sustainability initiatives which include climate change, are deliberated on by the ESG Committee. The Representative Director, President, who chairs the committee, then makes a decision and reports it to the Board of Directors. In FY2022/3, the ESG Committee convened seven times.</p> <p>The deliberations of the ESG Committee are considered in various aspects of decision making concerning management. In FY2022/3, we established the TCFD Subcommittee under the ESG Committee. This subcommittee is responsible for analyzing the Morinaga Group's risks and opportunities and reviewing responses following the TCFD recommendations. It is chaired by the Director and Managing Executive Officer in charge of the Sustainable Management Division. It convened three times in FY2022/3, and the results were reviewed by the ESG Committee and then reported to the Board of Directors.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p align="center">Review and Promotion System for Climate Change Issues</p> </div>												
Strategy	<p>In the process of identifying risks and opportunities of climate change, Morinaga established the 4°C, 2°C, and 1.5°C scenarios for its domestic food manufacturing business. Based on the information released by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), we use these scenarios to analyze the impacts in Japan in 2030 and 2050. As a result, the 4°C scenario identified the risks of a reduction in quality of agricultural produce, changes in yield caused by changes in weather patterns, and increasing frequency of extreme weather events. The 2°C and 1.5°C scenarios found that rising costs due to stricter energy conservation policy and carbon taxes will have a larger impact on business operations. In response to these risks, we will strive to reduce our own CO₂ emissions and address risks and opportunities that are important.</p>												
Risk Management	<p>The Morinaga Group established the Total Risk Management Committee, which is chaired by the Representative Director, President. This committee identifies risks, evaluates the severity, implements countermeasures against these risks, and manage and address them appropriately. The importance of these risks is evaluated by the TCFD Subcommittee. The results are reviewed by the ESG Committee and then reported to the Board of Directors, ensuring companywide risks and business operations are managed and addressed appropriately. Based on the above, management conducts business operations after carrying out appropriately oversight of companywide risks.</p>												
Indicators and Targets	<p>To mitigate climate change risks, the Morinaga Group has established targets to reduce CO₂ emissions (Scope 1 and 2) by 30% from FY2019/3 in Japan by 2030 and to achieve net-zero GHG emissions by 2050. We are actively improving energy efficiency at our production sites (preventing air leaks, adding insulation, etc.), by upgrading our infrastructure and utilizing new and efficient equipment; thus highlighting our shift away from fossil fuels. At the same time, we are considering the introduction of renewable energy and implementing measures to achieve these targets.</p> <div style="text-align: center;"> <p>CO₂ Emissions (Scope 1 + 2) (Thousand t-CO₂) *Domestic consolidated basis</p> <table border="1"> <caption>CO₂ Emissions (Scope 1 + 2) Data</caption> <thead> <tr> <th>Fiscal Year</th> <th>CO₂ Emissions (Thousand t-CO₂)</th> </tr> </thead> <tbody> <tr> <td>2019/3 (Baseline FY)</td> <td>74.1</td> </tr> <tr> <td>2021/3</td> <td>68.9</td> </tr> <tr> <td>2022/3</td> <td>75.7</td> </tr> <tr> <td>2031/3</td> <td>51.8</td> </tr> <tr> <td>2051/3</td> <td>Aim for net zero</td> </tr> </tbody> </table> </div>	Fiscal Year	CO ₂ Emissions (Thousand t-CO ₂)	2019/3 (Baseline FY)	74.1	2021/3	68.9	2022/3	75.7	2031/3	51.8	2051/3	Aim for net zero
Fiscal Year	CO ₂ Emissions (Thousand t-CO ₂)												
2019/3 (Baseline FY)	74.1												
2021/3	68.9												
2022/3	75.7												
2031/3	51.8												
2051/3	Aim for net zero												

Scenario Analysis

We established the 4°C, 2°C and 1.5°C scenarios for Morinaga & Co., Ltd.'s domestic food manufacturing business to analyze the impacts in 2030 and 2050.

We referenced scenarios of government institutions and research institutes for the identification and evaluations of

climate change risks and opportunities and for the analysis of the impact on the Morinaga Group's business, strategies and financial standing caused by these risks and opportunities. Going forward, we will deepen our study of countermeasures and consider further expanding the scope of our scenario analysis.

Morinaga Group's Important Risks

Category	Sub-category	Risk factors	Impact on operations	Response
Transition risks	Policy and regulation	Spread of GHG emissions pricing and stricter GHG emissions	Rising energy costs and logistics costs caused by the introduction of carbon taxes	<ul style="list-style-type: none"> Consider and implement ways to reduce CO₂ emissions by 30%^{*1} by 2030 and to achieve net-zero GHG emissions by 2050^{*2} Promote visualization of CO₂ emissions at factories, implement energy conservation measures, and establish highly efficient production system through reorganization Consider use of renewable energy Establish more efficient logistics system/transport and deliveries with fewer environmental impacts
		Stricter energy conservation policy	Rising cost of capital investment for manufacturing facilities due to the company's response to energy conservation driven by stricter energy conservation policy	
		Decarbonization-related mandates and regulations on existing products and services	Rising packaging costs due to regulations on the use of plastics derived from petroleum	
Physical risks	Markets	Changes in consumer behavior	Increased environmental awareness among consumers leads to a decline in sales due to consumer defection from products that have been slow to respond to the environment and a decrease in the adoption of such products by retailers	<ul style="list-style-type: none"> Promote raw materials procurement in consideration of the environment in line with Procurement Policy and Supplier Guidelines Promote initiatives aimed at a 25% reduction in plastics usage for <i>in Jelly</i> products by 2030^{*3} Expand the use of biomass plastics Promote initiatives aimed at 100% sustainable procurement of cacao beans, palm oil and paper by 2030^{*4}
	Acute	Rising severity and frequency of extreme weather, such as cyclones and flooding	Loss of opportunities and decrease in sales due to suspension of procurement, production, logistics, and sales activities caused by damage to factories, warehouses, and employees due to extreme weather, disruption of logistics, etc.	
Physical risks	Chronic	Changes in rainfall patterns and extreme changes in weather patterns	Rising raw material and development costs due to quality deterioration and yield reduction of crops caused by changes in weather patterns and frequent occurrences of extreme weather	<ul style="list-style-type: none"> Promote raw materials procurement in consideration of the environment in line with Procurement Policy and Supplier Guidelines Promote initiatives aimed at 100% sustainable procurement of cacao beans, palm oil and paper by 2030^{*4} Purchase raw materials from multiple suppliers (or multiple sites) Strengthen collaboration with suppliers and increase communication aimed at risk response Consider shifting milk ingredients to plant-based materials

*1 Scope 1 and 2 (domestic Group consolidated basis; compared to FY2019/3)
 *2 Group consolidated basis.
 *3 Target: usage of plastics in packaging materials (intensity, compared to FY2020/3, including shift to biomass plastics)
 *4 Group consolidated basis. Paper covers product packaging only.

Morinaga Group's Important Opportunities

Category	Opportunity factors	Impact on operations	Response
Resource efficiency	Development and use of efficient production and distribution processes	Declining manufacturing and transport costs due to development of efficient manufacturing and distribution processes	<ul style="list-style-type: none"> Promote efficient production activities by rebuilding the production system and creating smart factories^{*5} Promote initiatives aimed at 70% reduction in food loss and waste by 2030^{*6} Establish more efficient logistics system/transport and deliveries with fewer environmental impacts
Products and services	Changes in consumer preferences	Rising demand for eco-friendly products amid increasing environmental awareness among consumers including Generation Z	<ul style="list-style-type: none"> Implement "One Chocolate for One Smile" campaign^{*7} Develop eco-friendly products
	Adaptation to climate	Rising demand for <i>in Jelly</i> and frozen desserts due to global warming	<ul style="list-style-type: none"> Increase sales of <i>in Jelly</i> and frozen desserts
Resilience	Substitution/Diversification of resources	Increasing capacity of operations under various conditions from review of substitution/diversification of raw materials	<ul style="list-style-type: none"> Consider substitution and diversification of raw materials based on climate change risks
		Increased trust in supply chain and fewer opportunity loss due to formulation of resilience plan (BCP)	<ul style="list-style-type: none"> Continuously review BCP for natural disasters and promote BCM

*5 Smart factory: Using IoT and AI technologies to integrate technology and digital data of production equipment to ensure stable operations and increase production efficiency
 *6 Scope: Food loss and waste occurring from receipt of raw materials to delivery (distribution) (domestic consolidated basis; intensity, compared to FY2020/3.) Food loss and waste is defined as food waste that is disposed of through incineration or landfill, excluding food waste recycled into fertilizer or feed, etc.
 *7 "One Chocolate for One Smile" campaign: Donates a part of sales of eligible products to support children in cacao-producing countries by improving their educational environment, etc.

Initiatives for Human Rights

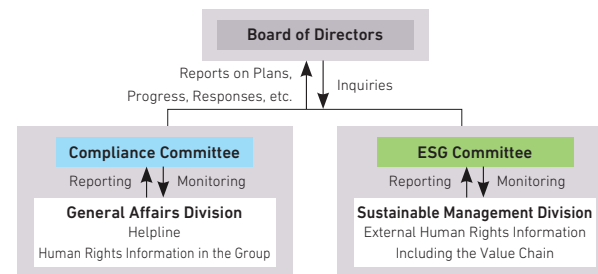
The Morinaga Group is a signatory to the UN Global Compact and supports such international rules as the UN Guiding Principles on Business and Human Rights. We respect the human rights of everyone involved with all of our business processes as part of our commitment to realize a sustainable society.

Human Rights Management System

We have established the Morinaga Group Code of Conduct and Standards of Behavior, the Morinaga Group Human Rights Policy and the Morinaga Group Supplier Guideline. We are working to share our philosophy on human rights defined in these policies through compliance training sessions for all employees and supplier briefings. We have a system in place to discuss the Group's response at both committees indicated on the right in case of concerns about possible human rights infringements. If such concerns arise within the Group or if a complaint is made to the Helpline, we will report to the Compliance Committee, or if these concerns have arisen outside the company, the Sustainable Management Division will summarize the information and report to the ESG Committee. Directors who receive such reports from

both committees will supervise and provide instructions for the response.

Human Rights Management System Diagram



Reinforce Human Rights Management

The Morinaga Group respects the human rights of stakeholders within the Group and across its value chain.

The Morinaga Group Human Rights Policy established in 2018 requires that we respect human rights and provide workplaces that are free of discrimination and harassment. It also requires that we eliminate child labor and forced labor in the supply chain. The Group supports initiatives to eradicate child labor and gender equality awareness activities in cacao-producing countries through the One Chocolate for One Smile campaign. We exchange opinions for future initiatives while learning about local conditions from relevant NPOs and NGOs, and we deepen understanding of human rights issues in palm oil producing regions through communication with the RSPO*. We are also assessing and addressing human rights issues in the supply chain through our CSR procurement surveys based on the Supplier Guideline.

Roadmap to Reinforcing Human Rights Management

- FY2022/3**
 - Started initiatives on human rights due diligence
 - Completed supplier guideline
 - Commenced CSR procurement survey based on the Supplier Guideline
 - Conducted stakeholder engagement with NGOs and NPOs
 - Promoted internal training and education (basic approach to respecting human rights and prevention of harassment, etc.)
- FY2023/3**
 - Become signatory to the UN Global Compact
 - Develop raw materials procurement guidelines for cacao beans, palm oil and paper
 - Revise the Morinaga Group Human Rights Policy
 - Begin impact assessments of businesses that could have a negative impact on human rights
 - Expand internal training and education (global approaches to business and human rights, etc.)
 - Participate in a grievance mechanism platform
- FY2024/3**
 - Respond to issues identified (starting from urgent issues)
 - Review progress of response to issues and report in the integrated report, etc.

Morinaga Group Human Rights Policy

(Established in May 2018)

As a member of the international community, the 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 of employees, 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.

* RSPO is an acronym for Roundtable on Sustainable Palm Oil, which is involved in the development and operation of the sustainable palm oil certification scheme.

Governance Section

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Executive Management Team

(As of June 29, 2022)

Director



Eijiro Ota
Representative Director,
President

Significant concurrent positions
President of Morinaga Angel
Foundation
President of All Nippon Kashi
Association

Career summary	
Apr. 1982	Joined Morinaga & Co., Ltd.
Jun. 2011	Director, Commissioned General Manager of Frozen Dessert Business Headquarters of the Company
Apr. 2014	Commissioned General Manager of Sales Headquarters of the Company
Jun. 2014	Director, Senior Executive Officer of the Company
Jun. 2015	Director, Managing Executive Officer of the Company
Jun. 2017	Director, Senior Managing Executive Officer of the Company
Jun. 2019	Representative Director, President of the Company (present)
Jun. 2020	President of Morinaga Angel Foundation (present)
Jun. 2021	President of All Nippon Kashi Association (present)

Term of office as a director:	Board of Directors meeting attendance:
11 years	16/16 times

Responsibilities: Audit Division and Sales Headquarters



Machiko Miyai
Director,
Managing Executive Officer

Significant concurrent positions
Chairperson of Sustainability
Forum Japan
Outside Director, SEKISUI
CHEMICAL CO., LTD.

Career summary	
Apr. 1983	Joined Matsushita Electric Industrial Co., Ltd. (Currently Panasonic Corporation)
Apr. 2011	Officer, General Manager of Environment Headquarters and Power Saving Headquarters of Panasonic Corporation
Oct. 2012	Officer, responsible for Future Life Research, R&D Headquarters of Panasonic Corporation
Jun. 2014	Outside Director of Morinaga & Co., Ltd.
Dec. 2014	Outside Director of KATO SANGYO CO., LTD.
May 2015	Outside Director of YOSHINOYA HOLDINGS CO., LTD.
Jun. 2018	Director, Managing Executive Officer of the Company (present)
Feb. 2019	Commissioned General Manager of Marketing Headquarters
Apr. 2022	Chairperson of Sustainability Forum Japan (present)
Jun. 2022	Auditor of Ochanomizu University (present)
Jun. 2022	Outside Director of SEKISUI CHEMICAL CO., LTD. (present)

Term of office as a director:	Board of Directors meeting attendance:
8 years	16/16 times

Responsibilities: Sustainable Management Division, Quality Assurance Division, Customer Service Center



Naomi Eto
Outside Director
(Independent Officer)

Significant concurrent positions
Outside Director, The Nishin
Oil&I Group, Ltd.
Outside Director, NIPPON YAKIN
KOGYO CO., LTD.

Career summary	
Apr. 1979	Joined Bridgestone Tire Co., Ltd. (Currently Bridgestone Corporation)
Mar. 2009	Executive Officer, responsible for General Affairs and Corporate Communications of Bridgestone Corporation
Jun. 2014	Director, General Manager of Group CC Headquarters of ZENSHO HOLDINGS CO., LTD.
Jan. 2015	Director, General Manager of Group General Affairs Headquarters of ZENSHO HOLDINGS CO., LTD.
Jun. 2020	Outside Director of Morinaga & Co., Ltd. (present)
Jun. 2022	Outside Director of The Nishin Oil&I Group, Ltd. (present)
Jun. 2022	Outside Director of NIPPON YAKIN KOGYO CO., LTD. (present)

Reason for appointment
Ms. Eto has business experience accumulated in the manufacturing industry and a wealth of experience as an executive in the retail industry. Based on this experience, she provides objective and neutral advice on overall management from a broad perspective that extends beyond the Company's industry.

Term of office as a director:	Board of Directors meeting attendance:
2 years	16/16 times



Shuichi Hoshi
Outside Director
(Independent Officer)

Significant concurrent positions
Outside Director, SBS Holdings,
Inc.

Career summary	
Apr. 1979	Joined ITOCHU Corporation
Sep. 1998	Director of Family Corporation Co., Ltd. (Currently NIPPON ACCESS, INC.)
Dec. 2002	Director of Yukijirushi Access Co., Ltd. (Currently NIPPON ACCESS, INC.)
Apr. 2010	Executive Officer of ITOCHU Corporation
Jun. 2013	President, Representative Director of ITOCHU-SHOKUJIN Co., Ltd.
Mar. 2019	Outside Director of SBS Holdings, Inc. (present)
Jun. 2020	Outside Director of Morinaga & Co., Ltd. (present)

Reason for appointment
Mr. Hoshi has a wealth of experience as an executive in the wholesale industry, and based on this experience, he provides objective and neutral advice on overall management from a broad perspective that extends beyond the Company's industry.

Term of office as a director:	Board of Directors meeting attendance:
2 years	16/16 times



Takashi Hirakue
Director,
Senior Executive Officer

Career summary	
Apr. 1984	Joined Morinaga & Co., Ltd.
Jun. 2008	Senior Executive Officer, General Manager of Frozen Dessert Business Headquarters of the Company
Apr. 2009	Senior Executive Officer, General Manager of Confectionery Business Headquarters of the Company
Jun. 2010	Director, Commissioned General Manager of Confectionery Business Headquarters of the Company
Jun. 2013	Commissioned General Manager of Foodstuff Business Headquarters of the Company
Apr. 2014	Commissioned General Manager of Marketing Headquarters of the Company
Jun. 2014	Director, Senior Executive Officer of the Company (present)
Jun. 2018	Commissioned General Manager of Production Headquarters of the Company

Term of office as a director:	Board of Directors meeting attendance:
12 years	16/16 times

Responsibilities: Logistics Division, DX Promotion Division



Shinya Mori
Director,
Senior Executive Officer

Career summary	
Apr. 1984	Joined Morinaga & Co., Ltd.
Jun. 2013	General Manager of Health Care Business Headquarters of the Company
Apr. 2016	Executive Officer, General Manager of Health Business Headquarters of the Company
Apr. 2018	Executive Officer, Deputy General Manager of R&D Center of the Company
Jan. 2019	Executive Officer, General Manager of R&D Center of the Company
Jun. 2019	Director, Senior Executive Officer of the Company (present)
Jun. 2019	Commissioned General Manager of R&D Center (present)

Term of office as a director:	Board of Directors meeting attendance:
3 years	16/16 times

Responsibilities: R&D Center, New Business Development Division



Kuniko Urano
Outside Director
(Independent Officer)

Significant concurrent positions
Outside Director, Yokogawa
Electric Corporation
Outside Director, NIPPON STEEL
CORPORATION

Career summary	
Apr. 1979	Joined Komatsu Ltd.
Apr. 2014	Executive Officer, General Manager of Human Resources Division of Komatsu Ltd.
Apr. 2016	Managing Executive Officer, General Manager of Human Resources Division of Komatsu Ltd.
Jun. 2018	Director, Managing Executive Officer of Komatsu Ltd
Jun. 2021	Outside Director of Yokogawa Electric Corporation (present)
Jun. 2021	Outside Director of Morinaga & Co., Ltd. (present)
Jun. 2022	Outside Director of NIPPON STEEL CORPORATION (present)

Reason for appointment
Ms. Urano has a wealth of experience as an executive in the machinery industry, and based on this experience, she provides objective and neutral advice on overall management from a broad perspective that extends beyond the Company's industry.

Term of office as a director:	Board of Directors meeting attendance:
1 year	12/12 times



Shinji Sakaki
Outside Director
(Independent Officer)

Significant concurrent positions
Outside Director (Audit and
Supervisory Committee
Member), SAN-A CO., LTD.

Career summary	
Apr. 1980	Joined TOKYU LAND CORPORATION
Apr. 2006	Executive Officer and General Manager of Corporate Planning Division of TOKYU LAND CORPORATION
Jun. 2007	Director and Managing Executive Officer of Tokyu Hands Inc.
Apr. 2011	Representative Director and President of Tokyu Hands Inc.
Jun. 2014	Director of Tokyu Fudosan Holdings Corporation
Apr. 2015	Representative Director and President of Tokyu Livable, Inc.
Apr. 2019	Director and Chairperson of Tokyu Livable, Inc.
Mar. 2022	Advisor of Tokyu Livable, Inc. (present)
May 2022	Outside Director (Audit and Supervisory Committee Member) of SAN-A CO., LTD. (present)
Jun. 2022	Outside Director of Morinaga & Co., Ltd. (present)

Reason for appointment
Mr. Sakaki has a wealth of experience as an executive in the retail and real estate industries, and based on this experience, he provides objective and neutral advice on overall management from a broad perspective that extends beyond the Company's industry.

Term of office as a director:	Board of Directors meeting attendance:
-	-



Daisuke Fujii
Director,
Senior Executive Officer

Career summary	
Apr. 1987	Joined Morinaga & Co., Ltd.
Apr. 2018	General Manager of General Affairs Division of the Company
Apr. 2019	Executive Officer, General Manager of General Affairs Division of the Company
Jun. 2019	Director, Senior Executive Officer of the Company (present)
Aug. 2019	Commissioned General Manager of Corporate Strategy Division of the Company

Term of office as a director:	Board of Directors meeting attendance:
3 years	16/16 times

Responsibilities: Corporate Strategy Division, General Affairs Division, Strategic Investment & Alliance Division



Hideki Matsunaga
Director,
Senior Executive Officer

Career summary	
Apr. 1990	Joined Morinaga & Co., Ltd.
Apr. 2010	General Manager of Area Sales Division of Confectionery and Foodstuff Sales Division of the Company
Apr. 2014	General Manager of Sales Strategy Division of Sales Headquarters of the Company
Apr. 2018	Executive Officer, General Manager of Confectionery and Foodstuff Sales Division of Sales Headquarters of the Company
Apr. 2019	Executive Officer, General Manager of Sales Headquarters of the Company
Oct. 2019	Executive Officer, General Manager of Sales Headquarters of the Company
Apr. 2021	Senior Executive Officer, General Manager of Sales Headquarters of the Company
Apr. 2022	Senior Executive Officer, General Manager of Marketing Headquarters of the Company
Jun. 2022	Director, Senior Executive Officer of the Company (present)
Jun. 2022	Commissioned General Manager of Marketing Headquarters (present)

Term of office as a director:	Board of Directors meeting attendance:
-	-

Responsibilities: Marketing Headquarters, Direct Marketing Division



Tetsuya Takagi
Director,
Senior Executive Officer

Career summary	
Apr. 1986	Joined Fuji Xerox Co., Ltd. (Currently FUJIFILM Business Innovation Corp.)
July 2015	Corporate Vice President, General Manager of Corporate Planning Division of Fuji Xerox Co., Ltd.
July 2017	Executive Counselor of Fuji Xerox Co., Ltd.
Apr. 2018	Managing Executive Officer, responsible (deputy) for Corporate Planning Division of UNIZO Holdings Company, Limited.
July 2019	Chief Financial Officer, Director & Group Executive of Twinbird Corporation
Nov. 2021	Joined Morinaga & Co., Ltd.
Apr. 2022	Senior Executive Officer of the Company
Jun. 2022	Director, Senior Executive Officer of the Company (present)

Term of office as a director:	Board of Directors meeting attendance:
-	-

Responsibilities: Accounting Division, Corporate Communications Division

Statutory Auditors



Akiyuki Igarashi
Standing Outside Statutory
Auditor (Independent Officer)

Career summary	
Apr. 1980	Joined Mitsubishi Corporation
Jun. 2010	Executive Officer, CFO and General manager of Corporate Administration of Metal One Corporation
May 2014	Managing Director, General Manager of General Affairs and Accounting Division of MC FERTICOM CO., LTD.
Jun. 2016	Managing Director, responsible for Functional Departments and General Manager of Accounting Division of Meiwa Corporation
Jun. 2019	Standing Statutory Auditor of Morinaga & Co., Ltd. (present)

Reason for appointment
Mr. Igarashi has a wealth of management experience in the wholesale industry and abundant knowledge of finance and accounting. He provides objective and neutral audits from a broad perspective that extends beyond the Company's industry.

Board of Statutory Auditors meeting attendance:	Board of Directors meeting attendance:
16/16 times	16/16 times



Toshiaki Fukunaga
Standing Statutory Auditor

Career summary	
Apr. 1982	Joined Morinaga & Co., Ltd.
Jun. 2006	Executive Officer, General Manager of Development Planning Office of R&D Center of the Company
Jun. 2011	Executive Officer, General Manager of Chukyo Factory of the Company
Jan. 2014	Representative Director, President of Morinaga America Foods, Inc.
Apr. 2017	Executive Officer, General Manager of R&D Center of Morinaga & Co., Ltd.
Jun. 2017	Director, Senior Executive Officer, Commissioned General Manager of R&D Center of Morinaga & Co., Ltd.
Jan. 2019	Representative Director, President of Morinaga America Foods, Inc.
Jun. 2022	Standing Statutory Auditor of Morinaga & Co., Ltd. (present)

Board of Statutory Auditors meeting attendance:	Board of Directors meeting attendance:
-	-



Koichi Sakaguchi
Outside Statutory Auditor
(Independent Officer)

Significant concurrent positions
Attorney (GINGA LAW OFFICE)

Career summary	
Apr. 1979	Registered as an attorney and joined Tamiya & Tsutsumi Law Office
Apr. 1985	Established Sakaguchi & Takanaka Law Office (renamed Legal Plaza Law Office in April 1998)
Sep. 2000	Appointed Judge of Tokyo District Court
Sep. 2013	Chief Judge of Akita District Family Court
Nov. 2015	Registered as an attorney and joined Kato Sogo Law Office (Currently GINGA LAW OFFICE) (present)
Jun. 2016	Outside Statutory Auditor of Morinaga & Co., Ltd. (present)

Reason for appointment
Mr. Sakaguchi has a high level of expertise and experience as a judge and attorney. He provides objective and neutral audits from a broad perspective that extends beyond the Company's industry.

Board of Statutory Auditors meeting attendance:	Board of Directors meeting attendance:
16/16 times	16/16 times



Hiroshi Iwamoto
Outside Statutory Auditor
(Independent Officer)

Significant concurrent positions
Outside Director, MEDIPAL
HOLDINGS CORPORATION

Career summary	
Apr. 1981	Joined The Dai-ichi Kangyo Bank, Ltd. (Currently Mizuho Bank, Ltd.)
Apr. 2017	Senior Managing Executive Officer, General Manager of Planning and Administration Division of Mizuho Research Institute Ltd.
May 2019	Advisor of Chuo Fudosan K.K. (Currently Chuo-Nittochi Co., Ltd.) (present)
Jun. 2019	Outside Statutory Auditor of Morinaga & Co., Ltd. (present)
Jun. 2021	Outside Director of MEDIPAL HOLDINGS CORPORATION (present)

Reason for appointment
Mr. Iwamoto has experience in financial operations accumulated in the financial industry, along with a wealth of management experience in the information and communication industry. He provides objective and neutral audits from a broad perspective that extends beyond the Company's industry.

Board of Statutory Auditors meeting attendance:	Board of Directors meeting attendance:
16/16 times	16/16 times

Messages from Outside Directors



Shuichi Hoshi
Outside Director

Naomi Eto
Outside Director

Kuniko Urano
Outside Director

Shinji Sakaki
Outside Director

Naomi Eto Outside Director

Thanks to the efforts of Morinaga's executive team, the company has been able to establish its corporate philosophy and our vision for 2030 internally, and initiatives have gotten off to a strong start.

From my position as Outside Director, I have repeatedly found there are two challenges that need to be overcome in order for Morinaga to achieve its long-term targets. First, Morinaga must get ahead of the times in strengthening functional divisions such as human resources and IT, which underpin business growth. Second, Morinaga must establish an effective risk management system covering the Group and the entire supply chain.

Today, the world's food security is being threatened by Russia's military invasion of Ukraine. Morinaga must effectively utilize food resources, which will become more valuable in the future, and serve as an international corporation trusted by people around the world for consistently providing security and wellbeing through foods.

Toward this end, it is vital that Morinaga share with outside stakeholders its detailed roadmap to becoming a wellness company as stated in the 2030 Vision. I look forward to supporting these efforts.

Shuichi Hoshi Outside Director

Today, we find ourselves in a time when an infectious disease or conflict in one region can spread to the entire world. This requires that companies grasp and analyze the situation with modesty and consistently use creative ingenuity with a flexible stance.

The Morinaga Group is finishing up with its efforts to lay the foundation for the 2030 Business Plan, seeking to change into a wellness company. Product development that contributes to "health of mind and body" is one of our major themes of this plan.

For production investment and the focused domain category, Morinaga has held discussions with a long-term perspective, and on the other hand, built a framework for an objective evaluation and monitoring process of action plans to accomplish short- to medium-term business plans.

In the field of confectionery and foodstuffs, companies will be recognized for their ability to quickly generate results from fast-paced response to changes in living patterns and consumption trends. Using my experience in business management, corporate management, business alliances and M&A in the food industry, I will work to further increase the company's corporate value so that the company can contribute to all stakeholders including shareholders and employees with outward-looking and future-oriented perspectives.

Kuniko Urano Outside Director

Through my participation in meetings and workplace visits since becoming Outside Director, I have found that employees are actively working on the 2030 Vision and that outside stakeholders attach high expectations to this vision. The Morinaga Group has formulated three basic policies to change into a wellness company by 2030. However, the items in these basic policies are rather simple, so I believe the next one to two years will be a crucial time where the collective strengths of the Group are called into question in terms of its ability to put these policies into specific actions and speed up the process.

As such, I believe there are two fundamental aspects of decision making and execution. First is frankly discussing at Board meetings risks and opportunities using the perspectives of different industries, and second is sharing competitive strengths with everyone. In addition, new changes taking place in the social environment of this past year should not be perceived as simply headwinds, but rather viewed as an excellent opportunity to overcome weaknesses. What's expected the most for Morinaga is to continue to be a company that boldly tackles new challenges and it is my job as Outside Director to push this forward. In this manner, I will make every effort to contribute to the Group's development over the medium to long term.

Shinji Sakaki Outside Director

My initial impression after becoming Outside Director is that Morinaga has clearly indicated its direction over the medium to long term of becoming a wellness company through the 2030 Vision and other means. In addition, the business domains of foods and health will be extremely important and offer great growth potential for achieving a sustainable society in the future.

Today, the world faces unprecedented and unpredictable risks in terms of geopolitics, disasters, and infectious diseases. A key factor of corporate management will be responding in a flexible manner to various management risks and unlock sustainable growth opportunities.

Corporate management during this time of high uncertainty requires multifaceted perspectives. I will support Morinaga's growth from the perspective I've gained through management experience in different industries such as retail and services.

Corporate Governance

Corporate Governance Basic Policy

The Morinaga Group has established our corporate governance with the aim of maximizing corporate value and achieving enduring corporate growth based on the basic policies of improving the soundness 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

The Morinaga Group considers all stakeholders vital to our company in order to achieve our Purpose. 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, and promoting appropriate

collaboration in accordance with corporate philosophy 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 Outside Statutory Auditors, requiring attendance by Standing Statutory Auditors at important meetings, and placing the Audit Division under the direct control of the President.

3. Consistent Approach throughout the Group

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

Corporate Governance System

Rationale for Choosing the Current Corporate Governance System

We have adopted our corporate governance system based on the determination that the system will contribute to healthy and efficient corporate management for the following reasons.

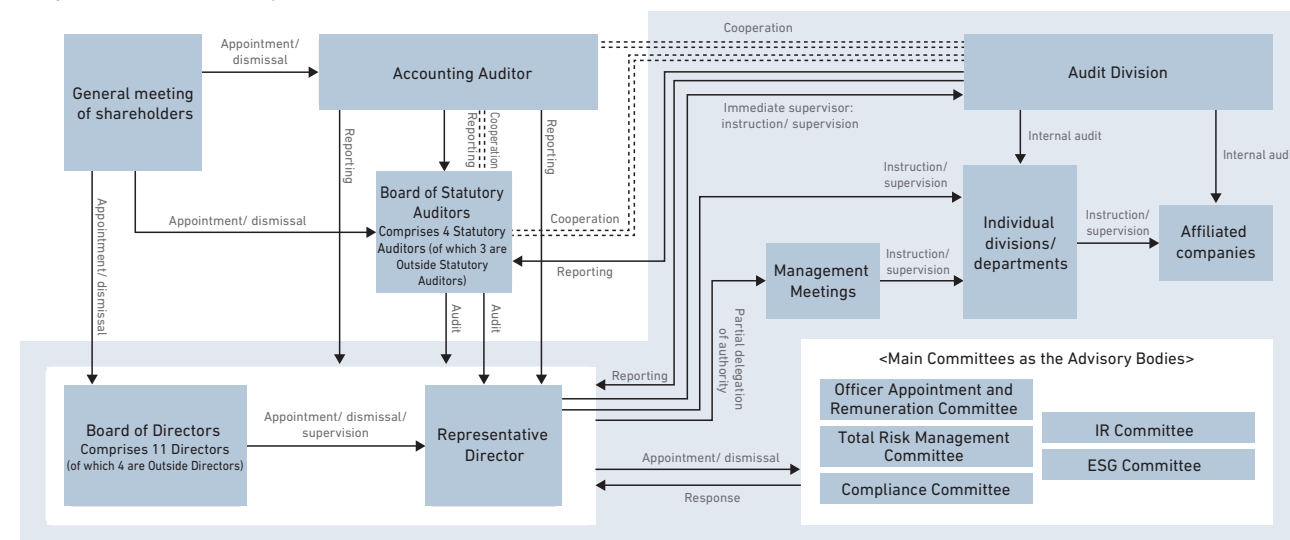
- (1) Outside Directors: Four Outside Directors have been appointed to strengthen corporate governance from an objective and neutral standpoint regarding overall management based on their wide range of perspectives.
- (2) Outside Statutory Auditors: Three Outside Statutory Auditors (including one Standing Statutory Auditor) have been appointed to perform audits on the business execution of the Directors.
- (3) Management monitoring functions: The Board of Statutory Auditors meeting is in principle held once a month, and also held as needed. Standing Statutory Auditors hold regular meetings with

the Representative Director. They also attend meetings of the Board of Directors and other important gatherings to audit the Directors' performance of duties. Among cases under the jurisdiction of any Director, Executive Officer, or General Manager, the Standing Statutory Auditor performs audit on the approval application for important cases. Statutory Auditors conduct regular meetings with the accounting auditor and Standing Statutory Auditors with the General Manager of the Audit Division, as well as meetings as needed to exchange opinions and perform accounting and business audits.

Business Execution

The Company has clearly defined the responsibility and authority for each decision-making unit, including the Board of Directors, Business Execution Meetings, each Director, each Executive Officer, and each General Manager, according to the Rules for Decision-making Criteria.

Corporate Governance System (As of June 29, 2022)



For more detailed information, refer to our website for Corporate Governance and Corporate Governance Report.
<https://www.morinaga.co.jp/company/english/about/governance.html>
https://www.morinaga.co.jp/company/english/ir/library/governance_report.html

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. To ensure the effectiveness and efficiency of deliberations at the Board of Directors, sufficient prior discussions are made at various committees (see diagram on the right) that serve as advisory bodies for the Boards. The Board of Directors comprises 11 Directors, of which four are Outside Directors, with eight male and three female Directors.

Diversity of Directors (As of June 29, 2022)

Ratio of Female Directors	27.3% (3 out of 11)
Ratio of Outside Directors	36.4% (4 out of 11)

Business Execution Meetings

Business Execution Meetings, which are mainly comprised of full-time Directors, Standing Statutory Auditors and Senior Executive Officers, deliberate and make decisions on important management themes on business execution. These meetings also hear reports from relevant parties.

Executive Officer System

With the aim of increasing the agility to respond to the changing business environment and accelerating the decision-making process, the Morinaga Group 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.

Officer Appointment and Remuneration Committee

The Officer Appointment and Remuneration Committee has been

established to review the nomination and remuneration of Directors. Chaired by an Outside Director, the Committee deliberates on matters, including appointment and remuneration for Officers.

Composition of the Officer Appointment and Remuneration Committee

Name	Position	Role
Naomi Eto	Outside Director	Chairperson
Eijiro Ota	Representative Director, President	Committee member
Shuichi Hoshi	Outside Director	Committee member
Kuniko Urano	Outside Director	Committee member
Shinji Sakaki	Outside Director	Committee member

Other Main Committees

In addition, the Company has the following committees as advisory bodies to strengthen the auditory functions of the Board of Directors.

Name	Chairperson	Main agenda items
Total Risk Management Committee	Representative Director, President	1. Build and promote a company-wide risk management system 2. Build and promote a total risk management system
Compliance Committee	Representative Director, President	1. Build and promote compliance management and deliberate and implement their relevant initiatives 2. Establish and promote compliance action plans 3. Report and propose to the Board of Directors
ESG Committee	Representative Director, President	1. Deliberate on policy, target, action, and KPI related to sustainable management 2. Follow up on action and KPI progress 3. Share, propose and deliberate on the establishment of subcommittees and agenda items 4. Deliberate on the publication of integrated reports
IR Committee	Representative Director, President	Formulation and follow-up on measures to improve shareholder value 1. Timely and appropriate information disclosure 2. Communication approach with shareholders 3. Improvement of shareholder value

Main Areas of Expertise of Directors

Name and position	Specialty and Experience							
	Corporate management/ Corporate strategy	ESG/ Sustainability	Finance/ Accounting	Human resources/ Labor affairs	Legal affairs/ Compliance/ Risk management	Marketing/ Sales	Global	Research/ Production/ Logistics
Eijiro Ota Representative Director, President	●	●		●	●	●	●	●
Machiko Miyai Director, Managing Executive Officer	●	●				●		●
Takashi Hirakue Director, Senior Executive Officer	●	●		●	●	●		●
Shinya Mori Director, Senior Executive Officer	●					●		●
Daisuke Fujii Director, Senior Executive Officer	●	●		●	●			
Hideki Matsunaga Director, Senior Executive Officer	●					●		
Tetsuya Takagi Director, Senior Executive Officer	●		●	●	●		●	
Naomi Eto Outside Director	●	●			●			
Shuichi Hoshi Outside Director	●					●	●	
Kuniko Urano Outside Director	●	●		●				●
Shinji Sakaki Outside Director	●	●			●	●	●	

Approach to the Appointment of Officers

The appointment of an officer is based on the premise that the candidate possesses appropriate characteristics, insight and leadership, as well as a high level of specialization and rich experience required by the Company.

The appointment of an Outside Director is made from candidates who meet the Company's Independence Standards, and are capable of stating appropriate opinions and raising issues on our management challenges from an independent and objective standpoint. Furthermore, we have the policy of appointing one or more Statutory Auditor who has considerable knowledge of finance and accounting.

Independence Standards for Outside Directors

As our policy on the appointment of Independent Outside Directors, in addition to the Standards for Independence set by

financial instruments exchanges, candidates should meet all of the following, as well as be capable of stating their opinions and raising issues from an independent and objective standpoint regarding our management challenges.

1. If the candidate or the corporation in which the candidate is the executive holds shares of the Company, the voting right ownership ratio shall not exceed 10%.
2. In the transactions of the most recent fiscal year, the sales to the candidate or the corporation to which the candidate belongs shall be less than 2% of the consolidated sales of the Company.
3. In the transaction for the most recent fiscal year, the sales of the candidate or the corporation to which the candidate belongs shall be less than 2% of the consolidated sales of said corporation.

Basic Policy and Structure of Executive Remuneration System

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.

Structure and Content of Remuneration

The Company's executive remuneration amount is determined following a basic policy, referring to the levels of executive remuneration paid by leading companies that are similar in size to the Company. Remuneration for Directors (excluding Outside Directors and non-residents in Japan) consists of basic compensation, which is paid monthly, executive bonuses (monetary remuneration) and stock compensation. The basic compensation comprises 70% as fixed remuneration according

to job title, and the remaining 30% consists of performance-based remuneration according to the business performance for the previous fiscal year, ESG initiatives, and level of contribution to achieving the Medium-Term Business Plan. The executive bonuses are paid following the approval and resolution at the general meeting of shareholders, while non-monetary remunerations such as stock compensation are provided as 10% of the basic compensation for Directors (excluding Outside Directors and non-residents in Japan) for the purpose of motivating Directors to make contributions to an improvement of medium- to long-term performance and corporate value.

Structure of Remuneration of Directors

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

Total Amount of Remuneration for Directors and Statutory Auditors in FY2022/3

Category	Total amount of remuneration (Millions of yen)	Total amount by type of remuneration (Millions of yen)			Number of persons
		Monetary remuneration		Non-monetary remuneration	
		Fixed remuneration	Performance-based remuneration	Compensation based on the board incentive plan (BIP) (performance-linked)	
Directors	246	167	55	24	11
Statutory Auditors	54	54	-	-	4

Board of Directors Activity Status

In FY2022/3, Board of Directors meetings were held 16 times, with a total deliberation time of approximately 1,500 minutes. The main deliberation themes are as follows:

Main Deliberation Themes in FY2022/3

Category	Main deliberation themes
1. Legal items	Convene a general meeting of shareholders, financial results, and important human resources matters.
2. Items specified in the Corporate Governance Code	Updating of Corporate Governance Report, changes in framework and system to strengthen corporate governance, reports on the ownership status of cross-shareholdings, and revisions to the Stock Handling Rule, etc.
3. Overall management	Establishment of sustainability policy, market selection for new stock market category, organizational changes, etc.
4. Internal control, risk management, compliance	Compliance Committee report, Total Risk Management Committee report.

Evaluation of the Effectiveness of the Board of Directors

Method of Analysis and Evaluation

To evaluate the effectiveness of the Board of Directors as a whole, in FY2022/3 the Company conducted, during the period from February through March 2022, a survey of all Directors, including Outside Directors, and all Auditors regarding: 1) the composition, operation, and agendas of the Board of Directors; 2) nomination, and remuneration of senior management; 3) risk management; 4) dialogue with shareholders; 5) systems supporting the Board of Directors; and 6) findings from past evaluations of the Board of Directors. Based on the results, a discussion was held at a Board of Directors meeting and each Director conducted an evaluation.

Moreover, in order to obtain objective opinions from experts, we engaged a third-party law firm to analyze and evaluate the results of the survey. The evaluation of the Board of Directors was discussed and decided at meetings of the Board of Directors held in April and May 2022, with reference to this third-party analysis and evaluation.

Results of Evaluation

As a result of the analysis and evaluation by a third-party law firm, the Company's Board of Directors for FY2022/3 was determined to be "functioning effectively" in light of the

Companies Act and the Corporate Governance Code, without any significant dysfunction or structural deficiency, etc. Based on this evaluation, the Company recognized that the Board of Directors was effective and functioning effectively in line with the basic views on corporate governance, etc., of the Company.

Initiatives for Improvement

There were some issues identified in FY2021/3 evaluation of the Board of Directors' effectiveness. They included: 1) ample discussions to step up risk management and 2) review to strengthen the function of the Board of Directors as a monitoring board. We believe that substantive progress has been made regarding these items based on FY2022/3 effectiveness evaluation.

Initiatives for the Future

We recognize the following issues for the future, in order to strengthen the function of the Board of Directors, and further enhance its effectiveness and governance.

1. Further expand discussions to step up risk management
2. Strengthen the function of the Board of Directors as a monitoring board

Cross-Shareholdings

At the Board of Directors, the Company quantitatively evaluates once every year whether cross-shareholdings are commensurate with the cost of capital, and assesses whether such holdings are rational, by taking into account the qualitative evaluations including the purposes of holdings and the medium to long term prospect of trading relationships with the companies in which the Company holds such shares. It is the Company's policy to sell stocks that carry little meaning as cross-shareholdings based on the results of these evaluations. Furthermore, the Company sold some of its cross-shareholdings of Morinaga Milk Industry Co.,

Ltd. in FY2022/3. As a result, the ratio of cross-shareholdings to consolidated net assets declined from 29% to 8%.

With respect to exercising voting rights related to shares held as cross-holdings, the Company determines approval or disapproval for proposals by each individual stock after considering from the viewpoints of whether the proposal in question will impose a negative impact on the relationship and trading with the Morinaga Group, or whether significant concerns have arisen on corporate governance.

Compliance

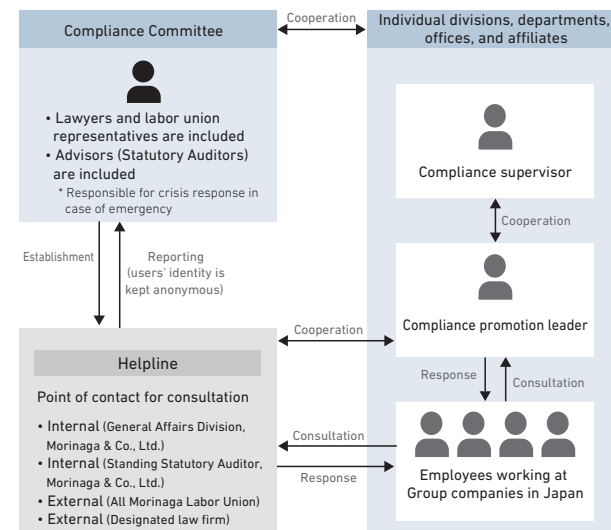
Basic Philosophy

Based on the recognition that compliance is a priority issue for all business activities, we have formulated the Morinaga Group Code of Conduct and Standards of Behavior, under which the Group is promoting compliance initiatives.

Compliance System

The Morinaga Group has established Compliance Regulations and set up the Compliance Committee, which is chaired by the President of Morinaga & Co., Ltd., to formulate and update compliance-related policies as well as monitor activities.

Morinaga Group Compliance Management System



Compliance Committee

- Chairperson: Representative Director, President
- Committee members: Officers responsible for the Corporate Strategy Division, General Affairs Division, Accounting Division, Quality Assurance Division, Marketing Headquarters, Overseas Business Headquarters, and R&D Center as well as the General Managers of the Production Administration Division, Quality Assurance Division, Corporate Strategy Division, Corporate Communication Division, Human Resources Division, General Affairs Division, Audit Division, Accounting Division, Customer Service Center, Sales Headquarters, Sales Strategy Division, Marketing Headquarters, Overseas Business Headquarters, Procurement Division, R&D Strategy Division of R&D Center, along with the labor union representative and legal counsel (part-time.)
- Advisors: Standing Statutory Auditor
- Secretariat: Legal Affairs Department of General Affairs Division

Efforts in FY2022/3

With the aim of embedding a compliance culture into the organization, we displayed the Morinaga Group Code of Conduct and Standards of Behavior on panels in each office, and distributed booklets to raise awareness among all employees. We conducted training at the headquarters and individual offices in addition to training by job class, including those for new recruits. In FY2022/3 we also conducted the annual compliance questionnaire for all employees working at domestic Group companies. This questionnaire helps us to identify the Group's level of compliance and plan for future measures. The results of these efforts were reported to and deliberated by the Compliance Committee, as well as reported to the Board of Directors.

Actual Compliance Training Sessions (FY2022/3)

Name of training	Targets	Number of participants (running total)
Training by job class	Years at work and position	245
Training by workplace	Employees of Morinaga and Group companies	1,546

Operation of the Whistleblower System

We established a helpline as a point of contact to report compliance violations and review consultations regarding compliance. We have set up a total of four contact points, including internal (General Affairs Division and Standing Statutory Auditor) and external (labor union and law firm) to not only handle compliance violations that affect the whistleblower, but also violations witnessed by others or potential violations with an ambiguity. We have appointed both male and female lawyers for this hotline, widening the options for those seeking consultation. In FY2022/3, there was a total of 34 consultations received by the helpline Groupwide. In June 2022, we established the Whistleblower Regulations, carving out and expanding upon provisions previously found in the Compliance Regulations. In addition to adding a Standing Statutory Auditor to the consultation points, the helpline has been made available to officers and former employees (including temporary employees) within one year of leaving the company. In this manner, we will further strive to detect and correct violations of laws and regulations at an early stage.

Risk Management

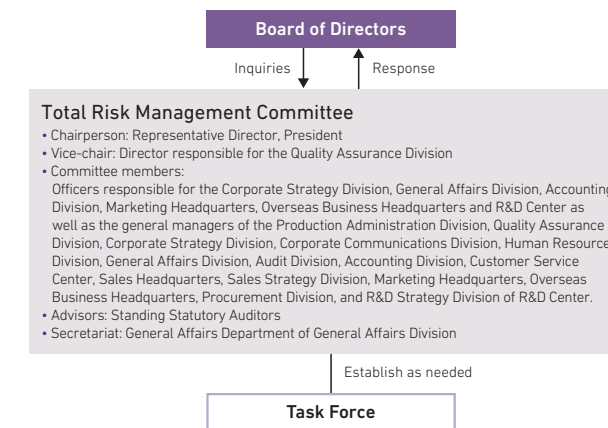
Basic Philosophy

The Morinaga Group conducts Total Risk Management by identifying not only apparent risks, but also risks that potentially exist in its business activities and takes appropriate measures against the risks.

Risk Management System

In addition to establishing the Total Risk Management Regulations, the Group monitors organizations cross-functionally and plans risk management through the Total Risk Management Committee.

Total Risk Management System



Assessment and Management of Risks

The Group has categorized assumed risks and identified the main responsible department based on the Total Risk Matrix to have a clear handle on risks that require prioritized response. Segmented items that align each risk and the department implementing response are recorded in the Total Risk Map, with each business office taking specific risk management. In addition, to ensure business continuity in the event of a disaster, we conduct regular revisions of the business continuity management (BCM) of mainstay products to ensure smooth operation of such management, and report the results to the Total Risk Management Committee.

Response to COVID-19

The Total Risk Management Committee identified the latest developments, such as the number of infections in Japan and overseas, and government policies, formulated appropriate response policies according to the situation, and distributed information to the Group as appropriate. We believe that it is still necessary to strengthen the system for employee safety measures and business continuity.

Reinforcement of Information Security Measures

We have built a robust information security system and we are further strengthening security countermeasures against risks such as unauthorized access, a risk which continues to grow more complex.

Major Risks Anticipated by the Morinaga Group and Responses Thereto

Perspective	Risk item	Assumptions	Assumed risk	Response by the Morinaga Group
Short- and medium-term	1. Food safety	Ensuring food safety is the highest priority issue for a food company	• Occurrence of large-scale recall or product liability compensation due to unexpected quality incidents • Influence on cost burden, social credibility, business performance, and financial status	• Establish a systematic quality assurance system such as Quality Assurance Rules • Respond following Crisis Response Manuals
	2. Production system	Production system of one product per factory, in principle	Serious impact on business performance and financial status due to factory inoperability as a result of a disaster	• Maintain production of mainstay products and implement re-start measures following the business continuity management (BCM)
	3. Raw materials procurement	• Agricultural products as main raw materials • Petroleum products used as packaging materials	Impact on business performance and financial status 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	• Diversify procurement sources, maintain appropriate inventory, forward exchange contracts, make primary raw materials sustainable.
	4. Weather, natural disasters, etc.	• Impact on purchasing behavior • Occurrence of major natural disaster	Impact on business performance and financial status due to decreased purchasing opportunity and stagnation of the supply chain as a result of unforeseen weather conditions, or a large-scale natural disaster	• Demand prediction and production management based on information collection and analysis • Ensure safety, and improve production and supply systems in the event of a disaster
	5. Infectious diseases, etc.	• Epidemic of infectious diseases, etc. • Changes in purchasing behavior	Impact on business performance and financial status due to stagnation of the supply chain, changes in consumer purchasing behavior as a result of an epidemic of an infectious disease, etc.	• Ensure safety during the epidemic, improve the production and supply system • Conduct survey on consumer behavior, establish a product development system
	6. Leakage of corporate and/or personal information	• Use of information system in business • Diversified cyber-attacks	Large cost burden, credit damage, impact on business performance and financial status in the event of unexpected information leakage such as unauthorized access	• Improve internal system and strengthen security • Specific measures and credit recovery in the event of information leakage
	7. Business expansion into overseas markets	Expand business through Group companies in the United States, China, etc.	Impact on business performance and financial status due to unpredictable events such as war, terrorism, changes in legal regulations and tax systems, and sudden fluctuations in exchange rate	• Strengthen business and risk management system by gathering information in each country and region
	8. Corporate social responsibility	Compliance with laws and social norms and fulfillment of corporate social responsibility	Legal punishment, social sanctions, loss of trust, and damaged reputation or brand value, entailed in a regulatory violation or anti-social behavior	• Thorough compliance with laws and regulations based on the Code of Conduct • Thorough risk management
Medium- and long-term	9. Secure and foster human resources	• Human Resources, an important issue for growth • Reduced domestic labor population	Reduced market competitiveness due to delay in securing and fostering suitable human resources and developing an environment for active job participation. Impact on business performance and financial status	• Establish the Diversity and Inclusion Policy • Promote human resources development from a specialized and global standpoint
	10. Climate change and sustainability	Increased social issues for sustainability such as climate change due to global warming	Impact on business continuity, performance, and financial status for the medium- to long-term in the entire value chain from raw materials procurement to consumer purchasing behavior	• Efforts for environmental conservation and achieving a resource recycling society • Enhance management of sustainability issues

For more detailed information, please refer to our corporate website.

Financial information

	Unit	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3 ^{*6}	FY2022/3 ^{*6}
Accounting year												
Net sales	(Million yen)	147,190	152,885	164,603	177,929	181,868	199,479	205,022	205,368	208,878	168,240	181,251
Operating income	(Million yen)	2,813	2,695	3,858	5,939	11,456	17,612	19,751	20,217	21,230	19,176	17,685
Ordinary income	(Million yen)	3,140	2,973	4,446	6,530	12,062	18,325	20,422	20,767	21,950	19,782	18,247
Profit attributable to owners of parent	(Million yen)	1,081	1,419	8,090	3,806	8,092	11,115	10,289	12,816	10,824	13,416	27,773
Capital spending	(Million yen)	7,585	13,010	14,517	2,393	7,406	3,750	7,310	7,983	10,661	20,404	20,411
Depreciation	(Million yen)	5,506	5,594	6,808	6,581	6,130	5,771	5,820	5,835	6,230	7,909	10,032
R&D expenses	(Million yen)	2,399	2,329	1,984	2,005	2,152	2,210	2,205	2,194	2,240	2,217	2,686
Cash flow from operating activities	(Million yen)	4,879	5,565	7,684	11,182	16,715	18,400	17,788	20,897	20,994	12,127	24,825
Cash flow from investing activities	(Million yen)	-7,817	-5,681	-6,459	-3,022	-2,091	-29,736	8,154	-20,025	16,993	-19,862	9,312
Cash flow from financial activities	(Million yen)	-1,845	3,645	-5,764	-1,491	-2,311	-2,398	-17,906	-11,888	-4,375	-4,084	-5,943
Free cash flow ^{*1}	(Million yen)	-2,937	-2,615	625	8,159	14,223	15,663	13,943	15,871	7,988	-7,735	34,318

End of fiscal year

Total assets ^{*2}	(Million yen)	128,845	141,154	144,441	151,310	163,085	183,112	177,920	175,837	188,060	202,910	214,300
Net assets	(Million yen)	52,773	52,981	62,594	69,393	77,223	91,763	100,331	97,193	105,487	123,706	131,174
Interest-bearing debt ^{*3}	(Million yen)	24,091	29,901	26,200	26,764	26,446	26,282	11,265	10,666	10,000	10,000	10,000

Financial indicators

Operating income to net sales ratio	(%)	1.9	1.8	2.3	3.3	6.3	8.8	9.6	9.8	10.2	11.4	9.8
Return on equity (ROE)	(%)	2.1	2.7	14.4	6.0	11.5	13.6	11.0	13.2	10.8	11.8	22.0
Return on assets (ROA) ^{*2}	(%)	2.5	2.2	3.1	4.4	7.7	10.6	11.3	11.7	12.1	10.1	8.7
Shareholders' equity ratio ^{*2}	(%)	40.7	37.2	41.5	43.8	45.7	48.7	55.0	54.8	55.7	60.5	60.7
D/E ratio	(Times)	0.46	0.57	0.44	0.40	0.35	0.29	0.12	0.11	0.10	0.08	0.08
Book value per share (BPS) ^{*4}	(Yen)	1,004.47	1,009.48	1,151.30	1,274.09	1,432.50	1,713.49	1,882.23	1,917.22	2,080.77	2,441.25	2,603.95
Earnings per share (EPS) ^{*4}	(Yen)	20.73	27.24	155.37	73.11	155.47	213.60	197.76	247.15	215.18	266.73	552.59
Dividend per share ^{*4}	(Yen)	30	30	30	30	35	45	50	66	72	80	90
Dividend payout ratio	(%)	144.6	110.1	19.3	41.0	22.5	21.1	25.3	26.7	33.5	30.0	16.3
Dividend on equity ratio (DOE)	(%)	3.0	3.0	2.8	2.5	2.6	2.9	2.8	3.5	3.6	3.5	3.6
Total shareholder return ratio ^{*5}	(%)	145.3	114.5	19.5	41.5	22.9	21.5	26.7	92.5	33.6	30.1	21.5

*1. Calculated excluding expenditures associated with payments into time deposits and proceeds from the reversal of time deposits.

*2. The Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting, etc., from FY2019/3. Figures for FY2015/3 to FY2018/3 were retroactively adjusted in line with this accounting standard.

*3. Interest-bearing liabilities are the sum of all liabilities on which interest is paid that are shown in the consolidated balance sheets, except for lease obligations.

*4. The Company implemented a five-for-one share reverse stock split on October 1, 2016. Figures calculated assuming that this reverse stock split was carried out at the beginning of FY2011/3.

*5. The total amount of dividends for which the record date falls in the current fiscal year and the total amount of treasury shares acquired in the current fiscal year divided by net income attributable to owners of the parent.

*6. The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3. The figures for FY2021/3 are from after retroactive application of the said accounting standard.

Non-financial information

	Unit	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3 ^{*6}	FY2022/3 ^{*6}
CO ₂ emissions ^{*7}	Japan	Scope 1 ^{*13} (Thousand t-CO ₂)	61.8	62.5	63.9	58.0	55.3	57.0	56.7	24.0	20.6	21.4
		Scope 2 ^{*13} (Thousand t-CO ₂)								50.1	46.9	47.5
	Overseas	Scope 1 (Thousand t-CO ₂)	-	-	4.7	9.0	14.3	18.4	15.1	2.8	3.4	3.3
		Scope 2 (Thousand t-CO ₂)							6.6	7.2	6.3	6.8
Amount of water resource consumption ^{*8,13}	Japan	(Thousand ton)	1,724.5	1,689.7	1,556.0	1,487.9	1,482.5	1,548.7	1,529.9	1,550.4	1,591.3	1,602.1
	Overseas	(Thousand ton)	-	-	130.6	215.3	182.6	246.6	208.9	158.7	148.0	169.7
Amount of waste emissions ^{*9}	Japan	(Thousand ton)	9.2	10.7	11.4	10.1	9.8	10.0	9.8	9.7	9.6	9.4
	Overseas	(Thousand ton)	-	-	0.3	1.1	1.2	1.3	0.9	0.6	0.6	0.7
Procurement ratio of sustainable raw materials ^{*10}		Cacao beans	(%)									9
	Japan	Palm oil	(%)									2
		Paper	(%)									98
Number of Employees ^{*11}	Consolidated	(People)	2,670	2,573	2,927	2,978	3,056	3,256	3,169	2,717	2,711	2,825
			(2,036)	(2,084)	(2,323)	(2,613)	(2,330)	(2,186)	(1,950)	(1,712)	(1,687)	(1,597)
Ratio of Female Managers ^{*12}	Non-consolidated	(%)	4.3	4.5	4.2	4.4	4.2	4.6	5.2	6.7	7.7	8.3

*7. Figures for Japan for FY2019/3 and later represent a Group consolidated basis. Figures for overseas for FY2020/3 and later represent a Group consolidated basis. Figures prior to this are for production sites both in Japan and overseas. The conversion coefficient at the time of CO₂ calculation for FY2018/3 and prior uses the fixed coefficient of 0.378kg-CO₂/kwh established internally in 2003.

*8. Figures prior to FY2018/3 are for production sites both in Japan and overseas. Figures for Japan for FY2019/3 and later represent a Group consolidated basis.

*9. Figures for production sites both in Japan and overseas.

*10. Paper covers product packaging only.

*11. Data as of March 31 each fiscal year. Number of employees represents the number of people working for the Company (excluding forwarded employees from the Group to outside the Group but including forwarded employees from outside the Group to the Group.) For temporary employees, the number in parenthesis is excluded from the above number and shows the average number of temporary employees per year. Temporary employees include part timers and contract workers, but exclude temporary employees from placement agencies.

*12. Figures are non-consolidated for Morinaga & Co., Ltd. as of April 1 of each fiscal year.

*13. Figures for FY2021/3 CO₂ emissions for the Group in Japan on a consolidated basis (Scope 1 + 2) and water usage amount have received third-party assurance from LRQA.

Financial Summary

Consolidated Balance Sheets

Million yen

	FY2021/3 (Mar. 31, 2021)	FY2022/3 (Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	31,568	56,652
Notes and accounts receivable–trade	19,934	22,313
Merchandise and finished goods	11,430	13,645
Work in process	319	374
Raw materials and supplies	7,962	9,736
Income taxes receivable	795	157
Other	6,078	9,236
Allowance for doubtful accounts	-43	-48
Total current assets	78,045	112,067
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	59,335	62,295
Accumulated depreciation	-33,562	-32,283
Buildings and structures–net	25,773	30,011
Machinery, equipment and vehicles	94,239	98,116
Accumulated depreciation	-70,659	-68,740
Machinery, equipment and vehicles–net	23,579	29,375
Tools, furniture and fixtures	4,848	5,236
Accumulated depreciation	-3,807	-4,015
Tools, furniture and fixtures–net	1,041	1,221
Land	21,589	21,318
Lease assets	1,703	1,851
Accumulated depreciation	-875	-966
Lease assets–net	828	884
Construction in progress	9,618	2,241
Total property, plant and equipment	82,431	85,053
Intangible assets		
Goodwill	196	98
Other	231	211
Total intangible assets	427	309
Investments and other assets		
Investment securities	35,583	10,447
Net defined benefit asset	4,548	4,232
Deferred tax assets	831	1,191
Other	1,080	1,034
Allowance for doubtful accounts	-37	-36
Total investments and other assets	42,006	16,869
Total noncurrent assets	124,865	102,233
Total assets	202,910	214,300

Million yen

	FY2021/3 (Mar. 31, 2021)	FY2022/3 (Mar. 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,162	20,392
Current portion of long-term loans	–	10,000
Lease obligations	359	367
Accounts payable–other	9,847	10,538
Income taxes payable	1,357	9,974
Refund liabilities	3,303	3,611
Allowance for bonuses	2,595	2,697
Asset retirement obligations	–	453
Other	13,956	12,112
Total current liabilities	49,583	70,147
Long-term liabilities		
Long-term loans	10,000	–
Lease obligations	558	616
Deferred tax liabilities	6,852	–
Provision for directors' stock benefits	57	82
Provision for environmental measures	279	274
Net defined benefit liability	7,767	8,231
Asset retirement obligations	262	–
Deposits received	3,706	3,642
Other	135	131
Total long-term liabilities	29,620	12,978
Total liabilities	79,203	83,126
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,281	17,292
Retained earnings	74,139	97,886
Treasury stock	-11,291	-12,717
Total shareholders' equity	98,742	121,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,729	5,396
Deferred gains or losses on hedges	23	-1
Foreign currency translation adjustments	493	1,304
Remeasurements of defined benefit plans	2,803	2,261
Total accumulated other comprehensive income	24,049	8,960
Non-controlling interests	915	1,139
Total net assets	123,706	131,174
Total liabilities and net assets	202,910	214,300

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Operations)

Million yen

	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	168,240	181,251
Cost of sales	95,664	105,425
Gross profit	72,575	75,826
Selling, general and administrative expenses	53,398	58,140
Operating income	19,176	17,685
Non-operating income		
Interest income	7	21
Dividends income	490	543
Other	349	228
Total non-operating income	847	793
Non-operating expenses		
Interest expenses	32	34
Equity in losses of affiliates	16	25
Depreciation	131	112
Other	61	58
Total non-operating expenses	242	231
Ordinary income	19,782	18,247
Extraordinary income		
Gain on sales of noncurrent assets	1	10
Gain on sales of investment securities	43	21,952
Total extraordinary income	45	21,963
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	796	700
Impairment loss	32	99
IT system failure response expenses	–	193
Other	38	1
Total extraordinary loss	867	994
Income before income taxes	18,959	39,216
Income taxes—current	3,572	11,279
Income taxes—deferred	1,784	-22
Total income taxes	5,356	11,257
Net income	13,602	27,959
Profit attributable to non-controlling interests	185	186
Profit attributable to owners of parent	13,416	27,773

(Consolidated Statements of Comprehensive Income)

Million yen

	FY2021/3 (Apr. 1, 2020– Mar. 31, 2021)	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)
Net income	13,602	27,959
Other comprehensive income		
Valuation difference on available-for-sale securities	7,069	(15,333)
Deferred gains or losses on hedges	14	(23)
Foreign currency translation adjustments	(90)	970
Remeasurements of defined benefit plans, net of tax	1,590	(535)
Share of other comprehensive income of associates accounted for using equity method	(7)	(0)
Total other comprehensive income	8,575	(14,921)
Net comprehensive income	22,178	13,037
(Breakdown)		
Comprehensive income attributable to owners of parent	21,986	12,684
Comprehensive income attributable to non-controlling interests	191	353

Consolidated Statements of Changes in Net Assets

FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	18,612	17,281	64,572	-11,279	89,187
Cumulative effects of changes in accounting policies			-226		-226
Restated balance	18,612	17,281	64,346	-11,279	88,961
Changes of items during the period					
Dividends from surplus			-3,623		-3,623
Profit attributable to owners of parent			13,416		13,416
Purchase of treasury stock				-12	-12
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	9,792	-11	9,781
Balance at end of the fiscal year	18,612	17,281	74,139	-11,291	98,742

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the fiscal year	13,660	7	600	1,211	15,478	821	105,487
Cumulative effects of changes in accounting policies							-226
Restated balance	13,660	7	600	1,211	15,478	821	105,261
Changes of items during the period							
Dividends from surplus							-3,623
Profit attributable to owners of parent							13,416
Purchase of treasury stock							-12
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	7,069	15	-106	1,592	8,570	93	8,664
Total changes of items during the period	7,069	15	-106	1,592	8,570	93	18,445
Balance at end of the fiscal year	20,729	23	493	2,803	24,049	915	123,706

FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	18,612	17,281	74,139	-11,291	98,742
Cumulative effects of changes in accounting policies					-
Restated balance	18,612	17,281	74,139	-11,291	98,742
Changes of items during the period					
Dividends from surplus			-4,025		-4,025
Profit attributable to owners of parent			27,773		27,773
Purchase of treasury stock				-1,467	-1,467
Disposal of treasury stock		10		41	51
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	10	23,747	-1,425	22,331
Balance at end of the fiscal year	18,612	17,292	97,886	-12,717	121,074

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the fiscal year	20,729	23	493	2,803	24,049	915	123,706
Cumulative effects of changes in accounting policies							-
Restated balance	20,729	23	493	2,803	24,049	915	123,706
Changes of items during the period							
Dividends from surplus							-4,025
Profit attributable to owners of parent							27,773
Purchase of treasury stock							-1,467
Disposal of treasury stock							51
Net changes of items other than shareholders' equity	-15,333	-25	811	-541	-15,088	224	-14,864
Total changes of items during the period	-15,333	-25	811	-541	-15,088	224	7,467
Balance at end of the fiscal year	5,396	-1	1,304	2,261	8,960	1,139	131,174

Consolidated Statements of Cash Flows

Million yen

	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)
Operating activities		
Income before income taxes	18,959	39,216
Depreciation	7,909	10,032
Impairment loss	32	99
Amortization of goodwill	98	98
Increase (decrease) in provision for directors' stock benefits	24	24
Increase (decrease) in net defined benefit liability	379	143
(Increase) decrease in net defined benefit asset	50	-159
Increase (decrease) in allowance for bonuses	-13	80
Increase (decrease) in allowance for doubtful accounts	13	1
Increase (decrease) in provision for environmental measures	-23	-5
Interest and dividends income	-498	-564
Interest expenses	32	34
Equity in losses (earnings) of affiliates	16	25
Loss (gain) on sale of investment securities	-36	-21,951
(Gain) loss on sales of noncurrent assets	84	89
Loss on retirement of noncurrent assets	710	599
(Increase) decrease in notes and accounts receivable–trade	1,013	-2,127
(Increase) decrease in inventories	-1,385	-3,752
Increase (decrease) in notes and accounts payable–trade	751	2,039
Other	-4,037	2,773
Subtotal	24,082	26,697
Interest and dividends income received	532	561
Interest expenses paid	-31	-33
Income taxes (paid) refund	-7,599	-2,400
Contract cancellation fee	-4,855	–
Net cash provided by (used in) operating activities	12,127	24,825

Million yen

	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)
Investing activities		
Payments into time deposits	–	-180
Purchase of property, plant and equipment	-19,853	-15,307
Proceeds from sales of property, plant and equipment	10	369
Purchase of intangible assets	-21	-15
Purchase of investment securities	-3	-2
Proceeds from sales of investment securities	105	24,784
Proceeds from liquidation of subsidiaries	387	–
Other	-486	-336
Net cash provided by (used in) investing activities	-19,862	9,312
Financing activities		
Purchase of treasury stock	-12	-1,467
Proceeds from sales of treasury stock	0	51
Cash dividends paid	-3,623	-4,025
Dividends paid to non-controlling interests	-97	-128
Other	-351	-373
Net cash provided by (used in) financing activities	-4,084	-5,943
Effect of exchange rate change on cash and cash equivalents	-39	384
Net increase (decrease) in cash and cash equivalents	-11,858	28,578
Cash and cash equivalents at beginning of period	43,427	31,568
Cash and cash equivalents at end of period	31,568	60,146

Corporate Profile/ Stock Information/ Information Disclosures System

Corporate Profile (As of March 31, 2022)*

Company Name	MORINAGA & CO., LTD.
Representative	Eijiro Ota Representative Director, President
Headquarters	5-33-1 Shiba, Minato-ku, Tokyo 108-8403, Japan
Establishment	August 15, 1899 Founded as Morinaga's Western Confectionery Shop
Incorporation	February 23, 1910
Capital	18,612 million yen
Business Activities	Morinaga's main business activities are the manufacture, purchase, 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	Consolidated / 181,251 million yen Non-consolidated / 155,425 million yen
Number of Employees	Consolidated / 2,937 Non-consolidated / 1,453 (average age: 42.7 years)

*The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3.

Business Offices and Affiliated Companies (As of March 31, 2022)

Main Offices

Head Office
East Japan Branch Office
West Japan Branch Office
Tsurumi Factory
Chukyo Factory
Oyama Factory
Mishima Factory
R&D Center

Domestic Group Companies

- **Food Manufacturing**
Morinaga Angel Dessert Co., Ltd.
Morinaga Dessert Co., Ltd.
Aunt Stella Inc.
Takasaki Morinaga Co., Ltd.
Morinaga Market Development Co., Ltd.
- **Food Merchandise**
Morinaga Shoji Co., Ltd.
- **Real Estate and Services**
Morinaga Takataki Country Co., Ltd.

Other

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

Overseas Group Companies

Taiwan Morinaga Co., Ltd. (Taipei, Taiwan)
Shanghai Morinaga Co., Ltd. (Shanghai, China)
Morinaga (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 companies accounted for using the equity method

Stock and Shareholder Information (As of March 31, 2022)

Stock Exchange of Listing	First Section of the Tokyo Stock Exchange	Fiscal Year	April 1 to March 31 of next year
Industry	Food products	Total Number of Shares Authorized to be Issued	200,000,000
Securities Code	2201	Total Number of Shares Issued	54,189,769
Number of Shares Constituting One Unit	100 shares	Number of Shareholders	23,817

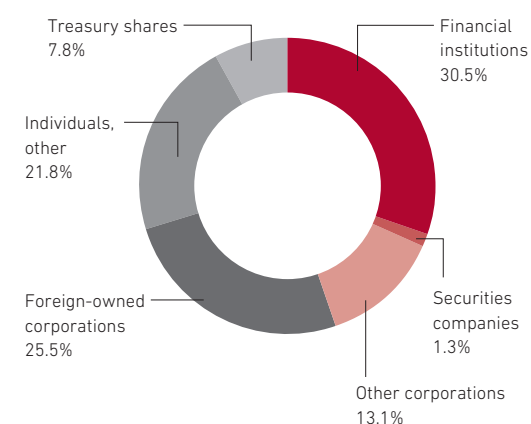
*1 TSE Prime Market on April 4 2022 and onward

Status of Major Shareholders*2

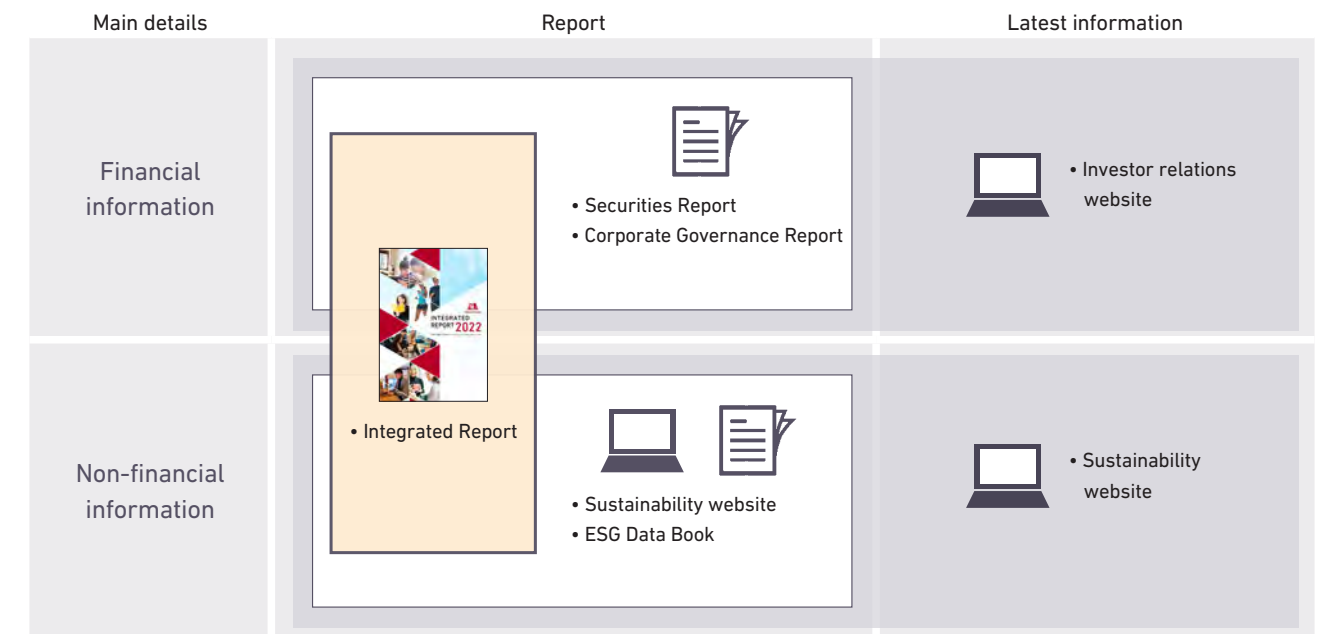
Shareholder Name	Number of shares held (Thousand shares)	Ratio of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,860	13.7
Morinaga Business Partner Shareholding Association	3,280	6.5
Custody Bank of Japan, Ltd. (Trust account)	2,249	4.5
MUFG Bank, Ltd.	1,704	3.4
Mizuho Bank, Ltd.	1,289	2.5
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	1,248	2.4
Meiji Yasuda Life Insurance Company	1,246	2.4
SSBTC CLIENT OMNIBUS ACCOUNT	890	1.7
JP MORGAN CHASE BANK 385632	879	1.7
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	711	1.4

*2 The Company holds 4,213,327 shares of treasury stock but is excluded from the list of major shareholders above. The holding ratio is calculated after excluding treasury stock.

Distribution of Shares by Owner



Information Disclosures System



Integrated Report

Our integrated report presents our medium- to long-term value creation strategy for achieving our Purpose and the 2030 Vision. It also reports on the progress of initiatives to achieve our targets incorporating both financial and non-financial aspects.

<https://www.morinaga.co.jp/company/english/sustainability/reports/>

IR Information

Our website contains the latest IR information for shareholders and the investment community, including securities reports, financial results, financial results briefing materials, and videos.

<https://www.morinaga.co.jp/company/english/ir/>

Sustainability

Our website contains the latest information on the Group's sustainability, including various policies, progress of initiatives for each material issue, and ESG data, in order to provide a more detailed look at our approach to sustainability.

<https://www.morinaga.co.jp/company/english/sustainability/>

Editing Policy

The Morinaga Group launched a new long-term business plan in FY2022/3 called 2030 Business Plan, in aiming to continuously enhance corporate value based on the new corporate philosophy. This integrated report is designed with the goals of disseminating and promoting understanding of our vision for the future through the Group's new corporate philosophy as well as our value creation strategy aimed at fruition of this philosophy over the short-, medium-, and long-term to audiences inside and outside of Japan. We hope this report will deepen our dialogue and mutual understanding with shareholders and define our path towards value creation. Referencing the International Integrated Reporting Framework, this report aims to concisely convey material issues in achieving its new corporate philosophy from both financial and non-financial aspects, as well as initiatives to address these issues.

For more detailed information, please refer to our corporate website*.

* Morinaga Group Corporate Profile
<https://www.morinaga.co.jp/company/english/>

Reference guidelines

"International Integrated Reporting Framework" of the International Integrated Reporting Council (IIRC)

Period covered by the Report

FY2022/3 (April 1, 2021 through March 31, 2022)

Information outside of this period may also be reported in case it is appropriate to illustrate past information or recent case studies.

Reporting boundary

This report is relevant to the Morinaga Group*. However, if the information for the entire Group is not fully available, the scope of coverage is stated in the report.

* In principle, Morinaga & Co., Ltd. and its consolidated subsidiaries (as of March 31, 2022) are referred to as the Morinaga Group or the Group.