MORINAGA

INTEGRATED REPORT 2023

Morinaga Group For the Fiscal Year Ended March 31, 2023



MORINAGA

MORINAGA & CO., LTD.

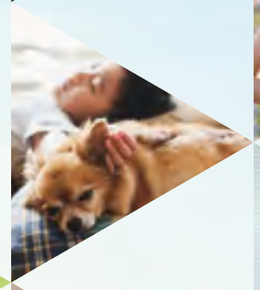
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The Morinaga Group's Corporate Philosophy



Delicious, Fun, and Healthy

Our Mission (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.

Our Visions (Vision)

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

Our Commitments (Value)

Altruism

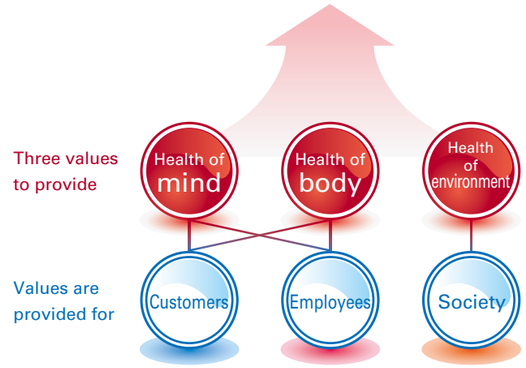
- Give first priority to customers
- Be a pioneer
- Have an indomitable spirit
- Value ties between people
- Align our business imperatives with social challenges

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. 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."

2030 Vision

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

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



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.

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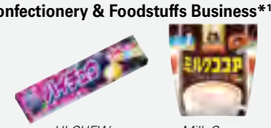
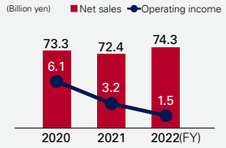
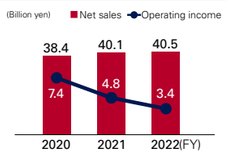
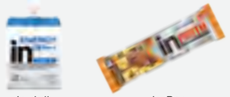
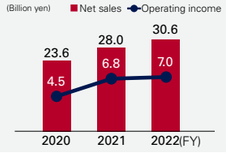
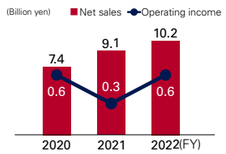
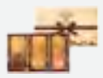
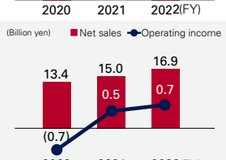
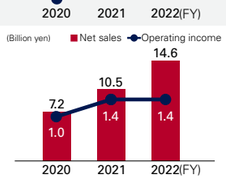
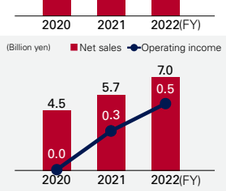
Cautionary Statement about Forward-Looking Statements

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), and other regulations, from the beginning of the fiscal year (FY) ended March 31, 2022. The figures for FY2020 are from after retroactive application of the said accounting standard.

At a Glance

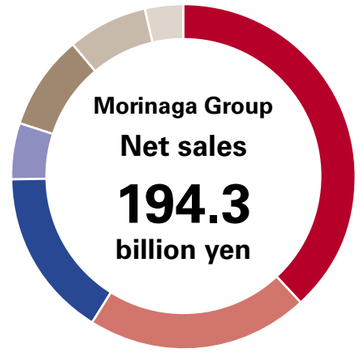
The Morinaga Group engages in the confectionery and foodstuffs business, the frozen desserts business, the "in-" business, and the direct marketing business in Japan, and in the food manufacturing business overseas mainly involving the U.S. business. Particularly, we aspire to drive the entire Group's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

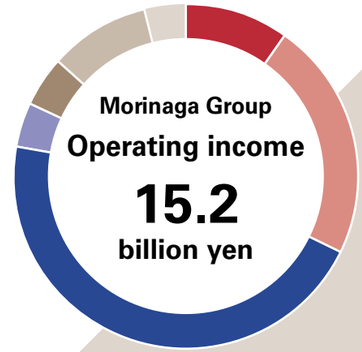
The Morinaga Group Today

	Strategic Business Categories		Business Overview/Strengths
	Main Products	Net Sales/Operating Income	
Japan	**Confectionery & Foodstuffs Business*1**  *HI-CHEW* *Milk Cocoa*		We are constantly creating new and delicious food solutions pivoting on our long-selling brands such as *Morinaga Biscuits*, *HI-CHEW*, *Choco Ball*, and Morinaga *Cocoa*. Capitalizing on our proprietary food processing technology cultivated over more than 120 years since our establishment and the results of our research and technological development related to ingredients, we are working to provide products that benefit health of mind and body aimed at becoming a wellness company.
Japan	**Frozen Desserts Business**  *Choco Monaka Jumbo* *Ita Choco Ice*		Our strength is found in products made with the Group's unique confectionery technologies in sub-zero temperatures such as in our top brands of *Choco Monaka Jumbo*, which was released more than half a century ago, and *Ita Choco Ice*, featuring the shape and texture of a chocolate bar. By concentrating management resources on mainstay brands, we are implementing effective marketing and achieving steady business growth.
Japan	**"in-" Business*1**  *in Jelly* *in Bar*		We are working to create new value aimed at "health of mind and body" through foods. *in Jelly*, which replenishes nutrition anywhere and anytime based on sports science theory, has maintained its top share in the jelly drink market for 28 years. Our product initiatives in the "in-" brand are meeting the health needs of various lifestyles in modern society.
Japan	**Direct Marketing Business**   *Oishii Collagen Drink* *Oishii Aojiru** **Aojiru is a Japanese vegetable beverage*		We support customers' wellness lifestyle by directly bringing products with both function and deliciousness to consumers. *Oishii Collagen Drink*, which is sold exclusively in the direct marketing channel, has sold more than 300 million units to date*3, making it the best-selling collagen drink in Japan*4. In addition, we are working to develop *Oishii Aojiru* as a product set to become the next important pillar of our business in the future.
Japan	**Operating Subsidiaries and Others**   Aunt Stella Inc./ Assorted cookies Morinaga Market Development Co., Ltd./ Assorted confectioneries		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 rental properties and manage a golf course.
Overseas	**U.S. Business*2**   *HI-CHEW* *Chargel*		In the U.S. business, we are expanding *HI-CHEW*, which has a real fruity taste and unique texture that has been embraced by customers in the United States. We are working to expand the *HI-CHEW* brand while developing new products that provide wellness value tailored to the needs of local customers and releasing products in new packaging formats. *Chargel*, a jelly drink developed for the U.S. market, was released in 2022. We are working to create a market in the United States for jelly drinks harnessing the business foundation established with *HI-CHEW*.
Overseas	**China, Taiwan, Exports, etc.**   *HI-CHEW* (China) *in Jelly* Products (Taiwan)		Including global expansion of *HI-CHEW*, 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, *in Jelly* was launched in 1999 and is 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 *Oishii Collagen Drink* in China via e-commerce.

*1 Products including candies, chocolates, and others in the "in-" brand are included in the confectionery and foodstuffs business.
*2 Includes profits relating to exports bound for the United States from China and Taiwan.
*3 Includes the *Oishii Collagen Drink* series and products before and after the updating of existing products, as of October 2021 (survey by Morinaga & Co., Ltd.)
*4 Source: H.B. Foods Marketing Handbook 2023 No. 1, Fuji Keizai (beauty effect/collagen category/2021 results), for the *Oishii Collagen Drink* series, including products before and after the updating of existing products.

Net Sales and Operating Income (FY2022)*5





Net sales

%: component ratio

Confectionery and Foodstuffs Business	38.2%
Frozen Desserts Business	20.9%
"in-" Business	15.7%
Direct Marketing Business	5.3%
Operating subsidiaries and others	8.7%
U.S. Business	7.5%
China, Taiwan, and exports, etc.	3.6%

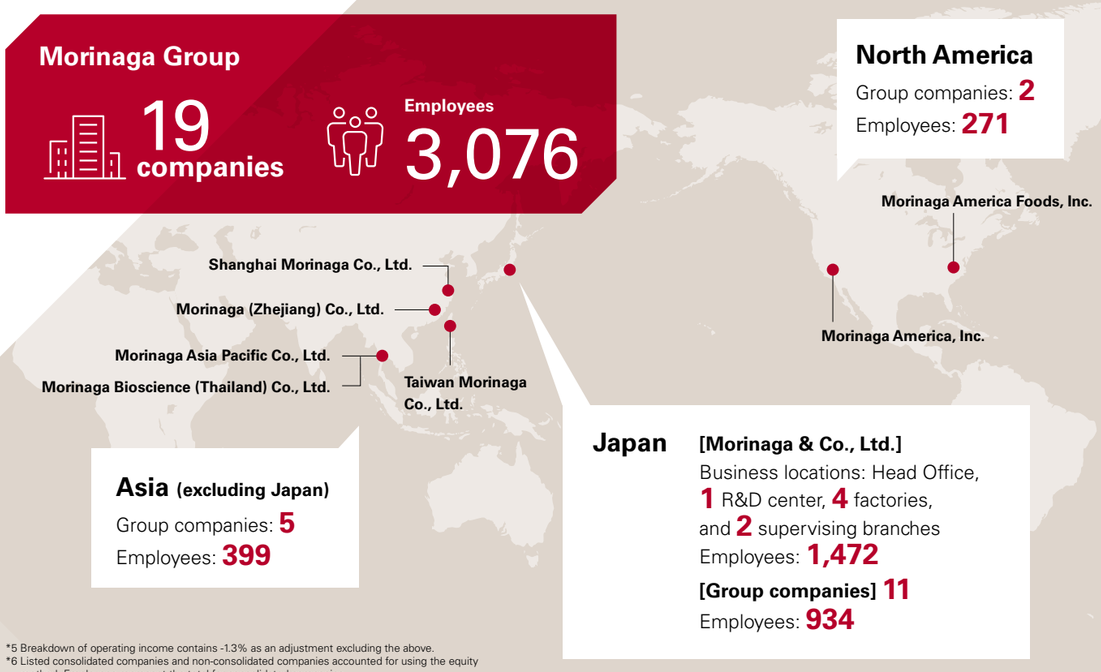
Operating income

%: component ratio

Confectionery and Foodstuffs Business	10.1%
Frozen Desserts Business	22.6%
"in-" Business	46.1%
Direct Marketing Business	4.3%
Operating subsidiaries and others	4.8%
U.S. Business	9.7%
China, Taiwan, and exports, etc.	3.7%

Reach of the Morinaga Group (as of March 31, 2023)*6

Morinaga Group
19 companies
Employees 3,076



North America
Group companies: 2
Employees: 271

Asia (excluding Japan)
Group companies: 5
Employees: 399

Japan
[Morinaga & Co., Ltd.]
Business locations: Head Office, 1 R&D center, 4 factories, and 2 supervising branches
Employees: 1,472
[Group companies] 11
Employees: 934

*5 Breakdown of operating income contains -1.3% as an adjustment excluding the above.
*6 Listed consolidated companies and non-consolidated companies accounted for using the equity method. Employees represent the total for consolidated companies.

The Morinaga Group's Commitment and Efforts to Resolve Social Issues through Business

Under the commitment of its founder, 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.

Short Stories Symbolizing Our Commitment



Founder's commitment

1899 Establishment
Paving the way for the modernization of Japan's confectionery industry

The Morinaga Group was established based on the commitment of its founder, Taichiro Morinaga, who learned confectionery manufacturing techniques in the United States, to deliver highly nutritious and delicious Western confections to the people of Japan. The company created a foundation for the confectionery business in Japan such as mass production with machinery and mass sales through sales networks and advertising, and spread Western confections nationwide in the process. In 1918, we became the first in Japan to begin integrated production of chocolate from cacao beans. Through huge capital investments and the introduction of advanced technologies we managed to overcome several challenges and help popularize chocolates in Japan.

For our customers

1905
Registered our first symbolic trademark

We registered our first symbolic trademark to set ourselves apart from low-quality knockoffs. Our belief in quality, that is, "not allowing containers with raised bottoms for the sake of appearance" and "adopting individual packaging to protect quality," has been passed down since our establishment.

For our employees



1919
Introduction of the eight-hour workday

Having valued the spirit of co-existence and co-prosperity, we have considered the health of mind and body of our employees since 1919 when we introduced the eight-hour workday. We also established the Morinaga Health Insurance Society in 1926. This management stance has been passed down to the present day, and we were certified as a Health & Productivity Management Outstanding Organization for 2023 (Large Enterprise Category).

For society



2008
Launched the One Chocolate for One Smile campaign

Since 2008, we have used proceeds from product sales to fund initiatives to improve the educational environment for children and future generations and address child labor issues in cacao-producing countries such as Ghana. Our commitment is to "pave the road to the future with the smiles of both people who eat chocolate and the children being educated in cacao-producing countries."

Looking back on our history and ahead to the future, we formulated a new corporate philosophy in 2021. In this corporate philosophy, we redefined our commitment nurtured over our more than 120 years in business in the form of "Our Commitments (Value)."* With these commitments, we will contribute to the realization of a sustainable society through our business.

*Give first priority to customers, Be a pioneer, Have an indomitable spirit, Value ties between people, and Align our business imperatives with social challenges. See page 1 for details of our corporate philosophy.

History of creating foods and Morinaga's main brands

Brands more than a century old



1913 *Milk Caramel*



1919 *Milk Cocoa*



1923 *Marie*

Brands more than 50 years old



1957 *Morinaga Hotcake Mix*



1967 *Chocoball*



1971 *Koeda*



1972 *Choco Monaka Jumbo*



1973 *Morinaga Ramune*

Brands more than 30 years old



1974 *Morinaga Amazake (canned)*



1975 *HI-CHEW*



1982 *Ottotto*



1989 *Ice Box*



1993 *DARS*

Brands more than 10 years old



1994 *in Jelly*



2003 *Carré de chocolat*



2006 *Oishii Collagen Drink*



2009 *in Bar*

Aiming to Resolve Social Issues through Food



Delivering deliciousness and smiles to people around the world

The Morinaga Group has created new value pivoting on technology developed in confectionery manufacturing with the aim of resolving social issues through food. First, we expanded the 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 continue to take on the challenge of realizing richer and healthier eating habits for people around the world.

1913 | 1994 | 2022







Spreading Highly Nutritious Confections

Released *Milk Caramel*

At a time when Japan faced a challenging food situation, we aimed to popularize caramel, which offers high nutritional value. After repeated trial and error to adapt to the climate and tastes of Japan, we released *Milk Caramel* in 1913. The following year, in 1914, *Milk Caramel* became a major hit after we packaged it in inexpensive and portable containers. With the slogan of "rich in nourishment/exquisite flavor," *Milk Caramel*, which symbolizes the founder's commitment to popularize caramel, is now beloved across generations.

Creating New Foods in Response to Consumer Needs

Released *in Jelly*

Released in 1994, *in Jelly* was developed with the goal of helping to create a healthy body. At that time, this jelly drink in a pouch with unparalleled portability delivered quick nourishment in various situations. It also led to the creation of a new food culture and markets. Even now, *in Jelly* continues to evolve while responding to the needs of the times for simplifying food and maintaining health.

Bringing Delicious and Healthy Foods to the World

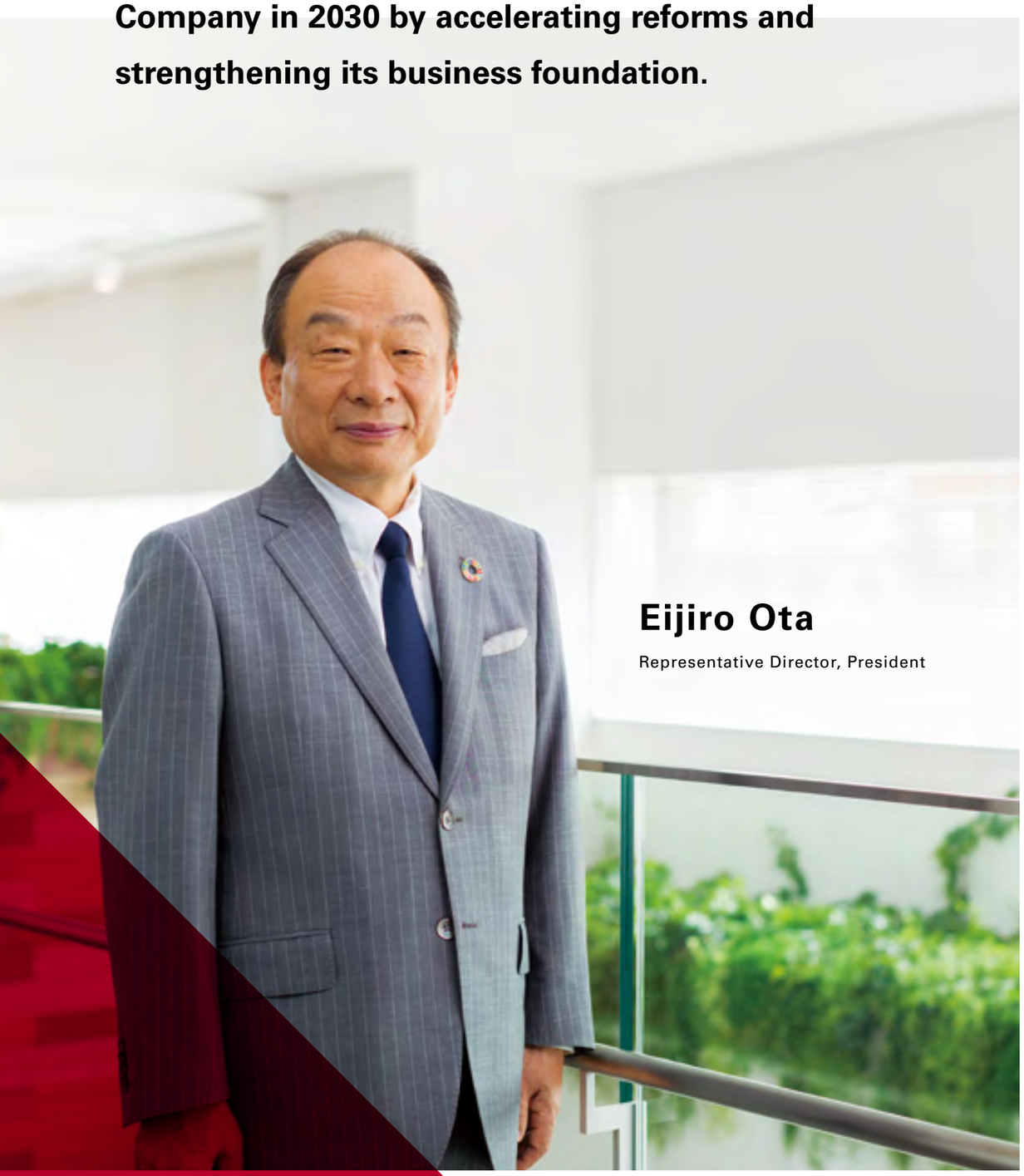
Released a health-conscious version of *HI-CHEW*

HI-CHEW is known for its unique texture and fruitiness and is growing in popularity around the world. In 2022, we released *HI-CHEW REDUCED SUGAR* in the United States featuring added wellness value. By using dietary fiber as an alternative to sugar, we lowered the amount of sugar used by 30% compared to the conventional *HI-CHEW* while maintaining the same taste. Leveraging our strengths in product development, production, and mass production technologies, we provide value and inspiration to people around the world.

Note: Product names and images as of September 2023.

Message from Top Management

The Morinaga Group will change into a Wellness Company in 2030 by accelerating reforms and strengthening its business foundation.



Eijiro Ota

Representative Director, President

Looking Back on FY2022

Posted the Second Consecutive Year of Record High Net Sales Despite the Challenging Operating Environment

FY2022 saw several alarming events throughout the year. In addition to the COVID-19 pandemic, raw materials and energy prices soared due to heightened geopolitical risks, which, combined with the significant depreciation of the yen, led to a higher-than-expected increase in the cost of business. These changes in the external operating environment will persist, and the pace of these changes is expected to speed up.

Despite these challenges, the Group was able to achieve record high net sales* for the second consecutive year thanks to its accurate understanding and response to changes in consumers and the strong sales of the U.S. business. On the other hand, to secure operating income, we successfully offset most of the 7.8 billion yen increase in costs. This was made possible through the effects of price revisions, increased sales, and Company-wide efforts such as pursuing low-cost operations in production to absorb higher costs. Although profitability remains an issue, the ratio of sales in the focused domains and the ratio of overseas sales far exceeded the targets set in the 2021 Medium-Term Business Plan, and we were able to improve our business portfolio while achieving strong growth.

Over the medium to long term, we are working to secure net sales and operating income, while increasing corporate value through the enhancement of functions that contribute to heightened productivity and proactive investments in intangible assets. We are strategically investing in advertising to accelerate growth, mainly in the focused domains. With the aim of improving profitability by optimizing operational efficiency, we are also promoting several other efforts. These include the visualization of factory operation status, the changeover to smart factories with even more stable operation using the digital data of manufacturing equipment, and the development of a data utilization infrastructure by revamping the direct marketing system. To realize the 2030 Vision, we will continue to invest in growth that leads to the enhancement of corporate value.

*Accounting Standard for Revenue Recognition applied retrospectively.

Looking Toward the Final Year of the 2021 Medium-Term Business Plan

As a result of these initiatives, in FY2022 we were able to steadily increase the top line, mainly in the focused domains, despite the challenging operating environment. Our results exceeded the initial forecast, and we posted record high sales for the second consecutive year. Price revisions proceeded as planned, and I strongly feel that management resilience is steadily increasing.

On the other hand, operating income in FY2022 declined significantly. The operating income to net sales ratio was 7.8% in FY2022, compared with the target of 11% in the 2021 Medium-Term Business Plan. Although we had not achieved our ROE target as of FY2022, we are determined to proactively recover to the targeted 10% level in FY2023.

FY2023, the final year of the 2021 Medium-Term Business Plan, represents an important year that will lead to the next Medium-Term Business Plan, and we will work together to strengthen our efforts to achieve our targets.

Instilling Our Corporate Philosophy and Promoting Internalization in Realizing the 2030 Vision

Formulated Corporate Philosophy, Purpose, and the 2030 Vision

When I became President in FY2019, we posted record high profits, but we faced a difficult situation with the outbreak of the COVID-19 pandemic at the end of the fiscal year and a significant decline in sales of our mainstay brand *in Jelly*. Based on the belief that a company with a clear purpose and vision has the resilience to continue to grow flexibly even in the face of dramatic environmental changes, I have been formulating a long-term vision for the next 10 years alongside our new purpose since becoming President.

In FY2021, we announced our corporate philosophy, including our Purpose, and the 2030 Vision, which is to change into a Wellness Company in 2030.

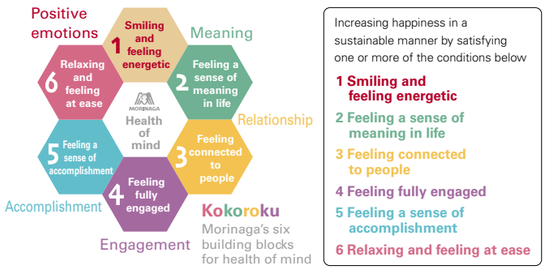
Initiatives for Realizing the Corporate Philosophy and the 2030 Vision

To form an organization that continues to grow while responding to changes, it is essential to clarify our corporate philosophy and vision and ensure that they are firmly instilled in each individual who supports the organization. To avoid these becoming an empty catchphrase or slogan, we held more than 70 meetings to exchange opinions with approximately 1,700 employees in Japan and overseas since the plan was formulated in May 2021. At the beginning of these discussions, employees asked many questions to better understand the content of the Vision, such as "What does it mean to change into a Wellness Company?," but gradually this changed into questions about the definition of "health of mind" and specific strategies for realizing the vision, such as how to effectively communicate wellness to consumers. Regarding "health of mind," we have set the target as Morinaga's six building blocks for "health of mind" (*Kokoroku*, *kokoro*



means mind and *roku* means six in Japanese) and organize seminars to promote awareness throughout the Company to deepen common understanding within the Company.

Kokoroku as the definition of "health of mind"



Assumption:
Healthy state of mind. Not eligible for mentally unhealthy conditions.

Two years after the formulation of our corporate philosophy, we surveyed our employees in Japan regarding it. About 90% of employees empathize with and understand the corporate philosophy, and about 60% feel that they have been able to internalize the corporate philosophy. Our corporate philosophy and Purpose resonate strongly with our employees outside Japan, too. During the opinion exchange meetings with local employees held in the United States, Taiwan, and Thailand last year, we were able to engage in active dialogue in each location, focusing on questions with a high level of ownership, such as "What should we contribute to realize our purpose?" This left a strong impression on me. Looking ahead, we expect our employees in Japan and overseas to deepen mutual exchanges and motivate each other, thereby further instilling the corporate philosophy and promoting internalization.

Promoting Diversity & Inclusion and Creating Innovation

An organization is made up of people. It all comes down to "people" for achieving the vision and responding to change. I believe that it is important for each and every employee to demonstrate their presence as an independent and strong individual, and to create diverse and dynamic organizations that are strong and flexible enough to make the most of each individual. We have established the promotion of diversity and inclusion as one of our basic policies for realizing the 2030 Vision. The goal is to create new value from the innovation generated by diversity. I believe that by continuing to solve the issues of our customers and society through continuous innovation, we can be a sustainable company that continues to grow and be chosen by customers.

As one specific example, we started an open recruitment system for new businesses in 2020. We would like to foster a culture in which our employees take on challenges regardless of age or career, embrace mistakes in a positive light, and make efforts to pass on their lessons learned to the next generation.

Various milestones became opportunities for my own growth. In my fifth year with the Company, I was transferred from the Yokohama Branch Office, which had about 50 employees when I was first hired, to the Himeji Branch Office, which had only about seven at the time. I was disappointed because I used to believe that I would have greater opportunities working in a larger branch. However, it turned into a truly great asset for my subsequent sales career and current role in management as I took on multiple roles at the Himeji Branch Office and experienced a wide range of on-site work such as delivery and sales. Based on my own experience that "experience will come in handy later," we make personnel changes centered on human resources who will play a central role in the future and have them experience fields completely different from those in the past. We believe that the experience of working in a new place will not only contribute to individual growth but also create new challenges to reach even greater heights. We will continue to work on human resources, corporate culture, and organizational development to promote diversity.



Dialogue session at Morinaga America Foods, Inc.

Addressing Various Issues to Achieve the 2030 Business Plan

Progress and Outlook of the 2021 Medium-Term Business Plan

In FY2022, despite the sudden and larger-than-expected surge in raw materials and energy prices, coupled with the impacts of foreign exchange rates, we strategically increased investments in intangible assets, resulting in lower profits than the previous fiscal year. In terms of net sales, however, our performance in the focused domains in the 2030 Business Plan, including the "in-" business, the U.S. business, and the direct marketing business, continued to perform well. This steady growth contributed to achieving record high net sales of 194.3 billion yen and steadily increasing the top line, achieving record high net sales*1 for the second consecutive year, exceeding the initial forecast, and achieving the target of 190.0 billion yen for the final year of the 2021 Medium-Term Business Plan one year ahead of schedule. FY2023 marks the final year of the first stage toward achieving the 2030 Business Plan. Although we anticipate soaring raw materials and energy prices to significantly exceed our expectations compared to when we formulated the 2021 Medium-Term Business Plan, we will continue to flexibly respond to changes in the external operating environment through various initiatives and achieve increased net sales and profits in FY2023.

The Further Growth of the U.S. Business

The U.S. business is a major driver of the Group's growth strategy. We have continued to actively invest in its expansion. In the U.S. business, we had set a target to reach net sales of 10 billion yen in the 2021 Medium-Term Business Plan, but we already achieved this target in FY2021, and in FY2022, due to the impact of foreign exchange rates, we saw net sales surge 39% year on year to 14.6 billion yen. Since we established operations in the United States in 2008, we have achieved dramatic growth.

On my business trip to the United States last year, I saw *HI-CHEW* on the shelves of not only Japanese supermarkets but also local American grocery chains. As of the end of September 2022, the recognition rate of *HI-CHEW* in the United States was 51%*2, indicating that brand awareness has increased among local consumers and is becoming more established in the marketplace. As of December 31, 2022, the distribution ratio was 77.4%*3, covering a wide area throughout the United States, and the retail store turnover ratio was up 14%*4 compared with the previous year, signifying the strong sales situation. Even so, our market share was just 1.24%*3 as of December 31, 2022, so I still feel that there is great potential for growth. Looking ahead to 2030, we will further increase sales and

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*5	
Ratio of employees who find their job meaningful and who are in good mental and physical health at work	**80%***6
Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper)	**100%***7
CO_2 emissions	**30%***8 **reduction**

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2022.
*2 According to Morinaga's research
*3 IRI data
*4 IRI data (January to December 2022)
*5 Scope: Products defined as a 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). The Company intends to explore the establishment of a vision on a global basis.
*6 Ratio of affirmative answers on the employee awareness survey
*7 Consolidated basis. Paper covers only product packaging.
*8 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

marketing of *HI-CHEW* and accelerate growth by making strategic investments in advertising, while focusing on building the foundation for the jelly drink *Chargel*, which was launched in the United States in February 2022. *Chargel* is now sold at Japanese supermarkets, mainly on the West Coast, and we are working to raise awareness of *Chargel* in the sports scene through free sampling at marathons and cycling events, and we are seeing positive results. In addition, we are considering launching new products as potential candidates for the third arrow of earnings by the end of FY2023.

Achieving Growth Globally

Positioning the further global expansion of *HI-CHEW* as a growth driver in the future, we established the *HI-CHEW* Global Branding Office at our headquarters in April 2023. The Group's overseas expansion of *HI-CHEW* started in Taiwan and China ahead of the United States, and since then we have expanded these efforts to other countries such as Indonesia and various European nations. However, in the 2030 Business Plan, we clarified that the "U.S. business," rather than the "overseas business," is in the focused domains and Taiwan is in the basic domains, whereas China, Southeast Asia, Oceania, and Europe are considered exploration and research areas. This strategy stems from our experience of developing businesses in various regions, and we have identified areas where *HI-CHEW* is highly accepted based on differences in climate, consumption behavior, people's religion, culture, and other factors. As a result of market development focused on the United States, *HI-CHEW* has gained the substantial support of many customers and has become firmly rooted in the U.S. market. At the same time, the acceptance of *HI-CHEW* is increasing in Oceania and Europe, where seeds have been sown. To further expand *HI-CHEW* globally, there are challenges in terms of production capacity and global procurement of raw materials that we need to address. Therefore, the *HI-CHEW* Global Branding Office will proceed with the development of an optimal global system and the formulation of an integrated marketing strategy for the *HI-CHEW* brand.



The Morinaga booth at the Sweets & Snacks Expo in Chicago

Capital Cost-Conscious Management

To achieve the 2030 Business Plan, we recognize that improving profitability and efficiency is also a major challenge that we are currently working to address. In FY2022, we implemented various financial measures with a focus on capital costs and significantly reduced our net cash position at the end of the fiscal year, marking a decrease of 29.2 billion yen from the end of FY2021. To carry out business structural reforms and further scrutinize investment plans, we are promoting ROIC management to strengthen our profit structure and raise awareness of investment efficiency. Recognizing the important role of employee understanding in ROIC management, we distributed our own video-based learning materials. By understanding how the work of each individual impacts ROIC, we support the "internalization" of ROIC management.

Creating Opportunities for Inorganic Growth

We aim to achieve inorganic growth in the runup to 2030. We are specifically considering various projects with a view to business growth in a non-continuous manner through M&A and business alliances. In the focused domains, with growth markets but fierce competition, we are actively seeking partner companies that can accelerate the growth of the Group. From the perspective of "changing into a Wellness Company," we are exploring various investment opportunities including expertise in manufacturing health ingredients and functional foods, the procurement of raw materials, and the development of new products for our Direct Marketing business.

Co-Creation with Stakeholders for Resolving Social Issues

Co-creation with stakeholders is indispensable for resolving social issues. Currently, we are moving ahead with co-creation efforts in various fields.

Through co-creation with more than 90 universities and research institutes, and other companies, the Morinaga R&D Center is working to elucidate the emotional value of confectionery foods that contribute to "health of mind." This involves utilizing various methods, such as investigating aspects like deliciousness and enjoyment, to develop and offer high-value-added products. For example, in the Group's strength in "physical properties and texture control technology," which is utilized in *Choco Monaka Jumbo* and *HI-CHEW*, we aim to develop products with high emotional value. We aim to deepen our understanding of customer preferences by incorporating the methods of sensitivity research to capture changes in the body and emotions during eating. The results of research on *Choco Monaka Jumbo* are being widely disseminated externally as part of the Jumbo Smile Project*.

We have also been updating our business and human rights initiatives to strengthen our foundation as a company with global business operations. The Group signed the UN Global Compact in April 2022, and in October 2022 we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) as an inaugural member to establish a mechanism for remedying human rights violations outside the Company. In April 2023, we revised the Morinaga Group Human Rights Policy and are now promoting human rights initiatives such as clarifying the Group's approach in line with the UN Guiding Principles on Business and Human Rights. In addition, we believe that sustainability initiatives, such as sustainable procurement of raw materials and addressing climate change issues and managing natural capital, are important for the Group's corporate activities. We believe that collaboration and cooperation with our business partners and other stakeholders are essential for the implementation of these activities, and we will advance these activities with their understanding and cooperation. Awareness of the SDGs and the environment is increasing, especially among young people, and we believe that steadily advancing these initiatives will not only benefit society but also create business opportunities for the Group.

The 2030 Vision declares that we will provide "health of mind and body" to our employees. We are promoting health and productivity management to create a work environment where each employee can maximize their abilities, and have been recognized as a Certified Health and Productivity Management Organization 2023. The trainers at the "in" Training Lab have created the Morinaga Factory Exercise program tailored for our factory workers. In addition, our efforts to encourage voluntary activities for the well-being of all employees have been recognized, earning us new certification as a "Sports Yell Company 2023" by the Japan Sports Agency. We will continue to actively promote initiatives to maintain and improve the health of our employees as important stakeholders.

At the Sustainability Advisory Board meeting in March 2023, we discussed with experts the three topics of diversity, health of mind, and ESG information disclosure. We received positive feedback that will give us confidence regarding the initiatives I briefly explained above. With advice and recommendations on the Group's initiatives based on a wide range of knowledge, including international developments and social trends, we will now appropriately reflect these insights in future sustainable management, thereby leading to the creation of new value for the Group.


Second meeting of the Sustainability Advisory Board

*An initiative launched in the spring of 2023 to enhance communication with customers with the goal of marketing *Choco Monaka Jumbo* as an ice cream product that brings smiles to all.

Aimed at Embodying Our Purpose and Realizing the 2030 Vision

With the aim of shining for a century, the Morinaga Group is committed to being a sustainable company that will continue to grow together with our stakeholders while enhancing resilience and our ability to flexibly respond to changes. In FY2023, we will achieve a V-shaped recovery in operating income while continuing to invest in growth such as R&D and DX and hold discussions to formulate the next medium-term business plan.

For shareholders, we increased dividends and initiated share buybacks for the eighth consecutive year, marking the largest shareholder returns ever. We will continue to value dialogue with shareholders, investors, and all stakeholders to accelerate the speed of transformation and achieve further growth and evolution. With our Purpose serving as our compass, and as the foundation for all employees, we will strive to become a Wellness Company that can contribute to the dynamic and bright lives of people around the world. I appreciate your continued support as we move forward.

Special Feature Value Co-Creation Story

Resolving Social Issues through the "in-" Business

This section introduces the Group's story of value co-creation detailing how the "in-" business, which drives our growth, identifies social issues related to "health of mind, body, and environment" and how it works together with stakeholders to resolve them.

Realizing the 2030 Vision by Providing "Health of Mind, Body, and Environment"



Minoru Sato
Executive Officer
General Manager of Health Marketing Division
Marketing Headquarters



Morinaga "in" Training Lab



Source of "in-" Business Competitiveness

Against the backdrop of growing health consciousness, the Group launched the health business, the predecessor of the "in-" business, in 1984 to contribute to the "development of healthy minds and bodies" for customers centered on sports nutrition. Since the start of the business, we have created products such as *in Jelly* that can easily replenish nutrition and *in Bar Protein* that can easily replenish protein, helping to resolve issues facing customers in the domain of food. In creating these products, we have made full use of our know-how gained from the health business over the years. The "in-" business has been amassing know-how related to building a healthy body and nutritional intake for close to four decades, from the establishment of a high-tech laboratory for training and nutrition counseling in 1986 to the current Morinaga "in" Training Lab. We believe that the know-how related to building a healthy body and conditioning gained by supporting top athletes in various sports is a unique asset and strength of the "in-" business. The connections with many top athletes and sports stakeholders built over many years of support are also invaluable assets.

At the same time, as a food manufacturer, the Group has honed its food processing technology to achieve deliciousness while thoroughly blending nutrients, along with its product developing capability such as packaging formats tailored to different occasions.



in Jelly

in Bar

By combining the strengths of the "in-" business with the strengths of the Group, we intend to contribute to the "health of mind, body, and environment" by providing customers and society with deliciousness, convenience, nutrition, and information and opportunities related to sports.

"in-" brand contract athletes



Baseball
(Tokyo Yakult Swallows)
Masanori Ishikawa



Judo
Naohisa Takato
©Kazuyuki OGAWA



Surfing
Shino Matsuda
Photo: ISA/Pablo Franco

Future Forecast Concerning "Health of Mind, Body, and Environment"

After three years of the COVID-19 pandemic, anxiety about the virus is declining, as seen by Japan's downgrading of the virus to a Class 5 disease under the Infectious Diseases Control Act in May 2023. However, there are still many people who feel stressed in their daily lives. There are various stressors, such as work, personal relationships, caring for a family member, childcare, the social environment, and geopolitical concerns, which have resulted in increased interest in mental disorders. Ideas such as positive psychology*, which focuses on positive emotions and aims for a good state of mind, are also garnering attention. We believe that the importance of "health of mind" will continue to increase in the future.



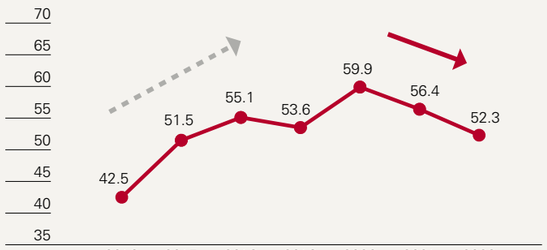
Hakuhodo Institute of Life and Living: "The Chronological Lifestyle Survey on the Japanese People," May to June 2022, men and women ages 20–69, Tokyo metropolitan area + Hanshin area, 3,084 respondents

"Health of body" has also changed significantly due to the COVID-19 pandemic. Participation in sports is declining because people's activities were restricted during the pandemic. As fewer opportunities for exercise also lead to fewer consumption opportunities for *in Jelly* and *in Bar*, we are paying particular attention to business opportunities for the "in-" business. In addition, the amount of physical activity in consumers' daily lives is on a downward trend due to fewer opportunities to go out with the entrenchment of remote work and the increased use of online shopping, as well as the spread of products and services that make housework convenient. We believe if people continue with their current nutritional intake, there will be increased risk of lifestyle-related diseases such as obesity. Furthermore, if the amount of physical activity by the elderly remains low, the risk of frailty and nursing care increases due to declining physical strength. For "health of body," we believe that it is necessary to create opportunities for people to play sports and develop products that respond to changes in consumer behavior.

Regarding "health of environment," we recognize that environmental pollution caused by plastic waste is a global issue, and we believe that the Group must act. Furthermore, to realize a sustainable society, all people need to be aware of the SDGs and take their own actions. Nevertheless, although consumer awareness of the SDGs is increasing, there are still relatively few people who are acting. As a consumer goods manufacturer, we will contribute to "health of environment" by providing opportunities for customers to work together to achieve the targets of the SDGs.

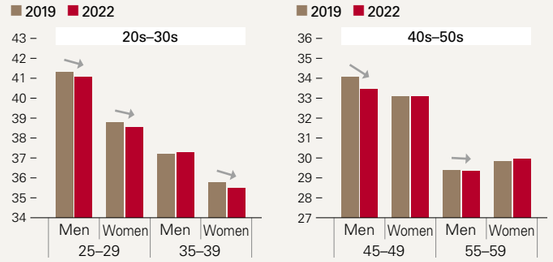
Based on these situations and forecasts, we will utilize the assets of the "in-" business as we work to provide "health of mind, body, and environment" to customers and society while co-creating with all stakeholders.

Sports Participation Rate (once a week or more) for Those Aged 20 and Older (%)



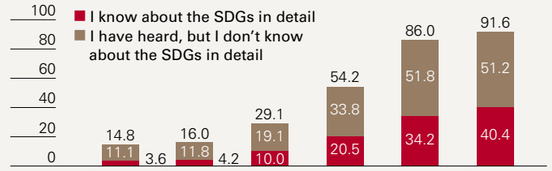
Japan Sports Agency: FY2022 National Public Opinion Survey on Sports Participation; 40,000 men and women ages 18–79

Total Score of the New Physical Fitness Test (points)



Japan Sports Agency: 2019 Physical Fitness and Exercise Capacity survey; 62,936 men and women nationwide ages 6–79 (preliminary figures for 2022)

SDGs Recognition Rate (%)



Dentsu: Consumer Survey on the SDGs; first to sixth surveys, 1,400 men and women ages 10–70s nationwide (6,576 respondents in the second survey only)

*The psychology that aims to nurture positive emotions, such as what is going well and looking to the future.

Resolving Social Issues through the “in-” Business

Health of Body

“Health of Body”
Provided by the “in-” Business



in Jelly Energy Management


Tasting of prototypes

Providing Products That Control Nutritional Intake

Carbohydrates are an important nutrient as a source of energy for human activity. However, a rising number of customers are looking to limit their intake of carbohydrates, such as those concerned about weight gain, and we believe that the need for control of carbohydrates will continue to increase.

To meet such needs, we developed *in Jelly Energy Management* containing medium-chain fatty acid MCT oil and released it first with Seven-Eleven Japan Co., Ltd. This product replenishes energy with fats instead of carbohydrates and is the first *in Jelly* product to feature fats. We struggled to adjust for the way fats affect flavor and texture. To minimize the influence of the fat-derived flavor and texture and achieve the same refreshing, delicious, easy-to-drink style of *in Jelly*, we explored and tested a combination of flavors and other ingredients many times, which eventually led to commercialization.

Furthermore, in April 2023, we renewed it as a food with functional claims using evidence from Nisshin OilliO Group, Ltd., our supplier of MCT oil. We will continue to further improve our products and concisely convey their value to contribute to the “health of body” of our customers.


Preparing prototypes

Creating Opportunities for Exercise

In May 2023, we sponsored an online sports event called Satsuki Run & Walk by R-bies, INC., which organized the website RUNNET and has connections with many runners. The event makes it possible for people to participate in running and walking events anytime, anywhere, if they have a smartphone. As even those who are not good at exercising and the elderly can easily participate during their day-to-day lives, our aim was to create opportunities for exercise, which have declined due to the COVID-19 pandemic. A total of 250,916 people participated in the event. We also sponsored the Satsuki Relay Marathon held at Japan National Stadium.

In October 2023, we plan to sponsor October Run & Walk. We will continue to strive to create opportunities for consumers to exercise and encourage their participation.






Satsuki Run & Walk, easily participable with a smartphone


Satsuki Relay Marathon

Health of Mind

“Health of Mind”
Provided by the “in-” Business

Providing Optimal Foods for Situations Requiring Concentration

The Group believes that “health of mind” can be nurtured by focusing on positive emotions and things that are going well, such as “feeling fully engaged,” “feeling a sense of accomplishment,” and “smiling and feeling energetic.”

To promote a work-life balance, we believe that more consumers will place importance on their hobbies and entertainment. We believe that the value of our main product, *in Jelly*, which can easily replenish energy and satisfy hunger to a moderate extent, can contribute not only to activities that use the body but also to hobbies and entertainment that use the brain.


72nd ALSOK Osho Tournament

As a symbolic example of this, in response to the fact that *in Jelly* is a favorite of players of shogi (Japanese chess), the “in-” business decided to sponsor the Osho Tournament, one of the eight titles in professional shogi from 2022. Players embrace the fact that *in Jelly* can fill their stomach moderately without being hungry or full, allowing them to concentrate on the match. In addition, we believe that *in Jelly* can contribute to similar situations where people are immersed in something, and we have begun to expand promotions through tournament organizers and supporting players in eSports, which is expected to grow its footprint in the future.

In the “in-” business, we intend to contribute to “health of mind” such as “feeling fully engaged,” “feeling a sense of accomplishment,” and “smiling/feeling energetic” by providing nutritional support to improve the performance of mind sports such as shogi and eSports.



in Jelly eSports
WORLD CHALLENGE CUP 2022



For more details, please refer to Morinaga’s Concept of “Health of Mind” on our corporate website.
▶ https://www.morinaga.co.jp/company/english/ir/policy/strategy/kokoroku/

Health of Environment

“Health of Environment”
Provided by the “in-” Business


Koji Enomoto
Jelly Category Manager of Health Marketing Division Marketing Headquarters

Improving Usability and Reducing Plastic Usage through Collaborative Container Development with Suppliers

Our product *in Jelly* has undergone four improvements to its cap since its launch in 1994. These improvements were realized through joint development with Hosokawa Yoko Co., Ltd., which has been supplying CHEER PACK®* since its release. While improving the ease of opening caps, we have reduced the amount of plastic used, thereby improving customer usability and contributing to “health of environment.”

Given that the larger the diameter of the cap, the easier it tends to be to open, it is difficult to increase size while reducing materials usage. With that being the case, the people in charge of various departments at Morinaga & Co., Ltd., and Hosokawa Yoko Co., Ltd., managed just that by sharing their wisdom and repeated trial and error on the current shape of caps and straws.

We will continue to study this issue and work on “health of environment” with the aim of both customer satisfaction and resolving social issues.


Business meeting with Hosokawa Yoko Co., Ltd.

*CHEER PACK is a registered trademark of Hosokawa Yoko Co., Ltd.

Promoting the Spread of Plogging as a Hybrid Form of “Health of Mind, Body, and Environment”

Many of the products of the “in-” business have a high affinity with active scenes such as sports and can be consumed anytime, anywhere on the go. However, we recognize that this is closely related to the social issue of plastic waste in cities.

Therefore, the “in-” business hopes to contribute to “health of environment” by spreading a new sport called “plogging,” in which people pick up trash while jogging. In March 2023, we held a plogging event with Kuki City, Saitama Prefecture, which has made a declaration to be a city of health, happiness, and sports and with which we have a comprehensive partnership agreement. The event was held in collaboration with Yokohama F. Marinos, with which we concluded a partnership agreement in July with volunteers from Yokohama City’s Tsurumi Ward Office, the ward of which is the location of a manufacturing plant for *in Bar Protein*, and the Yokohama City Sports Association. We believe that we can expand the circle of initiatives by collaborating with companies and organizations from different pathways, such as professional sports teams that embody the appeal of sports and have the power to communicate, local governments that are working to improve the health of citizens and create comfortable cities, and our company that provides foods suitable for active scenes.

Plogging is an opportunity for people who enjoy running on a regular basis, as well as people who are not good at sports, to move their bodies, leading to the creation of opportunities for exercise. We also believe that the experience of cleaning up the city while exercising with friends contributes to “health of mind,” such as “feeling connected to others.” By promoting these activities, we will link them not only to “heath of environment” but also to “health of mind” and “health of body.”

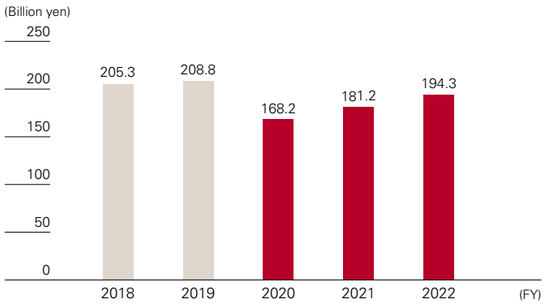

Plogging event in Kuki City, Saitama


Plogging event held with Yokohama F. Marinos, volunteers of Yokohama City’s Tsurumi Ward Office, and the Yokohama City Sports Association

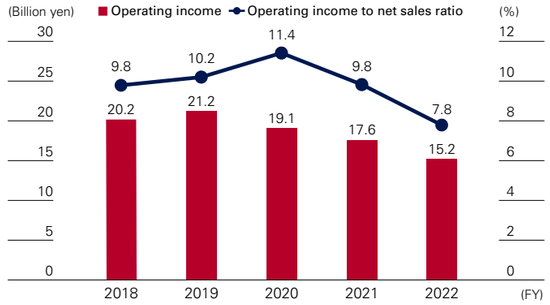
Financial and Non-Financial Highlights

Financial Highlights

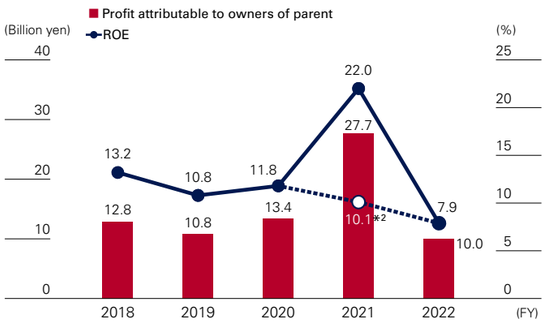
Net Sales*1



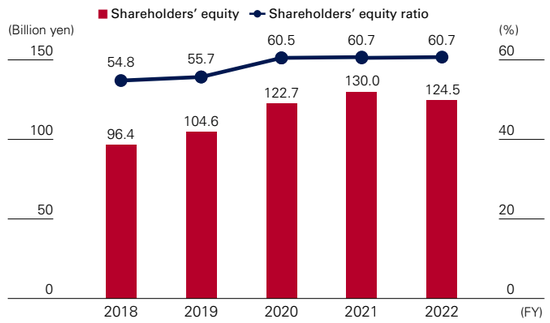
Operating Income*1/ Operating Income to Net Sales Ratio*1



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



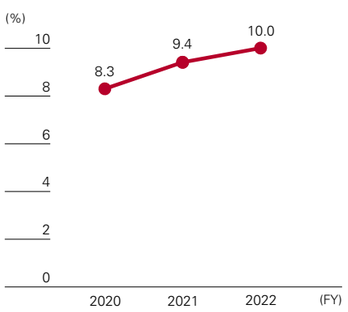
Shareholders' Equity*1/Shareholders' Equity Ratio*1



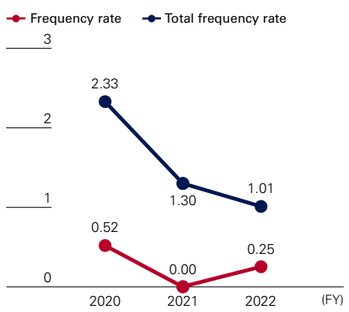
*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 are from after retroactive application of the said accounting standard.
*2 Excluding the impacts of extraordinary income from the sale of cross-shareholdings.

Non-Financial Highlights

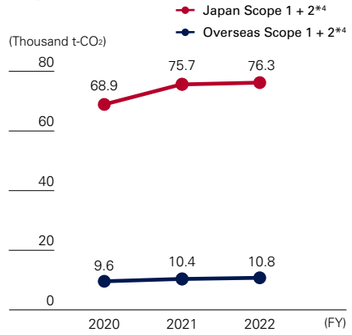
Ratio of Female Managers*1



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



CO_2 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 Group consolidated basis

Future Vision and Path to Achieve It

The Morinaga Group's Materiality 18
Value Creation Process for Achieving Our 2030 Vision 20
Strategic Road Map for Achieving Our 2030 Vision 22
Long-Term Business Plan: 2030 Business Plan 24
Medium-Term Business Plan: 2021 Medium-Term Business Plan 26

The Morinaga Group's Materiality

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

Process of Identifying Materiality

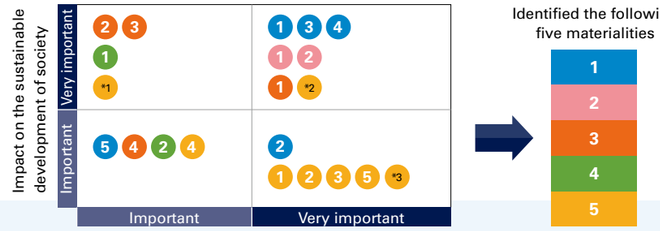
Interviews with experts on the issues the Group should address

→ Identification of the Group's materiality candidates based on the external environment, management/business aspects, the SDGs, international norms, and other considerations

→ Assessment of the importance of materiality candidates by internal and external stakeholders
Note: The figure at right is the "Materiality Matrix."

→ Identifying materiality through discussions by executive management

Materiality Matrix



Note: Only the results of "Very Important" and "Important" are presented.
*1 Response to the spread of major infectious disease *2 Management based on our Purpose
*3 Enhancement of sustainability management

Materiality	Main Challenges Included in Materiality	Main Opportunities and Risks (● : Opportunities and ▲ : Risks)	Target and Progress: Target for 2030	Results for FY2021	Results for FY2022	Progress	Relevant Pages
1 Contribute to the 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 responses	Provide the value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company*1	Reviewing detailed requirements	Reviewing detailed requirements	• Encouraging each business segment to develop products that provide health of mind and body aimed at becoming a wellness company • Defining health of mind • Carrying out quality management in line with international food safety standards and certification regimes*12 • Providing customer service based on international standards of customer satisfaction*13	Pages for each business segment pp. 34–43
	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 responses					
	3 Develop sustainable products	● Growing business opportunities from rising awareness of sustainability among consumers					
	4 Food security and quality assurance 5 Appropriately convey social and environmental information about products	● Increasing social trust ▲ Declining social trust, brand value, and corporate value					
2 Diversity and Inclusion of People	1 Foster human resources to achieve our vision	● Securing of talent needed to contribute to the realization of our Purpose and the 2030 Vision ▲ Declining sustainable growth capabilities due to delayed responses	Rate of positive responses on the employee awareness survey: 80% Targets: 1) Morinaga Group's contributions to building a sustainable society	Morinaga & Co., Ltd. (non-consolidated)*8: 89.7%	Upper: Morinaga & Co., Ltd. (non-consolidated)*8: 90.4% Lower: Domestic Group consolidated basis*9: 87.5%	• Expanded the scope of the survey from Morinaga & Co., Ltd., to the consolidated Group companies in Japan in FY2022 • Carried out interviews and initiatives for improvement at business sites where there was a gap between targets and results • Considering further expanding the scope of the survey to overseas Group companies	Human Resources Strategy pp. 49–51 Health Management pp. 56–57
	2 Diversity and inclusion	● Improving innovation capabilities and environmental response capabilities ▲ Declining organizational competitiveness and social reputation due to delayed responses	2) Corporate growth driven by a diverse workforce	70.1%	72.0% 66.5%		
			3) Employee motivation and achievement of "health of mind and body"	74.6%	75.6% 71.2%		
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*2: Cacao beans 100%	9%*10	34%*10	• Promoting sustainable procurement for domestic products of Morinaga & Co., Ltd., per the results at left • Formulated a road map and now implementing initiatives to reach targets at both domestic and overseas Group companies	Achieve Sustainable Value Chains pp. 58–59
			Palm oil 100%	2%*10	9%*10		
			Paper 100%	98%*10	99.9%*10		
	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	2) CSR supply chain management: implement for 80% or more of raw materials transaction value*3	Raw materials 81%*11 Materials 81%*11	(Survey not conducted in FY2022)	• Conducting dialogue with suppliers based on survey results	
	3 Reduction of food loss and waste	● Lowering costs by reducing manufacturing loss and returns ▲ Declining social reputation due to delayed responses	3) Reduce food loss and waste: 70%*4	+8%	▲49%	• Carrying out initiatives to prevent food loss and waste on the frozen desserts production line of Takasaki Morinaga Co., Ltd., which had been an issue • Contributing to less food loss and waste by developing products with non-standard products (e.g., cracked cookies)	
	4 Co-existence and co-prosperity with local communities	● Increasing social trust ▲ Operational risks at business sites					
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 and other regulatory measures ▲ Declining corporate value due to delayed responses	1) Reduce greenhouse gas (GHG) emissions ・Achieve net-zero GHG emissions by FY2050*5 ・Reduce CO_2 emissions by 30% by FY2030*6	+2%	+3%	• Installing cameras that detect air/steam leaks from facilities at domestic production sites • Planning to install a solar power generation system at Takasaki Morinaga Co., Ltd.	Conserving the Global Environment pp. 60–63
	2 Eco-friendly plastic containers and packaging for recycling and reuse	● Creating innovation through external collaborations ▲ Declining corporate value due to delayed responses	2) Reduce plastic waste: Use of plastics for *in Jelly* products: 25% reduction*7	Reduction in consideration	Reduction in consideration	• Working with packaging manufacturers to explore ways to reduce plastic waste	
5 Strengthen the Business Management Foundation	1 Strengthen corporate governance	● Increasing management efficiency and corporate value ▲ Declining evaluations from the capital markets	Instead of uniform targets for 2030, we promote responses to individual issues as needed	—	—	• Strengthen the function of the Board of Directors as a monitoring board by expanding discussions on risk management aimed at increasing board effectiveness • Changed the determination of remuneration for individual directors from the Representative Director, President to the Officer Appointment and Remuneration Committee	Governance pp. 66–77
	2 Globalization of the management foundation (e.g., strengthen the foundation for overseas expansion and respect local cultures)	● Acquiring trust from countries and regions where we operate ● Increasing the ability to promote and implement our management strategy		—	—	• Exploring ways to standardize core IT systems domestically and internationally • Actively recruiting employees locally	DX Strategy p. 48
	3 Human rights management	▲ Damage to social trust, brand value, and corporate value		—	—	• Formulated the Morinaga Group Human Rights Policy in April 2023 • Implementing human rights due diligence	Human Rights p. 64
	4 Address next-generation food technologies (e.g., next-generation food services, DX, robotics)	● Improving productivity ● Growing business opportunities from innovation		—	—	• Promoting changeover to smart factories	Structural Reforms of Production Functions pp. 46–47
	5 Increase social trust and reputation through the disclosure of ESG information	● Increasing social trust and corporate value		—	—	• Publishing an integrated report and regularly updating sustainability information on the corporate website	External Recognition p. 88

*1 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 ages 15–79). The Company will explore the establishment of a vision on a global basis. *2 Group consolidated basis; paper covers only product packaging. *3 Group consolidated basis *4 Scope: Food loss and waste occurring from receipt of raw materials to delivery (distribution) (domestic Group consolidated basis; intensity; compared with FY2019). *Food loss and waste* is defined as food that has been processed and disposed of by incineration, landfill or other methods, except for food waste that has been returned to the circulation of food resources, such as feed and fertilizer. *5 Group consolidated basis

*6 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018) *7 Scope: Amount of plastics in packaging materials (intensity; compared with FY2019; including the shift to biomass plastics) *8 Scope: Full-time employees of Morinaga & Co., Ltd. (non-consolidated) excluding forwarded employees *9 Scope: Domestic Group consolidated basis; full-time employees of the Group excluding those forwarded to overseas Group companies *10 Scope: Morinaga products in Japan; paper covers only product packaging *11 Scope: Morinaga & Co., Ltd., in Japan (non-consolidated) *12 FSSC 22000, SQF Codes edition 9, JFS-B standards, and other guidelines *13 ISO 10002

Value Creation Process for Achieving Our 2030 Vision

To achieve our 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.

Strengths of the Morinaga Group

- Trust
- Basic research and ingredients research
- Food processing technologies
- Product development capability
- Production technologies and mass production technologies
- Product distribution and information provision capacities
- Human resources
- Employee-friendly workplace environment

Value Created (FY2022)

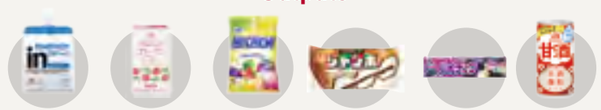
Value provided to customers
- Delicious
- Fun
- Healthy
- Nutritional
- Convenient (easy and quick)

Value provided to shareholders

Dividends paid: 4.7 billion yen
Share buybacks: 11.1 billion yen
Total returns to shareholders: 15.8 billion yen

Financial results
- Achieved record high net sales*1
- Growing net sales of focused domains
- Receiving higher ESG scores from outside institutions

Outputs



“in-” Business | Direct Marketing Business | U.S. Business | Frozen Desserts Business | Confectionery and Foodstuffs Business

Business Model

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

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

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

Development and marketing
- Plan and develop products that meet constantly changing needs from customers’ perspectives
- Process healthy ingredients in a delicious manner

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

Transition strategy

Management Capital (FY2022)

Financial capital
- Net assets: 125.8 billion yen
- Shareholders’ equity ratio: 60.7%
- Long-term credit rating: A stable (JCR)
- Issuance of sustainability bonds and renewal of long-term borrowings

Intellectual capital
- Patents owned: 172 in Japan and 79 overseas
  Trademarks owned: 590 in Japan and 636 overseas*2
- R&D expenses: 2.8 billion yen

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

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

Human capital
- Employee loyalty: 84%*3
- Health management: Certified Health & Productivity Management Outstanding Organization

Natural capital

Diverse raw materials with consideration for sustainability and quality control

*1 Accounting Standard for Revenue Recognition applied retrospectively
*2 Number of rights owned as of the end of FY2022
*3 Rate of positive responses to “I feel proud as a member of this company” on the employee awareness survey
*4 The Company applied the “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020),” and other regulations, from the beginning of FY2021.
*5 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 ages 15–79). The Company will explore the establishment of a vision on a global basis.
*6 Rate of positive responses on the employee awareness survey
*7 Group consolidated basis; paper covers only product packaging
*8 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)








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.

2030 Vision

We Will Change into a Wellness Company.

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.” We continuously provide the value of health of mind, body, and environment to customers, employees, society, and other stakeholders, thereby contributing to the realization of a sustainable society.

See page 24

Financial and Non-Financial Targets (Value Co-Creation)

Financial Targets*4

Economic value	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

Customer value	Provide value of health to **more than 70%** of Japan’s population through new initiatives aimed at becoming a wellness company*5	
Employee value	Ratio of employees who find their job meaningful and who are in good mental and physical health at work:	80%*6
Social value	Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper):	100%*7
	CO_2 emissions:	30%*8 reduction

Evolution of Management

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

Promote Purpose-Driven Management | **Implement the 2030 Business Plan**

See pages 24 and 55

Materiality

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

See page 18

External Environment

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

Strategic Road Map for Achieving Our 2030 Vision

We have created a road map covering our corporate philosophy/long-term vision, strategy, and performance aimed at the realization of the 2030 Vision.

Strengths of the Morinaga Group

Trust
History and brands spanning more than 120 years

Basic research and materials research
Functional research on amazake, cocoa, and collagen, etc.

Food processing technology
Striking a balance between the following.
- Key technologies of producing jelly drinks, frozen confectionery, and soft candies
- Aiming for deliciousness while adding nutritional components and reducing carbs and calories

Product development capability
Products for various scenes and needs

Production technology and mass production technology
Stable operations and increased business efficiency realized through the transition to smart factories

Product promotion and information provision capacities
Product rollout in a wide range of channels
Dissemination of accurate and appropriate information

Human resources
Deep appreciation for our corporate philosophy and a high level of engagement

Employee-friendly workplace
Realization of systems fostering diversity and a highly productive work environment

2018 Medium-Term Business Plan (2018–2020)
Solidify Our Business Foundation and Accelerate Our Growth Strategy

2030 Business Plan

1st Stage: 2021 Medium-Term Business Plan (2021–2023)
Building a New Foundation for Dramatic Growth

Corporate philosophy/Long-term vision

Our Commitments since Our Founding

Founding onward See pages 4 and 5

We have valued the founder's commitment encompassing the words, **"Delicious, Fun, and Healthy."**

2019

Upon our 120th anniversary, we revisited the Group's approaches to **"Delicious, Fun, and Healthy"** by asking all employees their thoughts.

Established a New Corporate Philosophy and the 2030 Vision

The Morinaga Group's Corporate Philosophy See page 1

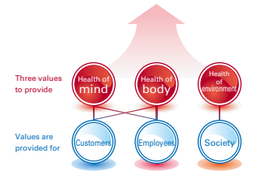


- Restructured our corporate philosophy to cover the meaning of our existence, our visions, and our commitments
- "Delicious, Fun, and Healthy" became our new Corporate Message

2030 Vision See pages 24 and 25

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

We are committed to evolving the trust and technologies we have cultivated over the past 120 years to support the wellness of all generations around the world.



- Become a company that continuously provides "health of mind, body, and environment" to customers, employees, and society

Strategy

Build a Business Foundation That Can Generate Profits Consistently

Strategy

- **Existing domain** : Focus on major brands to increase profitability
- **Wellness domain** : Focus on development and sales promotion of products that benefit "health of body"
- **Global domain** : Establish a business foundation in the United States
- **New management** : Establish a PDCA cycle for management/business and raise the bar of management

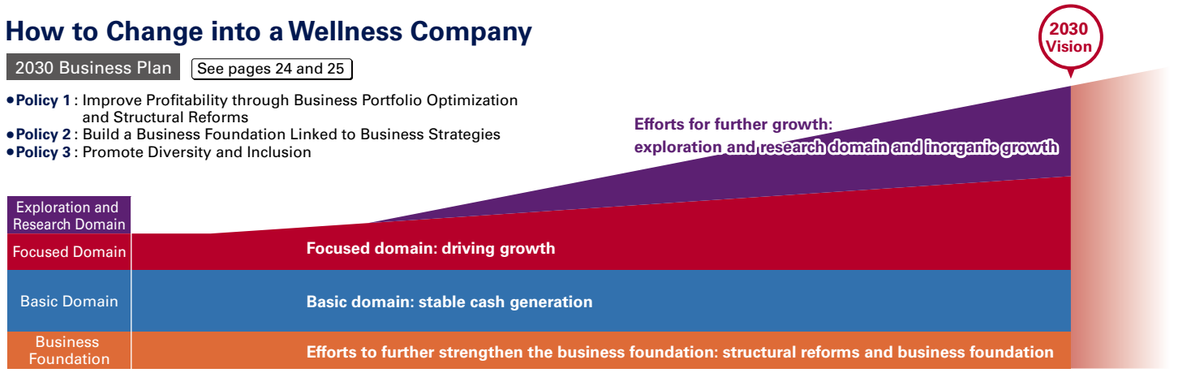
Outcomes
- Increased earnings power mainly in domestic businesses
- Achieved dramatic growth of *HI-CHEW* in the United States
- Built a business foundation that can consistently generate an operating income to net sales ratio of 10%

Challenge
- Increase capital efficiency using efficient asset allocation for greater growth

How to Change into a Wellness Company

2030 Business Plan See pages 24 and 25

- **Policy 1** : Improve Profitability through Business Portfolio Optimization and Structural Reforms
- **Policy 2** : Build a Business Foundation Linked to Business Strategies
- **Policy 3** : Promote Diversity and Inclusion



Performance

[Results of the 2018 Medium-Term Business Plan]

Financial	FY2018	FY2019	FY2020
Net sales (Billion yen)	205.3	208.8	168.2*1
Operating income to net sales ratio (%)	9.8	10.2	11.4
Overseas sales ratio (%)	5.9	5.3	7.0
Focused domains' sales ratio	42% on average during the period of the 2018 Medium-Term Business Plan		

[Targets and Results of the 2021 Medium-Term Business Plan]

Financial*2	FY2021 results	FY2022 results	FY2023 targets
Net sales (Billion yen)	181.2	194.3	190.0
Operating income (Billion yen)	17.6	15.2	21.5
Operating income to net sales ratio (%)	9.8	7.8	11 or higher
Overseas sales ratio (%)	9.1	11.2	9 or higher

	FY2021 results	FY2022 results	FY2023 targets
Focused domains' sales ratio (%)	48.8	49.8	+5 percentage points or higher*3
ROE (%)	22.0 (10.1)*4	7.9	10 or higher
Dividend payout ratio (%)	16.3*5	47.9	30

Non-Financial (Morinaga products in Japan)

Sustainable procurement ratio in Morinaga & Co., Ltd., products in Japan*6	FY2021 results	FY2022 results	Targets
Cacao beans (%)	9	34	100 by FY2025
Palm oil (%)	2	9	100 by FY2023
Paper (%)	98	99.9	100 by FY2022

[Targets of the 2030 Business Plan]

Financial*2	
Net sales (Billion yen)	300
Operating income to net sales ratio (%)	12 or higher
Overseas sales ratio (%)	15 or higher
Focused domains' sales ratio (%)	60

Non-Financial

Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company*7	
Ratio of employees who find their job meaningful and who are in good mental and physical health at work (%)	80*8
Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper) (%)	100*9
CO_2 emissions (%)	30 reduction*10

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 reflect retroactive application of the said accounting standard.
*2 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021.
*3 Comparison with the average during the period of the 2018 Medium-Term Business Plan
*4 Excluding the impact of extraordinary profit from the sale of cross-shareholdings
*5 35.3% when excluding the impact of extraordinary profit from the sale of cross-shareholdings
*6 Paper covers only product packaging
*7 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 ages 15–79). The Company intends to establish a vision on a global basis.
*8 Ratio of affirmative answers on the employee awareness survey
*9 Group consolidated basis; paper covers only product packaging
*10 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

Long-Term Business Plan

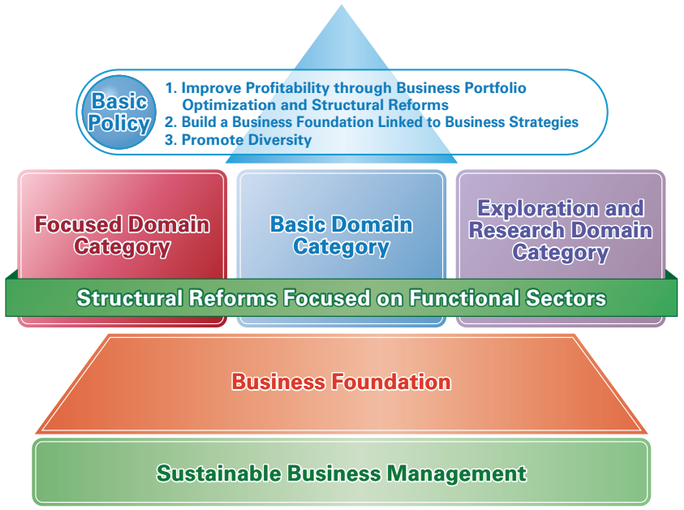
2030 Business Plan

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

2030 Vision

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

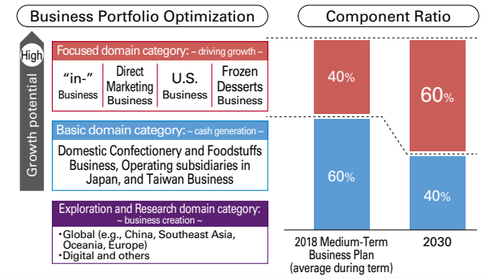
We will further evolve the reliability and technology built in our 120-year history to support people's wellness lifestyles for all generations worldwide.



As the goal of the Group's 2030 Business Plan, we formulated the 2030 Vision to outline where we intend to be in 2030. The Morinaga Group has cultivated its brand and enhanced its technical prowess during its more than 120-year history supported by the trust of customers. 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.

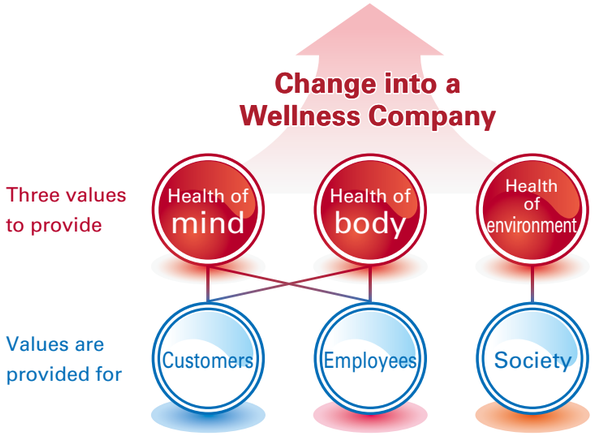
Three Basic Policies and Strategies

Policies		Strategies	
Policy 1	Improve Profitability through Business Portfolio Optimization and Structural Reforms	Concentration of Management Resources on the Focused Domains	By deploying management resources to the Focused Domains in a concentrated manner, we will drive the Group's growth.
		Stable Cash Generation from the Basic Domains	We will seek to achieve steady sales growth and enhance earnings while further increasing added value to contribute to the "health of mind" and "health of body" of our customers.
		Initiatives in the Exploration and Research Domain	Creating new businesses and incorporating them into our business portfolio looking toward 2030 and beyond
		Improving Earnings Power through Structural Reforms Mainly Targeting Functional Sectors	Implementing structural reforms mainly targeting procurement, manufacturing, logistics, and sales sectors to prepare for various management risks, aiming to further increase earning power
Policy 2	Build Business Foundation Linked to Business Strategies	Human Resources Strategy	Enhancing human resources management from a global standpoint to realize our Purpose and 2030 Vision
		R&D Strategy	Evolving highly competitive and important technologies to underpin the growth of the Focused Domains, while also creating new value
		Financial Strategy	Increasing corporate value by implementing management that is fully aware of the capital costs in a sustainable manner
		DX Strategy	Strategically introducing and utilizing digital technologies to strengthen the management foundation and business competitiveness
Policy 3	Promote 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	



Provision of "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." We aim to become a company that continuously creates the three values of "health of mind," "health of body," and "health of environment" for the three stakeholders of customers, employees, and society.



Customers × "Health of Mind" and "Health of Body"

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

Employees × "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 × "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 processes 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 enjoy the foods we make.

2021 Medium-Term Business Plan

In the final year of the 2021 Medium-Term Business Plan, we will continue to respond to rapid changes in the operating environment, such as soaring raw materials prices, and strategically implement growth investments, with the aim to achieve record high net sales for the third consecutive year and achieve a V-shaped recovery in operating income.



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



Looking Back on FY2022

Result

In FY2022, growth carried over from the previous fiscal year led by the focused domains of the "in-" business and the U.S. business, and we set a record high for net sales* for the second consecutive year. On the other hand, although operating income declined year on year due to the impacts of soaring raw materials and energy prices and strategic advertising investments, we were able to absorb costs of more than 6.5 billion yen thanks to price revisions and the effect of increased sales.

*Accounting Standard for Revenue Recognition applied retrospectively

Issues and Looking Ahead

In the focused domains, we will continue to concentrate management resources, as we seek out greater growth led by the U.S. business. In the basic domains, we will continue to develop products that capture changes in consumption styles following the recovery from the COVID-19 pandemic and strengthen our efforts to reduce costs through structural reforms. We will explore possibilities for inorganic growth, including new business ventures, and continue to develop new products that contribute to "health of mind" and "health of body" of consumers to grow net sales and increase profitability.

At the same time, to further grow our overseas business, we will extend the reach of *HI-CHEW* in areas such as Taiwan, China, and Oceania, as well as explore and expand the potential for jelly drinks and other products.

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

Furthermore, by actively allocating management resources to personnel, R&D, and DX, we will strengthen the business foundation of the entire Morinaga Group and promote business strategies.

		What We Are Aiming for in 2030	Key Measures	Details
Focused Domains	"in-" business	Aiming to become the No. 1 brand among foods supporting "health of mind and body" centering on sports	❶ Growth of *in Jelly* products ❷ Growth of *in Bar* products ❸ Create new foods leveraging the "in-" brand	pp. 34–35
	Direct marketing business	Evolving into a healthcare business supporting the realization of customers' wellness	❶ Evolve existing businesses using digitalization ❷ Create new businesses using the foundations cultivated in the direct marketing business	pp. 36–37
	U.S. business	Growth of the U.S. business by expanding the *Hi-CHEW* brand and creating a jelly drink market	❶ Further accelerate the growth of the *HI-CHEW* brand ❷ Create a jelly drink market and explore the potential for wellness domain products	pp. 38–39
	Frozen desserts business	Stably expanding the frozen desserts business by concentrating on differentiated products that exploit our confectionery technologies	❶ Evolve freshness marketing for the *Jumbo* group of products ❷ Acquire customers in peripheral markets and create new markets using technological advantages	pp. 40–41
Basic Domains	Confectionery business	Changing the category portfolio so as to build a high revenue base	❶ Improve chocolate business profitability and increase net sales ❷ Stimulate demand through invigoration of the candy market ❸ Further increase demand in the biscuit market	pp. 42–43
	Foodstuffs business	Shifting from "article-of-taste brands" to "health-oriented brands"	❶ Establish *Morinaga Amazake* as a health-oriented brand ❷ Establish *Morinaga Cocoa* as a health-oriented brand	
Functional Sectors	Procurement sector	Beating the labor shortage and establishing a powerful profit structure to allow us to compete around the world	[Procurement] Control the rising raw materials expense ratio by reviewing product specifications [Manufacturing] Change over to smart factories using digitalization [Logistics] Control rising logistics costs with an eye toward hub optimization [Sales] Optimize sales bases and improve productivity looking ahead to future market changes	Manufacturing pp. 46–47
	Manufacturing sector			
	Logistics sector			
	Sales sector			
Business Foundations	Human resources strategy	Establishing a powerful management foundation to support the business strategies to increase corporate value over the medium to long term	[Human Resources] Establish and execute plans to maximize human capital [R&D] Provide cross-functional support for business strategy by creating new value centering on technology [DX] Reform business activities using digitalization and continually improve profitability [Finance] Explore the optimal capital structure, strengthen the investment management system, and increase shareholder returns aimed at the promotion of capital cost management	Human Resources pp. 49–51 R&D pp. 44–45 DX p. 48 Finance pp. 29–33
	R&D strategy			
	DX strategy			
	Financial strategy			

Key Measures in FY2023

Focused Domains

In the "in-" business, we will accelerate growth of *in Jelly* by further expanding drinking scenes and targets. In response to various health needs, we will expand and strengthen the "in-" brand.

In the direct marketing business, we will work to expand existing businesses centered on *Oishii Collagen Drink* and *Oishii Aojiru*, which is growing dramatically as the second pillar, and explore new possibilities such as overseas expansion of collagen drinks and expansion of foods offered at Morinaga Direct Store.

To further grow the U.S. business, we will expand the regions where *HI-CHEW* is sold, develop brand-new products to acquire new customers, engage in aggressive marketing activities, and expand production lines. We will also accelerate our efforts to create a jelly drink market for *Chargel*.

In the frozen desserts business, we will work to further improve the quality of *Choco Monaka Jumbo* and strengthen marketing activities for *Vanilla Monaka Jumbo*. In addition, we will continue to focus on developing products such as *Ita Choco Ice* and *The Crepe*.

Basic Domains

In the confectionery business, we will strengthen marketing activities under major brands such as *HI-CHEW*, *Morinaga Ramune*, and *Morinaga Biscuits*, taking advantage of increased demand for confectioneries and the recovery of inbound tourism demand due to the easing of travel restrictions, with the aim of increasing the ratio of sales in the relatively profitable candy and biscuit categories.

In the foodstuffs business, we will continue to develop *Morinaga Cocoa*'s lineup of products with functional claims and develop measures to promote drinking opportunities to establish *Morinaga Cocoa* as a health beverage.

Structural Reforms Focused on the Functional Sectors

The Procurement Sector will continue to enhance our efforts to lower costs and improve profitability in response to soaring raw material costs.

In the Manufacturing Sector, we will expand the changeover of smart factories to all the factories in Japan to ensure stable operation and operational efficiency.

In the Logistics Sector, we will relocate bases in the Tokyo metropolitan area to improve the efficiency and stability of transportation and delivery.

The Sales Sector will continue to work on promotions under the keyword "wellness" tailored to the characteristics of each retailer type.

Building a Strong Management Foundations

In terms of human resources strategy, we will pursue human resources development and foster an organizational culture through succession planning and the development of specialized human resources, as well as promote diversity and inclusion by encouraging self-sustaining career development and utilizing senior human resources.

In terms of R&D strategy, we will accelerate research to change into a wellness company. This includes strengthening our R&D capabilities in the United States, stepping up development in the wellness field, and creating new value by launching new development methods. At the same time, we will build an intellectual property strategy to utilize the outcomes of R&D.

As for DX strategy, we will introduce core IT systems to enhance consolidated business management and rebuild product database systems to evolve product development operations.

In terms of financial strategy, we will enhance our ability to generate funds through ROIC management and financial measures, while also increasing growth investments and shareholder returns.

Value Creation Strategy

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Message from the CFO

Toward 2030

We will sustainably increase corporate value and achieve stable, consistent shareholder returns by pursuing capital cost management.



Tetsuya Takagi
Chief Financial Officer
Director,
Senior Executive Officer

Progress of the 2021 Medium-Term Business Plan (2021–2023)

Business growth in the focused domains defined in the 2030 Business Plan was a key driver in our record high net sales*. We are working to restore profitability to respond to changes in the business environment symbolized by soaring raw materials and energy prices.

Under the 2021 Medium-Term Business Plan (MTBP), the Group is working diligently to “Build a New Foundation for Dramatic Growth.” In FY2022, the second year of the plan, we achieved record high sales* for the second consecutive year, driven by business growth in the focused domains as defined in the 2030 Business Plan, our long-term management plan. Sales in the focused domains accounted for approximately 50% of total net sales, and the rapid growth of overseas businesses, mainly in the United States, helped push the overseas sales ratio to double digits for the first time. In terms of net sales, we expect to achieve the target set in the 2021 Medium-Term Business Plan.

While we have made steady progress with the transformation of our business portfolio, our current profitability has declined due to soaring prices of raw materials and others and increased investment burdens for future business growth. Raw materials prices are expected to remain elevated over the medium term, and based on this assumption, we will implement flexible and appropriate price revisions and increase cost reductions, expense efficiency, and investment efficiency to improve profitability.

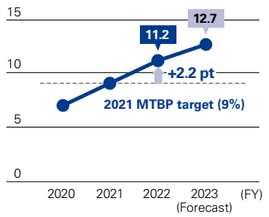
By steadily implementing these initiatives and various measures based on our financial strategy, we aim to restore ROE to 10%, which is a target for the final year of the 2021 Medium-Term Business Plan.

*Accounting Standard for Revenue Recognition applied retrospectively

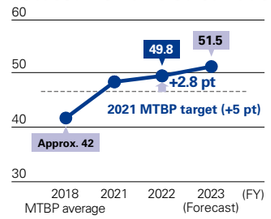
KPIs in the 2021 Medium-Term Business Plan

	FY2022	FY2023	
	Results	Plan	Forecast
Net sales	**194.3 billion yen**	**190.0 billion yen**	**204.0 billion yen**
Operating income	**15.2 billion yen**	**21.5 billion yen**	**17.3 billion yen**
Operating income to net sales ratio	**7.8%**	**11%** or higher	**8.5%**
Overseas sales ratio	**11.2%**	**9%** or higher	**12.7%**
Focused domains sales ratio	**49.8%**	**47%** or higher	**51.5%**
ROE	**7.9%**	**10%** or higher	**10.0%**

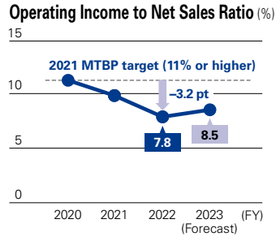
Overseas Sales Ratio (%)



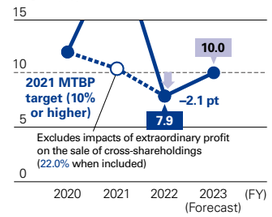
Focused Domains Sales Ratio (%)



Operating Income to Net Sales Ratio (%)



ROE (%)



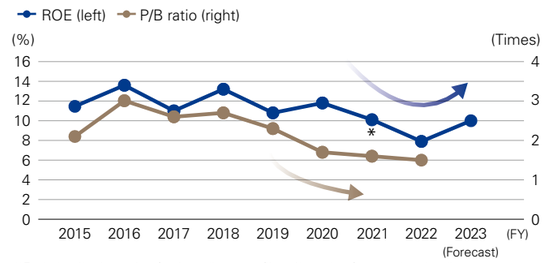
Morinaga Group’s Financial Challenges

We recognize that sustainably increasing corporate value is the most important challenge facing the Group financially.

Price-to-book ratio (P/B ratio) is one of the indicators used to evaluate corporate value from the perspective of the capital markets. Looking at the Group’s medium- to long-term trend, our P/B ratio has been on a downward trend since FY2018 and has been at a level of about 1.5 times as of the end of FY2022. We are aware that the Group’s growth potential has not been adequately evaluated by the capital markets.

On the other hand, return on equity (ROE), which is an indicator of return on capital, had been trending at 10% or more until FY2021, but it had been on a downward trend since FY2020 due to rapid changes in the external environment, such as the impact of the COVID-19 pandemic and soaring prices of raw materials. In the Group’s case,

Trend in P/B Ratio



*Excludes the impacts of extraordinary profit on the sale of cross-shareholdings

Financial Capital Strategy

the correlation between P/B ratio and ROE is relatively strong, and we believe that it is important to increase ROE to enhance corporate value in the future.

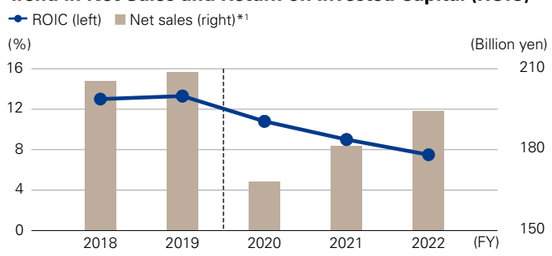
To increase corporate value, it is important to improve return on capital and optimize the cost of capital.

We believe that to improve ROE we need to pursue both 1) improvement return on capital and 2) optimization of the cost of capital. For the former, under ROIC management, the optimization of the business portfolio, the improvement of business profitability, and the efficiency of invested capital and similar factors, pose challenges. With regard to the latter, while ensuring financial security, we will adjust the weighted average cost of capital (WACC) to around 6% to attain an optimal capital structure by expanding the use of interest-bearing debt.

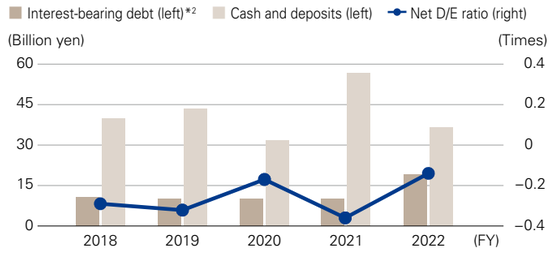
Through initiatives to resolve these challenges, we will strive to sustainably enhance corporate value and provide stable, consistent shareholder returns.

Financial Challenges	● Sustainably enhance corporate value by improving return on capital and optimizing the cost of capital ● Provide stable, consistent shareholder returns

Trend in Net Sales and Return on Invested Capital (ROIC)



Trend in Financial Leverage



*1 Since the Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021, the figures for results in FY2020 used for year-on-year comparisons have been calculated following retrospective application of said accounting standard.
*2 Interest-bearing debt represents liabilities on the consolidated balance sheet, excluding lease obligations, for which the Company pays interest.

Framework of Financial Strategy

To realize the sustainable enhancement of corporate value, we will practice capital cost management.

The Morinaga Group's basic policy is to increase corporate value sustainably and achieve stable and continuous 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 following the three main financial strategies outlined below.

Strategy 1	Improve business growth potential and capital efficiency using ROIC management
Strategy 2	Streamline capital cost by ensuring financial security and creating an optimal capital structure
Strategy 3	Increase shareholder returns

Strategy 1 Improve business growth potential and capital efficiency using ROIC management

- Business portfolio management
- Allocate cash and prioritize domains for investment
- Use the ROIC tree to improve capital efficiency and implement PDCA management
- Clarify decision-making criteria for investments based on capital cost

Strategy 2 Streamline capital cost by ensuring financial security and creating an optimal capital structure

- Secure funds to address risks and manage financial security
- Pursue an optimal capital structure
- Optimize capital cost levels (WACC)
- Manage capital efficiency indicators (ROE and ROIC)
- Secure funding methods (preparatory funds for investment and working capital)

Implement capital cost management

Strategy 3 Increase shareholder returns

- Provide stable and consistent shareholder returns
- Increase the medium- to long-term DOE level
- Buy back shares flexibly with an awareness of the total shareholder return ratio

Financial risk management | Financial governance | Cash management

Strategy 1 Improve business growth potential and capital efficiency using ROIC management

We are strengthening the system of ROIC management from three perspectives.

The Morinaga Group is strengthening its system of implementing ROIC management according to the three perspectives of **1) corporate**, **2) business operations**, and **3) management of individual investments**. The commonality of these three perspectives is whether we can generate returns in excess of capital cost. We will make management-level decisions based on financial assessments, as well as non-financial elements, and implement the PDCA cycle to increase growth potential and capital efficiency.

ROIC management

1. Corporate perspective
   - Company-wide financial target management
   - Business portfolio optimization
2. Business operation perspective
   - Business-specific capital efficiency management
3. Individual investment management perspective
   - Profitability management for individual investments

Commonality of basic perspectives

Whether we can generate returns in excess of capital cost (value creation)

Financial management perspective

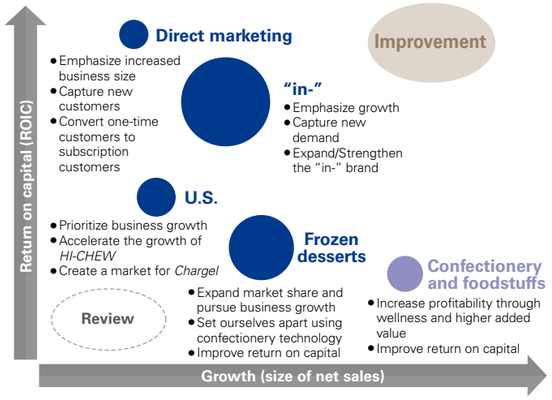
1	Whether the Company as a whole can achieve capital efficiency targets Company-wide ROIC target = Σ business-specific ROIC > WACC
2	Whether each business can achieve business-specific ROIC targets Business-specific ROIC > Business-specific hurdle rate In case of gaps, the strategy will be adjusted based on rolling reviews
3	Whether individual investments clear our investment criteria Implement regular investment payback reviews (PDCA cycle)

We will clarify our strategy according to the business and brand mission and aim to form an optimal business portfolio.

Regarding ROIC management from a corporate perspective, we analyze ROIC and its components for the entire company and each business, and check whether it exceeds the cost of capital (WACC). In addition, we will confirm the key points for strengthening the growth potential and return on capital of each business and each market category, and consider the mission, transformation, and optimal allocation of management resources in the business portfolio.

In FY2022, we proceeded with discussions on business strategies for growth, focused on the four businesses that were designated as focused domains in the 2030 Business Plan at the Business Execution Meeting. In the confectionery and foodstuffs business, which has a relatively large amount of invested capital, we are considering strategies and measures to improve the efficiency of this invested capital.

Direction of Business Portfolio Growth/Transformation (Sample Image)



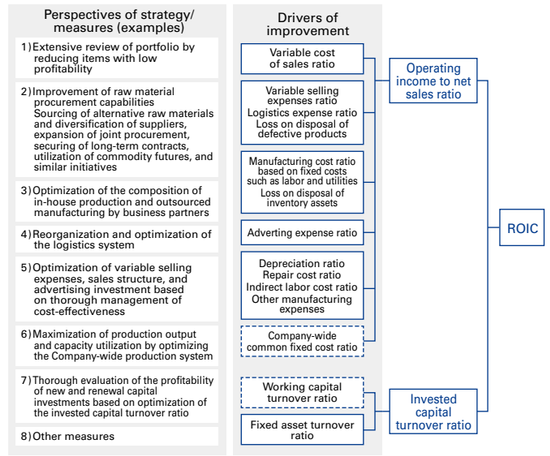
Note: The size of the circle indicates the scale of net operating profit after tax (NOPAT).

We will increase return on capital of our businesses utilizing the ROIC tree.

Regarding ROIC management from the perspective of business operations, management and the divisions in charge use the ROIC tree for each business to identify problem areas that will lead to improvements in return on capital, and they consider strategies and measures to solve these issues. From the formulation of the FY2023 budget, we have started to inspect the budget level based on the ROIC tree, which will lead to continuous improvement activities using the PDCA cycle in the future. In addition, to instill ROIC management down to the frontline level, we are promoting understanding of the concept of ROIC management and the relationship between frontline activities among all employees using our own video-based teaching materials.

Regarding the third perspective, individual investment management, in FY2022 we revamped our investment management system, including the investment evaluation method, decision-making process, and investment review process. We are now working to strengthen the foundation for capital cost management.

Reverse the ROIC Tree



Financial Capital Strategy

Strategy 2 Streamline capital cost by ensuring financial security and creating an optimal capital structure

On the premise of maintaining our financial security with our credit rating at "A"* or higher, we will optimize the cost of capital by utilizing financial leverage.

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 increases in management risks. Furthermore, our basic rule is to maintain a Japan Credit Rating Agency, Ltd. (JCR), credit rating of "A" or above as a benchmark for financial security.

Moreover, referencing financial guidance for funding to satisfy demand, we will aim for an optimal capital structure holistically considering appropriate levels of cash on hand, capital cost, funding conditions, and other factors.

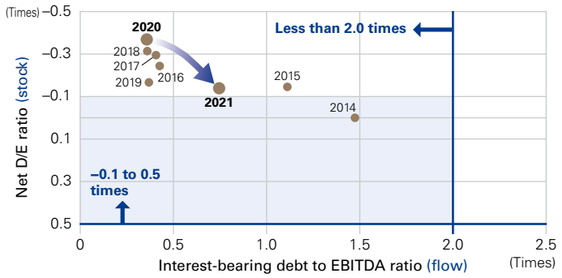
In FY2022, excessive cash on hand was one of the factors behind the decline in return on capital. Therefore, we significantly reduced the net cash balance while taking financial security into consideration (from 46.6 billion yen at the end of FY2021 to 17.3 billion yen at the end of FY2022). We will continue to optimize capital costs by making adjustments to reach our optimal capital structure.

*Credit rating of Japan Credit Rating Agency (JCR)

Financial Indicators	Guidance
Japan Credit Rating Agency, Ltd. (JCR), rating ●Cash on hand ●Net D/E ratio ●Interest-bearing debt to EBITDA ratio	**Maintain at "A" or above** ●2 or more months' sales ●Between -0.1 and 0.5 times ●Less than 2.0 times

Trend in Financial Position

Note: Years in this graph indicate fiscal years



Strategy 3 Increase shareholder returns

During the 2021 Medium-Term Business Plan, we significantly increased shareholder returns. We will continue to sustainably enhance corporate value and aim for stable, consistent shareholder returns.

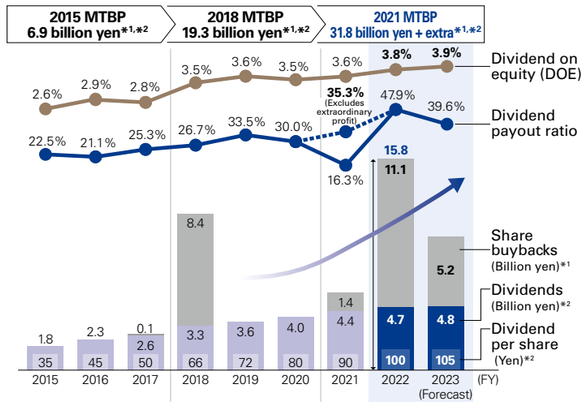
The Morinaga Group's basic policy is to offer stable and consistent shareholder returns backed by a solid business foundation.

As for shareholder returns, we will seek to raise the dividend on equity (DOE), an indicator of capital policy, over the medium to long term while considering a dividend payout ratio level and free cash flow and ensuring a healthy balance sheet.

In addition, we will consider prompt approaches to share buybacks as needed with an eye toward the total shareholder return ratio.

In FY2022, we provided our largest ever shareholder returns of 15.8 billion yen, comprising the year-end dividend of 4.7 billion yen and share buybacks of 11.1 billion yen. During the 2021 Medium-Term Business Plan (2021–2023), we expect to achieve shareholder returns of more than 31.8 billion yen, which is substantially higher than planned.

Trend in Shareholder Returns



*1 Data covers the acquisition amount during the relevant accounting period (for FY2023, the amount acquired up until May 16, 2023).
*2 Data indicates the amount of appropriation of surplus for the relevant accounting period.

Financial Indicators	Guidance
Dividend on equity (DOE)	**4.5% or more (target for FY2030)**
Share buyback amount	**Establish based on the investment and capital plan in the Medium- to Long-Term Business Plans**

Share Buybacks Completed during the 2021 Medium-Term Business Plan*3

Resolution date	Acquisition date	Amount	Method
February 28, 2022	October 25, 2022	9,999,887,500 yen	Market purchases
February 10, 2023	February 14, 2023	2,486,250,000 yen	ToSTNet-3
May 11, 2023	May 16, 2023	5,256,900,000 yen	ToSTNet-3

*3 Data up to the share buybacks completed on May 16, 2023

Approach to Cash Creation and Cash Allocation Based on Financial Strategy

We will enhance our ability to generate cash through ROIC management and financial measures and strengthen growth investment and shareholder returns.

During the 2021 Medium-Term Business Plan (2021–2023), in addition to generating EBITDA in a relatively stable manner, we procured funds through various means, including the issuance of sustainability bonds and the significant reduction of cross-shareholdings.

At the same time, we revisited our cash allocation. This included the contribution of additional funds to our retirement benefit trust, capital investment that prioritizes investment in focused domains and building a business foundation, investments in intangible assets, and shareholder returns that substantially exceeded our plan. As a result, we have significantly adjusted our net cash position to improve return on capital.

Looking ahead, during the 2024 Medium-Term Business Plan (2024–2026), we will promote ROIC management and optimize capital costs, while considering further increasing growth investment and shareholder returns.

3-year cumulative forecast under the 2021 Medium-Term Business Plan (2021–2023)		Future approach	
Operating cash flow	Generate operating cash flow of 55 billion yen–60 billion yen*1 over the three-year period •EBITDA comparatively stable	**ROIC management**	▸**Strengthen management of capital efficiency indicator (ROE and ROIC) targets** ▸**Optimization of business portfolio** •Clarify key points to strengthen each strategy unit ▸**Improvement of capital efficiency of each business** •Utilize the ROIC tree to identify issues and conduct continuous improvement activities using the PDCA cycle ▸**Strengthening of profitability management for individual investment**
Financial measures	❶Sustainability bond issuance (+9 billion yen) •Allocated to the reconstruction of the Morinaga Shibaura Building with ZEB Ready certification ❷Renewal of long-term loans •Access to funds for medium- to long-term investments in a low interest rate environment ❸Contributions to the employee retirement benefit trust (–5.0 billion yen) •Early resolution of the unfunded portion and increased return on capital ❹Reduction of cross-shareholdings (25.0 billion yen*2 or more) •Ratio of cross-shareholdings (market value) to consolidated net assets fell sharply from 29% to 8% Began adjusting leverage to achieve an optimal capital structure	**Secure financial security** **Adjust to an optimal capital structure (Optimize capital cost)**	▸**JCR rating of "A" or above** •Consider performance fluctuation risk and financial leverage level ▸**Utilize interest-bearing debt to achieve an optimal capital structure** •Consider raising interest-bearing debt within financial guidance levels •Secure cash on hand at two or more months' of sales ▸**Promote asset-light operations** •Further reduce cross-shareholdings •Divest and dispose of unnecessary business assets and non-business assets
Cash allocation	**Capital investments: approx. 49.0 billion yen (+4.0 billion yen vs. plan)** •Prioritizing investments in focused domains and building a business foundation, while also addressing the aging of facilities **Intangible investments: Increase advertising and R&D spending vs. plan** •Strategic advertising investment centered on focused domains •Increase R&D spending to create new customer value •Start DX investment mainly for business efficiency **Shareholder returns: 30.9 billion yen*3 +extra (+18.9 billion yen vs. plan)** •Provided shareholder returns greatly exceeding the 2021 Medium-Term Business Plan •Increase dividends for the eighth consecutive year •Share buybacks totaling more than 17.7 billion yen •Cancel treasury stock up to about 2% of the total number of issued shares	**Proactive investments in growth** **Further increase shareholder returns**	▸**Full shift to "investments in growth" centered on focused domains** ▸**Increase and enhance investments in intangible assets and non-financial capital** •Continue strategic advertising investment centered on focused domains •Increase R&D investment See pp. 44–45 •Full-scale DX investment (e.g., core system renewal) See p. 48 •Strengthen human capital investment See pp. 49–51 ▸**Flexible response to strategic M&A opportunities (cash and investment)** ▸**Increase DOE over the medium to long term** •DOE of 4.5% or higher (around FY2030) ▸**Continue flexibility in share buybacks** •Consider investment capital needs, financial leverage level, and other factors, with an awareness of the total shareholder return ratio

*1 Amount after deducting the effects of contributions to the employee retirement benefit trust from operating cash flow
*2 Total amount for FY2021 and FY2022
*3 Total amount of dividend payments and share buybacks between April 2021 and March 2024 (shares bought back up to May 16, 2023)

Aiming to Increase Corporate Value Still Further

From FY2022 onward, we are focusing on "capital cost management" in order to realize the 2030 Business Plan, which is the Group's long-term business plan.

To help investors understand these initiatives, we have been actively engaged in IR activities, such as enhancing segment information in disclosures, switching the timing of financial results briefings and provision of materials to a quarterly basis, holding theme-specific IR Days, increasing the number of small meetings and individual IR interviews, and strengthening dialogue with overseas investors through overseas IR and conferences. We will utilize the valuable opinions received through these IR activities and dialogue with stakeholders in our management activities to continue to increase corporate value in a sustainable manner.

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused Domain

“in-” Business



Minoru Sato
Executive Officer
General Manager of Health Marketing Division
Marketing Headquarters

What we are aiming for in 2030

Aiming to become the No. 1 brand among foodstuffs supporting “health of mind and body” centering on sports

[Initiatives for target achievement]

We are expanding and strengthening the “in-” brand in response to health needs by extending the targets and growing awareness of drinking situations.



in Jelly



in Bar

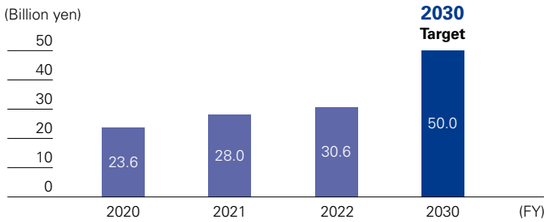
Awareness of the Business Environment and Business Overview

Since the launch of *in Jelly* in 1994, the Group has created a new food culture of replenishing nutrition easily on the go. Amid the changing social dynamics of women’s greater participation in society, the aging society, and an increase in the number of people living alone, people’s awareness and interest in health spiked during the COVID-19 pandemic, which is a trend that is expected to continue. Also, with the concept of a work-life balance penetrating society, people are spending more time on their hobbies and entertainment, and as a result, consumers are looking for ways to simplify food and prepare meals quicker.

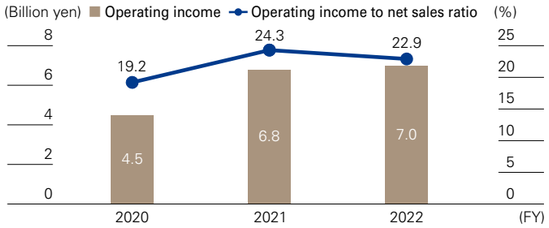
Given this environment, demand is growing for jelly drink products and food products with balanced nutrition that provide or restrict nutritional elements related to health issues easily, and the jelly drink market in Japan is forecast to grow to 89.4 billion yen in 2025,* marking a 10% increase over FY2022.

In FY2022, net sales of the “in-” business totaled 30.6 billion yen, up 9% compared with FY2021. Operating income rose 200 million yen year on year to 7.0 billion yen amid strong sales, which helped to offset soaring raw materials prices and aggressive spending on advertising.

Net Sales



Operating Income



*Pouch-type Jelly Drink Market (2022 sales estimates and 2025 sales forecast) according to the *2023 Processed Foods Marketing Data Book No. 4* by Fuji Keizai

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 of 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.

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 drinking situations of core products (e.g., *in Jelly Energy*)
- Respond to new needs and targets

Growth of “in-” Brands

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

We have established a vision for the “in-” brand for 2030 (see figure at bottom left), under which we will continue to evolve the brand for the greater provision of health value.

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 “in-” Business in the 2021 Medium-Term Business Plan

	Basic Strategies	Details
1	Growth of *in Jelly* Products	● 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 the target age group (e.g., children, seniors) and drinking situations
2	Growth of *in Bar* Products	● Address diversifying and growing needs for protein ● Address sports performance and muscle building (high protein) and health maintenance (replenish protein and manage carbohydrates)
3	Creation of New Brands	● Begin initiatives to create future foods by taking advantage of the “in-” brand

Status of Efforts in FY2022

The jelly drink market continued to grow steadily in FY2022, up 16%* over the previous year. As a result, *in Jelly* continued to perform well even after the price revisions implemented in December 2022. In response to changes in lifestyles during the COVID-19 pandemic, we are continuing to address the need for nutritional replenishment and health maintenance when losing appetite, as well as for drinking situations such as snacking between meals, at work, or when studying. As a result, net sales in FY2022 reached a record high. We will continue to respond to changes in the environment and focus on initiatives to expand drinking situations and targets.

As for *in Bar*, we revised the product lineup, including the launch of new products, but the competitive environment continued to intensify amid the diversification of protein intake methods, resulting in weaker performance year on year. The needs for protein intake and simplifying foods are expected to grow, and we will strengthen the communication of product value in both products and promotions to create demand. In particular, a commercial featuring Lars Nootbaar, who represented Japan at the World Baseball Classic in 2023, created a great deal of buzz, and we are working to grow sales of *in Bar* further capitalizing on this opportunity. We will continue to promote initiatives for the creation of new brands under such themes as developing products that can provide nutrition in new forms and creating the advanced food products of the future.

*INTAGE SRI+ Pouch-type Drink Market (estimated cumulative sales amount from April 2022 to March 2023)



TV commercial “A competitor’s drive” for the “in-” brand



TV commercial “Eat, Nootbaar” for *in Bar Protein*

Becoming a Wellness Company

Through the “in-” business, we have been accumulating know-how of nutrition and physique building by supporting nutrition and training based on sports science, which forms the foundation of the “in-” brand. The Morinaga “in” Training Lab, a training facility exclusively for top athletes operated by Morinaga & Co., Ltd., explores cutting-edge sports science, nutrition, psychology, and other fields to study body mechanisms, training, and necessary nutrition. Utilizing the know-how accumulated there and our unique food processing technology, we will meet the needs of customers looking for delicious and healthy eating habits, from top athletes to general consumers.

Furthermore, with the aim of providing health value to customers through the “in-” brand, we are working to further improve the nutritional aspects of existing products, such as fortifying *in Jelly Fruit Texture* products with one serving* of multivitamins (12 vitamins).



The Morinaga “in” Training Lab featuring training facilities exclusively for top athletes



in Jelly Fruit Texture Peach



in Jelly Fruit Texture Melon

*One serving is based on the nutrient labeling standard value.

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 a healthcare business supporting customers' wellness realization.

[Initiatives for target achievement]
We supply delicious functional foods directly and continuously to customers.



Oishii Collagen Drink

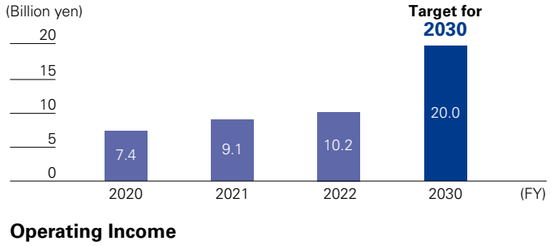
Oishii Aojiru

Awareness of the Business Environment and Business Overview

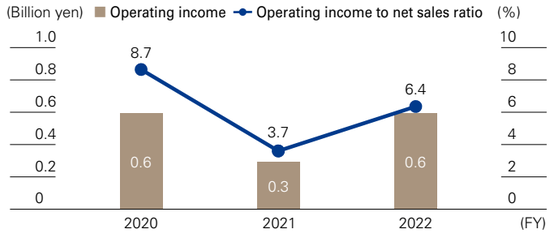
The Morinaga Direct Store supports the wellness lifestyle of every customer through the direct delivery of foods for health and beauty such as collagen drinks. The size of the direct market for health products in FY2021 was 642.5 billion yen*1, reaching 119% growth over the past five years. The market is growing steadily following increased consumption through online direct sales and rising health awareness because of the COVID-19 pandemic.

Against this backdrop, sales of the direct marketing business in FY2022 totaled 10.2 billion yen, up 13% year on year, owing to strong sales at the Morinaga Direct Store, centered on *Oishii Collagen Drink*. Operating income increased by 300 million yen from the previous year to 600 million yen. The number of new subscription customers increased buoyed by proactive advertising, even though we revised the prices of five drinks*2, including *Oishii Collagen Drink*, in response to soaring raw materials prices and energy costs. Net sales of our direct marketing business have continued to grow for 18 consecutive years. For FY2022, we topped the market average*3 of 1% year-on-year decrease.

Net Sales



Operating Income



*1 Source: H.B. Foods Marketing Handbook 2023, Fuji Keizai *2 *Oishii Collagen Drink Peach, Oishii Collagen Drink Lemon, Oishii Collagen Drink Premio, Oishii Aojiru,* and *Passienol Drink*
*3 Japan Direct Marketing Association: Direct Marketing Sales of "Health Food Products"

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 for us to contribute to "health of mind and body" through food, and as such, it is important to enhance the customer experience (CX). We are visualizing customer behavior and emotions through data that we collect from various contact points—from product recognition to aftercare—to implement product design and customer service 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 develop and provide products that best support the health of customers.

Initiatives in the 2021 Medium-Term Business Plan

In addition to establishing the Customer Experience Management (CXM) Promotion Office, we will utilize customer data to maximize the value we provide to customers. On top of that, we will promote the following basic strategies.

Basic Strategies for the Direct Marketing Business in the 2021 Medium-Term Business Plan

	Basic Strategies	Details
1	Evolution of existing businesses	● Expand business using a regular direct marketing sales model centered on *Oishii Collagen Drink* ● Develop new collagen products with functionality ● Maximize customer experience (CX) value through the provision of services tailored to individuals with digital marketing
2	Creation of new businesses	● Create new businesses using the customer base cultivated in the direct marketing business

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

Status of Efforts in FY2022

Oishii Collagen Drink posted the top sales in the collagen drink market for the sixth consecutive year*1, and *Oishii Aojiru*, a candidate for the second pillar of sales after *Oishii Collagen Drink*, also performed well with sales growing at a CAGR*2 of 164% over the previous five years. Sales of *Hizakaru Collagen*, a food with functional claims that contains ingredients supporting the improvement of knee movement, have been steadily increasing, too, due to an increase in the number of new subscription customers. We are now working to further cultivate markets for this product.

Regarding product quality, based on our subscription customers' requests, we changed to a plant-based sweetener in two collagen drink products. For five drinks, we changed to straws made of environmentally friendly biomass plastic.

In addition, in the direct marketing business, we are working to improve CX by regularly surveying customers to gauge and deepen their understanding. In November 2022, we redesigned our website and IT systems to improve customer convenience. We changed the website to make it easier for customers to find the information they need and to carry out various procedures such as changing an order.

In addition, we value our connection with customers through meetings to interact with fans and other means. By regularly listening to the real voices of customers and reflecting them in product development, we aim to further improve satisfaction.



Top screen of the redesigned website of the Morinaga Direct Store



Hizakaru Collagen



Fan meeting

*1 Source: H.B. Foods Marketing Handbook 2018–2023, Fuji Keizai (Category for beauty-oriented products and collagen products/2016–2021 results)
*2 Compound annual growth rate

Becoming a Wellness Company

Oishii Collagen Drink Peach and *Oishii Collagen Drink Lemon* were revamped in July 2023 as foods with functional claims that specifically market four functions* by adding "functions that maintain skin elasticity and improve skin health for those who are concerned about dry skin due to aging." We will continue with basic research of collagen ingredients and provide new value to customers in accordance with science-based evidence.

To make the Morinaga Direct Store more appealing, we will take on the challenge of expanding the range of products we sell in addition to health foods centered on collagen drinks. Specifically, we aim to contribute to the "health of mind and body" of our customers by developing and selling products in two domains: high-value-added products that make maximum use of the Group's brands and technologies, and foods good for the body that contribute to health and beauty in daily meals.



Oishii Collagen Drink Peach

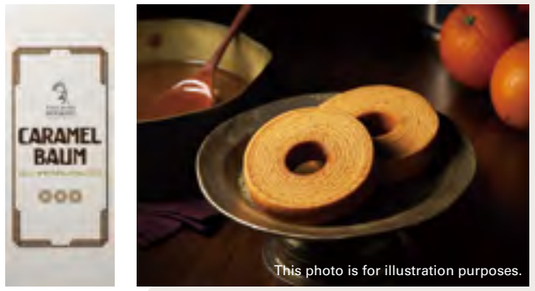


Oishii Collagen Drink Lemon

*Collagen peptide functions:

1) Retains moisture and enhances the moisturizing ability of the skin for those concerned about dry skin (research report)
2) Supports daily activities limited by discomfort in the knee joint (research report)
3) Maintains the elasticity of the skin of those concerned about dryness due to aging, making it useful for skin health
4) Supports bone formation

Unlike Food for Specified Health Uses, this product has not undergone an individual review by the Commissioner of the Consumer Affairs Agency.
This product is not intended to diagnose, treat, or prevent any medical conditions.
People should eat a well-balanced diet based on staple foods, main dishes, and side dishes.



TAICHIRO MORINAGA Caramel Baumkuchen released exclusively at the Morinaga Direct Store as a high-value-added product

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 drink market.

[Initiatives for target achievement]

We will make progress by improving the loyalty of *HI-CHEW* customers, establishing a global supply system, and expanding the food experience and recognition of *Chargel*.



HI-CHEW

Chargel

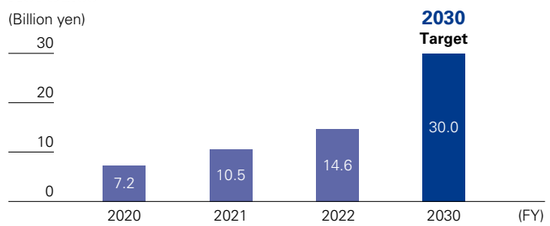
Awareness of the Business Environment and Business Overview

While the U.S. economy remains uncertain amid inflation caused by soaring raw materials and energy prices and labor shortages, the U.S. candy market is growing strongly. Both the distribution ratio and retail store turnover of *HI-CHEW* in the United States are performing well thanks to the expanded product lineup and various sales measures. Sales growth in the United States has made a significant contribution to earnings, and in FY2022, the overseas sales ratio reached 11.2% for the entire year, exceeding 10% for the first time. We are making steady progress toward the target of 15% or more in FY2030 in the 2030 Business Plan, and we recognize that achieving growth in the U.S. market is one of the most important issues for the Group in our future growth strategy.

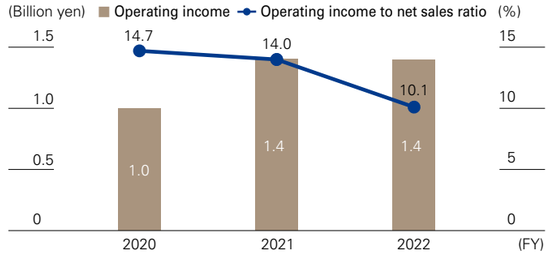
Against this backdrop, in FY2022, net sales of the U.S. business totaled 14.6 billion yen, up 39% compared with FY2021. In the 2021 Medium-Term Business Plan, we achieved our FY2023 target of 10 billion yen in net sales two years ahead of schedule in FY2021, and we significantly exceeded the previous year's results in FY2022. On the other hand, operating income declined slightly by 3 million yen from FY2021 to 1.4 billion yen* due to soaring raw materials prices, higher labor costs, and up-front marketing investment in *Chargel*.

*Includes profits relating to exports bound for the United States from China and Taiwan

Net Sales



Operating Income



Medium- to Long-Term Strategy

We have increased the distribution ratio of *HI-CHEW* across the United States since its launch, and we continue to expand contact points with customers. We intend to promote brand extension products aimed at further increasing net sales. At the same time, we will establish a global supply system to match expanded sales, collaborate with manufacturing companies, and reestablish a logistics system to ensure the steady supply structure of products.

The United States has yet to see any product such as jelly drinks, which are quite 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.

With the wellness market forecast to continue growing, we have been searching for wellness products contributing to "health of mind and body" that could be the third earning pillar. We aim to change into a wellness company also in the United States by creating a new jelly drinks market while leveraging the business foundation established with *HI-CHEW*.

Initiatives in the 2021 Medium-Term Business Plan

We have been promoting business growth based on the framework of the three basic strategies.

Basic Strategies for the U.S. Business in the 2021 Medium-Term Business Plan

Basic Strategies	Details
1 Further acceleration of *HI-CHEW*	● Expand our lineup including extension products ● Formulate plans to increase manufacturing capacity in line with sales growth
2 Creation of the jelly drink market	● Work to create markets using jelly drinks developed for the U.S. market ● Establish innovative marketing strategies
3 Exploration of third pillar of earnings	● Explore the potential of differentiated products and wellness-oriented goods

Status of Efforts in FY2022

The retail store turnover of *HI-CHEW* has remained strong even after price revisions instituted in February and November 2022 amid proactive marketing activities including partnerships with professional sports teams and sampling events to increase brand awareness and loyalty. To expand the number of *HI-CHEW* fans, we launched products with non-fruit flavors, such as *HI-CHEW Fantasy Mix*, which were well received by customers, and newly developed and launched *HI-CHEW Bites* without individual candy packaging in consideration of "health of environment."

Furthermore, as the second pillar of the U.S. business, we launched full-scale initiatives for the jelly drink *Chargel*, which was developed for the U.S. market, in February 2022. These initiatives include sampling at sporting events and strengthening advertising and PR activities to expand contact points with targets aiming at enhancing brand awareness within the sports scene.



HI-CHEW Fantasy Mix
New flavors such as *Rainbow Sorbet*, *Blue Hawaii*, and *Blue Raspberry* have been a hit with customers.

Looking at the current market share and brand recognition rate, we believe that *HI-CHEW* has the potential for even greater growth, and we will work to grow the U.S. business together with *Chargel*.

Establishing a stable supply system that can respond to the rapid sales growth in the United States is an important management challenge. In addition to our existing production lines in the United States and Taiwan, we will continue to swiftly build a production system from the ground up.



Left: *HI-CHEW*
Right: *HI-CHEW Bites*
HI-CHEW Bites were released as an extension product of the *HI-CHEW* brand. The environmentally friendly design does not package each piece of candy individually.

Becoming a Wellness Company

Candy is deeply ingrained in the daily lives of U.S. consumers, but demand for health-conscious products such as sugar-free candy is growing, especially due to the need to control weight and cut down on sugar intake.

To increase the value expected of *HI-CHEW* by customers such as real fruit taste and texture, as well as to meet a wide range of customer needs, we are expanding the product lineup to include healthier options such as *HI-CHEW Infrusions*, made only using natural flavors, and *HI-CHEW Reduced Sugar*, which contains 30% less sugar.

Chargel, which is caffeine free and provides a quick energy boost in the form of a jelly drink, is popular with customers who enjoy cycling and triathlons. We started with our own e-commerce website (https://chargel.com) and gradually began selling *Chargel* in retail stores. We will continue to actively carry out sampling events with the aim of increasing food experiences and recognition, and steadily advance toward delivering new value and creating new markets.



HI-CHEW Infrusions



Chargel
Partnering with a cycling team



Free samples of *Chargel* were provided to a junior soccer team

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused Domain

Frozen Desserts Business



Kiyoshi Kawagishi
General Manager of
Frozen Desserts 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.

[Initiatives for target achievement]

While evolving the freshness marketing of *Jumbo*, we will also acquire customers in peripheral markets and create new markets with our technological advantages.



Choco Monaka Jumbo



Ita Choco Ice

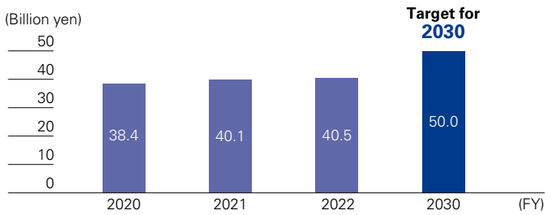
Awareness of the Business Environment and Business Overview

The frozen desserts business is expected to see market expansion due to increased opportunities for consumption by seniors, who are set to occupy a larger percentage of the population, along with rising temperatures due to global warming. Also, in addition to rising demand for convenience, consumption in the frozen foodstuffs category has been growing amid increased opportunities to eat at home owing to changes in people's lifestyles.

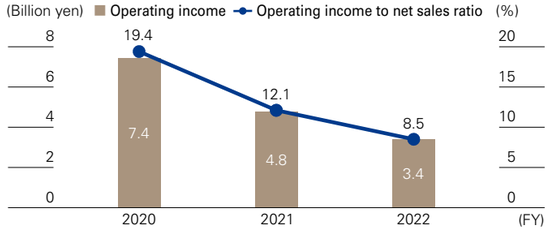
In Japan, with inflation remaining elevated against the backdrop of soaring raw materials prices, consumer inclination to save money and choose safer and more trustworthy brands is expected to increase further. In the frozen desserts business, we are concentrating management resources on our core high-quality brands and developing marketing centered on *Jumbo*, the top brand in the frozen desserts market, in an effort to efficiently generate profits.

As such, in FY2022, net sales of the frozen desserts business totaled 40.5 billion yen, a 1% increase over FY2021. However, operating income declined by 1.4 billion yen from FY2021 to 3.4 billion yen due to soaring raw materials prices and energy costs coupled with higher depreciation.

Net Sales



Operating Income



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 that set us apart from competitors and that are more like desserts, 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 foodstuffs category aimed at sustainable 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"	● Evolve the "crisp texture" representing the value of the *Jumbo* brand ● Expand the target and situations for eating the product	
2	Capturing customers from adjacent markets	● 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 the added value of products	
3	Creating new markets using product development with technological advantages	● Expand applications of Flavored Ice products for new market entry	

Status of Efforts in FY2022

For the *Jumbo* group, we launched limited edition products for winter and revamped quality for *Choco Monaka Jumbo*, which celebrated its 50th anniversary, and *Vanilla Monaka Jumbo*, and sales increased year on year thanks to the success of promotions that marketed the crisp texture. In the spring of 2023, after five years of an improvement process, we improved the quality of *Choco Monaka Jumbo* by adding a "chocolate wall*" in its making to further expand sales.

Although sales of *Ita Choco Ice* fell below the previous year's results in FY2022, we will create consumption opportunities through promotions that capitalize on quality allowing customers to fully enjoy thick and crisp chocolate and establish consistent sales throughout the year. As for *The Crepe*, which was changed over to year-round sales in FY2022, we have further pursued appealing textures and developed promotions linked to web content. We will continue to create further demand by developing unique products more like desserts that utilize confectionery technology.

For *Ice Box*, we actively promoted the product according to each customer segment, that is, appealing to the consumption situations, and in addition to the peak demand season, it captured demand in the fall and winter, with sales performing well throughout the year. In the future, we will conduct test sales of *Ice Box Otsubu for Chuhai* and take on the challenge of mixers for alcoholic beverages, and work on the development of frozen foodstuffs such as frozen hotcakes to expand the business domain.





Aired first-ever summer TV commercial "*Ita Choco Ice*" in 2022



Ice Box Otsubu for Chuhai (conducted test sales in some locations)

*A manufacturing technology that coats both sides of the ice cream with chocolate to block the gradual and small release of moisture from the ice cream, maintaining monaka wafer's crisp texture as long as possible.

Becoming a Wellness Company

With the revamping of *Choco Monaka Jumbo* in the spring of 2023, we launched the Jumbo Smile Project with the aim of creating "ice cream that makes everyone smile." We actively disseminate information on production lines and the key points that developers focus on in pursuit of crisp texture. In addition, we started sensitivity research as a new approach to delve deeper into why the *Jumbo* crisp texture is popular and find ways to make further improvements. We will continue to promote research on the emotional value brought to our customers and to pursue the crisp texture that contributes to "health of mind."

Ice Box is a product that efficiently and quickly hydrates and cools the body by using hypotonic quality* ice cubes, replenishing sodium lost in sweat. We will continue to appeal to consumption situations where the functions of *Ice Box* are useful.

In addition, *Ice Box* has supported the Heat Illness Prevention-Communication Project since 2019.

Jumbo Smile Project launched in the spring of 2023



Joint research on emotional value with Professor Watanuki of Saitama University



Ice Box Support Team of STU48. (Setouchi 48, a Japanese idol group) Marketing the water replenishment and cool down functions

*Due to the low concentration of ingredients such as sugar and sodium, the body absorbs water and ingredients quickly when humans drink after sweating.

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Basic Domain

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 to build a high revenue base.

[Initiatives for target achievement]

We will add the value of wellness to existing brands and roll out high-value-added products such as food with functional claims.



HI-CHEW



Morinaga Milk Cocoa

Awareness of the Business Environment and Business Overview

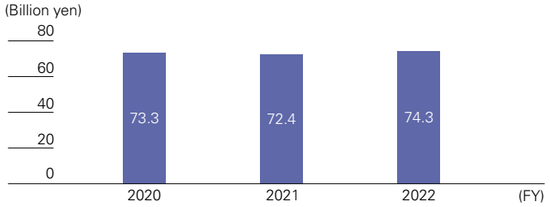
Our domestic confectionery business is a fundamental part of the Group that values the spirit of "Delicious, Fun, and Healthy" through contributions to "health of mind and body" of our customers through confectioneries. The health needs of consumers, which increased due to the COVID-19 pandemic, are expected to continue to grow, and demand for our products is expected to rise as people go out.

In the domestic foodstuffs business, we have driven the market with many long-selling brands such as *Morinaga Amazake*, *Morinaga Cocoa*, and *Morinaga Hotcake Mix*, each with a top market share*. Prolonged inflation resulting from soaring raw materials prices and other factors are causing more consumers to want to save money, and consumers are expected to look toward more reliable brands they see value in.

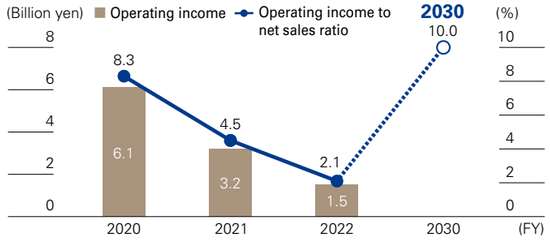
Against this backdrop, in FY2022, net sales of the confectionery and foodstuffs business amounted to 74.3 billion yen, up 3% compared with FY2021. Despite price revisions and efforts to increase profitability, operating income fell by 1.7 billion yen over FY2021 to 1.5 billion yen due to the impacts of soaring raw materials and energy prices.

*INTAGE Inc. SRI+
Amazake, Cocoa, Hotcakes Markets (April 2021 to March 2023; estimated cumulative sales amount)

Net sales



Operating income



Medium- to Long-Term Strategy

Domestic Confectionery Business

In the candy category, which generates excellent profitability, we will improve the net sales weighting and increase the operating income to net sales ratio for each number of items. We will increase the net sales weighting of our main brands *HI-CHEW* and *Morinaga Ramune* to improve the operating income to net sales ratio of the confectionery business.

Moreover, for the biscuits category, which has been growing, we will boost production capacity and introduce products with high added value.

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*.

Domestic Foodstuffs Business

For *Morinaga Amazake*, *Morinaga Cocoa*, and *Morinaga Hotcake Mix*, we will work on 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 hot 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

Candies	● Strengthen sales promotion efforts for *HI-CHEW* and *Morinaga Ramune* ● Develop products to meet the needs of changed lifestyles and stress reduction due to the COVID-19 pandemic
Biscuits	● Increase the production capacity of *Morinaga Biscuits* and develop new products
Chocolates	● Improve the operating income to net sales ratio and secure sufficient sales scale by reviewing the product, sales channel, and communications strategies

Status of Efforts in FY2022

In FY2022, the candy category was in a recovery trend, with the overall market growing 9%* compared with FY2021. In this context, sales of *HI-CHEW*, which offers an appealing texture, continued to perform well even after two price revisions, far exceeding the previous year's results. *Morinaga Ramune* posted record high sales as we rolled out products for students preparing for entrance exams. In the biscuits category, while the overall market remained strong, up 3%* year on year in FY2022, *Morinaga Biscuits* posted record high sales thanks to proactive promotions centered on *Moonlight* and the success of *Marie's* 100th anniversary initiatives, despite temporary product supply constraints due to the planned shutdown of production to accommodate expansion work on production lines. In the chocolate category, where the overall market was sluggish, down 1%* compared with the previous year, sales of *Carré de chocolat* were below the previous year's results, and sales of *DARS* were on par with the previous year's results, as they could not escape the challenging environment. We will review our tactics to re-expand sales in the autumn of 2023. Sales of *Chocoball*, which was promoted to commemorate the 55th anniversary of its release, exceeded the previous year's results.

In the foodstuffs business, to strengthen both *Morinaga Amazake* and *Morinaga Cocoa* as health brands, we continued to promote their functional value, such as airing TV commercials for *Power of Cacao/Cocoa Powder*, which was renewed as a food with functional claims, but net sales fell below the previous year's results. In FY2023, we will stimulate demand through initiatives focused on the 50th anniversary of *Morinaga Amazake*.

*INTAGE Inc. SRI+
Candy/Caramel, Biscuit/Cracker, Chocolate Markets (April 2022 to March 2023; estimated cumulative sales amount)



First new commercial in the *Morinaga Biscuits* series in 13 years



TV commercial for *Power of Cacao/Cocoa Powder*, which was renewed as a food with functional claims

In the confectionery and foodstuffs business, we will roll out wellness products to meet a broad range of needs and improve business profit through high-value-added products.

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. In the spring of 2023, we completed the nationwide release of two products. First was *Chocolate Chip Cookie 50% Less carbohydrates* and *Almond Cookie 50% Less carbohydrates*, which are made using half the carbohydrates of conventional products, while maintaining the deliciousness of *Morinaga Biscuits*, and second was *Power of Cacao/Chocolate,* a food with functional claims, containing cacao polyphenols (as flavanols), which have been reported to improve peripheral blood flow reduced due to cold conditions and keep the surface temperature of the hands warm. These releases allow us to focus on providing even greater health value.



Amazake 30% Less carbohydrates

In the domestic foodstuffs business, we are working on product development with enhanced functional value leveraging research outcomes on materials amassed over the years. In February 2023, we launched *Amazake 30% Less carbohydrates*, featuring 30% less carbohydrates than the top brand *Morinaga Amazake*, along with *Hotcake Mix Plus*, a food with a nutrient function that contains Vitamin D in addition to calcium and iron.



Chocolate Chip Cookie 50% Less carbohydrates



Almond Cookie 50% Less carbohydrates

To realize the 2030 Vision, we will continue to increase the health value of a wide range of products through the development of products unique to the Group that combine the results of research and technology on ingredients with deliciousness.

*Unlike food for specified health uses, this product has not undergone an individual review by the Commissioner of the Consumer Affairs Agency. People should eat a well-balanced diet based on staple foods, main dishes, and side dishes. This product is not intended to diagnose, treat, or prevent any medical conditions.

R&D Strategy



Shinya Mori
Director,
Managing Executive Officer
Responsible for R&D Center

What we are aiming for in 2030

We will create new customer value for the future based on technology, enhance development from a medium- to long-term perspective, and support company-wide strategies and businesses in a cross-functional manner.

[Initiatives for target achievement]
In addition to promoting "deepening of existing technologies" and "exploration of new technologies," we will work to create and utilize intellectual properties to enhance corporate value.

R&D

R&D Strategy Aimed at Achieving the 2030 Vision

To realize the 2030 Vision, we will promote initiatives in line with the five strategies shown in the figure at right to create new value through linkages between management and business strategies. Of these five strategies, we will promote the following initiatives for Strategy 2: United States, Strategy 3: Wellness, and Strategy 4: New Value Creation.

Enhancing product development for the U.S. market

For *HI-CHEW* in the United States, we are expanding our product lineup around the keyword *healthy* by developing technologies that replicate the taste of real fruit with natural flavors and sugar substitute technologies to meet local needs. Against this backdrop, we established a laboratory in the United States in 2022 to further enhance our R&D capabilities locally. By linking local marketing and production systems to R&D functions in Japan, we will accelerate product development for the U.S. market. We will develop brand extensions and wellness products to grow sales of *HI-CHEW* and develop the jelly drink *Chargel* in the United States to provide new value to the U.S. market.

Enhancing development for the wellness domain

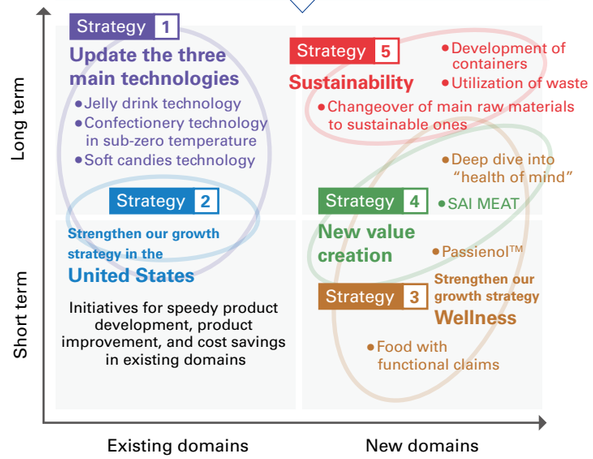
In the wellness domain, we are enhancing the development of products that contain proteins and lactic acid bacteria, products with reduced carbohydrates and calories, and foods with functional claims. In FY2022, we launched *Morinaga Biscuits* featuring 50% less carbohydrates and *in Jelly* with functional claims. We are also working to create new value by utilizing the food ingredients and food processing technology developed originally by the Group. Passienol™, a food ingredient developed in-house, is rich in piceatannol, which can activate longevity genes (sirtuins). We will expand research on sirtuins and contribute to more people who feel younger than their actual age.

New value creation using new development methods

In collaboration with universities and other organizations, we conduct texture and sensibility research using biometric measurement and subjective evaluation data* at the time of eating to co-create new value. In 2023, these research results are being used to describe *HI-CHEW* in TV commercials (texture of happiness) and marketing measures for *Choco Monaka Jumbo* (Jumbo Smile Project).

*Data that measure emotions from eating by having subjects answer a mood survey containing words that express emotions (e.g., happy, refreshing, unpleasant)

Continuing to take on the challenge of "exploration of new technologies" while promoting "deepening of existing technologies"





U.S. laboratory conducting R&D



Measuring cerebral blood flow as part of sensitivity research

Intellectual Properties

Basic Policy

We have established the following basic policy on intellectual properties aimed at realization of the 2030 Vision.

1) Protection of the Intellectual Property Rights of Others
2) Acquisition of New Intellectual Property through Intellectual Property Intelligence*
3) Robust Management of the Intellectual Property Portfolio

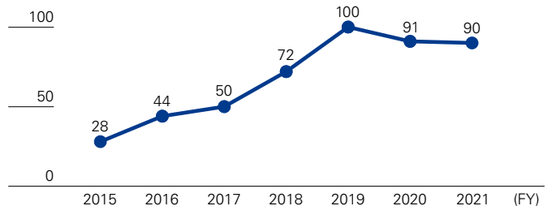
We will explain 2) and 3) in greater detail below.

*Activities to collect and analyze information on intellectual properties and use it for decision-making in business

Acquisition of New Intellectual Property through Intellectual Property Intelligence

We use information analysis tools to identify trends in technologies and intellectual properties inside and outside the Group, and actively invest in intellectual properties to build new business models. In terms of patents, we have increased the number of applications related to "health of mind, body, and environment" to grow the wellness domains (see the figure at right). We will continue to implement both proactive and defensive intellectual property strategies with *health* as the keyword and work to create value by utilizing this information in new ways of marketing.

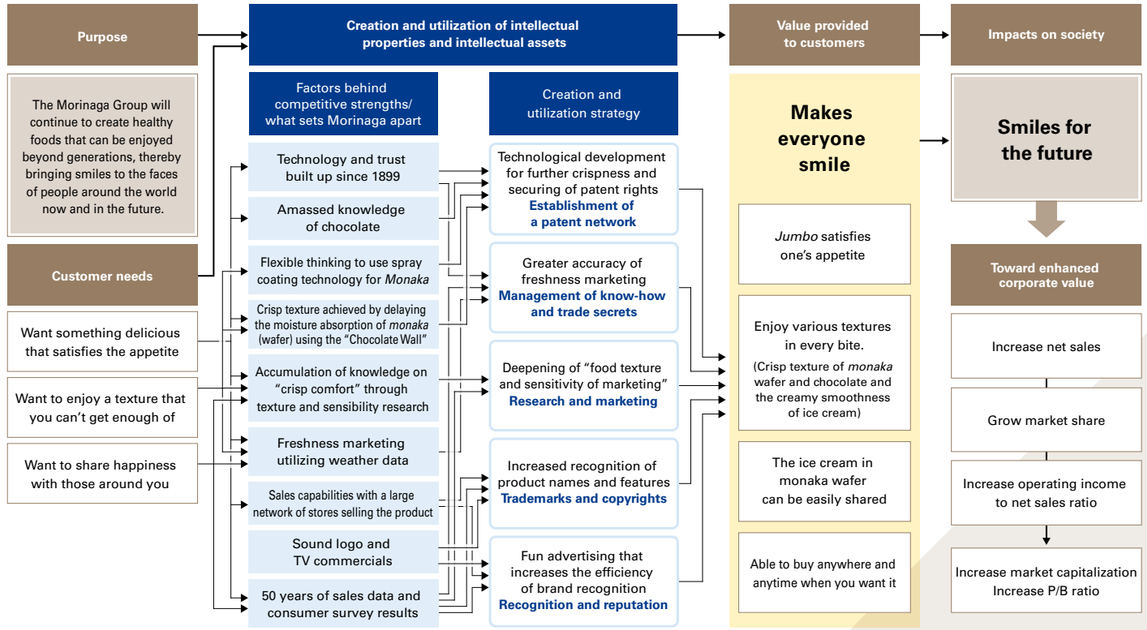
Ratio of Patent Applications Related to Health (%)



Robust Management of the Intellectual Property Portfolio

To realize the 2030 Vision, we will build a robust portfolio of intellectual properties combining multiple intellectual properties and intellectual assets. We formulate intellectual property strategies for each business domain and aim to create and utilize intellectual properties and intellectual assets in a multifaceted and strategic manner. The figure below shows the causal path of the *Jumbo* group, the flagship brand of the frozen desserts business part of the focused domain category. It shows how the creation and utilization of intellectual properties and intellectual assets leads to the enhancement of corporate value.

Causal Path Example—Frozen Desserts Business: *Jumbo* Group



For many years, the Group has been working to maximize the brand value of the *Jumbo* group by creating and utilizing its intellectual properties and intellectual assets. We will continue to promote our creation and utilization strategies to generate value for society and enhance corporate value.

For more details, please refer to our corporate website "Intellectual Property."
▶ https://www.morinaga.co.jp/company/english/rd/ip.html

Structural Reforms of Production Functions



Shuji Watanabe
Senior Executive Officer
General Manager of
Production Headquarters

What we are aiming for in 2030

We will overcome labor shortages and establish a powerful profit structure to allow us to compete around the world.

[Initiatives for target achievement]

We will promote the changeover to smart factories under the keywords of *visible*, *connected*, and *resilient*, and establish a safe, reliable, and efficient production system.

External Environment Related to the Production Function

The external environment surrounding the Group has many factors that pose headwinds for production activities, such as labor shortages due to a decline in the domestic labor force and soaring costs, including raw materials and energy.

On the other hand, digital technologies such as IoT and AI are rapidly evolving around the world and in the process transforming society.

In response to the external environment, which is expected to remain severe, we must undertake structural reforms of production functions using technology, strengthen the business foundation, and establish a system for competitive advantages.

Changes in the External Environment Related to Production Functions

Headwinds Threats Risks	● Decline in the domestic labor force ● Inflation and the rising cost of services (e.g., raw materials prices, energy prices, personnel cost) ● Difficulty procuring raw materials and fluctuating market prices due to climate change and geopolitical risks
Tailwinds Opportunities	● Emergence of IoT and AI ● Evolution of robotics technology

Promoting Changeover to Smart Factories

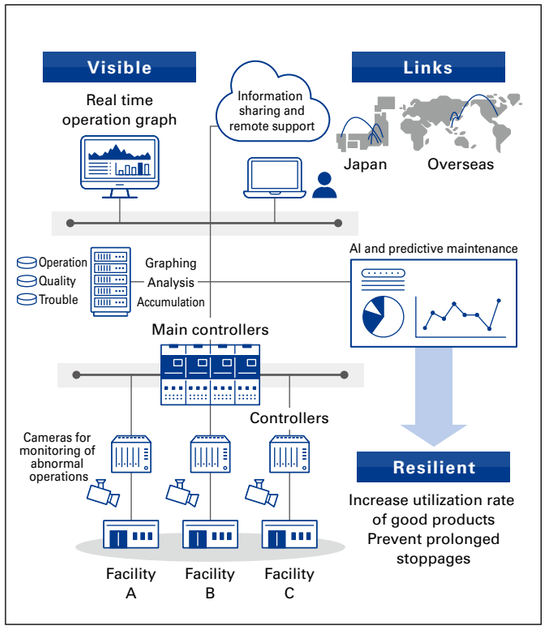
The Group has continued to manufacture products with top priority given to ensuring excellent quality, safety, and reliability. To realize the 2030 Vision, we will further evolve our safe, reliable, and efficient production system built as a food manufacturer for the next generation. One such initiative is the changeover to smart factories. We will combine our long-standing technologies with digital data from manufacturing facilities to increase the stability of operations and improve operational efficiency.

The keywords for smart factories are *visible*, *linked* and *resilient*.

By automatically collecting data using IoT and sensing technology on the operation of manufacturing facilities, which was previously aggregated manually, we can visualize the status of operations in real time. In addition, by connecting to cameras installed on the manufacturing floor, managers and members of the Production Headquarters can connect to the manufacturing site anytime, anywhere, and check the operation status on video. Furthermore, we are working to develop a predictive maintenance system to prevent serious failures by incorporating special sensors into manufacturing facilities, and to build a system to deal with problems more quickly by recording the time before and after shutdown with a drive recorder and capturing the cause on video. Through these efforts, we will achieve stable operation of manufacturing facilities.

In addition, many people at Morinaga are working to ensure stable operation of manufacturing facilities, such as data aggregation, data analysis, and maintenance. We plan to further increase production volume to achieve the 2030 Business Plan, which is expected to increase the operational burden as well. Smart factories will also contribute to the higher efficiency of these operations.

Overview of Changeover to Smart Factories





Real-time operation analysis



Able to monitor the manufacturing floor via the cloud

Through these efforts, we will achieve stable operation of manufacturing facilities; improve operational efficiency; and establish a safe, reliable, and efficient production system.

Looking Ahead

In FY2022, we repeated development and operation tests at Takasaki Morinaga's No. 3 Plant to create the optimal model in line with the actual conditions on the manufacturing floor. In FY2023, we will deploy this model to all production sites in Japan and build an environment connected to the cloud, including the administrative departments of the Head Office. We visualize the operating status of each manufacturing floor throughout the Production Headquarters to speed up daily production management and improvement activities and improve quality. We will also look to roll out this model to overseas production sites.

We will use IoT to automatically collect and amass a large amount of data such as on equipment operation status and worker information. By combining this data with AI technology, we will focus on enhancing the functions of smart factories for further stable operation and operational efficiency.

In addition to system development, it is important to shift from conventional business processes to operations that utilize smart factory systems. We will continuously conduct employee training so that the transition and establishment of new business processes proceed smoothly.



Discussing with operation supporting tools

Rollout to Overseas Production Sites



DX Strategy



Takashi Hirakue
Director, Senior Executive Officer
Responsible for DX Promotion Division

What we are aiming for in 2030

We will strategically introduce and utilize digital technologies to strengthen the business foundation and competitiveness aimed at achieving the 2030 Business Plan.

[Initiatives for target achievement]
To lay the foundation for data-driven management, we will promote the standardization, efficiency, and advancement of operations and IT systems through digitalization.

Medium- to Long-Term Strategy and Promotion Structure

Medium- to Long-Term Strategy

There have been advancements in communication technology and dramatic changes in the business environment brought about by the digitalization of society, such as AI, big data, and IoT. Given this, the Group believes that it is essential to invest in digital technologies to increase productivity and strengthen its business foundation. In FY2021, we established the DX Promotion Division to advance our DX strategies.

We aim to build an IT system and data infrastructure as a robust and flexible business platform that supports sustainable growth by balancing the standardization of operations and strengthening governance at the global level with the advancement of operations. To support the growth of our overseas business centered on the United States using a digital platform, we will expand the reach of our core IT systems to include overseas businesses. At the same time, we will standardize the quality of various data generated from business activities on a global level. This will enable timely and multifaceted analysis and support management's decision-making.

Strengthening the Promotion Structure

In April 2022, we introduced the recruitment-based DX Ambassador system to increase our employees' IT literacy. DX Ambassadors hold study sessions and other events according to the issues of their respective division to build a foundation for IT utilization. Furthermore, to enhance the development of human resources specializing in digital technology, we are working with the Human Resources Division to expand the options for self-led study related to digital utilization.

In February 2022, we were certified as a "DX Certified Business Operator" under the DX Certification System* established by the Ministry of Economy, Trade, and Industry.

*A system run by the national government that recognizes businesses preparing for the promotion of DX

Results of Initiatives and Future Direction

Results of Initiatives

We conducted the following initiatives in FY2021 and FY2022.

Purpose	Initiative	Outcomes
●Reduction of work hours for updating procurement management tables	Streamlining of the update of raw materials procurement management tables in the Procurement Sectors with RPA*1	RPA implementation reduced processing time (approx. 500 hours/year) and human error
●Reduced input work for expense processing ●Reduced work hours for expense approval operations	Process transformation by digitizing paper-based payment processing	Linked *Concur Invoice**2 and *Remota**3 to digitize expense processing operations and save labor in input and approval operations (approx. 6,300 hours per year)
●Initiated structural reform of production functions (ensuring safety and reliability, stable operation, and improving operational efficiency)	Start of changeover to smart factories*4 Introduction at Takasaki Morinaga and Mishima Factory	Visualized factory operation status using IoT for early detection of problems and remote tracking of work progress
●Operational transformation of the Accounting Sectors	Introduced various SaaS*5 in the Accounting Sectors	Visualized and standardized some accounting operations and ascertained the actual status of accounting treatment for the entire Group

*1 RPA: Robotic Process Automation. Technology for automating business processes and tasks performed on computers for humans
*2 Technology that automates business processes such as invoice payment requests and approvals
*3 Technology that automatically reads the contents of invoices and converts them into text using AI
*4 Using IoT and AI technologies to integrate technology and digital data of manufacturing facilities to ensure stable operations and increase production efficiency
*5 SaaS: Software as a Service. A service that allows users to utilize software on the cloud via a network

Looking Ahead

To realize the 2030 Vision, we must continue to develop high-value-added products globally. To improve the quality and speed of value creation and strengthen business competitiveness, we will work to standardize and improve the efficiency of each business operation, including product development, procurement, production, logistics, and sales. First, we are working to rebuild the product database system to increase the efficiency of product development operations and realize seamless information sharing and utilization of development data across businesses and countries. In Japan, the system is scheduled to begin operation in FY2023.

We will support the evolution of product development operations by utilizing digital technology and help to strengthen business competitiveness.

Human Resources Strategy



Masaaki Takahashi
Senior Executive Officer
General Manager of Human Resources Division

What we are aiming for in 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 Group's sustainable growth.

[Initiatives for target achievement]
We will advance the promotion of diversity, human resources development, and health management to maximize the value of human capital.

Medium- to Long-Term Strategy

Based on our corporate philosophy, we have established the 2030 Vision with the aim of being a sustainable company that continues to grow. The driving force behind this aim is our people, and we will promote human capital management to maximize the power of our people, that is, the value of human capital. Specifically, we will promote a human resources strategy linked to the 2030 Business Plan and invest in human capital.

Diversity & Inclusion (D&I) is positioned as an essential initiative of the 2030 Business Plan. By leveraging the individuality of each employee and creating a diversity of knowledge from the diverse individuals working together, we will enhance our ability to respond to changes (resilience) and promote the creation of new value (innovation). At the same time, we will advance self-sustaining career development and promote the active participation of our diverse workforce.

In terms of human resources development, in the 2030 Business Plan, we intend to transform our business portfolio, implement structural reforms to improve profitability, and strengthen the business management foundation, and we believe that it is necessary to develop human resources who can evolve and transform various operations. We will actively invest in human capital to develop leaders who will drive such evolution and transformation, as well as human resources who will execute each strategy. Furthermore, regarding the promotion of health management, we will advance various initiatives to maintain and improve employees' "health of mind and body" and realize a work environment where each employee can maximize their abilities.

Through the above, we will maximize the value of human capital, contribute to a sustainable society, and enhance the corporate value of the Group in a sustainable manner.

➲For details on promotion of health management, see pages 56 and 57.

Promotion of Diversity and Inclusion

For all employees to embody our Diversity and Inclusion Policy and the five guidelines, the Group is advancing initiatives to promote understanding and encourage concrete actions per the policy.

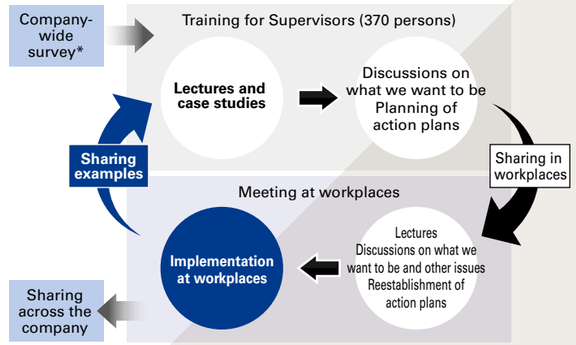
In FY2022, to promote understanding, we continued to conduct training to spread the Diversity and Inclusion Policy among supervisors, in addition to holding lectures on psychological safety, and organized training on unconscious bias for executives and all employees in an effort to improve basic skills and obtain knowledge useful for promoting D&I.

Regarding concrete actions, supervisors took the lead in confirming issues at each workplace and created action plans and put them into practice. Furthermore, to accelerate initiatives in the Production and Overseas Sectors, we conducted interviews with managers and followed up on the formulation of action plans.

In addition, as a prerequisite for promoting D&I, the Human Resources Division is focusing on various initiatives to advance self-sustaining career development and encourage the active participation of women and seniors to increase the momentum for all employees to play an active role.

The Diversity Promotion Office of the Corporate Strategy Division and the Human Resources Division will continue working together to advance D&I.

Program to Spread and Implement Diversity and Inclusion



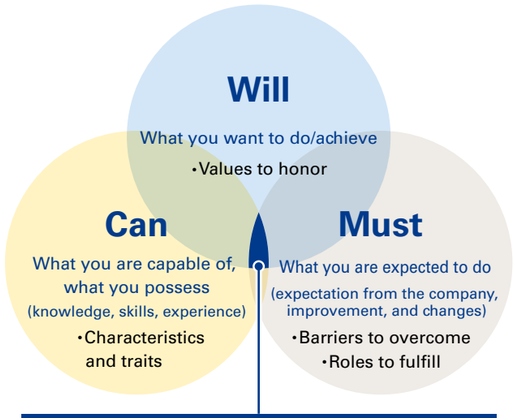
*Survey on Corporate Philosophy and Diversity

Diversity and Inclusion Policy
▶ https://www.morinaga.co.jp/company/english/sustainability/policy/pdf/policy_diversity.pdf

Human Resources Strategy

Promotion of Self-Sustaining Career Development (Protean Career)

To promote self-sustaining career development among employees, we conducted e-learning on the protean career, to build career proactively and flexibly, for approximately 2,400 employees, including those from Group companies, in FY2022, focusing mainly on the concept behind the protean career. Ahead of e-learning, the President sends out a message on self-sustaining career development to raise awareness among employees. In October 2022, we established the Career Guidance Office, where staff from the Human Resources Division with career counseling qualifications provide career guidance to employees that request it. Prior consultation with superiors is not required for guidance, and we have put in place a system that allows guidance both face-to-face and online, making it easy to use. In FY2023, we intend to conduct new training aimed at improving supervisors' career support skills. By learning key points in dialogue with subordinates and methods for creating opportunities, we aim to educate supervisors on how to establish the knowledge and skills necessary for providing career support to their employees.



Ideals for self-sustaining career development

- Our ideal career development—**the protean career**—is characterized by the ability to flexibly transform oneself in the face of environmental changes and enhance one's skills and knowledge with the mindset that a career is individually driven.
- We seek to integrate "Will, Can, and Must" by ensuring that employees know (identity) and change (adaptability) themselves.

Promoting the Active Participation of Senior Human Resources

With the decline in the domestic labor force, there is a growing need for seniors to play an active role at work. With this in mind, we began conducting training mainly for employees in their 50s in FY2022. Specifically, we conducted unlearning training that provided an opportunity to rethink "Will, Can, and Must" in line with the concept of self-sustaining career development. In FY2022, 43 people took the course, and in FY2023, 80 people are scheduled to participate. After the training, individual interviews will be held to continuously follow up on behavioral changes. Furthermore, with the aim of grasping the current situation regarding the active participation of senior human resources, we surveyed the heads of each division about the degree of participation in the workplace by senior human resources ages 56 and older. In FY2023, we will implement initiatives to resolve problems based on the results.

Human Resources Development

We have identified an ideal employee profile and required skills and are advancing employee development and skill building initiatives accordingly. In addition to hierarchical training and selective training, we offer human resources development programs to improve the six required skills, which enable us to enhance human resources development. Moreover, we will implement the various initiatives listed on the page at right, including succession planning.

Ideal profile of an employee	Employee who is capable of grasping and thinking through the essence of matters from a wide perspective	Employee who possesses an entrepreneurial mindset and looks outwardly, and can make decisions from a higher perspective
	Employee who can act independently to embrace challenges without being content with the current situation	Employee who is capable of producing results by engaging others to achieve the Vision
Required skills	Identifying challenges	Planning and development	Embracing challenges
	Execution	Nurturing and self-development	Developing efficient organizations

Succession Plan

We are implementing initiatives from a medium- to long-term perspective to continuously develop candidates at all levels.

For officer candidates, we offer one-on-one coaching with an outside professional. Through this one-on-one coaching, candidates are given opportunities to deepen self-understanding, such as how to be a leader. We continue to develop human resources who meet the Group's management personnel requirements, including leadership skills.

For general manager candidates, we conduct off-site training and Morinaga Recipe Training*1 that teaches the framework for problem-solving. In off-site training, discussions are held in a group setting with participants of the same rank from other companies on the theme of solving social issues, with the aim to broaden perspectives and understanding of society and to foster co-creation with outside parties. Morinaga Recipe Training was attended by 42 employees in FY2022.

For manager candidates, we conduct training for future leaders targeting select employees in their 30s to develop the eight requirements*2 of future leaders over a nine-month period. This training program has been held for four terms. In FY2022, 14 employees attended, bringing the cumulative total to 49. There are now cases where participants have gone on to become managers. We will continue to promote these initiatives.



Training for future leaders

*1 Training unique to the Group in which the steps for solving problems are summarized according to the Japanese characters for "*mo*," "*ri*," "*na*," and "*ga*"
*2 Problem formation, problem solving, innovation and creation, risk-taking and growth potential, independence and pioneer spirit, persuasiveness and influence, listening and interpersonal relationships, guidance and development

Securing and Developing Human Resources with Advanced Expertise

Recognizing that they are indispensable in each business domain for the Group to achieve sustainable growth, we will work to secure human resources with advanced expertise and develop them over the medium to long term. In FY2022, we defined human resource requirements for DX, accounting, and global human resources as key areas. This definition spans several levels, from the development and growth phase to the advanced specialization phase. We have set the required number of people every three years until 2030 and are working to develop and secure human resources following this plan.

In FY2023, we have begun providing expert-level training options based on the definition of human resource requirements. In addition to continuous learning centered on e-learning, the options consist of training that imparts a wide range of knowledge. Based on the concept of self-sustaining career development, we respect the independence of employees and openly recruit some participants.

Human Resources Requirements Definition Items and Details (Examples)

Accounting human resources

Area	Accounting	Budget management	Finance	Recommended qualifications
Details	● Knowledge and skills of accounting and tax matters	● Performance management skills from the perspective of management awareness of capital costs	● Payment and disbursement, and cash management ● Financial knowledge ● Financial strategy planning, etc.	● Certified public accountant ● Tax accountant ● USCPA ● The Official Business Skills Test in Bookkeeping ● FASS exam

Global human resources

Area	Language proficiency	Intercultural understanding	Global business experience	Recommended qualifications
Details	● Ability to perform work in English ● Mastery of a second language	● Understanding of other values such as customs, culture, political economics, and religion	● Practical trading business experience ● Experience as an expatriate ● Understanding of local laws, regulations, and systems	● TOEIC ● STEP Eiken (English) Other language proficiency tests

Through the implementation of these human resources strategies, we will establish an environment where diverse human resources can maximize their abilities, while building a relationship of mutual trust between the Company and employees and achieve sustainable growth for the Group.

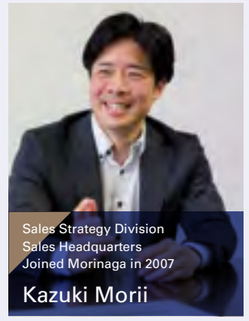
Special Feature Employee Roundtable Discussion

Toward Achieving Our 2030 Vision

With an eye on becoming a Wellness Company as part of the 2030 Vision, employees from various divisions that support the Group sat down to discuss how they perceive and act on the Corporate Philosophy and the 2030 Vision, along with how they envision the future.

Q *How do you understand the Corporate Philosophy and Purpose and go about achieving them in your daily work?*

Morii: I work in sales, so the Corporate Philosophy, including our Purpose, represents our basic stance and foundation. Even in actual business negotiations, we cannot gain customer empathy unless we show an awareness of contributing to society. This is why I strongly feel the importance of understanding and personifying our Corporate Philosophy and Purpose. One of the values in our Corporate Philosophy is "value ties between people." I feel that there is a limit to what one person can do in sales, so in practice I value the connections between people and between companies. This includes, for example, having researchers attend business negotiations and collaborating with other companies. In addition, I am conscious of formulating sales strategies that emphasize regional characteristics and issues, and I try to develop them in cooperation with the government and other partners in each region.


Sales Strategy Division
Sales Headquarters
Joined Morinaga in 2007
Kazuki Morii

Shimizu: I work in production, where we take actions based on an awareness that the quality of our products forms the very relationship of trust with customers. I place great importance on "pursue quality with integrity," which is part of the vision in the Corporate Philosophy. I'm always mindful of whether I can provide my family, friends, and loved ones with our products with confidence, including in terms of quality. Confectioneries tend to bring out a child-like grin in just about all people, regardless of age, nationality, culture, or values. I hope to increase these nostalgic smiles, and I believe that this will lead to the realization of our Purpose. To do so, of course, we must be sincere so that we ourselves can continue to smile.


Production Technology Development Division
Production Headquarters
Joined Morinaga in 2002
Takayuki Shimizu

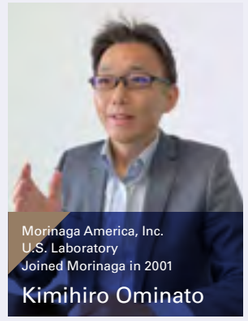
Iwahashi: The Group's Corporate Philosophy and Purpose are not imposed by top management. They verbalize what has been handed down from generation to generation, during more than 120 years of history. I feel that they also put into words "Morinaga's uniqueness." From what Mr. Morii and Mr. Shimizu have just said, I'm convinced that employees have a common understanding of this and that each is taking their own specific actions. I work in corporate strategy with members to formulate strategies, while facing day-to-day concerns, but there is no single solution to realizing the position that Morinaga wants to be in. The Corporate Philosophy functions as a compass to confirm that our plans are taking us in the right direction.

Q *How does your day-to-day work connect to Morinaga changing into a Wellness Company per the 2030 Vision?*

Nakamura: I work in marketing. We are the flagbearers responsible for coordinating with all the relevant departments involved in our brands. In general, when we hear the term "wellness," we tend to think only of foods with health functions, but the Wellness Company advocated by the Group has three perspectives: "health of mind, body, and environment." In the spring of 2023, the *Jumbo* brand that I'm in charge of added a new technology that is a "chocolate wall" to encase the ice cream, locking in the "fresh crisp texture" for much longer thanks to the technological evolution that delays the transfer of moisture to the wafer. Taking this opportunity, we redefined the value of *Jumbo* not only as "crisp texture" but also as "the smile created by this crisp texture (contribution to health of mind)." In turn, we started disseminating new information as part of the Jumbo Smile Project so that customers will know about our freshness and crispness marketing activities. I believe that connecting customers with people involved in *Jumbo* and connecting them to co-creation is an important job of marketing.

Ominato: As people's health awareness has increased substantially in the United States due to the COVID-19 pandemic, the launch of *Chargel* in 2022 was of great significance for Morinaga. As a new category product that allows customers to easily and deliciously consume nutrients that form the basis of "health of body" and provides a sense of satisfaction after eating, we hope that many customers in the United States will try *Chargel*. There are a variety of functional beverages in the U.S. market, including energy drinks. As someone involved with R&D in the United States, I'm inspired to learn from the products already on the market, and I think about the elements that will lead to the business growth of *Chargel* every day. We are conducting R&D activities while imagining that in 2030, *Chargel* will be the drink closest to the "health of body" for customers in the United States.

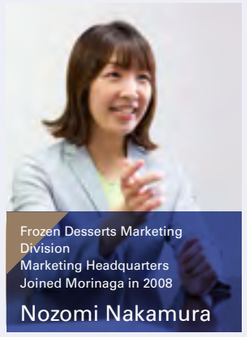
Shimizu: In production, we are promoting the changeover to smart factories that utilize digital technologies such as IoT to undertake safe, secure, and efficient production. This initiative is directly linked to "health of environment." Realizing efficient production will lower CO_2 emissions by reducing the amount of electricity and city gas used. It will also lead to a reduction in food loss and waste caused by equipment troubles. The external operating environment is constantly changing, and I believe that it is important to take on challenges without fear of failure.


Morinaga America, Inc.
U.S. Laboratory
Joined Morinaga in 2001
Kimihiro Ominato

Q *How do you perceive your own future when Morinaga changes into a Wellness Company?*

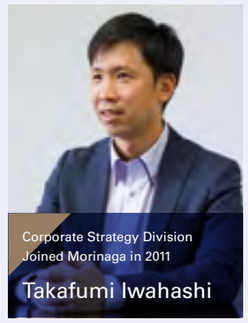
Iwahashi: Since joining the Company, I've always said that I want to do a job that my family can be proud of. Transformation of the Group into a Wellness Company also means that I will be able to embody this desire. With the support of my family, I can immerse myself in my work, and as a result, I can proudly tell them about my work, and my family—my closest customer—will say "great." This is the future I'm aiming for. I believe that if everyone at Morinaga aims to be a Wellness Company, the Company will grow even faster.

Nakamura: As with the Company's wellness, I want to engage customers with the state of mind of "realizing a rich and bright life based on a vibrant mind, body, and environment" and create products and services that are needed by the world. I'd like to work from a higher perspective so that I can identify changes in the external operating environment and be able to respond sensitively and flexibly to customer needs and issues. I'd also like to take the initiative in creating a work environment that creates positive synergies.


Frozen Desserts Marketing Division
Marketing Headquarters
Joined Morinaga in 2008
Nozomi Nakamura

Shimizu: In production, many people with different employment types and nationalities are working side by side. While embracing diversity, I'd like to promote the Company's policies and strategies flexibly and expansively. By providing products that are beloved by people around the world across generations and steadily passing the baton to the next generation, we aim to become a company that can increase the smiles of people around the world through food.

Ominato: To become a global wellness company, R&D activities need to look at the world even more than they do now. For this reason, collaboration among R&D laboratories on a global scale is important. For example, I'd like to promote dynamic R&D that allows technologies and knowledge obtained at one R&D laboratory to be seamlessly deployed at the others.


Corporate Strategy Division
Joined Morinaga in 2011
Takafumi Iwahashi

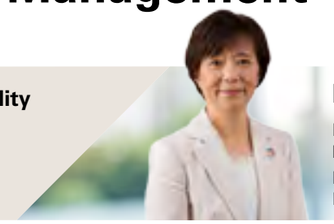
Morii: As an employee of Morinaga, I want to make everyone smile, from colleagues to stakeholders involved in the Group, while valuing connections with people. I'd like to connect what I learn in my daily work to my own growth and acquire the ability to pave the way toward the smiles of our customers even in a drastically changing environment. In this roundtable discussion, I feel that there is tremendous enthusiasm of the Group that is changing into a Wellness Company. I'd like to connect the growing power of each department—similar to a relay race—to fulfill our Company-wide commitment of becoming a Wellness Company and play a role as a salesperson in delivering the commitment directly to customers.

Sustainable Management

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Approach to Sustainable Management

The Morinaga Group will enhance its overall sustainability management 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

Sustainable Management and Promotion System

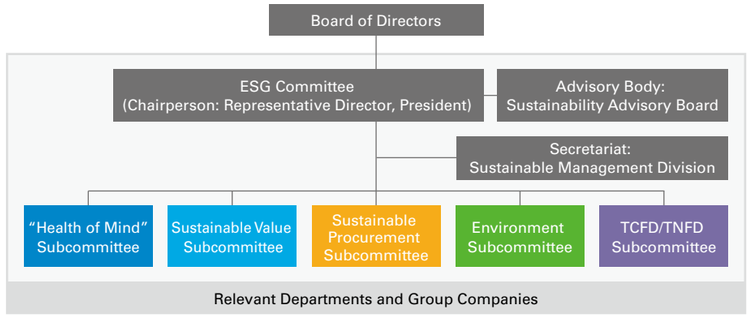
Currently in the global community, environmental changes, which are impacting business activities and increasing uncertainty toward the future, are taking place at an unprecedented speed. Other changes involve intensifying social issues including climate change and the rapid advancement of digitization. Under such conditions, we must work from a long-term perspective and follow clearly defined tasks to reach the position we aim to achieve through our Purpose and the 2030 Vision. The Morinaga Group has been conducting business with a strong conviction toward contributing to society since its inception. 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.

As organizations to promote these efforts, we 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. 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 societal trends related to sustainability, as well as deliberates necessary items on policy, planning, and responses to issues to achieve our Purpose and the 2030 Vision.

We have set up five subcommittees under the ESG Committee. Each subcommittee is chaired by a Director and comprises members from relevant departments. Furthermore, we established the Sustainability Advisory Board, with the participation of three outside experts, to qualitatively improve sustainable business management. Aimed at achieving the Long-Term Targets for 2030, we will steadily implement activities for sustainability.

The Morinaga Group will continue to disclose the status and progress of its activities as appropriate through the Integrated Report and its corporate website, enhance transparency throughout the Group, and strengthen responses to requests for disclosure of ESG information from external organizations and business partners.

<Schematics of Sustainability Promotion>





Second Meeting of the Sustainability Advisory Board

Co-Creation with Stakeholders Aimed at a Sustainable Society

Resolving social issues related to business requires consistent efforts involving the entire value chain. We believe that co-creation with stakeholders is essential to address issues such as health management, sustainable value chains, conserving the global environment, and human rights. The Group has identified six stakeholders: customers, employees, business partners, shareholders and investors, local communities, and the global environment. We will contribute to the realization of a sustainable society by engaging in two-way communication with stakeholders through our corporate activities and promoting collaborative initiatives.





Promotion of Health Management

Relevant Stakeholders

Employees

Toward 2030

To continue to be a wellness company, we will work to create a work environment that maintains and improves our employees' "health of mind and body."

Basic Philosophy

Based on the Morinaga Group Declaration on Health, we support efforts to maintain and improve employees' "health of mind and body." By creating a work environment where employees can work in good health and feel motivated, we aim to energize the organization through improved employee vitality and productivity, as well as to provide sustainable growth of the Group and better value to society.

Morinaga Group Declaration on Health

As a sustainable company that keeps growing, we are committed to promoting the health of each and every employee working for the Morinaga Group 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 so that they can enhance 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.

Promotion Structure

We have established the position of Chief Health Officer, who is the officer in charge of the Human Resources Division and reports directly to the Representative Director, President, and the Health Promotion Committee, whose members include industrial health staff in addition to representatives from the Human Resources Division and the Morinaga Health Insurance Society. Together, they make decisions on the formulation of philosophies and policies, and the consideration and implementation of measures. Persons in charge of health management and industrial health staff assigned to major business sites nationwide in Japan are responsible for rolling out specific measures to continuously address health issues facing employees and their families and improve their health.

Representative Director, President

CHO (Chief Health Officer)
Officer responsible for Human Resources Division

Health Promotion Committee (Chairperson: CHO)
Committee members: Human Resources Division, Morinaga Health Insurance Society, and a general occupational health physician

Cooperation

Corporate Strategy Division
Sustainable Management Division
Corporate Communications Division
→ Dissemination of health management information to internal and external parties

Supervisors of business sites
Heads of divisions
Health management staff
Industrial health staff
→ Sharing of issues with all employees, implementation of measures, alignment of awareness/knowledge levels

Targets and Initiatives

Employee Awareness Survey
"Employees find their job meaningful and they are in good mental and physical health at work." **Rate of positive responses: 80%**

Health of Mind

■ Promotion of "health of mind"

The term *Kokoroku* is used at Morinaga to define the six building blocks behind the ideal state of "health of mind." We hold seminars for employees to understand and promote *Kokoroku*.



■ Measures for Mental Health

To improve self-management skills and raise awareness of mental health, we regularly hold training for managers (employee care) and self-care seminars for all employees. The uptake rate of stress checks has remained at 95% or higher since the introduction of the system, and we are using the results to provide opportunities for employees to take notice of their own stress level and to improve the work environment through group analysis. In addition, we have established dedicated points of contact for consultation inside and outside the Company to create an environment where employees can easily seek out consultation.

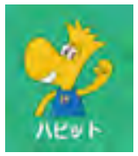
■ Measures to Improve Stress Tolerance

We conducted training for increasing tolerance to stress using pulse surveys with the expectation that it would lead to practical actions by knowing about changes before and after the training. In addition to the results of the pulse survey showing an improvement trend in all items compared to before the training, more than 95% of participants responded that they were "satisfied" with the content of the training in the post-training survey.

Health of Body

■ Habit—A Company-Wide Health Improvement Event

This year marks the 21st anniversary of the Morinaga Health Insurance Society's unique initiative called Habit, in which employees set their own health-related goals and improve exercise and dietary habits with the aim of improving the health of employees and their families and improving their lifestyles. The number of participants this year exceeded 1,900.



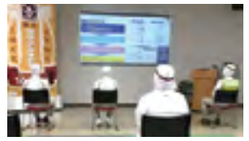
Voice of a Participant

Working to increase my sleep time and improve calorie intake during Habit changed my perceptions of lifestyle habits and life rhythm. I will take this opportunity to change my awareness from within myself and lead a healthier life.

■ Building Age-Friendly* Workplaces

The employees at our workplaces represent a wide range of age groups. The Group is focusing on building age-friendly workplaces where all employees, regardless of age, can play an active role. For example, to support the safety and further success of senior employees with a wealth of knowledge and experience, we are implementing training and physical fitness measurement at the Group's factories, as well as our own fall prevention exercises, with the aim of ensuring that all employees can continue to work safely and remain healthy for a long time.

*Age-friendly means that consideration is given to the unique traits of seniors and the elderly



Training for senior employees at a factory



Morinaga's own fall prevention exercises

Voice of a Participant

Training and physical fitness measurement for senior employees became a hot topic among my peers of the same age, leading to improved communication. We also take part in fall prevention exercises conducted before the start of work to help prevent occupational injuries.



Testing physical fitness

Labor Environment

■ Increasing Health Literacy

We hold our Health Forum every year with outside experts and occupational physicians as speakers. In FY2022, we held the forum under the theme of "exercise and health during the COVID-19 pandemic." More than 80 employees from across Japan participated online, and the forum's attempt to promote exercise on screen was well received.

■ Initiatives to Reduce Total Working Hours

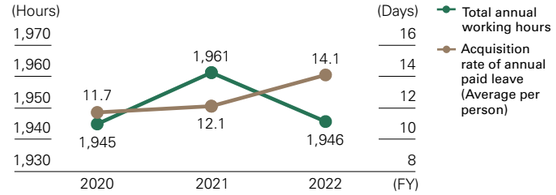


Meeting with the labor union

We are implementing various measures to prevent prolonged working hours that could have an adverse effect on health. These include improving the accuracy of working hour management. Together with the labor union, we hold labor-management meetings on working hour measures to understand the current situation and exchange opinions on solutions to improve the working environment. We recommend that the time gained by reducing prolonged working hours be used to accumulate career capital* and improve the work-life balance, leading to the realization of healthier lives for employees.

*Career capital refers to business capital, social capital, and economic capital in our concept of self-sustaining career development called the protean career.

Total Annual Working Hours and Acquisition Rate of Annual Paid Leave*



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

■ Regular Interviews and Follow-up by Occupational Health Physicians/Public Health Nurses for Expatriate Employees

Occupational physicians and public health nurses regularly follow up on the health of expatriate employees assigned to postings abroad so that they can play an active role with peace of mind in an environment and culture different from that of Japan. In addition, we have established counseling services for expatriate employees and their accompanying families, provided by clinical psychologists and counselors who have lived abroad.

Initiatives for Occupational Health and Safety

The Group conducts occupational health and safety activities, a foundation of corporate management, in accordance with the Occupational Health and Safety Policy. Regardless of individual differences in age, experience, language, employment relationship, or place of work, we aim to maintain and improve a safe and comfortable working environment for all. For example, we conduct regular safety training with the highest priority given to the safety and health of employees, thoroughly manage workplace safety, and engage in accident and disaster prevention activities.

Frequency Rate

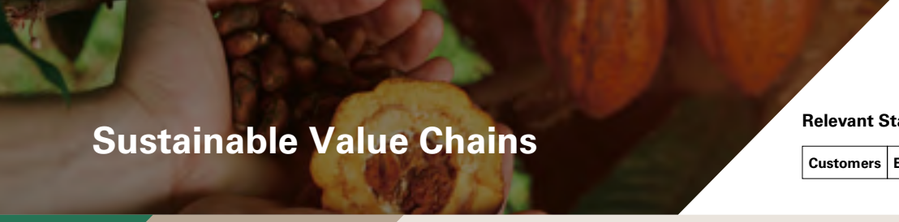
	FY2020	FY2021	FY2022
LTIFR*	0.52	0	0.25
Number of occupational accidents involving fatalities (persons)	0	0	0

*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)

External Recognition

We have been recognized as a 2023 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category), a program jointly run by the Ministry of Economy, Trade, and Industry and Nippon Kenko Kaigi. This marks the sixth consecutive year that we have received this recognition.

In addition, we have been recognized as a Sports Yell Company by the Japan Sports Agency for being a company that actively promotes and supports sports activities to improve the health of its employees.



Sustainable Value Chains

Relevant Stakeholders

Customers	Employees	Business partners	Local communities	Global environment

Toward 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 only product packaging. *2 Group consolidated basis
*3 Domestic Group consolidated basis. Intensity; compared with FY2019

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 has also been making efforts to realize "health of environment," which will contribute to the sustainability of society and the global environment throughout our entire value chain.

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.

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, and child labor, and environmental issues such as deforestation. We began using certified cacao beans (Cocoa Horizons*1–certified cacao supplied by the Barry Callebaut Group) in some of our chocolate products in FY2020, and we intend to switch to 100% certified cacao beans by FY2025.

Illegal logging and human rights problems in producing regions of palm oil, which is extracted and refined from oil palm trees, have become social issues. The Group will switch to certified palm oil (RSPO*2-certified raw materials) and aims to switch all its products in Japan to certified palm oil by FY2023.

Sustainable procurement of timber resources for raw paper material is in demand as resources continue to decline worldwide due to deforestation and illegal logging. The Group has been procuring FSC®-certified paper*3 (some specialty papers are recycled paper or certified paper by a third-party organization) and other materials and has been working to switch all our products in Japan to sustainable paper. In FY2022, some materials could not be replaced, resulting in a usage rate of 99.9%. We will continue to promote initiatives to achieve our goals.

*1 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 RSPO: Roundtable on Sustainable Palm Oil. The RSPO is involved in the development and operation of the sustainable palm oil certification scheme.
*3 FSC®N003064

Sustainable Procurement Medium-Term Targets and Progress*

	Medium-Term Targets	Results for FY2022	Single Month Results for March 2023
Cacao beans	FY2025 100%	34%	72%
Palm oil	FY2023 100%	9%	45%
Paper	FY2022 100%	99.9%	–

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

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

Promote CSR Supply Chain Management

We are working together with our raw material suppliers 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 highly transparent relationship with our suppliers in promoting procurement activities with consideration to society and the environment.

To better understand the ESG measures of our raw material suppliers, in March 2022, we conducted a CSR procurement survey of the 48 main business partners of Morinaga & Co., Ltd. (Japan). In FY2023, we have been holding dialogues with suppliers to determine the status of their initiatives and promote understanding of the Group's policies.

The Group will continue to conduct regular monitoring, build strong long-term partnerships with suppliers, and engage in activities in accordance with the Morinaga Group Supplier Guidelines, with the aim of realizing sustainable procurement.

The Morinaga Group Supplier Guideline
▶ https://www.morinaga.co.jp/company/english/sustainability/policy/pdf/policy_supplier-guideline.pdf

FY2021 Results of the CSR Procurement Survey

	Number of Companies Receiving the Survey	Ratio of Raw Material Transaction Value*1	Survey Response Rate	Average Score*2
Raw materials	35 companies	81%	100%	83%
Materials	13 companies	81%	100%	88%
Total	48 companies	–	100%	85%

*1 Morinaga & Co., Ltd., in Japan (non-consolidated)
*2 Evaluation of items such as the environment and human rights based on the Global Compact Network Japan's CSR Procurement Self-Assessment Questionnaire

Reduction of Food Loss and Waste

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



*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 with FY2019)
Food loss and waste is defined as food that has been processed and disposed of by incineration, landfill, or other means, except for food waste that has been returned to the circulation of food resources, such as feed and fertilizer.

As a responsible food company, we must 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.

The Production Headquarters has faced the challenge of reducing food loss and waste on the frozen desserts production line of Takasaki Morinaga Co., Ltd., that was newly installed in FY2021. In cooperation with the factory and related departments, we installed equipment to reduce defective products during production line operation and further optimized manufacturing conditions, reducing food loss and waste by 838 tons compared with FY2022. We are also working to increase the food recycling rate, and the Mishima Factory, Takasaki Morinaga Co., Ltd., and Morinaga Angel Dessert Co., Ltd., each have achieved a 100% recycling rate. In addition to aiming for a 100% food recycling rate at all our factories, we will strive to shift to more value-added recycling and promote the effective use of resources.

The Sales Headquarters is also promoting multiple initiatives to reduce food loss and waste. The West Japan Branch Office is continuing to work with Osaka Prefecture as a member of the Osaka Food Loss and Waste Reduction Partnership System. At the 2nd Food Loss and Waste Reduction Network Roundtable held in February 2023, we proposed recipes that consumers can easily use in their daily lives as one of the methods for reducing food loss and waste. In addition, we are cooperating with retailers to eliminate waste from the world by supplying non-standard products generated during manufacturing at affordable prices without discarding them. We participated in this initiative with non-standard *Potelong* of irregular lengths and received the Consumer Affairs Agency Commissioner's Award in the FY2022 Consumer-Oriented Management Excellent Practice Awards.



Recipe proposal at the 2nd Food Loss and Waste Reduction Network Roundtable



Potelong of irregular lengths

We will continue to promote the recycling and effective use of food resources through these initiatives, reducing the generation of food loss and waste, and donating to food banks.

15th anniversary of One Chocolate for One Smile

Project for connecting smiles with chocolates

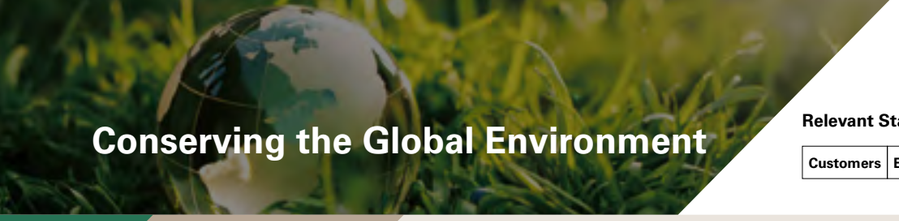
Cacao-producing countries face various social issues. One action that the Morinaga Group is taking to address these issues is the customer-led campaign called One Chocolate for One Smile This activity marked its 15th anniversary in 2023.

In addition to donations made throughout the year, during special periods, we run a campaign to donate one yen for each eligible product purchased by customers, such as Morinaga chocolates. The cumulative amount of donations up to FY2022 reached approximately 290 million yen, and through our support partners Plan International Japan and the nonprofit organization ACE, we are supporting children in cacao-producing countries from various angles, such as prevention of child labor, protection of children, school attendance support, and the construction of school classrooms.

From FY2021, we added frozen desserts products such as *Ita Choco Ice* to the target products. Our commitment is to "pave the road to a future where people who eat chocolate and the children learning in cacao-producing countries can smile together."



One Chocolate for One Smile (Japanese only) ▶ https://www.morinaga.co.jp/1choco-1smile/



Conserving the Global Environment

Relevant Stakeholders

Customers	Employees	Business partners	Local communities	Global environment

Toward 2030

To achieve the health of environment, we strive for the health of society 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 FY2050*1**
- **30% reduction in CO_2 emissions by FY2030*2**
- **Reduce the plastics used for *in Jelly* products by 25%*3 by FY2030**

*1 Group consolidated basis *2 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)
*3 Target: Amount of plastics used in packaging materials (intensity; compared with FY2019; including replacement with biomass plastics)

Global environmental issues, such as climate change and environmental pollution caused by plastic waste, could 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 to achieve sustainable growth for the Group and provide the "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 the Sustainable Management Division to exchange information with the Factory Environment Management Committee and other organs, as well as to promote continuous improvements to our environmental management system based on the ISO 14001 certification and to reduce the environmental impacts and increase productivity.

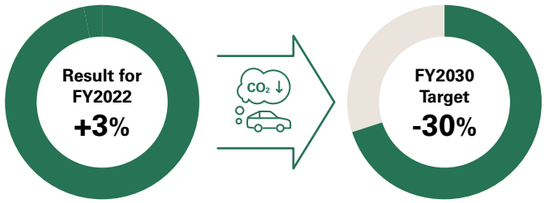


Third-party assurance of CO_2 emissions and water usage data

Please see our corporate website for the Morinaga Group's environmental policy, Environmental Management Promotion System, and ISO 14001 certification status.
Environmental Policy ▶ https://www.morinaga.co.jp/company/english/sustainability/environment/#policy
Multisite Organization Chart and ISO 14001 Certification Status ▶ https://www.morinaga.co.jp/company/english/sustainability/environment/

Response to Climate Change Issues

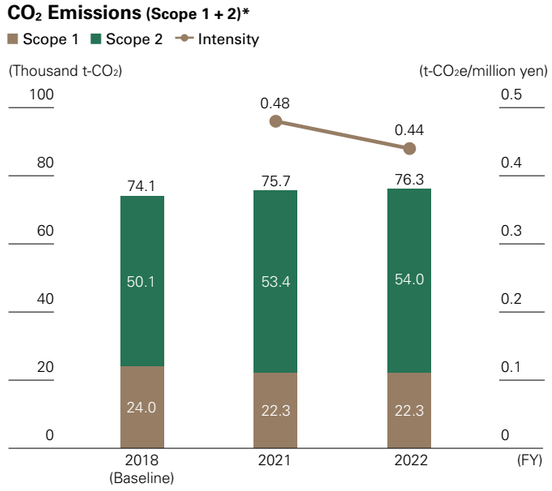
CO_2 Emissions Reduction: Long-Term Target and Progress*



*Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

To contribute to a decarbonized society, we are promoting carbon management including energy conservation and the introduction of renewable energy to achieve the long-term goal of net-zero greenhouse gas emissions by 2050. In FY2022, CO_2 emissions increased by 3% compared with FY2018 due to higher production volume. Nevertheless, we are working to prevent energy loss by introducing cameras that detect air and steam leaks from equipment at domestic production sites, while Takasaki Morinaga Co., Ltd., is preparing to install a solar power generation system expected to lower CO_2 emissions by more than 1,100 tons per year in the near future. We will continue to work toward a decarbonized society from various angles.

CO_2 Emissions (Scope 1 + 2)*



*Domestic consolidated basis. CO_2 emissions are rounded up to the second decimal place.
Figures for FY2020 and onward are assured by a third party, LRQA Limited.
The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 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	● Promote visualization of CO_2 emissions ● Establish a highly efficient production system by promoting a changeover to smart factories ● Implement energy conservation initiatives (e.g., adopt high-efficiency and energy-saving equipment, operate air conditioning efficiently) ● Install a solar power generation system
2	Initiatives at facilities using fluorocarbons	● Consider switching to alternative fluorocarbons with low ozone depletion potential and non-fluorocarbon materials ● Strengthen preventive management of fluorocarbon leakage ● Introduce 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	● Improve the loading rate and reduce the number of vehicles by coordinating transportation and delivery with other companies in the industry

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 concern globally. The Group believes its efforts through business activities are important and has established a long-term goal to reduce plastic use in the packaging material for mainstay *in Jelly* products. With this long-term goal as a starting point, we will promote initiatives toward achieving a resource-recycling society.

Environmental Initiatives in the Containers and Packaging of Major Brands

Reduce the weight and volume of plastic products

Pouches with thinner plastics



in Jelly Protein 5g



in Jelly Multi Vitamin

Cups with thinner plastics



ICEBOX

Switch to eco-friendly materials for packaging

Change straws to 5% biomass blended plastic



Oishii Collagen Drink Peach



Oishii Collagen Drink Lemon



Oishii Collagen Drink Premio

Promote recycling

The *in Jelly* Recycling Program* was launched in September 2021.



A collection box was set up at Hikarigaoka Girls' High School

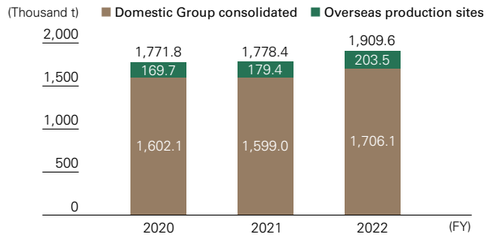
*An initiative jointly led by Morinaga and TerraCycle Japan G.K. to collect empty jelly containers and recycle them into new plastic products.

Effective Use of Water Resources

In recent years, there has been the growing risk of water resource shortages due to rising populations and the 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.

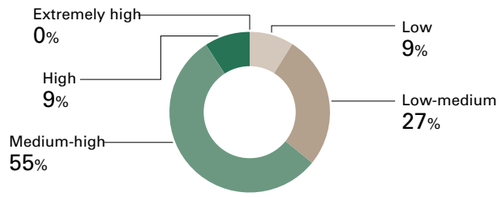
*1 A state in which water supply and demand is tight. Water stress occurs when the maximum available water resources per capita fall below 1,700 m^3.
*2 World Resources Institute's Aqueduct Water Risk Atlas

Amount of Water Resource Usage*



*Domestic figures reflect Group consolidated figures. Overseas figures reflect figures at production sites.
The domestic Group consolidated figures for FY2020 and later are assured by a third party, LRQA Limited.

Water Stress Evaluation of All Production Sites (FY2022)



Scope: Four factories of Morinaga & Co., Ltd. (Yokohama, Kanagawa; Oyama, Tochigi; Mishima, Shizuoka; Anjo, Aichi), four affiliated production companies (Takasaki, Gunma; Yamato, Kanagawa; Tosu, Saga; Amagasaki, Hyogo), and three overseas production sites (North Carolina, USA; Taipei, Taiwan; Zhejiang, China)

Conserving the Global Environment

Information Disclosures Based on the TCFD Recommendations

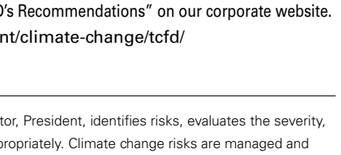
The Morinaga Group recognizes that climate change is an important issue that affects the continuity of its operations and sustainable growth. In April 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability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

Governance

The Morinaga Group's analysis of risks and opportunities, target setting, and progress monitoring concerning sustainability initiatives are deliberated on by the ESG Committee, which is chaired by the Representative Director, President. Findings are then reported to the Board of Directors, which also supervises the status of activities. In FY2022, the ESG Committee convened eight times.

The deliberations of the ESG Committee are considered in various aspects of decision-making concerning management. To review climate change initiatives, we established the TCFD/TNFD Subcommittee*1 under the ESG Committee. This subcommittee is responsible for analyzing the 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. Regarding the TCFD themes, we held two subcommittee meetings in FY2022. The results of this review process are reviewed by the ESG Committee and then reported to the Board of Directors, which supervises the status of activities.

Review and Promotion System



Strategy

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 the International Energy Agency (IEA), we used these scenarios to analyze the impacts in Japan in 2030 and 2050. The table below contains a summary of the risks and opportunities, and responses to them.

Examples of the Morinaga Group's Important Risks

Category	Subcategory	Risk Factors	Impact on Operations	Importance	Response
Transition risks	Policy and regulation	Spread of GHG emissions pricing and stricter GHG emissions reporting obligations	Rising energy costs and logistics costs caused by the introduction of carbon taxes	Medium	● Promote initiatives aimed at the CO_2 emissions reduction target ● Promote visualization of CO_2 emissions at factories, implement energy conservation measures, and establish a highly efficient production system through reorganization
		Stricter energy conservation policy	Rising cost of capital investment for manufacturing facilities due to the Company's response to energy conservation	Large	
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	Large	● Promote raw materials procurement in consideration of the environment in line with the Procurement Policy and Supplier Guidelines ● Purchase raw materials from multiple suppliers (or multiple sites)

Examples of the Morinaga Group's Important Opportunities

Category	Opportunity Factors	Impact on Operations	Importance	Response
Resource efficiency	Development and use of efficient production and distribution processes	Declining manufacturing and transport costs	Large	● Promote efficient production activities by rebuilding the production system and creating smart factories*2 ● Establish more efficient system/transport logistics and deliveries with fewer environmental impacts
Products and services	Adaptation to climate	Rising demand for *in Jelly* and frozen desserts due to global warming	Medium	● Increase sales of *in Jelly* and frozen desserts

For more detailed information, please refer to "Information Disclosure based on the TCFD's Recommendations" on our corporate website.
▶ https://www.morinaga.co.jp/company/english/sustainability/environment/climate-change/tcfd/

We will also address other risks and opportunities deemed important as appropriate.

Risk Management

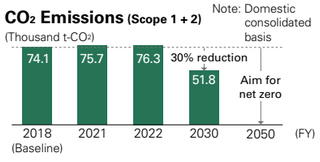
The Morinaga Group's Total Risk Management Committee, which is chaired by the Representative Director, President, identifies risks, evaluates the severity, reviews countermeasures against these risks, monitors progress, and manages and addresses risks appropriately. Climate change risks are managed and addressed appropriately as management risks by the same committee. In addition, the TCFD/TNFD Subcommittee conducts reviews in line with the TCFD recommendations, with the results deliberated by the ESG Committee. The details of discussions held by both committees are reported to the Board of Directors, which oversees the progress of risk management.

Based on the above, management conducts business operations after carrying out appropriate oversight of company-wide risks.

Indicators and Targets

To mitigate climate change risks, the Morinaga Group has established targets to reduce CO_2 emissions (Scope 1 + 2) by 30% from FY2018 in Japan by 2030 and to achieve net-zero GHG emissions by 2050. We are actively improving energy efficiency at our production sites (e.g., preventing air leaks, adding insulation) 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.

CO_2 Emissions (Scope 1 + 2)



*1 The TCFD Subcommittee was renamed the TCFD/TNFD Subcommittee in FY2022.
*2 Smart factory: Using IoT and AI technologies to integrate the technology and digital data of production equipment to ensure stable operations and increase production efficiency

Initiatives for Natural Capital and Biodiversity

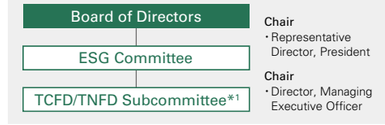
The Morinaga Group Environmental Policy clearly states that we will deepen our understanding of biodiversity and strive to maintain and conserve biodiversity and protect ecosystems. We will make efforts to understand our corporate activities' dependence and impact on natural capital, and work to maintain and conserve it.

Governance

For governance information related to the Group's sustainability, please refer to the governance section in "Information Disclosures Based on the TCFD Recommendations" on page 62. Discussions on natural capital and biodiversity are conducted by the TCFD/TNFD Subcommittee, which operates under the ESG Committee. Using the beta version v0.4 of the TNFD framework and the LEAP approach advocated by the TNFD as a reference, we analyze the Group's dependence and impact on natural capital, risks, and opportunities. The subcommittee is chaired by the Director, Managing Executive Officer in charge of the Sustainable Management Division.

Regarding the TNFD themes, we held four subcommittee meetings between April and September 2023. The results of this review were deliberated on by the ESG Committee. In turn, findings are reported to the Board of Directors, which also supervises the status of activities.

Review and Promotion System



Risk management

Risks and opportunities related to natural capital and biodiversity are examined by the TCFD/TNFD Subcommittee, with the findings deliberated on by the ESG Committee. The details of deliberations are reported to the Board of Directors, which supervises the status of risk management.

Dependence and Impacts on Natural Capital

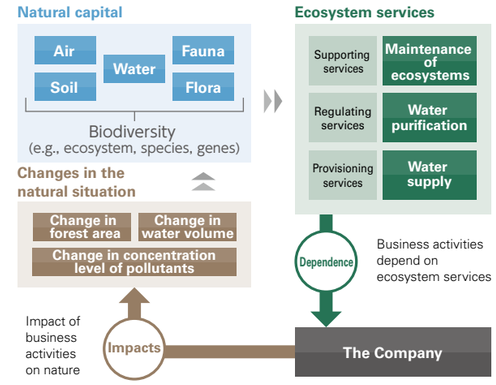
The Group recognizes its dependence and impacts on natural capital associated with corporate business activities as shown in the figure at right. In addition, we confirmed the dependence and impacts of the Group's main business of food product manufacturing, and the Group's main raw materials, such as cacao, palm, and wood (paper). The figure below shows the results of our assessment on 25 items—16 dependent items and nine impact items—using an external tool.

The production of food products is particularly dependent on the supply of water. We understand that the production of cacao, palm, and wood (paper) depends on many forms of natural capital such as good quality soil, water, and climate adjustment, and that the expansion of farmland and deforestation might affect biodiversity.

For cacao beans, palm oil, and paper, the Group is working to procure 100% sustainable raw materials.

We will further deepen our understanding of the situation of natural capital and strive to maintain and conserve natural capital and biodiversity.

Relationship between the Company and Natural Capital



For details on the promotion of the procurement of sustainable raw materials, see **page 58.**

Assessment of Dependence and Impacts on Natural Capital*2 ● Larger dependence/impacts ○ Dependence/Impacts somewhat large

Category	Dependence												Impacts						
	Ecosystem services												Pressure on biodiversity			Environmental factors			
	Supporting services & Regulating services				Regulating services						Provisioning services								
	Good quality soil	Good quality water	Conserve ecosystems	Pollination	Prevent landslides	Prevent fires	Prevent harmful insects and diseases	Ease of weeding	Prevent high temperatures	Prevent tropical cyclones	Supply of water	Supply of wood	Changes in nature caused by the expansion of farmland, the use of rivers, and other factors	Deforestation	Pollution of soil, water, and air	Impacts on protected areas and conservation areas	Impacts on important regions for biodiversity	Impacts on other important regions	Impacts on ecosystems
Food product manufacturing		○			○		○			○	●				○				
Cacao	●	○		○	●	○	●	○	●	●	○		●	●	●	●	○	○	●
Palm	●	○		○	●	○	○	○	●	●	○		●	●	●	●	○	○	●
Wood (paper)	●	○	○	○	●	●	○	○	●	●	●	●	●	●	○	●	○	○	○

*1 The name of the TCFD Subcommittee was changed to the TCFD/TFND Subcommittee in FY2022. *2 A total of 25 items were assessed, with 19 listed as having a high degree of dependence or impact.



Initiatives for Human Rights

Relevant Stakeholders

Customers	Employees	Business partners	Local communities

Toward 2030

We will engage in business while respecting global principles and guidelines so that everyone in the world can leverage their individuality and protect their rights.

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. In the unlikely event of a concern about respect for human rights, the Compliance Committee and the ESG Committee discuss how to respond, and a system has been put into place whereby the Board of Directors receives reports from both committees and then provides supervision and gives instructions.

Human Rights Management System Diagram



Reinforce Human Rights Management

Revised the Human Rights Policy

In 2023, after consulting with experts and professionals, we revised the Morinaga Group Human Rights Policy and declared that we will respect international frameworks and norms, including the UN Guiding Principles on Business and Human Rights. In addition to eliminating discrimination, harassment, child labor, forced labor, and human trafficking, we have made it clear that we will pay what is considered a living wage; eliminate discrimination, including gender-based, in recruitment and treatment; and avoid advertisements that have a negative impact on children.

Morinaga Group Human Rights Policy
▶ https://www.morinaga.co.jp/company/english/ir/policy/pdf/humanrights.pdf

Assessment of Human Rights Issues (Negative impacts)

As part of our human rights due diligence initiatives, we conducted a theoretical evaluation on the negative impacts of the Group's business on human rights. At present, we have reaffirmed that consideration for occupational health and safety and the rights of foreign workers is required more than ever in manufacturing processes inside and outside the Group, and that there are various issues related to wages and working hours in raw materials other than child labor in cacao-producing areas. While verifying the results of this assessment, we will continue to work to identify specific negative impacts.

Grievance Mechanism

We joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which was established in 2022, as a founding member, and have begun utilizing its grievance reporting system and professional advice. Through the "Engagement and Remedy Platform" provided by JaCER, which complies with the UN Guiding Principles on Business and Human Rights, it is now possible to accept reports from outside the Company and overseas in addition to the existing internal helpline. We will strive to respond appropriately to whistleblowers while receiving advice from professionals, which will lead to the resolution of business and human rights issues.

Road Map to Reinforcing Human Rights Management

Results for FY2021
- Started initiatives on human rights due diligence
- Completed the Supplier Guideline
- Commenced the CSR procurement survey based on the Supplier Guideline
- Conducted stakeholder engagement with NGOs and NPOs
- Promoted internal training and education (e.g., basic approach to respecting human rights and prevention of harassment)

Results for FY2022
- Became a signatory to the UN Global Compact
- Developed raw materials procurement guidelines for cacao beans, palm oil, and paper
- Conducted a theoretical evaluation of the negative impacts our business has on human rights
- Joined JaCER and began using its grievance platform
- Held the "Business and Human Rights Seminar" for executive officers

FY2023
- Revise the Morinaga Group Human Rights Policy
- Expand internal training and education (e.g., global approaches to business and human rights)
- Respond to issues identified (starting with urgent issues)
- Review the progress of responses to issues and report those in the integrated report and other public documents

Up to 2030
- Increase trust and brand value/corporate value through initiatives for business and human rights

Governance

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Messages from Outside Directors



Shuichi Hoshi Outside Director　Naomi Eto Outside Director　Kuniko Urano Outside Director　Shinji Sakaki Outside Director

Shuichi Hoshi

Outside Director

The governance and monitoring of the Board of Directors has become even more important for the Group, which is working toward its 2030 Vision to "change into a wellness company" by flexibly responding to changes in the operating environment and continuously growing together with all employees.

Outside directors are fully briefed on agenda items for meetings of the Board of Directors in advance, and a system is in place to deepen their understanding of the industry and the internal situation. This includes participating in management strategy meetings and conducting factory tours. Meetings to exchange opinions with outside directors and statutory auditors are held on a regular basis to help outside directors express their opinions appropriately.

As an outside director, I will monitor the progress of projects in the overseas business and DX promotion, which are priority challenges in the 2021 Medium-Term Business Plan, and confirm the path toward the targets. In terms of human resources development, I will promote the progress of development plans and succession plans through the Officer Appointment and Remuneration Committee. Furthermore, I will monitor sustainability activities led by the ESG Committee to ensure that the Company responds appropriately to the diverse requests of stakeholders and advances information disclosure.

Naomi Eto

Outside Director

This year, the final year of the 2021 Medium-Term Business Plan, I would like to encourage discussions on business portfolio transformation as one of the basic policies for realizing the 2030 Vision, especially the ideal state of our business portfolio to enhance corporate value in 2030 and beyond.

Regardless of further globalization in the future, Japan's population decline is a concern for the Group's sustainable growth, especially given our focus on the domestic business-to-consumer business. On the other hand, as Morinaga aims to become a wellness company, new seeds of growth can be expected in response to the need to maintain and improve health related to Japan's aging population. I will support new challenges from an unparalleled standpoint to see how the Group can create new growth businesses and contribute to solve social issues based on the Group's technical prowess and the trust of customers cultivated over its long history.

The diversity of human resources is also a driving force for major transformation. In "promoting diversity," which is stated in the Company's basic policy, my role is to encourage the appointment of diverse human resources, including women, to decision-making positions.

Kuniko Urano

Outside Director

Over the past year, changes in the operating environment surrounding the Group, symbolized by soaring raw materials prices and exchange rate volatility, have been greater than expected. Yet, sound growth achieved through the efforts of all employees is proof that the Company's ability to respond to changes has steadily improved. Moreover, the Company has shared some direction for the Group's future growth, including a focus on the U.S. business where the Company is growing its presence by maximizing the strengths of its products, as clearly set forth in the 2030 Vision of change into a wellness company. The core pillars are clear, and I believe that it is especially important to make full use of the Group's strengths, especially in the development and placement of human resources and in making timely investments.

I believe there are two fundamental aspects of decision-making and execution. First is frankly discussing risks and opportunities at Board meetings, and second is sharing competitive strengths with everyone. To that end, it is our responsibility as outside directors to support the Company so that it can continue to boldly take on difficult challenges by incorporating perspectives from different industries and experiences. I will make every effort to contribute to the Group's development over the medium to long term.

Shinji Sakaki

Outside Director

In FY2022, the Company had to manage an extremely difficult situation due to multiple factors, such as the rising costs of raw materials procurement and the sharp rise in energy costs triggered by Russia's invasion of Ukraine, along with the yen's depreciation.

The Group has fostered a culture in which all internal and outside directors share and discuss issues related to each business and management issue. Execution-side measures are implemented flexibly and speedily, and progress is being made with the shift to priority areas toward becoming a wellness company and the expansion of the overseas business sales ratio.

However, to realize the 2030 Vision of "change into a wellness company," there are still many business challenges to be cleared, and the Company needs to fulfill its social mission at a high level, such as ESG and sustainability. To improve the sustainable growth curve as much as possible, I would like to support the Company by making use of my experience in management, always thinking ahead without getting too caught up in the past.

Corporate Governance

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

Corporate Governance Basic Policy

The Morinaga Group will strengthen its 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.

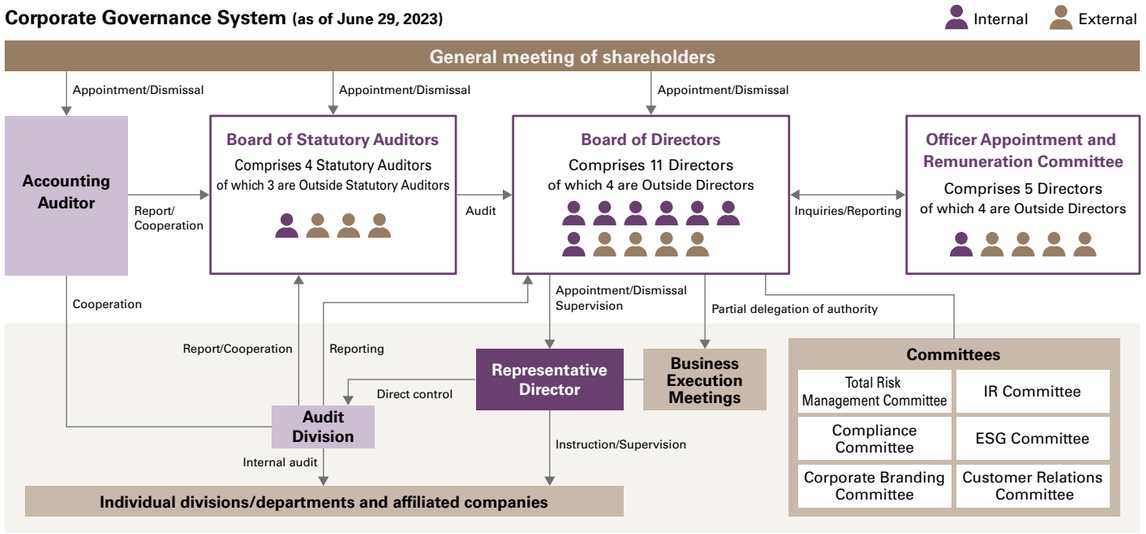
1. Positioning of Stakeholders
To enable us to fulfill our social responsibility in all areas of our business activities, we are committed to maintaining and further developing strong relationships with all stakeholders and promoting appropriate collaboration in accordance with our corporate philosophy and the code of conduct in an effort to achieve co-existence with society and sustainable growth.

2. Management Monitoring Functions
We are working to build 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 among the Group's member companies.

Corporate Governance System and Features

Corporate Governance System (as of June 29, 2023)



POINT 1 Strengthening the management supervision function of the Board of Directors

The Board of Directors deliberates and makes resolutions on management plans and other important management matters and supervises business execution. It also delegates authority for less important business execution functions other than matters resolved by the Board of Directors to modestly separate management supervision functions from business execution functions.

In addition, the Board of Directors evaluates the contribution and performance of management through confirmation of the progress of the medium- to long-term business plans and strengthens the management supervision function.

POINT 2 Effectiveness of Board of Directors' deliberations and independence and diversity of its composition

To ensure the effectiveness and efficiency of deliberations at the Board of Directors, sufficient prior discussions are made at the Officer Appointment and Remuneration Committee and various other committees (see diagram above).

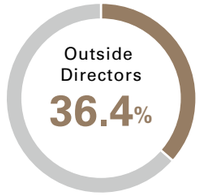
In addition, in consideration of the independence and diversity of the composition of the Board of Directors, four of the 11 directors, or more than one-third, are Outside Directors. The Board of Directors also comprises eight men and three women.

POINT 3 Enhancing the alignment of internal audits, corporate audits, and accounting audits

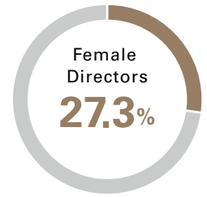
The Standing Statutory Auditors hold regular meetings with the Representative Director. They also attend meetings of the Board of Directors and other important gatherings to audit the Directors' performance of duties. Among cases delegated from the Board of Directors to business execution departments, the Standing Statutory Auditors perform audits on the approval application for important cases. Statutory Auditors conduct regular meetings with the accounting auditor and the 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 using close collaboration.

Furthermore, the Audit Division strives to improve the effectiveness of internal audits by reporting directly not only to the Representative Director, President but also to the Board of Directors and the Board of Statutory Auditors as appropriate.

Independence and Diversity of the Board of Directors



Ratio of Outside Directors
4 out of 11



Ratio of Female Directors
3 out of 11

Officer Appointment Policy

The Company has established the Officer Appointment Policy and Appointment Procedures to appoint as officers human resources who can sufficiently contribute to the creation of value for the Company.

An overview of the appointment policy for officers is presented below.

1. The Company's Directors and Statutory Auditors shall be selected from among personnel with expertise and experience in the various fields necessary to realize the purpose and vision of the Morinaga Group, taking into consideration diversity in terms of nationality, gender, age, and other factors.
2. Executive Directors and Operating Officers shall be selected from among personnel who meet the Morinaga Group Management Personnel Requirements (those who possess basic qualities, personal qualities, leadership capability, a challenging spirit, foresight and conceptual ability, execution ability, and the ability to utilize new technologies and fields) and who can contribute to the sustainable growth of the Morinaga Group.
3. Outside Directors shall be selected from among persons who meet the Company's independence standards as separately determined and who can be expected to express appropriate opinions and raise issues from an independent and objective standpoint with respect to the Group's management issues and other key concerns.
4. Statutory Auditors shall be selected from among persons who can be expected to conduct accurate audits of the legality and appropriateness of business execution from an objective and neutral perspective by utilizing their knowledge and experience. At least one of the Statutory Auditors shall be selected from among persons with sufficient knowledge of finance and accounting, and Outside Statutory Auditors shall be selected from among persons who meet the Company's independence standards.

Independence Standards

The Board of Directors formulated the Morinaga & Co., Ltd. Independence Standards for officers and appointed independent outside officers who meet the standards to ensure the independence of officers while also considering the independence standards set by financial instruments exchanges.

Morinaga & Co., Ltd. Independence Standards

The Company determines that Outside Directors, Outside Statutory Auditors, and candidates for these positions satisfy the requirements of independence if they do not fall under any of the following items.

1. A party whose major client or supplier is the Morinaga Group or an executive thereof;
   specifically a party or the corporation to which the party belongs for which sales in the most recent fiscal year to the Morinaga Group accounted for 2% or more of its annual consolidated sales.
2. A major client or supplier of the Morinaga Group or an executive thereof;
   specifically a party or the corporation to which the party belongs for which sales in the most recent fiscal year from the Morinaga Group accounted for 2% or more of the Company's annual consolidated sales.
3. A consultant, accounting professional, or legal professional who receives a large amount of money or other assets from the Company in addition to their remuneration as Director or Officer, or a member of a corporation, organization or other entity that receives such assets.
   A large amount of assets is defined as 2% of the annual consolidated sales of the corporation or 10 million yen or more, whichever is higher, in the most recent fiscal year.
4. A party that has fallen under any of Items 1 through 3 above in the past year.
5. A party that has been an Operating Officer of the Company or its subsidiaries at the time of their appointment or any time within 10 years prior to their appointment.
6. A relative up to the second degree of kinship of a party described in any of Items 1 through 5 above.
7. A party who does not satisfy the Standards for Independence set forth by the Tokyo Stock Exchange, or any other person who might have a conflict of interest with the Company's shareholders.
8. A person whose total term of office has been more than eight years.

Directors' and Statutory Auditors' Specialties and Experience (Skills Matrix)

To realize the Group's Purpose, Vision, 2030 Business Plan, and Medium-Term Business Plan, the Company selects candidates for Director and Statutory Auditor with a good balance in terms of deep knowledge and experience (corporate management and corporate strategy, marketing, sales, research, production, and logistics) and specialized skills (finance, accounting, human resources, labor affairs, legal affairs, compliance, and risk management).

In addition, as the Company is expanding its business globally and further increasing the ratio of overseas sales is one of the pillars of its business plan, the Company has set "global" as a necessary skill and "ESG and sustainability" as a skill necessary to address our future medium- to long-term management issues and issues demanded by society.

Directors' and Statutory Auditors' Specialties and Experience (Skills Matrix)

Name	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	●	●				●		●
Shinya Mori	Director, Managing Executive Officer	●					●		●
Daisuke Fujii	Director, Managing Executive Officer	●	●		●	●			
Takashi Hirakue	Director, Senior Executive Officer	●	●		●	●	●		●
Hideki Matsunaga	Director, Senior Executive Officer	●					●		
Tetsuya Takagi	Director, Senior Executive Officer	●		●	●	●		●	
Naomi Eto	Director	●	●			●			
Shuichi Hoshi	Director	●					●	●	
Kuniko Urano	Director	●	●		●				●
Shinji Sakaki	Director	●	●			●	●	●	
Toshiaki Fukunaga	Statutory Auditor	●						●	●
Takehiko Sasamori	Statutory Auditor	●	●	●	●	●		●	
Koichi Sakaguchi	Statutory Auditor				●	●			
Sawako Ueno	Statutory Auditor			●		●		●	

Note: The ● symbol is included in the relevant items if the officer possesses specialized knowledge and experience, such as having background as a business manager in each field.

Board of Directors Activity Status

The Board of Directors meets, in principle, once a month and as needed.

In FY2022, Board of Directors meetings were held 15 times, with a total deliberation time of approximately 2,000 minutes. The main deliberation themes in FY2022 can be found in the table on the next page.

In FY2022, the Company established items for discussion as targets for deliberation at meetings of the Board of Directors as an initiative to strengthen the monitoring function of the Board of Directors. The Company shares information and holds discussions on important management issues, such as the progress of business plans, the progress of measures related to the focused domains/basic domains, and the status of new business development initiatives.

Main Deliberation Themes in FY2022

	Management Strategy and Sustainability	Governance	Compliance Risk Management	Finance and Investment
Themes	● Progress of business plans ● Progress of the focused domains ("in-" and Frozen Desserts) and the basic domains (Confectionery and Foodstuffs) ● Status of the U.S. Business ● Initiative to switch to smart factories ● Activity status of committees including the ESG Committee	● Evaluation of the effectiveness of the Board of Directors ● Status of cross-shareholdings ● Officer personnel changes and remuneration ● Group governance	● Countermeasures against unauthorized access and the information management system ● Operating status of the internal control system ● Compliance Committee report, Total Risk Management Committee report	● Financial measures (fundraising, investments, and shareholder returns) ● Status of IT system renewal

To further enhance the deliberations, prior to the meeting of the Board of Directors, the Director in charge of the Corporate Strategy Division provides Outside Directors with explanations of the content of the agenda as appropriate and in advance. For part-time Statutory Auditors, the full-time Statutory Auditor provides preliminary explanations on the content of agenda items for each meeting.

Initiatives to Increase the Effectiveness of the Board of Directors

To further strengthen corporate governance, the Board of Directors conducts a self-evaluation of its effectiveness, analyzes the results, and continuously strives for improvement.

As a result of the evaluation of the effectiveness of the Board of Directors in FY2022, the Company confirmed that the effectiveness of the Board of Directors is continuously ensured and that it is functioning effectively. The details are as follows.

Method of Analysis and Evaluation

1 Survey

- Implementation: February and March 2023
- Scope: All Directors, including Outside Officers, and all Statutory Auditors

Main themes of survey questions

Composition, operation, and agenda of the Board of Directors, nomination and remuneration of executive management, risk management, dialogue with shareholders, system to support the Board of Directors, and findings from past evaluations of the Board of Directors

2 Results analysis as well as discussion and monitoring by the Board of Directors

To ensure objectivity, surveys are aggregated and analyzed by a third-party organization (law firm).
After reporting the above analysis and evaluation results to the Board of Directors, the Board of Directors evaluates the effectiveness, sets priority issues for the future, and discusses and implements improvement measures based on these results.
At the Board of Directors meeting held every December, an interim report and discussions are held on the status of initiatives for these issues so that progress is monitored.

3 Disclosure

Initiatives for past issues, results of effectiveness evaluations, future issues, and other relevant issues are disclosed in the notice of convocation of the General Meeting of Shareholders, corporate governance report, and other outlets.

Evaluation Results and Initiatives to Increase Effectiveness

	1 Further expansion of discussions to step up risk management	2 Strengthening of the function of the Board of Directors as a monitoring board
Issues addressed in FY2022		
Details of initiatives implemented in FY2022 to address issues	1) Comprehensive understanding of risks throughout the Morinaga Group (comprehensive understanding and listing by utilizing the Total Risk Map and Risk Intelligence Map) 2) Risk assessment (the importance of risk is evaluated on a three-point scale based on the degree of impact and frequency of occurrence) 3) Consideration of ways to manage each risk 4) Establishment of a management system that can increase effectiveness through the PDCA cycle	1) Among the individual decision-making matters previously resolved by the Board of Directors, those of less importance are delegated to other meeting bodies, and part of the authority of Directors as officers in charge is delegated to senior executive officers who do not concurrently serve as Directors. As a result, it is now possible for the Board of Directors to devote sufficient time to evaluating management through confirmation of the progress of business plans and discussing medium- to long-term issues. 2) Regarding the 2030 Business Plan and the 2021 Medium-Term Business Plan, the Board of Directors confirmed, evaluated, and reviewed the progress for each overall and strategic outline, and discussed issues.
Effectiveness evaluation results for FY2022	● Risk management efforts have been enhanced, and the Company has been able to make certain improvements and evolve. In the future, the Group risk management system, including Group companies, is expected to be further strengthened and enhanced.	● Regarding the strengthening of the functions of the Board of Directors as a monitoring board, the Company was able to strengthen these functions to a certain extent through initiatives such as the establishment of new items for discussion. In the future, further discussions on medium- to long-term business issues, including sustainability, are expected to be enhanced.
Issues to be addressed in FY2023	1 Deepening discussions and initiatives on risk management including Group companies	2 Further enhance discussions on medium- to long-term business issues such as sustainability and medium-term business plans

Composition of the Officer Appointment and Remuneration Advisory Committee (Nomination Committee and Remuneration Committee) and Status of Activities

The Company established the Officer Appointment and Remuneration Committee (renamed the Officer Appointment and Remuneration Advisory Committee on March 23, 2023) as a voluntary committee to review the nomination and remuneration of Directors. The Officer Appointment and Remuneration Advisory Committee is composed of all Outside Directors and the Representative Director, President, and the chairperson is elected from among Outside Directors who are members of the committee, thereby ensuring the independence of the committee.

The Officer Appointment and Remuneration Advisory Committee aims to strengthen corporate governance and improve transparency and objectivity. The Committee deliberates on the appointment (selection) and dismissal of Directors, Statutory Auditors, and Operating Officers at the senior level and above, as well as their rewards and punishments, and on succession planning for Directors and Operating Officers, including the Representative Director, President, based on advice from the Board of Directors, and reports to the Board of Directors.

In addition, the Committee, under the delegation of the Board of Directors, deliberates and decides on draft proposals prepared by the Representative Director, President regarding the evaluation of Directors and Operating Officers at the senior level and above and the amount of remuneration, etc., for individual Directors, and reports on its decision-making process to the Board of Directors.

Officer Appointment and Remuneration Advisory Committee

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

In FY2022, the Officer Appointment and Remuneration Advisory Committee met three times. The main details of the deliberations are as follows.

First meeting	May 2022	Details of deliberations	● Deliberation on candidates for substitute Statutory Auditor for FY2022 ● Deliberation on the amount of remuneration for individual Directors and Senior Executive Officers for FY2022 ● Deliberation on concurrent postings of officers
Second meeting	January 2023	Details of deliberations	● Deliberation on candidates for Director for FY2023 ● Review of succession plan for the Representative Director, President ● Deliberation on candidates for Statutory Auditors for FY2023 ● Deliberation on promotion of Director, Managing Executive Officer for FY2023
Third meeting	February 2023	Details of deliberations	● Deliberation on promotion of Director, Managing Executive Officer for FY2023 ● Review of specialization, career experience, and diversity required of successors for Outside Directors ● Deliberation on policies related to the selection and remuneration of officers and revisions of regulations

Basic Policy of Executive Remuneration and Determination Process

At the meeting of the Board of Directors held on February 10, 2021, the Company resolved the policy on determination of remuneration for individual Directors, and subsequently made partial amendments to the policy at the meeting of the Board of Directors held on March 23, 2023.

1. Executive Remuneration Basic Policy

The Company's basic policy regarding the executive remuneration system is as follows.

1) Contribute to the realization of the purpose and vision of the Morinaga Group.
2) Promote the realization of medium- to long-term business plans to enhance corporate value into the future.
3) Establish a system and standards that support appropriate risk-taking by Directors and strengthen their motivation to contribute.
4) Ensure that the system is transparent, fair, and rational for stakeholders, and is determined through an appropriate process to ensure this.

2. Details of Executive Remuneration System

(1) Structure and Payment Timing of Monetary Remuneration to Directors

1) Executive Directors
   (a) Basic compensation, consisting of two types of remuneration: fixed remuneration (equivalent to 70%) and performance-linked remuneration (equivalent to 30%), and a fixed amount is paid monthly in cash, 10% of the basic compensation amount is paid as stock compensation (non-monetary remuneration).
   (b) Executive bonuses: Paid in a lump sum in cash in July following the resolution by the General Meeting of Shareholders.
   (c) Stock compensation (non-monetary remuneration): Paid to Executive Directors upon their retirement (excluding non-residents in Japan). Details are provided in "(5) Content of Non-monetary Remuneration."
2) Outside Directors and Statutory Auditors
   In light of their role, basic compensation is fixed remuneration only, and a fixed amount is paid in cash on a monthly basis.

(2) Policy on Determination of Basic Compensation

A standard amount is determined for each job title according to responsibilities. The standard amount is set at a level that ensures market competitiveness and strengthens the motivation of each Director to make a contribution.

(3) Policy on Determination of Executive Bonuses

Executive bonuses are monetary remuneration according to job title, responsibilities, performance, etc., and their payment is determined following the resolution by the General Meeting of Shareholders.

(4) Matters Concerning Performance-Linked Remuneration

The performance indicators for performance-linked remuneration for the Representative Director, President are "the Group's consolidated operating income and ROE." Those for Executive Directors other than the Representative Director, President are as follows: 15% of the 30% performance-linked remuneration included in basic compensation is based on the Group's consolidated operating income and ROE, and the remaining 15% is based on individual performance evaluations, including contributions to ESG initiatives.

(5) Content of Non-Monetary Remuneration

As non-monetary remuneration, Executive Directors are provided stock compensation equivalent to 10% of the amount of basic compensation for the purpose of motivating them to make contributions to an improvement of medium- to long-term performance and corporate value and sharing profit awareness with shareholders.

Based on the performance-linked stock compensation plan approved at the 170th Annual General Meeting of Shareholders, Executive Directors receive points equivalent to 10% of their post-performance-linked basic compensation each year. They also receive Company shares, etc., through the BIP trust, in proportion to the points accumulated, when they retire.

3. Policy on Determination of Remuneration for Individual Directors

(1) Amount of Remuneration for Individual Directors

1) The level of basic compensation is verified by the Officer Appointment and Remuneration Advisory Committee based on the Company's business performance with reference to the remuneration levels of companies in the same industry or of the same size as the Morinaga Group.
2) With respect to the amount of remuneration for individual Directors, the Officer Appointment and Remuneration Advisory Committee deliberates and determines draft proposals on the amount of compensation for individual Directors, including performance evaluations prepared by the Representative Director, President, and reports on its decision-making process to the Board of Directors.

(2) Executive Bonuses

1) In consultation with the Board of Directors, the Officer Appointment and Remuneration Advisory Committee deliberates on whether it is appropriate to propose the payment of bonuses to Directors and Statutory Auditors to the Annual General Meeting of Shareholders, and when determining it to be appropriate, reports to the Board of Directors together with the proposed payment amount, and the Board of Directors approves.
2) The total amount will be paid upon resolution of the General Meeting of Shareholders.

Total Amount of Remuneration for Directors and Statutory Auditors in FY2022

Category	Total Amount of Remuneration (Million yen)	Total Amount by Type of Remuneration (Million 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 (Outside Directors)	251 (39)	169 (39)	55 (–)	25 (–)	13 (5)
Statutory Auditors (Outside Statutory Auditors)	56 (34)	56 (34)	– (–)	– (–)	5 (3)

Main Committee Activity Status

Name of Committee	Chairperson	Main Agenda
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 the relevant initiatives 2) Establish and promote compliance action plans
ESG Committee	Representative Director, President	1) Deliberate on policies, targets, actions, and KPIs related to sustainable management 2) Follow up on action and KPI progress 3) Share, propose, and deliberate on the establishment of subcommittees and agendas 4) Deliberate on the publication of integrated reports
IR Committee	Representative Director, President	1) Timely and appropriate information disclosure 2) Communication approach with shareholders 3) Measures for improvement of shareholder value

Cross-Shareholdings

At the Board of Directors, the Company quantitatively evaluates once every year whether the dividend level and trading profit of each of the stocks held for purposes other than pure investment, so-called cross-holdings, are commensurate with the cost of capital, and assesses whether such holdings are rational, by taking into account the qualitative evaluations. These evaluations include the purposes of holdings and the medium- to long-term prospect of trading relationships with the companies in which the Company holds such shares.

Based on these evaluations, it is the Company's policy to determine the necessity of each cross-shareholding and reduce such holdings. In FY2022, the Company sold all its shares of two stocks and some of its shares in one stock. As a result, the ratio of cross-shareholdings (market value) to consolidated net assets stood at 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. These decisions are made after considering from the viewpoints of whether the proposal in question will impose a negative impact on the relationship and trading with the Group, or whether significant concerns have arisen on corporate governance.

Compliance and Risk Management

Compliance

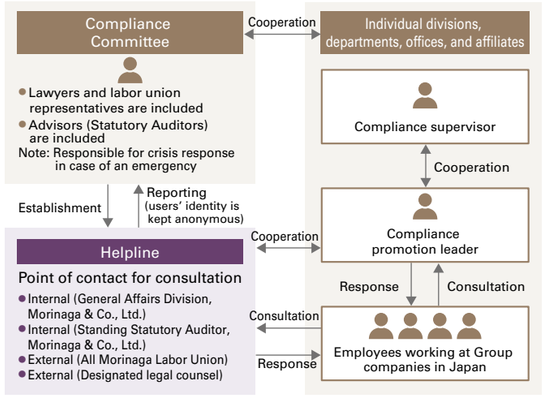
Basic Philosophy

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

In addition to formulating the Compliance Regulations, the Group has established the Compliance Committee, chaired by the Representative Director, President, to build and promote compliance management. The Group takes strict measures in the event of a compliance violation, including disciplinary action and punishment, based on internal regulations.

Morinaga Group Compliance Management System



Efforts in FY2022

With the aim of embedding a compliance culture into the organization, we display the Morinaga Group Code of Conduct and Standards of Behavior on panels in each office and distribute booklets to raise awareness among all employees. In FY2022, we conducted various compliance training at the headquarters and individual offices in addition to training by job class, including that for new recruits. 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 as well as plan and execute measures to remedy issues. The results of these efforts by the Compliance Committee are reported to the Board of Directors in a timely manner.

Actual Compliance Training Sessions (FY2022)

Name of Training	Targets	Number of Participants (running total)
Training by job class	Numbers of applicable employees from each year and position applicable	237
Training by workplace	Employees of Morinaga and Group companies	850
Officer training	Directors and statutory auditors (at least once annually)	13

In addition, we provide training videos and compliance information on our company-wide intranet in an effort to increase awareness of compliance.

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 four contact points, both internal (General Affairs Division and Standing Statutory Auditor) and external (labor union and law firm), to handle not only compliance violations that affect the whistleblower but also violations witnessed by others or potential violations with ambiguity. We have appointed both male and female lawyers for this hotline, widening the options for those seeking consultation. In FY2022, there were 29 consultations received by the helpline Group-wide. 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

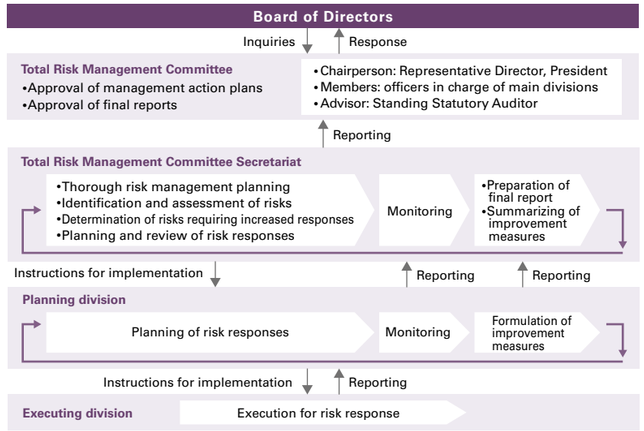
Basic Philosophy

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 those risks.

Risk Management System and Risk Identification

Based on the Total Risk Management Regulations, the Group identifies assumed risks, evaluates the impact and frequency of risks, creates a Total Risk Map, and determines the priority of risk responses. We implement the PDCA cycle in which the divisions that plan and execute risk countermeasures are clarified, and the planning divisions formulate risk countermeasures, monitor the status of implementation, create improvement measures, and report to the Total Risk Management Committee. 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. The Total Risk Management Committee reports the results of these initiatives and other information to the Board of Directors.

Total Risk Management System



Main Risks Facing the Group and Responses

■ Important Risks from a Short- to Medium-Term Perspective

Risk Item	Assumed Risk	Response by the Morinaga Group
Food safety	●Cost burden and damage to social credibility due to a large-scale recall attributed to unforeseen quality accidents or product liability compensation	●Formulation of the Quality Policy and Quality Assurance Rules and establishment of a systematic quality assurance system ●Establishment of Crisis Management Response in preparation for the occurrence of quality incidents
Production system	●Suspension or delay of product production due to factory inoperability caused by a disaster or other unforeseen event	●Maintaining production of mainstay products and implementing measures to restart following business continuity management (BCM)
Raw materials procurement	●Fluctuations in raw material prices and procurement shortfalls due to the following factors: ▶Fluctuations in the exchange rate ▶Crop failure due to global warming and unseasonable weather ▶Global spread of infectious diseases, political instability in the country of origin, conflicts, and other uncertainties ▶Rising crude oil prices ▶Increase in labor unit price and logistics costs due to labor shortages	●Execution of foreign exchange contracts and other measures to hedge against exchange rate volatility ●Decentralization and diversification of production areas and supplier procurement bases ●Maintaining appropriate inventory ●Promotion of sustainability of important raw materials and sustainability initiatives by suppliers
Weather, natural disasters, and other unforeseen circumstances	●Reduced purchasing opportunities due to weather conditions ●Supply chain stagnation due to large-scale natural disasters	●Establishment of production and supply systems to ensure that product supply does not stagnate ●Demand prediction and production management based on information collection and analysis ●Ensuring the safety and asset protection of employees and related parties in the event of a disaster
Infectious diseases and the changes they cause	●Supply chain stagnation due to pandemics of infectious diseases ●Changes in consumer lifestyles, preferences, and purchasing behavior	●Establishment of production and supply systems to ensure that product supply does not stagnate ●Continuous research and analysis of changes in consumer behavior and preferences, and development of a product research-and-development system to meet new demand
Leakage of corporate and/or personal information	●Unexpected leakage of important information due to unauthorized access or other breaches, and in that case, suspension of business activities, occurrence of large costs, and damage to credibility	●Implementation of a 24-hour monitoring system by the Security Operation Center and development of an internal management system ●Thorough fact-finding and investigation of causes when information leakage occurs, measures to prevent the spread of damage, prompt announcement, and implementation of measures to prevent recurrence
Business expansion into overseas markets	●Occurrence of unforeseeable circumstances due to the following events: ▶War or terrorism ▶Political or social change ▶Business practices ▶Changes in legal regulations and tax system of each country/region ▶Sudden fluctuations in the exchange rate	●Review of strategies through information collection in each country and region, flexible changes to product supply bases, and provision of appropriate guidance and audits to overseas subsidiaries ●Strengthening of business management and risk management systems of subsidiaries
Corporate social responsibility	●Litigation or punishment for violating laws and regulations, and loss of trust from stakeholders as well as damage to reputation and brand value, due to social sanctions	●Stipulation of compliance with laws, regulations, social norms, and the fulfillment of corporate social responsibilities in the Morinaga Group Code of Conduct and Standards of Behavior, Human Rights Policy, Tax Policy, and Anti-Bribery Policy and other guidelines ●Establishment of a system to respond promptly and appropriately in accordance with laws and regulations when risks are recognized
Occupational injuries	●Occurrence of an accident that threatens the life or health of an employee, and loss of valuable human resources (e.g., accidents during manufacturing operations, traffic accidents, overseas assignments)	●Establishment of the Morinaga Group Occupational Health and Safety Policy; Dissemination of information inside and outside the Company, and promotion of a safe and comfortable work environment ●Labor-management meetings on safety measures to share information on occupational accidents and take measures to prevent accidents
Investment in property, plant, and equipment	●Failure to obtain results as anticipated and planned at the initial stage of investment, decline in business profitability, and occurrence of impairment losses on property, plant, and equipment	●Implementation of investment management in accordance with investment management regulations

■ Important Risks from a Medium- to Long-Term Perspective

Risk Item	Assumed Risk	Response by the Morinaga Group
Secure and foster human resources	●Decline in market competitiveness due to delays in securing and developing appropriate human resources and developing systems and environments that enable diverse human resources to demonstrate their abilities and play an active role	●Establishment of the Morinaga Group Diversity and Inclusion Policy, dissemination of it among employees, and penetration through education ●Securing and developing human resources based on expertise and global perspectives
Climate change	●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 global environmental conservation and achieving a resource recycling society ●Enhancing the management of sustainability issues

For more detailed information, please refer to our corporate website.
▶ https://pdf.irpocket.com/C2201/KSWQ/A8DT/ohGR.pdf (Japanese only)

Executive Management Team

(as of June 29, 2023)

Directors



Eijiro Ota

Representative Director, President

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

Term of office as a director: 12 years
Board of Directors meeting attendance: 15/15 times
Responsibilities: Audit Division and Sales Headquarters
Number of shares of the Company owned (of which, to be issued as stock compensation): 18,878 (7,978)

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)



Machiko Miyai

Director, Managing Executive Officer

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

Term of office as a director: 9 years
Board of Directors meeting attendance: 15/15 times
Responsibilities: Sustainable Management Division, Quality Assurance Division, Customer Service Center
Number of shares of the Company owned (of which, to be issued as stock compensation): 5,932 (3,832)

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) Commissioned General Manager of Marketing Headquarters
Feb. 2019	Chairperson of Sustainability Forum Japan (present)
Apr. 2022	Auditor of Ochanomizu University (present)
Jun. 2022	Outside Director of SEKISUI CHEMICAL CO., LTD. (present)



Shinya Mori

Director, Managing Executive Officer

Term of office as a director: 4 years
Board of Directors meeting attendance: 15/15 times
Responsibilities: R&D Center, New Business Development Division, Direct Marketing Division
Number of shares of the Company owned (of which, to be issued as stock compensation): 4,772 (2,572)

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 Commissioned General Manager of R&D Center
Jun. 2023	Director, Managing Executive Officer of the Company (present)



Daisuke Fujii

Director, Managing Executive Officer

Term of office as a director: 4 years
Board of Directors meeting attendance: 15/15 times
Responsibilities: Corporate Strategy Division, General Affairs Division, Strategic Investment & Alliance Division
Number of shares of the Company owned (of which, to be issued as stock compensation): 3,992 (2,592)

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
Aug. 2019	Commissioned General Manager of Corporate Strategy Division of the Company
Jul. 2022	Commissioned General Manager of General Affairs Division of the Company
Sep. 2022	Commissioned General Manager of Strategic Investment & Alliance Division of the Company (present)
Jun. 2023	Director, Managing Executive Officer of the Company (present)



Takashi Hirakue

Director, Senior Executive Officer

Term of office as a director: 13 years
Board of Directors meeting attendance: 15/15 times
Responsibilities: Logistics Division, DX Promotion Division
Number of shares of the Company owned (of which, to be issued as stock compensation): 12,066 (3,366)

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



Hideki Matsunaga

Director, Senior Executive Officer

Term of office as a director: 1 year
Board of Directors meeting attendance: 11/11 times
Responsibilities: Marketing Headquarters
Number of shares of the Company owned (of which, to be issued as stock compensation): 6,293 (693)

Career summary

Apr. 1990	Joined Morinaga & Co., Ltd.
Oct. 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 Sales Strategy Division of Sales Headquarters of the Company
Apr. 2019	Executive Officer, General Manager of Confectionery and Foodstuff Sales Division 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) Commissioned General Manager of Marketing Headquarters (present)



Tetsuya Takagi

Director, Senior Executive Officer

〈Significant concurrent positions〉
Representative Director, President of Morinaga Finance Co., Ltd.

Term of office as a director: 1 year
Board of Directors meeting attendance: 11/11 times
Responsibilities: Accounting Division, Corporate Communications Division
Number of shares of the Company owned (of which, to be issued as stock compensation): 893 (693)

Career summary

Apr. 1986	Joined Fuji Xerox Co., Ltd. (currently FUJIFILM Business Innovation Corp.)
Jul. 2015	Corporate Vice President, General Manager of Corporate Planning Division of Fuji Xerox Co., Ltd.
Jul. 2017	Executive Counselor of Fuji Xerox Co., Ltd.
Apr. 2018	Managing Executive Officer, responsible (deputy) for Corporate Planning Division of UNIZO Holdings Company, Limited.
Jul. 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) Representative Director, President of Morinaga Finance Co., Ltd. (present)



Naomi Eto

Outside Director (Independent Officer)

〈Significant concurrent positions〉
Outside Director, The Nisshin OilliO Group, Ltd.
Outside Director, NIPPON YAKIN KOGYO CO., LTD.

Term of office as a director: 3 years
Board of Directors meeting attendance: 15/15 times
Number of shares of the Company owned: 1,000

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 Nisshin OilliO 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.



Kuniko Urano

Outside Director (Independent Officer)

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

Term of office as a director: 2 years
Board of Directors meeting attendance: 15/15 times
Number of shares of the Company owned: 0

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.



Shuichi Hoshi

Outside Director (Independent Officer)

〈Significant concurrent positions〉
Outside Director, SBS Holdings, Inc.

Term of office as a director: 3 years
Board of Directors meeting attendance: 13/15 times
Number of shares of the Company owned: 2,000

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-SHOKUHIN Co., Ltd.
Mar. 2019	Outside Director of SBS Holdings, Inc.
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.



Shinji Sakaki

Outside Director (Independent Officer)

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

Term of office as a director: 1 year
Board of Directors meeting attendance: 11/11 times
Number of shares of the Company owned: 0

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. (currently 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.

Statutory Auditors



Toshiaki Fukunaga

Standing Statutory Auditor

Board of Statutory Auditors meeting attendance: 12/12 times
Board of Directors meeting attendance: 11/11 times
Number of shares of the Company owned: 2,200

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)



Koichi Sakaguchi

Outside Statutory Auditor (Independent Officer)

〈Significant concurrent positions〉
Attorney (GINGA LAW OFFICE)

Board of Statutory Auditors meeting attendance: 16/16 times
Board of Directors meeting attendance: 15/15 times
Number of shares of the Company owned: 0

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.



Takehiko Sasamori

Standing Outside Statutory Auditor (Independent Officer)

Board of Statutory Auditors meeting attendance: –
Board of Directors meeting attendance: –
Number of shares of the Company owned: 0

Career summary

Apr. 1985	Joined Mitsubishi Corporation
Sep. 2007	Director of PT Krama Yudha Tiga Berlian Motors (Indonesia)
Jun. 2013	Director, Executive Officer of NIHON SHOKUHIN KAKO CO., LTD.
Apr. 2017	General Manager of Risk Management Office of Mitsubishi Corporation
Apr. 2018	Division General Manager of Corporate Planning Division of Toyo Tire & Rubber Co., Ltd. (currently Toyo Tire Corporation)
Jan. 2019	Corporate Officer of Toyo Tire & Rubber Co., Ltd.
Mar. 2019	Director of Toyo Tire & Rubber Co., Ltd.
Jun. 2023	Standing Outside Statutory Auditor of Morinaga & Co., Ltd. (present)

Reason for appointment

Mr. Sasamori has a wealth of management experience in the food industry and the manufacturing industry, and has specialized knowledge as a Certified Public Accountant in the State of Delaware in the United States. He provides objective and neutral audits from a broad perspective that extends beyond the Company's industry based on this knowledge and experience.



Sawako Ueno

Outside Statutory Auditor (Independent Officer)

〈Significant concurrent positions〉
Head of Sawako Ueno Certified Public Accountant Office
Outside Statutory Auditor of AIRPORT FACILITIES CO., LTD.

Board of Statutory Auditors meeting attendance: –
Board of Directors meeting attendance: –
Number of shares of the Company owned: 0

Career summary

Apr. 1988	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)
Oct. 1996	Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
Oct. 2008	Partner, Ernst & Young ShinNihon LLC
Sep. 2017	Joined Deloitte Touche Tohmatsu LLC as Partner
Sep. 2019	Director of Deloitte Touche Tohmatsu LLC (retired in December 2020)
Jan. 2021	Joined the Financial Services Agency, Securities and Exchange Criminal Investigator, Criminal Investigation Division, Securities and Exchange Surveillance Commission, Executive Bureau of the Financial Services Agency
Apr. 2023	Established and assumed the office of Head of Sawako Ueno Certified Public Accountant Office (present)
Jun. 2023	Outside Statutory Auditor of Morinaga & Co., Ltd. (present)
Jun. 2023	Outside Statutory Auditor of AIRPORT FACILITIES CO., LTD. (present)

Reason for appointment

Ms. Ueno has highly specialized knowledge and extensive experience as a certified public accountant, as well as business experience at the Financial Services Agency. She provides objective and neutral audits from a broad perspective that extends beyond the Company's industry based on this knowledge and experience.

11-Year Financial and Non-Financial Summary

For more details, please refer to the link below.
https://www.morinaga.co.jp/company/english/ir/library/settlement.html

Financial information

Accounting year	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020*6	FY2021*6	**FY2022*6**
Net sales	(Million yen)	152,885	164,603	177,929	181,868	199,479	205,022	205,368	208,878	168,240	181,251	**194,373**
Operating income	(Million yen)	2,695	3,858	5,939	11,456	17,612	19,751	20,217	21,230	19,176	17,685	**15,235**
Ordinary income	(Million yen)	2,973	4,446	6,530	12,062	18,325	20,422	20,767	21,950	19,782	18,247	**15,757**
Profit attributable to owners of parent	(Million yen)	1,419	8,090	3,806	8,092	11,115	10,289	12,816	10,824	13,416	27,773	**10,059**
Capital investment	(Million yen)	13,010	14,517	2,393	7,406	3,750	7,310	7,983	10,661	20,404	20,411	**9,995**
Depreciation	(Million yen)	5,594	6,808	6,581	6,130	5,771	5,820	5,835	6,230	7,909	10,032	**10,087**
R&D expenses	(Million yen)	2,329	1,984	2,005	2,152	2,210	2,205	2,194	2,240	2,217	2,686	**2,892**
Cash flow from operating activities	(Million yen)	5,565	7,684	11,182	16,715	18,400	17,788	20,897	20,994	12,127	24,825	**(2,966)**
Cash flow from investing activities	(Million yen)	(5,681)	(6,459)	(3,022)	(2,091)	(29,736)	8,154	(20,025)	16,993	(19,862)	9,312	**(14,209)**
Cash flow from financial activities	(Million yen)	3,645	(5,764)	(1,491)	(2,311)	(2,398)	(17,906)	(11,888)	(4,375)	(4,084)	(5,943)	**(7,348)**
Free cash flow*1	(Million yen)	(2,615)	625	8,159	14,223	15,663	13,943	15,871	7,988	(7,735)	34,318	**(17,080)**
End of fiscal year												
Total assets*2	(Million yen)	141,154	144,441	151,310	163,085	183,112	177,920	175,837	188,060	202,910	214,300	**205,226**
Net assets	(Million yen)	52,981	62,594	69,393	77,223	91,763	100,331	97,193	105,487	123,706	131,174	**125,856**
Interest-bearing debt*3	(Million yen)	29,901	26,200	26,764	26,446	26,282	11,265	10,666	10,000	10,000	10,000	**19,000**
Financial indicators												
Operating income to net sales ratio	(%)	1.8	2.3	3.3	6.3	8.8	9.6	9.8	10.2	11.4	9.8	**7.8**
Return on equity (ROE)	(%)	2.7	14.4	6.0	11.5	13.6	11.0	13.2	10.8	11.8	22.0	**7.9**
Return on assets (ROA)*2	(%)	2.2	3.1	4.4	7.7	10.6	11.3	11.7	12.1	10.1	8.7	**7.5**
Shareholders' equity ratio*2	(%)	37.2	41.5	43.8	45.7	48.7	55.0	54.8	55.7	60.5	60.7	**60.7**
D/E ratio	(Times)	0.57	0.44	0.40	0.35	0.29	0.12	0.11	0.10	0.08	0.08	**0.15**
Book value per share (BPS)*4	(Yen)	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	**2,645.25**
Earnings per share (EPS)*4	(Yen)	27.24	155.37	73.11	155.47	213.60	197.76	247.15	215.18	266.73	552.59	**208.77**
Dividend per share*4	(Yen)	30	30	30	35	45	50	66	72	80	90	**100**
Dividend payout ratio	(%)	110.1	19.3	41.0	22.5	21.1	25.3	26.7	33.5	30.0	16.3	**47.9**
Dividend on equity ratio	(%)	3.0	2.8	2.5	2.6	2.9	2.8	3.5	3.6	3.5	3.6	**3.8**
Total shareholder return ratio*5	(%)	114.5	19.5	41.5	22.9	21.5	26.7	92.5	33.6	30.1	21.5	**157.9**

*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 the Accounting Standard for Tax Effect Accounting, etc., from FY2018. Figures for FY2014 to FY2017 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 FY2012.
*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)," and other regulations, from the beginning of FY2021. The figures for FY2020 are from after retroactive application of the said accounting standard.

Non-financial information

			Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020*6	FY2021*6	**FY2022*6**
CO_2 emissions*7	Japan	Scope 1*13	(Thousand t-CO_2)	62.5	63.9	58.0	55.3	57.0	56.7	24.0	20.6	21.4	22.3	**22.3**
		Scope 2*13	(Thousand t-CO_2)							50.1	46.9	47.5	53.4	**54.0**
	Overseas	Scope 1	(Thousand t-CO_2)	–	4.7	9.0	14.3	18.4	15.1	2.8	3.4	3.3	3.7	**4.0**
		Scope 2	(Thousand t-CO_2)							6.6	7.2	6.3	6.8	**6.8**
Amount of water resource consumption*8,*13	Japan		(Thousand tons)	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	1,599.0	**1,706.1**
	Overseas		(Thousand tons)	–	130.6	215.3	182.6	246.6	208.9	158.7	148.0	169.7	179.4	**203.5**
Amount of waste emissions*9	Japan		(Thousand tons)	10.7	11.4	10.1	9.8	10.0	9.8	9.7	9.6	9.4	10.8	**9.6**
	Overseas		(Thousand tons)	–	0.3	1.1	1.2	1.3	0.9	0.5	0.6	0.6	0.7	**0.8**
Procurement ratio of sustainable raw materials*10	Japan	Cacao beans	(%)										9	**34**
		Palm oil	(%)										2	**9**
		Paper	(%)										98.0	**99.9**
Number of employees*11	Consolidated		(People)	2,573 (2,084)	2,927 (2,323)	2,978 (2,613)	3,056 (2,330)	3,256 (2,186)	3,169 (1,950)	2,717 (1,712)	2,711 (1,687)	2,825 (1,597)	2,937 (1,658)	**3,076 (1,673)**
Ratio of female managers*12	Morinaga & Co., Ltd.		(%)	4.5	4.2	4.4	4.2	4.6	5.2	6.7	7.7	8.3	9.4	**10.0**

*7 Figures for Japan for FY2018 and later represent the Group consolidated basis. Figures for overseas for FY2019 and later represent the Group consolidated basis. Figures prior to this are for production sites both in Japan and overseas. The conversion coefficient at the time of CO_2 calculation for FY2017 and prior uses the fixed coefficient of 0.378 kg-CO_2/kWh established internally in 2003.
*8 Figures prior to FY2017 are for production sites both in Japan and overseas. Figures for Japan for FY2018 and later represent the Group consolidated basis.
*9 Figures for production sites both in Japan and overseas.
*10 Paper covers only product packaging.
*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 parentheses 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 FY2020 CO_2 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

For more details, please refer to the link below.
https://www.morinaga.co.jp/company/english/ir/library/settlement.html

(1) Consolidated Balance Sheets

Million yen

	FY2021 (March 31, 2022)	**FY2022 (March 31, 2023)**
Assets		
Current assets		
Cash and deposits	56,652	**36,362**
Notes and accounts receivable–trade	22,313	**23,712**
Merchandise and finished goods	13,645	**16,330**
Work in process	374	**498**
Raw materials and supplies	9,736	**14,761**
Income taxes receivable	157	**3,328**
Other	9,236	**6,421**
Allowance for doubtful accounts	(48)	**(43)**
Total current assets	112,067	**101,371**
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,295	**62,990**
Accumulated depreciation	(32,283)	**(32,940)**
Buildings and structures–net	30,011	**30,050**
Machinery, equipment and vehicles	98,116	**100,894**
Accumulated depreciation	(68,740)	**(72,269)**
Machinery, equipment and vehicles–net	29,375	**28,624**
Tools, furniture and fixtures	5,236	**5,281**
Accumulated depreciation	(4,015)	**(4,112)**
Tools, furniture and fixtures–net	1,221	**1,168**
Land	21,318	**20,734**
Lease assets	1,851	**2,355**
Accumulated depreciation	(966)	**(1,051)**
Lease assets–net	884	**1,304**
Construction in progress	2,241	**4,373**
Total property, plant and equipment	85,053	**86,256**
Intangible assets		
Goodwill	98	**–**
Software	–	**192**
Other	211	**647**
Total intangible assets	309	**839**
Investments and other assets		
Investment securities	10,447	**10,167**
Net defined benefit asset	4,232	**4,605**
Deferred tax assets	1,191	**1,102**
Other	1,034	**919**
Allowance for doubtful accounts	(36)	**(35)**
Total investments and other assets	16,869	**16,759**
Total noncurrent assets	102,233	**103,855**
Total assets	214,300	**205,226**

Million yen

	FY2021 (March 31, 2022)	**FY2022 (March 31, 2023)**
Liabilities		
Current liabilities		
Notes and accounts payable–trade	20,392	**22,798**
Current portion of long-term loans	10,000	**–**
Lease obligations	367	**490**
Accounts payable–other	10,538	**10,156**
Income taxes payable	9,974	**360**
Refund liabilities	3,611	**3,916**
Allowance for bonuses	2,697	**2,696**
Asset retirement obligations	453	**–**
Other	12,112	**10,879**
Total current liabilities	70,147	**51,297**
Long-term liabilities		
Bonds payable	–	**9,000**
Long-term loans	–	**10,000**
Lease obligations	616	**950**
Deferred tax liabilities	–	**333**
Provision for directors' stock benefits	82	**88**
Provision for environmental measures	274	**273**
Net defined benefit liability	8,231	**3,640**
Asset retirement obligations	–	**66**
Deposits received	3,642	**3,633**
Other	131	**86**
Total long-term liabilities	12,978	**28,072**
Total liabilities	83,126	**79,370**
Net assets		
Shareholders' equity		
Common stock	18,612	**18,612**
Capital surplus	17,292	**17,186**
Retained earnings	97,886	**83,396**
Treasury stock	(12,717)	**(3,713)**
Total shareholders' equity	121,074	**115,482**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,396	**5,201**
Deferred gains or losses on hedges	(1)	**3**
Foreign currency translation adjustments	1,304	**2,263**
Remeasurements of defined benefit plans	2,261	**1,615**
Total accumulated other comprehensive income	8,960	**9,082**
Non-controlling interests	1,139	**1,290**
Total net assets	131,174	**125,856**
Total liabilities and net assets	214,300	**205,226**

Financial Summary

For more details, please refer to the link below.
https://www.morinaga.co.jp/company/english/ir/library/settlement.html

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Operations)

Million yen

	FY2021 (April 1, 2021– March 31, 2022)	**FY2022 (April 1, 2022– March 31, 2023)**
Net sales	181,251	**194,373**
Cost of sales	105,425	**117,721**
Gross profit	75,826	**76,651**
Selling, general and administrative expenses	58,140	**61,415**
Operating income	17,685	**15,235**
Non-operating income		
Interest income	21	**19**
Dividends income	543	**270**
Equity in earnings of affiliates	–	**4**
Subsidy income	–	**263**
Other	228	**303**
Total non-operating income	793	**861**
Non-operating expenses		
Interest expenses	34	**56**
Equity in losses of affiliates	25	**–**
Bond issuance costs	–	**51**
Depreciation	112	**85**
Commission for purchase of treasury stock	0	**76**
Other	57	**68**
Total non-operating expenses	231	**339**
Ordinary income	18,247	**15,757**
Extraordinary income		
Gain on sales of noncurrent assets	10	**7**
Gain on sales of investment securities	21,952	**274**
Insurance income	–	**100**
Total extraordinary income	21,963	**382**
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	700	**1,535**
Impairment loss	99	**649**
IT system failure response expenses	193	**–**
Other	1	**71**
Total extraordinary loss	994	**2,256**
Income before income taxes	39,216	**13,884**
Income taxes—current	11,279	**2,964**
Income taxes—deferred	(22)	**628**
Total income taxes	11,257	**3,593**
Net income	27,959	**10,291**
Profit attributable to non-controlling interests	186	**231**
Profit attributable to owners of parent	27,773	**10,059**

(Consolidated Statements of Comprehensive Income)

Million yen

	FY2021 (April 1, 2021– March 31, 2022)	**FY2022 (April 1, 2022– March 31, 2023)**
Net income	27,959	**10,291**
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,333)	**(195)**
Deferred gains or losses on hedges	(23)	**5**
Foreign currency translation adjustments	970	**1,006**
Remeasurements of defined benefit plans, net of tax	(535)	**(629)**
Share of other comprehensive income of associates accounted for using equity method	(0)	**5**
Total other comprehensive income	(14,921)	**193**
Net comprehensive income	13,037	**10,484**
(Breakdown)		
Comprehensive income attributable to owners of parent	12,684	**10,182**
Comprehensive income attributable to non-controlling interests	353	**302**

Financial Summary

For more details, please refer to the link below.
https://www.morinaga.co.jp/company/english/ir/library/settlement.html

(3) Consolidated Statements of Changes in Net Assets

FY2021 (April 1, 2021–March 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
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
Cancellation of treasury stock					–
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
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
Cancellation of treasury stock							–
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

FY2022 (April 1, 2022–March 31, 2023)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	**18,612**	**17,292**	**97,886**	**(12,717)**	**121,074**
Changes of items during the period					
Dividends from surplus			**(4,497)**		**(4,497)**
Profit attributable to owners of parent			**10,059**		**10,059**
Purchase of treasury stock				**(11,173)**	**(11,173)**
Disposal of treasury stock		**0**		**20**	**20**
Cancellation of treasury stock		**(105)**	**(20,052)**	**20,157**	**–**
Net changes of items other than shareholders' equity					
Total changes of items during the period	**–**	**(105)**	**(14,490)**	**9,004**	**(5,591)**
Balance at end of the fiscal year	**18,612**	**17,186**	**83,396**	**(3,713)**	**115,482**

	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	**5,396**	**(1)**	**1,304**	**2,261**	**8,960**	**1,139**	**131,174**
Changes of items during the period							
Dividends from surplus							**(4,497)**
Profit attributable to owners of parent							**10,059**
Purchase of treasury stock							**(11,173)**
Disposal of treasury stock							**20**
Cancellation of treasury stock							**–**
Net changes of items other than shareholders' equity	**(195)**	**4**	**958**	**(645)**	**122**	**150**	**273**
Total changes of items during the period	**(195)**	**4**	**958**	**(645)**	**122**	**150**	**(5,318)**
Balance at end of the fiscal year	**5,201**	**3**	**2,263**	**1,615**	**9,082**	**1,290**	**125,856**

Financial Summary

For more details, please refer to the link below.
https://www.morinaga.co.jp/company/english/ir/library/settlement.html

(4) Consolidated Statements of Cash Flows

Million yen

	FY2021 (April 1, 2021– March 31, 2022)	**FY2022 (April 1, 2022– March 31, 2023)**
Operating activities		
Income before income taxes	39,216	**13,884**
Depreciation	10,032	**10,087**
Impairment loss	99	**649**
Amortization of goodwill	98	**98**
Increase (decrease) in provision for directors' stock benefits	24	**5**
Increase (decrease) in net defined benefit liability	143	**(4,760)**
(Increase) decrease in net defined benefit asset	(159)	**(1,154)**
Increase (decrease) in allowance for bonuses	80	**(13)**
Increase (decrease) in allowance for doubtful accounts	1	**(6)**
Increase (decrease) in provision for environmental measures	(5)	**(0)**
Interest and dividends income	(564)	**(290)**
Subsidy income	–	**(263)**
Interest expenses	34	**56**
Equity in losses (earnings) of affiliates	25	**(4)**
Loss (gain) on sale of investment securities	(21,951)	**(274)**
(Gain) loss on sales of noncurrent assets	89	**58**
Loss on retirement of noncurrent assets	599	**1,468**
Insurance income	–	**(100)**
(Increase) decrease in notes and accounts receivable–trade	(2,127)	**(1,128)**
(Increase) decrease in inventories	(3,752)	**(7,138)**
Increase (decrease) in notes and accounts payable–trade	2,039	**2,171**
Other	2,773	**(1,387)**
Subtotal	26,697	**11,958**
Interest and dividends income received	561	**288**
Interest expenses paid	(33)	**(34)**
Income taxes (paid) refund	(2,400)	**(15,290)**
Proceeds from subsidy income	–	**11**
Proceeds from insurance income	–	**100**
Net cash provided by (used in) operating activities	24,825	**(2,966)**

Million yen

	FY2021 (April 1, 2021– March 31, 2022)	**FY2022 (April 1, 2022– March 31, 2023)**
Investing activities		
Payments into time deposits	(180)	**(95)**
Purchase of property, plant and equipment	(15,307)	**(13,304)**
Proceeds from sales of property, plant and equipment	369	**176**
Purchase of intangible assets	(15)	**(282)**
Purchase of investment securities	(2)	**(2)**
Proceeds from sales of investment securities	24,784	**285**
Other	(336)	**(987)**
Net cash provided by (used in) investing activities	9,312	**(14,209)**
Financing activities		
Proceeds from long-term loans	–	**10,000**
Repayments of long-term loans	–	**(10,000)**
Proceeds from issuance of bonds	–	**8,948**
Purchase of treasury stock	(1,467)	**(11,250)**
Proceeds from sales of treasury stock	51	**20**
Cash dividends paid	(4,025)	**(4,497)**
Dividends paid to non-controlling interests	(128)	**(151)**
Other	(373)	**(417)**
Net cash provided by (used in) financing activities	(5,943)	**(7,348)**
Effect of exchange rate change on cash and cash equivalents	384	**454**
Net increase (decrease) in cash and cash equivalents	28,578	**(24,068)**
Cash and cash equivalents at beginning of period	31,568	**60,146**
Cash and cash equivalents at end of period	60,146	**36,077**

Corporate Profile/Stock Information/ Third-Party Assurance

Corporate Profile

(as of March 31, 2023)

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 (e.g., caramel, biscuits, chocolate), foods (e.g., cocoa, cake mix), frozen desserts (e.g., ice cream), and health products (e.g., jelly drinks)
Sales: Consolidated 194,373 million yen Non-consolidated 161,284 million yen
Number of Employees: Consolidated 3,076 Non-consolidated 1,472 (average age: 43.2 years)

Business Offices and Affiliated Companies

(as of March 31, 2023)

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.
  Takasaki Morinaga Co., Ltd.
  Aunt Stella Inc.
  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, 2023)

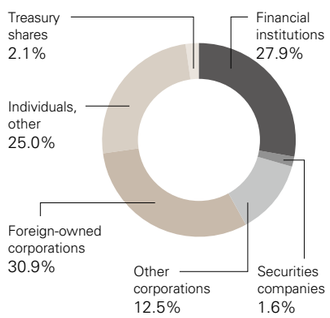
Stock Exchange Listing: TSE Prime Market
Industry: Food products
Securities Code: 2201
Share Unit Number: 100 shares
Fiscal Year: April 1 to March 31 of the following year
Total Number of Shares Authorized to Be Issued: 200,000,000
Total Number of Shares Issued: 48,139,769
Number of Shareholders: 26,594

Status of Major Shareholders*

Shareholder Name	Number of Shares Held (Thousand shares)	Ratio of Voting Rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	5,351	11.3
Morinaga Business Partner Shareholding Association	3,356	7.1
Custody Bank of Japan, Ltd. (Trust account)	2,078	4.4
MUFG Bank, Ltd.	1,704	3.6
Meiji Yasuda Life Insurance Company	1,121	2.3
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	1,042	2.2
STATE STREET BANK AND TRUST COMPANY 505103	952	2.0
JP MORGAN CHASE BANK 385632	886	1.8
SSBTC CLIENT OMNIBUS ACCOUNT	799	1.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	696	1.4

*The Company holds 1,015,263 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



External Recognition

2023 MSCI ESG Leaders Indexes Constituent
2023 CONSTITUENT MSCI ASPI EMPOWER WOMEN DIVERSITY
FTSE4Good
FTSE Blossom Japan Index
CDP

https://www.msci.com/our-solutions/esg-investing

Third-Party Assurance

The Morinaga Group has received assurance from LRQA Limited for the following information appearing in this report to enhance the reliability and accuracy of the information contained in the Morinaga Group Integrated Report 2023.

Scope of assurance	CO_2 emissions reduction	p. 60	Amount of water resource usage	p. 61

For more detailed information, please refer to the Third-Party Assurance Statement published in the ESG Data section of our corporate website.
▶ https://www.morinaga.co.jp/company/english/sustainability/data/pdf/3rd-e_2023.pdf

Assurance of Executive Officer in Charge



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

Message on Publication of Morinaga Group Integrated Report 2023

This year marks the third time that the Morinaga Group has published an integrated report following the first one in FY2021. The objective of our integrated report is to deepen the understanding of stakeholders about our efforts to enhance corporate value over the medium to long term.

The Group, which launched its 2030 Business Plan in FY2021, is promoting corporate activities with the vision of changing into a wellness company. In this report, we have included value co-creation stories from our core "in-" business as a special feature. Also, as another special feature, we have included a roundtable discussion by employees as they are important stakeholders. Both special features convey our initiatives to become a wellness company in a clear and concise manner. We hope this content will help our stakeholders to better understand the Group.

This report is produced by the Sustainability Management Division and the Integrated Report Task Team, which consists of members from several related departments. As the Director and Managing Executive Officer responsible for this report, I declare the legitimacy of the preparation process and the accuracy of the content.

We will continue to value dialogue with stakeholders and enhance the content of disclosure and communication. I would appreciate it if you would share your frank and honest opinions of this integrated report with us.

Editing Policy

Environment Social Governance
Guidance for Collaborative Value Creation

The Morinaga Group launched a new long-term business plan in FY2021 called the 2030 Business Plan, 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 Japan. We hope this report will deepen our dialogue and mutual understanding with shareholders and define our path toward value creation. Referencing the International Integrated Reporting Framework and Guidance for Collaborative Value Creation, 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*.

Information Disclosures System



Morinaga Group Corporate Profile ▶ https://www.morinaga.co.jp/company/english/

▶Reference guidelines
"International Integrated Reporting Framework" of the International Integrated Reporting Council (IIRC)
"Guidance for Collaborative Value Creation" of the Ministry of Economy, Trade, and Industry

▶Period covered by the Report
FY2022 (April 1, 2022, through March 31, 2023)
Information outside of this period might 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, 2023) are referred to as the Morinaga Group or the Group.