Delicious, Fun, and Healthy

MORINAGA

INTEGRATED REPORT 2024

Morinaga Group
For the Fiscal Year Ended
March 31, 2024







MORINAGA

MORINAGA & CO., LTD.

1-13-16 Shibaura, Minato-ku, Tokyo 105-8309
https://www.morinaga.co.jp/company/english/

Inquiries

Sustainable Management Division
TEL +81-3-3456-4351



The Morinaga Group's

Corporate Philosophy

Corporate Message

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)
GOALS

- **G**ood quality ····· Pursue quality with integrity
- **O**nly-one value ····· Create new value and inspiration
- **A**ct globally ····· Expand the scope and possibilities of activities
- **L**ink together ····· Strengthen relations of trust with stakeholders
- **S**ustainable 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 Code of Conduct and Standards of Behavior

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 five key elements that we will pursue toward the future.
Our Commitments represent the values that we have developed
during the more than 120-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."

Delicious, Fun, and Healthy

We revamped our visual identity to coincide with the launch of the new Medium-Term Business Plan. The three lines inspired by the feathers of the angel symbol express the corporate message of "Delicious, Fun, and Healthy."

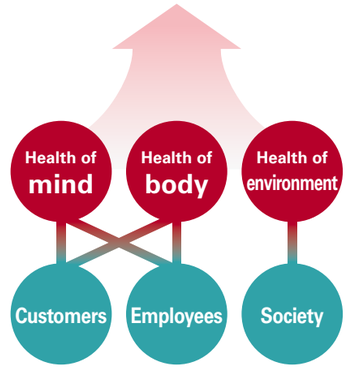
2030 Vision

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.

Three values to provide

Values are provided for



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.

Contents

Introduction
01 Corporate Philosophy, 2030 Vision, and Contents
03 At a Glance
05 History of the Morinaga Group
07 Financial and Non-Financial Highlights

Vision for Value Creation
09 Message from Top Management
15 Promotion of Sustainable Management
17 The Morinaga Group's Materiality
19 Value Creation Process
21 Special Feature: New Head Office Commences Operations

Value Creation Strategy
23 2030 Business Plan
25 2024 Medium-Term Business Plan
31 Message from the CFO
37 Special Feature: Achieving Global Business Growth
41 "in-" Business
43 Frozen Desserts Business
45 Direct Marketing Business
47 U.S. Business
49 Confectionery and Foodstuffs Business
51 Human Resources Strategy
57 R&D Strategy
59 DX Strategy
60 Special Feature: Creating New Markets
61 Sustainable Value Chains
63 Conserving the Global Environment
65 —Response to the TCFD/TNFD Recommendations (Climate Change, Natural Capital, and Biodiversity)
67 Initiatives for Human Rights

Governance
69 Roundtable Discussion among Outside Directors and Director, Managing Executive Officer
73 Corporate Governance
81 Compliance and Risk Management
83 Executive Management Team

Financial Performance and Data
85 11-Year Financial and Non-Financial Summary
87 Financial Summary
95 Corporate Profile/Stock Information/Third-Party Assurance

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 2020)," and other regulations, from the beginning of FY2021. The figures reflect retroactive application of the said accounting standard.

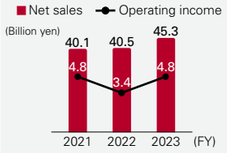
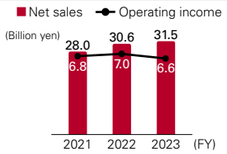
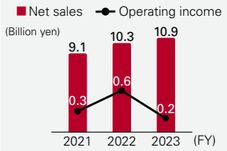
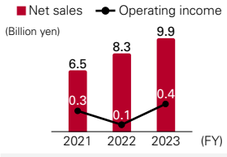
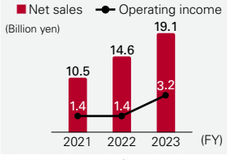
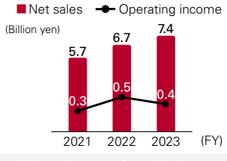
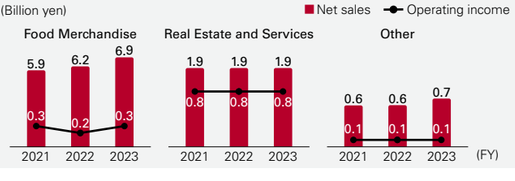
At a Glance



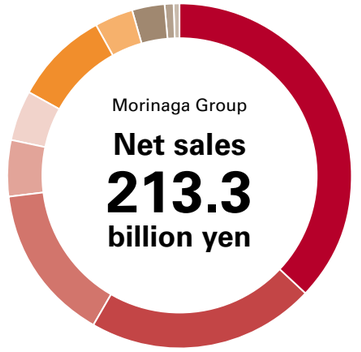



The Morinaga Group engages in the manufacturing and selling of foods, mainly involving the Confectionery and Foodstuffs Business, the Frozen Desserts Business, the "in-" Business, and the Direct Marketing Business, and in the U.S. Business overseas. Particularly, we aspire to drive the entire Group's growth, defining four businesses— the "in-" Business, the Frozen Desserts Business, the Direct Marketing Business, and the U.S. Business—as the focused domain categories.

The Morinaga Group Today

	Strategic Business Categories		Business Overview/Strengths
	Main Products	Net Sales/Operating Income*3	
Japan / Food Manufacturing	**Confectionery and Foodstuffs Business***1  *HI-CHEW*  *Morinaga Milk Cocoa*		We are constantly creating new and delicious food solutions pivoting on our long-selling brands such as *Morinaga Biscuits*, *HI-CHEW*, *Chocoball*, 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 / Food Manufacturing	**Frozen Desserts Business***1  *Choco Monaka Jumbo*  *Ita Choco Ice*		Our strength is found in the products made with the Group's unique confectionery technologies in sub-zero temperatures, such as the evolving of "freshness marketing" in our top brands of *Choco Monaka Jumbo*, a driver of the frozen desserts market, 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 / Food Manufacturing	**"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, enjoys the top share*4 in the jelly drink market. To meet the various health needs of modern society, we are working to expand the lineup of *in Bar* and grow the "in-" brand through the development of new products.
Japan / Food Manufacturing	**Direct Marketing Business**  *Oishii Collagen Drink*  *Oishii Aojiru*		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 400 million units*5 to date, making it the best-selling*6 collagen drink in Japan. 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 / Food Manufacturing	**Subsidiaries**  Aunt Stella Inc./ Assorted cookies  Morinaga Market Development Co., Ltd./ Assorted confectioneries		Aunt Stella Inc. manufactures cookies and other products and sells them at directly owned and operated stores and at dedicated shops inside mass retailers nationwide. Morinaga Market Development Co., Ltd., sells confectioneries and foods to theme parks and companies for their in-company sales as well as operates specialized retail stores.
Overseas	**U.S. Business***2  *HI-CHEW ORIGINAL STAND UP POUCH*  *Chargel*		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 grow the *HI-CHEW* brand by launching products featuring flavors and packaging formats tailored to local needs. In 2022, we launched *Chargel*, a jelly drink developed for the U.S. market and are now working to create a jelly drink market locally.
Overseas	**China, Taiwan, and exports**  *HI-CHEW* (China)  *in Jelly* Products (Taiwan)		Based on the technologies we have cultivated in the domestic business, we deliver products with unique textures and tastes to customers around the world. *HI-CHEW* is sold in more than 30 countries worldwide, and we continue to expand its reach globally. We are also working to tap into new markets while expanding wellness products such as sales of *Oishii Collagen Drink* in China via e-commerce and *in Jelly* in Taiwan.
Food Merchandise / Real Estate and Services / Other			**Food Merchandise** Morinaga Shoji Co., Ltd., develops and markets commercial-use food ingredients. **Real Estate and Services** Morinaga & Co., Ltd., engages in leasing of real estate, and Morinaga Takataki Country Co., Ltd., operates golf courses. **Other Services** Morinaga BioScience, Inc., researches, develops, manufactures, and markets food allergen test kits and other products.

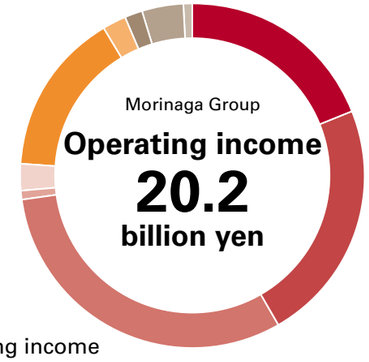
Net Sales and Operating Income (FY2023)*3,*7



Net sales

- Confectionery and Foodstuffs Business 37.1%
- Frozen Desserts Business 21.3%
- "in-" Business 14.8%
- Direct Marketing Business 5.1%
- Subsidiaries 4.7%
- U.S. Business 9.0%
- China, Taiwan, and exports 3.5%
- Food Merchandise 3.2%
- Real Estate and Services 0.9%
- Other 0.3%

%: component ratio

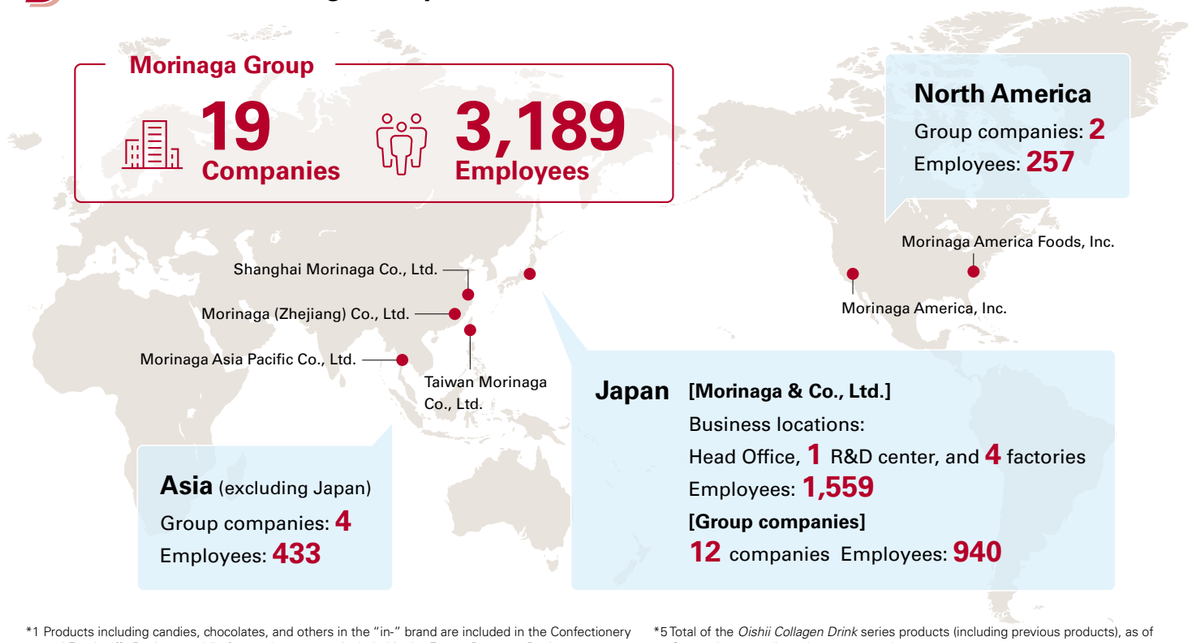


Operating income

- Confectionery and Foodstuffs Business 20.0%
- Frozen Desserts Business 23.8%
- "in-" Business 32.7%
- Direct Marketing Business 1.0%
- Subsidiaries 2.4%
- U.S. Business 16.0%
- China, Taiwan, and exports 2.3%
- Food Merchandise 1.9%
- Real Estate and Services 4.1%
- Other 0.7%

%: component ratio

Reach of the Morinaga Group (as of June 30, 2024)*8



*1 Products including candies, chocolates, and others in the "in-" brand are included in the Confectionery and Foodstuffs Business, while frozen desserts are included in the Frozen Desserts Business.
*2 Includes profits relating to exports bound for the United States from China and Taiwan
*3 To clearly show the actual state of the Group's business management, the classification and aggregation methods have been changed from FY2024. The figures for FY2023 and prior have had the changes retroactively applied and are based on the new methods.
*4 INTAGE SRI+ jelly drinks market (estimated cumulative sales amount from April 2022 to March 2024)
*5 Total of the *Oishii Collagen Drink* series products (including previous products), as of September 2023 (based on our survey)
*6 Source: H.B. Foods Marketing Handbook 2024 No. 1, Fuji Keizai (beauty-oriented products/collagen category/2022 results), for the *Oishii Collagen* series, including previous products
*7 Breakdown of operating income contains -4.9% as an adjustment excluding the above.
*8 Listed consolidated subsidiaries and non-consolidated subsidiaries accounted for using the equity method. Employees represent the total for consolidated companies.

History of the Morinaga Group

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*. We continue to take on the challenge of realizing richer and healthier eating habits for people around the world.

Note: Product images as of the date of publication of this report.

◉ Happenings in Japan ◉ Happenings around the world

Net sales*1,*2

(Billion yen)

200

150

100

50

1899 Established Morinaga's Western Confectionery Shop

1904 First in the industry to require employees to wear uniforms to enhance hygiene



1905 Registered our first symbolic trademark

1912 Renamed Morinaga & Co., Ltd.

1913 Released *Milk Caramel*



1915 Started production of biscuits for export

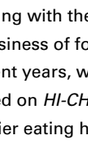
1918 Released the first milk chocolate product made in Japan

1919 Released *Morinaga Milk Cocoa*



Became the first in the industry to adopt an eight-hour workday

1923 Released *Marie*



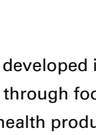
1928 Established Morinaga Beltline Stores (sales network)



1937 Held Morinaga Mother's Day event to spread recognition of Mother's Day in Japan

1956 Commenced frozen desserts business

1957 Released *Morinaga Hotcake Mix*



1961 Established Taiwan Seika Co., Ltd. (currently, Taiwan Morinaga Co., Ltd.)



1962 Commenced production of *Milk Caramel* in Taiwan

1967 Released *Chocoball*



1972 Released *Choco Monaka Jumbo*



1973 Released *Morinaga Ramune*



1974 Released *Morinaga Amazake (canned)*



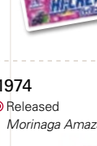
1975 Released *HI-CHEW*



1971 Released *Koeda*



1982 Released *Ottotto*



1983 Commenced the health business

Established Consumer Room (customer service department)



1989 Released *Ice Box*



1993 Released *DARS*



1994 Released *in Jelly*



1995 Established Morinaga HACCP (Integrated Hygiene Management Method)*3

2000 The four domestic factories obtained ISO 14001 certification

2001 Commenced production of *HI-CHEW* in Taiwan



2003 Released *Carré de chocolat*



Established Shanghai Morinaga Co., Ltd.

2004 Commenced direct marketing business

2006 Released *Oishii Collagen Drink*



2008 Established Morinaga America, Inc.

Commenced One Chocolate for One Smile campaign



2009 Released *in Bar*



2010 Established Morinaga (Zhejiang) Co., Ltd.

2011 Flagship factory Established Takasaki Morinaga Co., Ltd.



2012 Succeeded in industrializing proprietary health ingredient *Passienol*™





▶ See page 60 for the Special Feature on *Passienol*™

2013 Established Morinaga America Foods, Inc.

2015 Commenced production of *HI-CHEW* in the United States



2017 Obtained Platinum Kurumin certification

2018 Domestic factories and production subsidiaries obtained FSSC 22000 certification

2019 Established Morinaga Asia Pacific Co., Ltd.



Started operation of the new Morinaga R&D Center

2022 Commenced sales of *Chargel* in the United States



Aiming to be a global brand, changed the brand logo of *HI-CHEW* to English

2024 Relocated head office functions to the new Morinaga Shibaura Building



1899 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020

Meiji (1868–1912) Taisho (1912–1926) Showa (1926–1989) Heisei (1989–2019) Reiwa (2019 to present)

*1 Consolidated net sales from FY1977

*2 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 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.

*3 The Company's unique system of managing food safety including quality such as packaging conditions, product shapes, and taste based on the international standard for hazard analysis and critical control points (HACCP) to assure food safety.

Bringing **Western confectioneries** to Japan



The Morinaga Group was established in 1899, at a time when Japan faced a challenging food situation, based on the commitment of its founder, Taichiro Morinaga. Having learned confectionery manufacturing techniques in the United States, Morinaga wanted to deliver highly nutritious and delicious Western confections to the people of Japan. After repeated trial and error to adapt to the climate and tastes of Japan, we released *Milk Caramel* in 1913. In 1918, we started Japan's first integrated production of chocolate from cacao beans, helping to popularize chocolate. We laid the foundation of the confectionery industry in Japan by mass producing confectioneries, developing a sales network, and promoting sales through mass advertising.

From the dreams of our founder to **expanding internationally**



It was Taichiro Morinaga's dream to contribute to the national interest of Japan by making and exporting excellent confectioneries that would be appreciated around the world. In 1901, we began exports to China and other countries in small quantities, and in 1912, we established a foreign sales department and expanded exports of caramel and biscuits. Due to World War II, the Company gave up its overseas business sites but resumed exports after the war. In 1961, we established what is now Taiwan Morinaga Co., Ltd., as a base for our expansion into Southeast Asia.

Making *HI-CHEW* **a global brand beloved in more than 30 countries around the world**



HI-CHEW was born in 1975 based on the knowledge of caramels developed by Taichiro Morinaga, who had learned about them the United States. The Company first expanded overseas in Asia, starting production in Taiwan in 2001 and China in 2004. In 2008, we established Morinaga America Inc. to strengthen sales on the West Coast of the United States. As the Company pursued sales activities for *HI-CHEW*, it became popular among Major League Baseball players, and that contributed to the greater visibility of *HI-CHEW* and the expansion of its sales network throughout the United States.



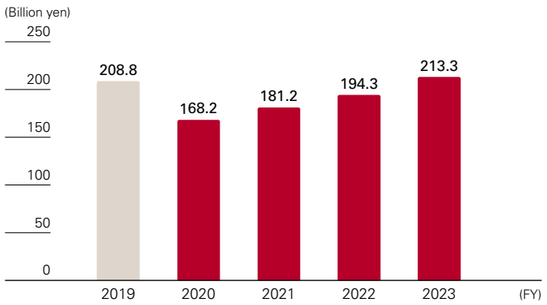
We began manufacturing *HI-CHEW* in the United States in 2015, and we are now accelerating our business development there, having established a local research facility in 2022. Supported by its unique texture and fruitiness, *HI-CHEW* (fantasy mix) was released in 2022 and quickly became the top selling candy in the United States*, confirming its popularity in the marketplace. Taichiro Morinaga founded the Company with the desire to bring Western confectioneries to Japan, and now confectioneries born in Japan are making a splash around the world.

*2022 U.S. CVS POS Ranking No.1 in the Candy New Product Category

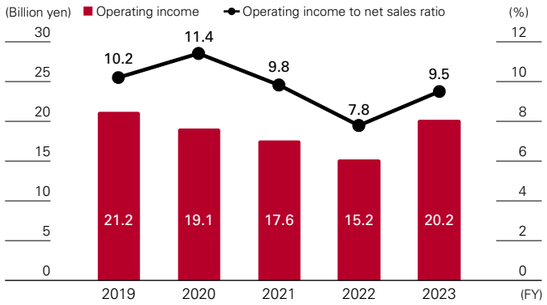
Financial and Non-Financial Highlights

Financial Highlights

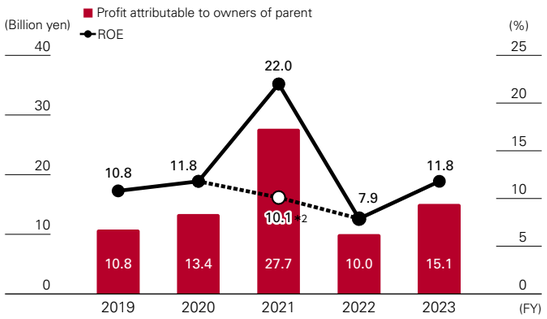
Net Sales*1



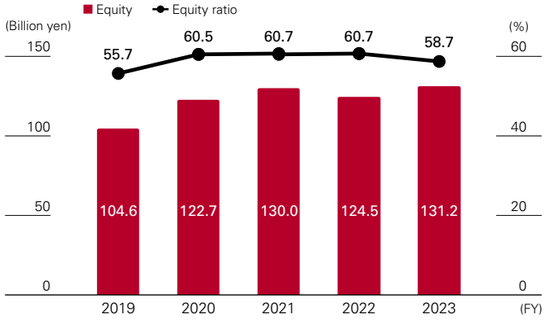
Operating Income*1/Operating Income to Net Sales Ratio*1



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



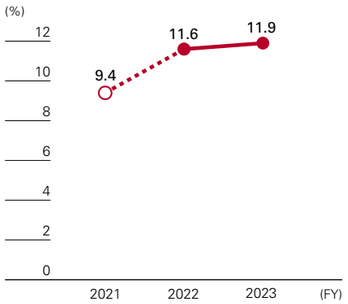
Equity*1/Equity Ratio*1



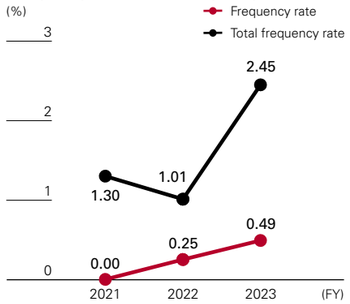
*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 reflect retroactive application of the said accounting standard.
*2 Excluding the impacts of extraordinary income from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

Non-Financial Highlights

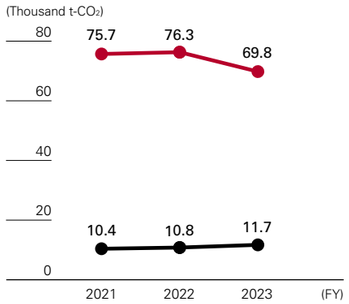
Ratio of Female Managers*1,*2



Rate of Occupational Injury (Frequency Rate*3/Total Frequency Rate*4)



CO_2 Emissions



*1 Figures are non-consolidated for Morinaga & Co., Ltd., as of April 1 of each fiscal year.
*2 The calculation method was changed from FY2023 (calculated based on the provisions of the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64, 2015)). The figures for FY2022 used for comparison with the previous fiscal year are the figures after retroactive application of the said standards.
*3 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)
*4 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)
*5 Group consolidated basis

Vision for Value Creation

09 Message from Top Management
15 Promotion of Sustainable Management
17 The Morinaga Group's Materiality
19 Value Creation Process
21 Special Feature: New Head Office Commences Operations



Message from Top Management



Representative Director, President

Eijiro Ota

Establishing a Growth Trajectory for 2030 Using a Virtuous Cycle of Growth Potential and Capital Efficiency

Looking Back on FY2023

Resilience to Change Underpinning Our Performance

Looking back on our performance in FY2023, we achieved a V-shaped recovery with net sales reaching a record high for the third consecutive fiscal year and operating income hitting 20.2 billion yen, exceeding our initial forecast at the beginning of the fiscal year. Despite strong headwinds such as the depreciation of the yen and soaring prices of cacao beans and other raw materials, we flexibly implemented price revisions and other measures that led to our strong performance.

In the past, I recall implementing price revisions when I was the General Manager of the Sales Division. Yet, negotiating price increases in the face of fierce competition from peers is a considerable challenge for our sales force. As for biscuits, sales were so strong that there were concerns about supply shortages even after the price revision and our factories responded at full capacity to get through it. The brand power of the Group's products provided the foundation supporting the price revisions. These Group-wide initiatives contributed to the growth of sales and the improvement in profitability, and the fact that the operating income to net sales ratio of the Confectionery and Foodstuffs Business improved by 3 percentage points from the previous fiscal year to the 5% level is a significant advancement. All employees, including manufacturing and sales, have worked with a sense of unity and mission, which has increased our resilience to change, providing a great source of confidence.

Toward Achieving Our 2030 Vision

Change into a Wellness Company

In May 2021, the Morinaga Group announced the 2030 Business Plan as its first long-term business plan and established "Change into a Wellness Company in 2030" as its Vision. 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 are constantly pursuing the Group's ideal state so that our stakeholders always feel that the Morinaga Group equals wellness.

The Group, which will celebrate its 125th anniversary in 2024, has a long-storied history carved out alongside the development of society. Nevertheless, there is nothing guaranteeing the Group's permanence and we thought that it would be difficult to pursue sustainability as an "integrated confectionery manufacturer" alone. It is essential for food manufacturers to provide value that contributes to people's health. In addition, the value of health as defined by the Group encompasses not only the body but also the mind and the environment. We will provide this health value to our customers as well as our employees and society.

Based on this idea, as the first stage for changing into a wellness company, we have been promoting "Building a New Foundation for Dramatic Growth" in the 2021 Medium-Term Business Plan that spanned from FY2021 to FY2023.

Recap of the 2021 Medium-Term Business Plan

Top-Line Growth While Continuing Investment in Growth

We kicked off the 2021 Medium-Term Business Plan amid strong headwinds caused by soaring raw materials prices and energy costs and the depreciation of the yen. In FY2020, just before the start of the 2021 Medium-Term Business Plan, the domestic confectionery industry overall recorded a 6% year-on-year decline* in market size to 3.2 trillion yen resulting from the impacts of the COVID-19 pandemic, the largest decline since statistics began. The Group's net sales also fell to the 160 billion yen level. The net sales target of 300 billion yen in the 2030 Business Plan seemed ambitious and challenging at the time of the announcement. Yet, the contributions of the domestic Confectionery, Foodstuffs, and Frozen Desserts businesses, as well as the overseas business, especially the U.S. Business, were significant. Since recovering to pre-pandemic levels in FY2021, the plan's first year, we have reached record sales for three consecutive years. Growth has centered on the focused domain, and the three-year CAGR of net sales was higher than 8%, the highest growth rate that we have ever experienced. Net sales in FY2023 totaled 213.3 billion yen, far exceeding the target of 190 billion yen in the 2021 Medium-Term Business Plan. It is a great achievement that we have reached a point where we can attain the net sales target of 300 billion yen in 2030 with an annual growth rate of 5%.

In addition, the Group has increased its intangible investments, including advertising and R&D, by approximately 5.3 billion yen and has steadily built a business foundation that supports growth despite the strong headwinds we face. Those include a 14.4 billion yen cost increase attributed to soaring raw material prices over the three-year

*All Nippon Kashi Association "Estimated confectionery production volume, production value, and retail value in FY2020"

Message from Top Management

period of the 2021 Medium-Term Business Plan. Despite the nearly 20 billion yen increase in costs overall, we were able to return operating income to the 20 billion yen level, which I consider to be a major achievement.

Steady Progress in Building a New Foundation for Dramatic Growth

Regarding the management targets and key performance indicators (KPIs) of the 2021 Medium-Term Business Plan, we achieved all of our targets, with the exception of operating income and the operating income to net sales ratio. The existence of a long-term management plan looking ahead to 2030 has encouraged management decisions from a long-term perspective. This includes proceeding with growth investments centered on intangible investments such as R&D and DX rather than achieving short-term operating income targets. In addition, the overseas sales ratio, one of our KPIs, was 12.7%, exceeding the target of 9% or higher, and a significant increase from 7% in FY2020. ROE was 11.8% in FY2023 compared with the target of 10% or higher. We will continue to work to improve profitability by increasing the operating income to net sales ratio, the target for which was not achieved. In terms of shareholder returns, we achieved total dividends and share buybacks that significantly exceeded our plans, and we introduced a new shareholder benefits program.

Regarding non-financial performance, we have significantly improved our evaluation from external ESG rating organizations over the past three years by promoting sustainable management throughout the Group. Going forward, we will face the issues of further improving profitability and at the same time implementing structural reforms and strengthening our business foundation from a global perspective.

2021 Medium-Term Business Plan: Results*1 of Management Targets and KPIs

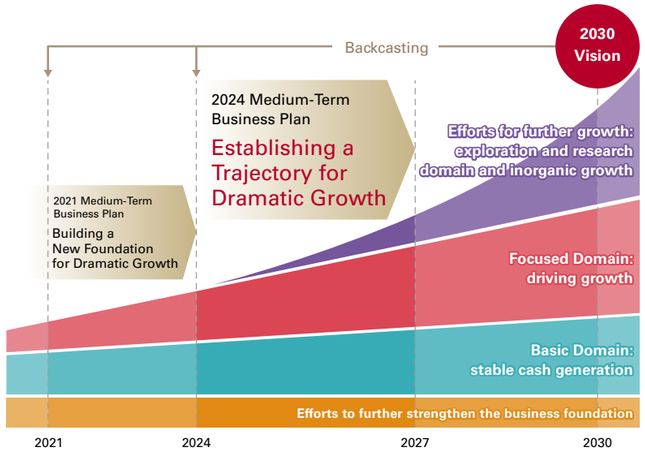
		2018 Medium-Term Business Plan (FY2020)	2021 Medium-Term Business Plan (FY2023)		
		Result	Target	Result	Difference
Net sales		168.2 billion yen	190.0 billion yen	213.3 billion yen	+23.3 billion yen
Operating income		19.1 billion yen	21.5 billion yen	20.2 billion yen	-1.3 billion yen
KPIs	Operating income to net sales ratio	11.4%	11% or higher	9.5%	-1.5pt
	Overseas sales ratio	7.0%	9% or higher	12.7%	+3.7pt
	Focused domain's sales ratio	Approx. 42%*2	+5% or higher	50.6%	+3.6pt
	ROE	11.8%	10% or higher	11.8%	+1.8pt
	Dividend payout ratio	30.0%	30%	33.2%	+3.2pt

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 2020)," and other regulations, from the beginning of FY2021. Figures for FY2020 are after retroactive application of this accounting standard.
*2 During the 2018 Medium-Term Business Plan

Start of the 2024 Medium-Term Business Plan

Establishing a Trajectory for Dramatic Growth

The 2024 Medium-Term Business Plan is positioned as the second stage to create a path to further ensure the achievement of the 2030 Business Plan. The key message of "Establishing a trajectory for dramatic growth" has two meanings. The phrase "for dramatic growth" indicates an awareness of the permanence of achieving dramatic growth in 2030 and beyond, while "establishing a trajectory" indicates the creation of a virtuous cycle of growth potential and capital efficiency using ROIC management. In FY2026, the final year of the plan, we aim to achieve record sales of 246.0 billion yen and operating income of 24.6 billion yen.



Business Portfolio Optimization and Strategic Investment for Inorganic Growth

One of the basic policies is to improve profitability through business portfolio optimization and structural reforms. As part of the Medium-Term Business Plan, we announced for the first time the Group-wide consolidated ROIC figures by major business segment, and disclosed our portfolio approach and direction for each business segment. While we are currently working to raise awareness of ROIC management within the Group, we will further deepen analysis and discussion on how to change ROIC in each business segment three to five years from now, based on the two axes of growth potential and capital efficiency, which will lead to the planning and decisions of medium- to long-term strategies and initiatives. To continue to build a business portfolio that is resilient to changes in the business environment, we will support all employees so that they can take ownership of ROIC management as they engage in their work.

Under the 2024 Medium-Term Business Plan, we will continue to concentrate our management resources and make strategic investments in the focused domain that will drive the growth of the entire Group. On the other hand, in the Confectionery and Foodstuffs Business, which has a relatively low ROIC, we will promote initiatives to improve profitability and invested capital efficiency. In part of the focused domain, such as the U.S. Business, ROIC will temporarily decline significantly due to large-scale strategic investments for the future, however, by linking investment to subsequent growth, we will enhance both growth potential and capital efficiency.

In FY2023, the focused domain's sales ratio was 50.6%, which significantly exceeded the target at the time of the announcement of the 2021 Medium-Term Business Plan. In the 2024 Medium-Term Business Plan, we have set a target of increasing this to 53% or higher, and we will work to achieve the target of 60% or higher by 2030.

In terms of investment, we have set aside approximately 60 billion yen in the 2024 Medium-Term Business Plan, of which approximately 40 billion yen will be allocated to property, plant and equipment. The largest investment is in the second factory of Morinaga America Foods, Inc., to strengthen the supply system of *HI-CHEW* and improve production efficiency, with plans to invest approximately 136 million U.S. dollars (approximately 19.6 billion yen). We will also use these funds to strengthen growth investment in the focused domain in Japan. Regarding intangible fixed assets, we will accelerate DX investments, including expanding our digital business foundation, making business operations more sophisticated and efficient using AI technology, and other initiatives.

For inorganic growth, we have established a dedicated department and have been actively selecting target companies while emphasizing the perspective of whether they are in line with the direction of a wellness company. In April 2024, as the first transaction concluded since establishing the strategy in the 2030 Business Plan, we completed M&A and a share transfer in fields related to Morinaga Institute of Biological Science, Inc. (currently, Morinaga Bioscience, Inc.). Although the scale is not large, we will generate synergies as part of the Morinaga Group and work to expand its business. In the 2024 Medium-Term Business Plan, we intend to invest 10 billion yen–15 billion yen in M&A and other investments, and given the Group's strong financial base there is ample room for these investments and more. If there is a deal that matches the direction that the Group is aiming for, we will use the funds more aggressively to achieve dynamic growth.

Strengthening Stable Shareholder Returns

We increased shareholder returns* significantly from 18.1 billion yen for the three years of the 2018 Medium-Term Business Plan to 34.5 billion yen over the three years of the 2021 Medium-Term Business Plan. Throughout the 2024 Medium-Term Business Plan, we plan to return more than 36 billion yen to shareholders. From the 2024 Medium-Term Business Plan, we have changed our management indicator to DOE instead of the dividend payout ratio and have set a target of increasing DOE from 4.0% in FY2023 to 4.5% or higher by 2030. We will continue to maintain and strengthen stable shareholder returns at a high level and work to raise DOE over the medium to long term.

*Amount during the Medium-Term Business Plan on a cash-out basis

Management Targets (2024 Medium-Term Business Plan and 2030 Business Plan)

		FY2023 Results	FY2026	2030
Net sales		213.3 billion yen	246.0 billion yen	300.0 billion yen or more
Operating income		20.2 billion yen	24.6 billion yen	—
Key Performance Indicators	Operating income to net sales ratio	9.5%	10.0%	12% or higher
	Focused Domain's sales ratio	50.6%	53% or higher	60% or higher
	Overseas sales ratio	12.7%	16% or higher	Initial target 15% ▶ New target 25% or higher
	ROE	11.8%	12% or higher	15% or higher
	ROIC*1 NEW	9.6%	10% or higher	12% or higher
	DOE NEW	4.0%	4.3%	4.5% or higher
Non-Financial Targets	Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company*2			70%
	"Health of mind": Positive response rate to Morinaga's corporate image of "Makes me smile"*3 NEW			90%
	Ratio of employees who find their job meaningful and who are in good mental and physical health at work*4			80%
	Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper)*5			100%
	CO_2 emissions*6			30% reduction

*1 Calculated using the credit approach
Formula: NOPAT ÷ Invested capital (interest-bearing debt + shareholders' equity)
*2 Scope: Products the Company defines as "Deep dive into Health of Mind," "Accelerate Health of Body," and "Evolve Health of Mind to Health of Body." Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide ages 15–79). The Company will explore the establishment of a vision on a global basis.
*3 According to Morinaga's research
*4 Rate of positive responses on the employee awareness survey
*5 Group consolidated basis. Paper covers product packaging only.
*6 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

Message from Top Management

Accelerating Global Strategy Centered on *HI-CHEW*

The U.S. Business has grown dramatically over the past three years, with net sales of 19.1 billion yen in FY2023 compared with the sales target of 10.0 billion yen at the time of the announcement of the 2021 Medium-Term Business Plan. The overseas business centered on *HI-CHEW* is also expanding in China and other Asian countries. Since I was appointed President, I have focused my management resources particularly on the United States, which has a candy market four times larger than Japan. Because we distributed *HI-CHEW* on the candy aisle of retailers rather than the Asian products aisle, American consumers have embraced its features such as chewiness and fruitiness, which are made possible by our technological capabilities, and sales have been steadily increasing despite the high unit price. In May 2024, we launched gummies under the *HI-CHEW* brand in the United States. We aim to expand SKUs* and further raise the visibility of the *HI-CHEW* brand in the United States. Going forward, we will expand our growth in the United States and expand our business in the United Kingdom and other European markets. Europe has a candy market comparable in size to the United States, and the number of consumers who know about *HI-CHEW* is gradually increasing. The challenges in the global expansion of *HI-CHEW* are the optimization of our global production system and the strengthening of management resources. During the 2024 Medium-Term Business Plan, we will invest approximately 136 million U.S. dollars (approximately 19.6 billion yen) to expand our factory in the United States and accelerate our business in the future. Through our global strategy, which includes the European market, we have revised our overseas sales target for 2030 upward from 45.0 billion yen to 75.0 billion yen, and accordingly, we have updated our overseas sales ratio target from 15% to 25% or higher.



HI-CHEW Dessert Mix Promotion in the United States

In addition to *HI-CHEW*, our overseas sales target for 2030 includes the faster development of jelly drinks in the United States and Asia. Our product *in Jelly* has achieved sales scale in Japan and Taiwan that is about twice that of *HI-CHEW*. Even so, it took four to five years in Japan and nearly 20 years in Taiwan for *in Jelly* to become recognized and penetrate the market. In the United States, there is a large market for energy drinks, but jelly drink type products are not common. The Group's newly developed jelly drink specifically for the United States called *Chargel* will now create a new market in that country. In addition, we will strengthen the global expansion of wellness products such as collagen drinks and *Passienol*™.

In 2022, we established our U.S. Lab. From there, the Group will deepen its existing technologies from a global perspective and create value through the exploration of new technologies, as well as promote the localization of its entire U.S. Business. This will involve strengthening the business structure, procuring raw materials locally, and marketing *HI-CHEW* and *Chargel* based on the U.S. climate and consumer preferences.

*SKU is an acronym for stock-keeping unit. It indicates the product or item number.

Investment in Human Capital and Creation of Innovation

DNA for Continuing to Take on Challenges and Inclusion for Producing Innovation

To realize our 2030 Vision, we believe that the power of people is of utmost importance for the Group to demonstrate resilience and grow. In the 2024 Medium-Term Business Plan, we will increase our investment in human resources by 14% compared with that in the 2021 Medium-Term Business Plan. These funds will be used to secure excellent human resources, further enhance human resource development, improve workplace engagement, and revise our personnel system. To increase employee engagement, it is essential to encourage them to grow autonomously and at the same time create a culture in which they can take on challenges. The book *History of the Pioneers*, authored by the Group's founder, Taichiro Morinaga, describes the founding spirit and various challenges he faced. The book highlights the history of the Group's many challenges, such as Japan's first integrated chocolate production, Japan's first penicillin production, and the introduction of an eight-hour workday. Continuing to take on challenges without fear of failure forms the very essence of the Group's DNA. In the Morinaga MUGEN Project, which solicits the seeds of new businesses internally, we have seen a wider range of employees representing different departments and age groups apply each time, fostering a culture of taking on challenges. In addition to understanding diversity, it is important for organizations to create innovation by producing and combining the diversity of knowledge from individuals.

Creating New Innovation in the Face of Change

To create innovation, I have placed particular emphasis on technology and R&D investment since I became President. The intangible assets of the brand and the trust that we have accumulated over our long history are supported by the Group's technological capabilities, such as the soft candies technology of *HI-CHEW*, the jelly drink technology embodied in *in Jelly*, and the fusion of confectionery and frozen technologies represented by *Choco Monaka Jumbo*. In our R&D strategy, we will refine these three major technologies and at the same time take on the challenge of new areas such as food allergies, oral care, and *Passienol*™.

Passienol™ is a food ingredient with health functions that was originally developed by the Group, with 18 years having passed since the start of research. As a result of human studies, it was confirmed that piceatannol, the main component of *Passienol*™, increases the expression of sirtuin genes (longevity genes). Based on these results, we held a research presentation on *Passienol*™ in May 2024. The paper has also been published in a global scientific journal (*Life,* 14, 589 [2024]). The healthy longevity market and the anti-aging market are domains that will attract more and more attention in the future. With this wellness domain at its core, we will also take on the challenge of creating new markets.

In March 2024, we completed our new Head Office as a symbol of our future. As part of our commitment to "health of environment," we designed the building as an environment considering office that addresses reduction of CO_2 emission and other environmental considerations. In addition, as a base for the "*kakuhan*" (which can mean "stir," "sales expansion," and "scope expansion") that continues to create and disseminate the seeds of value by combining the strengths of individuals and organizations, the new head office has become a hub for the "health of mind and body" of employees and the realization of our 2030 Vision. We will continue to improve employee comfort levels and enhance engagement.



New Head Office designed based on the *kakuhan* concept



Dialogue at Angel Village with employees

Bringing Smiles to More People in the Future

In our conversations with institutional investors in Japan and overseas, some have pointed out the low profitability of the Confectionery and Foodstuffs Business, which accounts for the largest proportion of net sales, while others have expressed strong interest in the growth potential of our overseas business. We recognize that investors are looking forward to seeing the Group grow as a sustainable global company. The Confectionery and Foodstuffs Business represents the very roots of the Group. The soft candies technology of *HI-CHEW* was derived from the manufacturing technology of *Milk Caramel*. The various technologies cultivated in the Confectionery and Foodstuffs Business are still alive and well in the Group's product lineup in the focused domain and will continue to support the sustainable growth of the Group. At the same time, it will be necessary to develop fundamental initiatives to improve capital efficiency.

With the completion of the 2021 Medium-Term Business Plan, we have shown that our management targets for 2030 are within reach and not overly optimistic. Over the next three years, I would like to create a solid path for dramatic growth and then further evolve in the next 2027 Medium-Term Business Plan. While constantly updating our strategy in response to changes in the business environment, we aim to be a sustainable company that continues to evolve and grow.



Promotion of Sustainable Management



Kenji Takanami
Director, Senior Executive Officer
Responsible for Sustainable
Management Division

Toward 2030

Based on the "Altruism" valued by our founder, we will strengthen sustainability management throughout the Morinaga Group to realize our Purpose and 2030 Vision.

Promoting Sustainability Management to Resolve Social Issues and Enhance Corporate Value

Today, environmental changes affecting corporate activities are occurring at an unprecedented speed, such as the growth of the world population and the occurrence of climate change and geopolitical risks. This has caused a spike in uncertainty regarding the future. Moreover, the values and lifestyles of consumers have changed dramatically after the COVID-19 pandemic, and as such, we feel that the importance of "health of mind and body" has been reaffirmed.

Under such circumstances, the Morinaga Group aims to continue to provide "health of mind, body, and environment" to customers, employees, and society to realize our 2030 Vision: Change into a Wellness Company. To realize this vision, we believe it is essential to incorporate sustainable management into each of our business activities. For this reason, we have positioned sustainable management as the foundation of all our activities under the 2030 Business Plan.

During the period of the 2021 Medium-Term Business Plan, the Group significantly increased its overseas sales ratio, and under the 2024 Medium-Term Business Plan, we will work to strengthen group governance on a global basis and evolve sustainable management throughout the Group.

Looking ahead, we will appropriately identify changes in the external environment and provide "health of mind, body, and environment" to resolve social issues and enhance the medium- to long-term corporate value of the Group.

Current Situation and Issues Facing the Promotion of Sustainability Management

In 2021, we established the Sustainable Management Division and the ESG Committee and started materiality initiatives. The ESG Committee has met 23 times over the past three years and discussed a total of 53 agenda items, including the establishment of each KPI, progress reports on activities by subcommittees, and policy formulation. In 2022, we also established the Sustainability Advisory Board, an advisory body to the ESG Committee, to receive advice and recommendations from three outside experts, which are reflected in our policies and initiatives. As a result of the above, we have been able to make steady progress toward achieving the 2030 targets for each materiality, and external ESG evaluations of the Morinaga Group have improved to the level we had aimed for during the three years of the 2021 Medium-Term Business Plan.

One of the issues to be addressed is the reduction of CO_2 emissions, which are expected to increase during the period of the 2024 Medium-Term Business Plan due to the expected increase in production volume. We intend to reduce our CO_2 emissions by installing solar power generation systems and expanding our use of renewable energy sources.

In addition, we have examined indicators to measure the results of our efforts for "health of mind" and added new targets.

▸ See the Morinaga Group's Materiality section on pages 17 and 18.

We will continue to promote the provision of the three values of "health of mind, body, and environment" in more concrete ways.

ESG Committee Meetings from FY2021 to FY2023 and the Main Discussion Points

FY	Number of meetings	Main discussion points
FY2021	7	• Sustainable management promotion structure (subcommittees established) • The position we aim to achieve for materiality and examination of KPIs • Establishment of Supplier Guidelines • Publication of Integrated Report 2021 • Environment Subcommittee Initiatives to reduce CO_2 emissions • TCFD Subcommittee* Report on details of review
FY2022	8	• Establishment of guidelines for procurement according to raw material • "Health of Mind" Subcommittee Defined "health of mind" • Sustainable Procurement Subcommittee Review of FY2021 • Environment Subcommittee Review of FY2021 • Revision of human rights policy
FY2023	8	• Review of materiality • "Health of Mind" Subcommittee Addition of KPIs • Sustainable Procurement Subcommittee Review of FY2022 • Environment Subcommittee Review of FY2022 • TCFD/TNFD Subcommittee Report on details of the TNFD review • Human rights due diligence: Report on the desk research on the negative impacts

*The TCFD Subcommittee was renamed the TCFD/TNFD Subcommittee in FY2022.

Review of Materiality

In formulating the 2024 Medium-Term Business Plan, we reviewed our materiality considering changes in the external environment surrounding our business operations. The newly identified and organized issues requiring action were assessed in terms of importance by 16 external stakeholders (three investors, five business partners, one NGO, three advisory board members, and four outside directors) and 11 key members of the Company. Based on the results, officers discussed materiality on several occasions, and following internal resolutions and reports to the Board of Directors, new materialities were finalized and approved. Details are shown in the diagram below.

Regarding the materiality and themes for action identified, we are formulating specific action plans for the period of the 2024 Medium-Term Business Plan with each business and related division. Through the promotion of actions, we will encourage the creation of the three values of "health of mind," "health of body," and "health of environment."

Matrix of the Initiative Themes



Five materialities

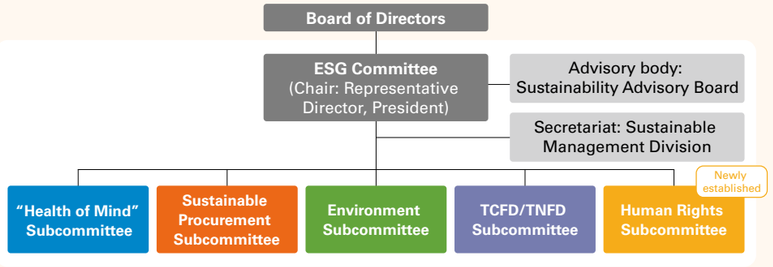
1. Contribute to Healthy Lives of People around the World
2. Diversity and Inclusion of People
3. Achieve Sustainable Value Chains
4. Conserve the Global Environment
5. Strengthen Governance in Sustainability

Promotion System

We have five subcommittees under the ESG Committee. Each subcommittee is chaired by a relevant executive officer and consists of members from several related divisions. In FY2023, we newly established the Human Rights Subcommittee to bolster our initiatives for human rights. Through this system, we will steadily promote sustainability activities toward the realization of our Purpose and 2030 Vision.

The Group will continue to appropriately disclose the status and progress of its activities through its integrated report and corporate website to enhance the transparency of the entire Group and strengthen our response to requests for ESG information disclosure from external assessment bodies and business partners.

Sustainability Promotion System





Held a meeting of the Sustainability Advisory Board in FY2024

The Morinaga Group's Materiality

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

	Materiality	Action themes	Main assumed opportunities and risks (●: opportunities, ▲: risks)	Targets and Progress						
				Targets for 2030		Results for FY2021	Results for FY2022	Results for FY2023	Progress	Relevant pages
1	Contribute to Healthy Lives of People around the World	1 Contribute to delicious and healthy foods	● Growing business opportunities following the rising health consciousness of consumers ▲ Declining market competitiveness and social reputation over the medium to long term caused by delayed responses	Providing "health of mind and body" value to customers	Provide the value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company*1	—	—	63%	• Encouraging each business segment to develop products that provide health of mind and body aimed at becoming a wellness company • Setting a new KPI for "health of mind" based on the corporate image survey • Carrying out quality management in line with international food safety standards and certification regimes*15 • Providing customer service based on international standards of customer satisfaction*16	Pages for each business segment PP.41–50
		2 Address diversifying consumer needs	● Growing business opportunities and improving market competitiveness by tapping into latent markets ▲ Declining market competitiveness and social reputation over the medium to long term caused by delayed responses		New Health of mind: 90%*2 positive response rate to the item "makes me smile" in Morinaga's corporate image survey	—	—	87%		
		3 Develop sustainable products and provide information	● Growing business opportunities from rising awareness of sustainability among consumers ▲ Declining market competitiveness and social reputation over the medium to long term caused by delayed responses							
		4 Ensure food security and quality	● Improving social trust through excellent food safety and quality assurance initiatives ▲ Declining social trust, brand value, and social reputation due to delayed responses							
2	Diversity and Inclusion of People	5 Foster human resources to achieve our Purpose and the 2030 Vision	● Securing of talent needed to contribute to the realization of our Purpose and the 2030 Vision ● Promoting corporate growth through the active participation of highly engaged employees ▲ Declining sustainable growth capabilities due to delayed responses	Rate of positive responses on the employee awareness survey: 80%	Targets	Morinaga & Co., Ltd. (non-consolidated)*9	Domestic consolidated basis*10	Group consolidated basis*11	• Expanded the scope of the survey in FY2023 from the domestic Group consolidated basis to include consolidated Group overseas • Carried out interviews and initiatives for improvement at business sites where there was a gap between targets and results	Human Resources Strategy PP.51–56
		6 Promote Diversity and Inclusion	● Improving resilience thanks to improved ability to create innovation and respond to changes in the environment ● Increasing competitiveness in global markets ● Increasing employee loyalty by creating a corporate culture that embraces diverse values ▲ Declining organizational competitiveness and social reputation due to delayed responses		1) Morinaga Group's contributions to building a sustainable society	89.7%	87.5%	88.2%		
		7 Promote health management	● Promoting corporate growth by enhancing employee performance ▲ Declining sustainable growth capabilities due to delayed responses		2) Corporate growth driven by a diverse workforce	70.1%	66.5%	71.4%		
					3) Employee motivation and achievement of "health of mind and body"	74.6%	71.2%	73.2%		
3	Achieve Sustainable Value Chains	8 Achieve higher-order sustainable supply chain management	● Achieving stable procurement of safe and high-quality raw materials ● Reducing human rights and environmental risks ● Strengthening social trust and brand value through sustainable procurement initiatives ▲ Growing risks surrounding procurement of raw materials due to delayed responses ▲ Declining social trust, brand value, and corporate value due to delayed responses	1) Sustainable procurement of raw materials*3	Cacao beans 100%	9%*12	34%*12	78%*12 (82%)*13	• 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	Sustainable Value Chains PP.61–62
					Palm oil 100%	2%*12	9%*12	52%*12 (100%)*13		
					Paper 100%	98%*12	99.9%*12	100%*12		
				2) CSR supply chain management: Implement for 80% or more of raw materials transaction value*4		Raw materials 81%*14 Materials 81%*14	(Survey not conducted in FY2022 and FY2023)		• Conducting dialogue with suppliers based on survey results	
		9 Reduce food loss and waste	● Lowering costs by reducing manufacturing loss and returns ● Acquiring new business opportunities through product development based on the reduction of food loss and waste ▲ Declining market competitiveness and social reputation due to delayed responses	3) Reduce food loss and waste: 70%*5		+8%	-49%	-70%	• Promoting waste recycling at distribution centers in the Tokyo metropolitan area • The Mishima Factory, Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., and Morinaga Dessert Co., Ltd., each has achieved a 100% food recycling rate.	
		10 Co-exist and co-prosper with local communities	● Enhancing social trust from stakeholders ▲ Growing operating risks of business sites due to delayed responses							
4	Conserve the Global Environment	11 Mitigate and adapt to climate change	● Reducing manufacturing and transportation costs through the development of efficient manufacturing and distribution processes ● Increasing demand for jelly drinks and frozen dessert products due to global warming ▲ Rising raw material procurement costs and development costs due to delayed responses ▲ Rising cost burden due to the introduction of carbon taxes	1) Reduce greenhouse gas (GHG) emissions ・Achieve net-zero GHG emissions by FY2050*6 ・Reduce CO_2 emissions by 30% by FY2030*7		+2%	+3%	-6%	• Reducing CO_2 emissions through energy-saving activities and the introduction of renewable energy	Conserving the Global Environment PP.63–66
		12 Incorporate environmentally concerned plastic containers and packaging for recycling and reuse	● Creating innovation through external collaborations ▲ Declining social reputation and corporate value due to delayed responses	2) Reduce plastic waste: Reduce the plastics used for *in Jelly* products by 25%*8		Reduction in consideration	Reduction in consideration	Reduction in consideration	• Working with packaging manufacturers to explore ways to reduce plastic waste	
		13 Sustainable use of water resources	● Reducing manufacturing costs through efficient use of water resources ▲ Growing operational risks due to delayed responses							
		14 Maintain and conserve natural capital and biodiversity	● Stabilizing raw materials procurement and operations of manufacturing factories ▲ Declining market competitiveness and social reputation over the medium to long term caused by delayed responses							
5	Strengthen Governance in Sustainability	15 Strengthen corporate governance	● Enhancing corporate value by improving management efficiency and enhancing reputation and trust in the capital markets ▲ Declining reputation and trust from the capital markets due to delayed responses	Instead of uniform targets for 2030, we promote responses to individual issues as needed		—	—	—	• Deepening discussions and initiatives on risk management, including those of Group companies, to improve the effectiveness of the Board of Directors • Further enhancing discussions on medium- to long-term business issues such as sustainability and medium-term business plans	Governance PP.69–84
		16 Strengthen group governance	● Maximizing synergies across the Group ▲ Declining corporate value of the entire Group due to the materialization of risks at Group companies			—	—	—		
		17 Strengthen risk management	● Maintaining and enhancing corporate value by reducing risks that pose barriers to management ▲ Increasing probability of crisis occurrence and increased damages due to delayed responses			—	—	—		
		18 Respect human rights	● Enhancing social trust from stakeholders ● Increasing employee loyalty ▲ Declining social trust, brand value, and corporate value due to delayed responses			—	—	—	• Implementing human rights due diligence • Conducted human rights training for employees in July 2024	Human Rights P.67

*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 According to Morinaga's research

*3 Group consolidated basis. Paper covers product packaging only.

*4 Group consolidated basis

*5 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 means, except for food waste that has been returned to the circulation of food resources, such as feed and fertilizer.

*6 Group consolidated basis

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

*8 Target: Amount of plastics used in packaging materials (intensity; compared with FY2019; including replacement with biomass plastics)

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

*10 Scope: Domestic Group consolidated basis (full-time employees)

*11 Scope: Group consolidated basis (includes some non-full-time employees)

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

*13 Single Month Results for March 2024

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

*15 FSSC 22000, SQF Codes edition 9, JFS-B standards, and other guidelines

*16 ISO 10002

Value Creation Process









Impacts
on society

Smiles for the Future

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.

Five Materialities

1. Contribute to the Healthy Lives of People around the World
2. Diversity and Inclusion of People
3. Achieve Sustainable Value Chains
4. Conserve the Global Environment
5. Strengthen Governance in Sustainability

External Environment

- Increasing health consciousness (health of mind and body)
- Diversifying lifestyles and values
- Advancements in digital technology
- Japan's declining birth rate, aging population, and labor shortages
- Rising world population
- Climate change and global environmental issues becoming more serious
- Rising need to disclose information on sustainability

Input
Six Forms of Capital (FY2023)

Human capital
- Group employees: 3,093*1
- Employee loyalty: 84%*2
- Health management: Certified Health & Productivity Management Outstanding Organization

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

Financial capital
- Invested capital: 136.2 billion yen
- Net assets: 132.6 billion yen
- Equity ratio: 58.7%
- Long-term credit rating: A stable (JCR)

Intellectual capital
- Patents owned: 143 in Japan and 62 overseas
- Trademarks owned: 621 in Japan and 674 overseas*3
- R&D expenses: 3.2 billion yen

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

Natural capital
Diverse raw materials with consideration for sustainability and quality control

Activities
of Business

Promote Purpose-Driven Management

2030 Business Plan and
2024 Medium-Term Business Plan

Leverage STRENGTHS to Create Value

- Basic research and ingredients research
- Food processing technology
- Product developing capability

Planning, research, and development

Procurement, manufacturing, and logistics

Sales and communication

Product distribution and information provision capacities

Production technologies and mass production technologies

- Workforce with high engagement
- Employee-friendly workplace environment
- More than 120 years of history and brand trust

Corporate Governance

Output
Value Created

Three Values to Provide

Health of mind · Health of body · Health of environment

Customers · Employees · Society

Values Are Provided for



Products that contribute to health of mind and body



Initiatives under One Chocolate for One Smile for increasing the sustainability of cacao



New head office designed with employees' health and the environment in mind



Takasaki Morinaga Co., Ltd., begins receiving electricity generated from solar power

Outcome
from Provided Value

2030 Vision

We Will Change into a Wellness Company.

2030 Non-Financial Targets

Customers

Provide value of health to **more than 70%** of Japan's population through new initiatives aimed at becoming a wellness company*4

"Health of mind": Ratio of positive responses to "the company makes me happy," according to a corporate image survey*5 — **90%**

Employees

Ratio of employees who find their job meaningful and who are in good mental and physical health at work*6 — **80%**

Society

Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper)*7 — **100%**

CO_2 emissions reduction rate*8 — **30%**

Shareholders

ROE — **15% or higher**

DOE — **4.5% or higher**

*1 As of March 31, 2024 *2 Rate of positive responses to "I feel proud as a member of this company" on the employee awareness survey *3 Number held as of the end of FY2023 *4 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. *5 Survey by Morinaga & Co., Ltd. *6 Ratio of positive responses on the employee awareness survey *7 Group consolidated basis. Paper covers product packaging packaging only. *8 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

// Special Feature //
New Head Office Commences Operations

An Office That Embodies Our Corporate Philosophy and the 2030 Vision



We relocated our Head Office to the Morinaga Shibaura Building in Minato-ku, Tokyo, in March 2024.

During the building process, we aimed to create an office that embodies our Corporate Philosophy and the 2030 Vision. As outlined below, we worked on several initiatives and innovations with the intention to construct an office that promotes and embodies our change into a "Wellness Company." Our goal is for the new office to provide the three values of "health of mind, body, and environment" to customers, employees, and society, and contribute to the realization of a sustainable and prosperous society.

Revitalizing Communication and Creating Innovation through "*Kakuhan*"

As a wellness company, we defined the concept of the office as "*Kakuhan*" (interaction, sales expansion, and broadening), and decided to name the office Morinaga Kakuhan Base. For example, we are conscious of creating communication opportunities by promoting "interaction" (interactions of diverse ideas and opinions) with the aim of leading to innovation. This includes adopting a completely free address system and setting up multiple areas where it is easy to communicate beyond the boundaries of divisions.

Symbiosis with the Environment

With a strong awareness of environmental conservation, we adopted an energy-saving design that received ZEB Ready* certification. Designed to maximize energy efficiency, we have introduced a renewable energy–based power plan in addition to solar power, which reduces the building's CO_2 emissions to effectively zero. We are also working to reduce our environmental impacts by incorporating designs that use rainwater and making effective use of water resources.

*ZEB is an abbreviation for Net Zero Energy Building. A ZEB aims to reduce its annual primary energy consumption to zero while realizing a comfortable indoor environment. ZEB Ready is considered an advanced building aiming for ZEB. ZEB Ready buildings are equipped with advanced thermal insulation used on the exterior wall and high-efficiency energy-saving equipment. These buildings conform to the primary energy consumption reduction of 50% or more from the standard primary energy consumption, excluding renewable energy.

Co-Exist with Local Communities

In the event of a disaster, we have set up an evacuation area in the new Head Office building for local companies and local residents in an effort to contribute to disaster prevention and mitigation for local residents.



In addition, on the first floor, we have set up the KOMOREBI café open to employees and the public, making it a space open to the community.

Supporting Employees' "Health of Mind and Body"

▶ Employee-friendly workplace environment for diverse human resources

In addition to accessible facilities, there is a prayer room, an inclusive all-gender restroom, and the ANGEL ROOM, which is for working women (a multipurpose rest area for women that can be used to change clothes and manage their physical condition before and after childbirth).

▶ Establishment of a wellness area

In consideration of the health of our employees, we have created a space to help them rejuvenate while at work, including a wellness area where they can do light exercise and a rooftop walking course.



Voice of the Person in Charge



Yoshihisa Harada
General Affairs Department, General Affairs Division
Supervisor of the Head Office Relocation Project Team

When working on the new Head Office relocation project, we considered a wide variety of mechanisms to realize the concept of "*Kakuhan*," keeping in mind various communication opportunities, innovation and value creation, and the further improvement of productivity.

For example, by making the office area a completely free address layout open to all employees and divisions, and by connecting each floor (three floors) of the office area with an internal staircase, we are able to increase the number of organic interactions with other divisions more than ever before. I also feel that communication becoming more active in a broader range. The free space and wellness area where employees can do yoga and exercise are also useful for improving productivity as a place for frank information exchanges and discussions.

We will continue to nurture the new Head Office so that it will become a base where we can create and disseminate new value for the sustainable growth of the Group.

The Group aims to create new value by using this new Head Office building as a base for **"*Kakuhan*"** and to **become a "Wellness Company"** that can contribute to the more prosperous and brighter lives of people around the world. Through this process, we will nurture the new Head Office building to become a place where employees who work there and people who live around it can smile.



Kyorochan, our character of *Chocoball*

Value Creation Strategy

23 2030 Business Plan
25 2024 Medium-Term Business Plan
31 Message from the CFO
37 Special Feature: Achieving Global Business Growth
41 "in-" Business
43 Frozen Desserts Business
45 Direct Marketing Business
47 U.S. Business
49 Confectionery and Foodstuffs Business
51 Human Resources Strategy
57 R&D Strategy
59 DX Strategy
60 Special Feature: Creating New Markets
61 Sustainable Value Chains
63 Conserving the Global Environment
65 —Response to the TCFD/TNFD Recommendations (Climate Change, Natural Capital, and Biodiversity)
67 Initiatives for Human Rights



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.

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

Health of mind / Health of body / Health of environment → Three values to provide

Customers / Employees / Society → Values are provided for

Basic Policy

1. Improve Profitability through Business Portfolio Optimization and Structural Reforms
2. Build Business Foundation Linked to Business Strategies
3. Promote Diversity and Inclusion

- Focused Domain Category
- Basic Domain Category
- Exploration and Research Domain Category
- Structural Reforms for Functional Sectors
- Business Foundations
- Sustainable Business Management

We partially updated our targets for 2030 based on the results of the 2021 Medium-Term Business Plan, the first stage of the 2030 Business Plan, and the expected changes in the business environment.

Financial Targets

Key Performance Indicators

Net Sales	300 billion yen
Operating Income to Net Sales Ratio	12% or higher
Focused Domain's Sales Ratio	60% or higher
Overseas Sales Ratio	Initial target 15% ▼ New target 25% or higher
ROE	15% or higher NEW
ROIC*1	12% or higher NEW
DOE	4.5% or higher NEW

*1 Calculated using the credit approach Formula: NOPAT ÷ Invested capital (interest-bearing debt + shareholders' equity)

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

*3 According to Morinaga's research

*4 Ratio of positive responses on the employee awareness survey

*5 Group consolidated basis. Paper covers product packaging only.

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

Non-Financial Targets

Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company*2	70%
Health of mind: Ratio of positive responses to "the Company makes me happy," according to a corporate image survey*3	90% NEW
Ratio of employees who find their job meaningful and who are in good mental and physical health at work*4	80%
Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper)*5	100%
CO_2 emissions*6	30% reduction

2030 Vision





Efforts for further growth

Focused domain: driving growth

Basic domain: stable cash generation

Efforts to further strengthen the business foundation









2024 Medium-Term Business Plan

Three years have passed since we announced our 2030 Business Plan, and we have been working toward our ambitious goals with a strong desire to change into a wellness company. Following the 2021 Medium-Term Business Plan, we are increasingly confident that we will achieve our ambitious goals. The 2024 Medium-Term Business Plan will further solidify our path to growth toward 2030.



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

Trend in Results of the Previous Medium-Term Business Plans

2015 Medium-Term Business Plan

Strengthen business foundation, plant seeds of growth

Outcomes

- Both net sales and operating income to net sales ratio significantly exceeded targets
- Transformed to a profitable structure by improving product mix and reducing confectionery SKUs

2018 Medium-Term Business Plan

Solidify business foundation, accelerate growth strategy

Outcomes

- Improved profitability mainly in the domestic business
- Established a business foundation capable of consistently generating an operating income to net sales ratio of 10%

2021 Medium-Term Business Plan

Building a New Foundation for Dramatic Growth

Positioning

- In addition to formulating the 2030 Business Plan, formulated a three-year plan based on a backcasting approach, with the aim of enhancing corporate value over the long term
- First stage toward achieving the 2030 Business Plan



*The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 2020)," and other regulations, from the beginning of FY2021. Figures for FY2020 were retroactively adjusted in line with this accounting standard.

Recap of the 2021 Medium-Term Business Plan

Business Environment

- COVID-19 pandemic and reclassification as Class 5 infectious disease
- Emergence of geopolitical risks due to international tensions
- Soaring prices of raw materials, energy, and other resources
- Rise of ChatGPT and other generative AI

Results

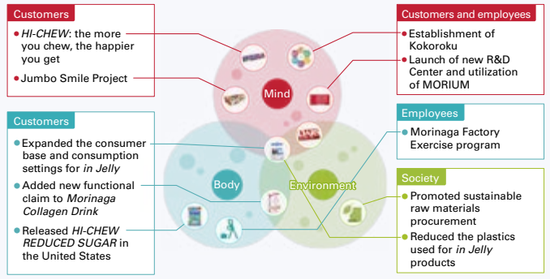
		2018 Medium-Term Business Plan	2021 Medium-Term Business Plan	
		FY2020 Results	Target	FY2023 Results
Net sales		168.2 billion yen*	190.0 billion yen	213.3 billion yen
Operating income		19.1 billion yen	21.5 billion yen	20.2 billion yen
Key Performance Indicators	Operating income to net sales ratio	11.4%	11% or higher	9.5%
	Focused domain's sales ratio	Approx. 42% (2018 MTBP period average)	+5% or higher (2018 MTBP period average value ratio)	50.6%
	Overseas sales ratio	7.0%	9% or higher	12.7%
	ROE	11.8%	10% or higher	11.8%
	Dividend payout ratio	30.0%	30%	33.2%

*The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 2020)," and other regulations, from the beginning of FY2021. Figures for FY2020 were retroactively adjusted in line with this accounting standard.

"Health of mind, body, and environment" value provided during the three years aimed at realizing the 2030 Vision

We provided "health of mind, body, and environment" value through various activities and achievements.

Examples of Activities



Recap of the Basic Policy of the 2021 Medium-Term Business Plan

We implemented strategies in accordance with the basic policy to realize the 2030 Vision.

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

- Achieved sales growth mainly in the U.S. Business and increased the focused domain's sales ratio
- Steadily implemented initiatives in the procurement, manufacturing, logistics, and sales sectors
- Took actions to counteract cost increases, including those related to raw materials

Policy 2 Build a Business Foundation Linked to Business Strategies

- Generally implemented the human resources, R&D, and accounting and finance strategies set out in the 2021 Medium-Term Business Plan
- Accelerated efforts to restructure the DX strategy and the organizational structure

Policy 3 Promote Diversity

- Established a policy and five guidelines for the promotion of diversity and inclusion in the Group
- Improved company-wide literacy, including basic understanding
- Conducted training for management to promote concrete actions

Recap of Strategy Framework and Each Sector

Growth driven by the focused domain | Structural reforms of the functional sectors | Improved profitability of the basic domain | Built the business foundation

Focused Domain

"in-" Business	● Flexibly responded to changes in the pandemic environment and expanded sales of *in Jelly*
Frozen Desserts Business	● Increased sales of *Choco Monaka Jumbo* through various efforts such as freshness marketing as demand rose for adult dessert products
Direct Marketing Business	● Continued to invest aggressively in advertising and achieved the initial target number of subscription customers. Sales of *Oishii Collagen Drink* and *Oishii Aojiru* were strong.
U.S. Business	● Achieved dramatic growth thanks to a higher distribution rate and increased in-store turnover of *HI-CHEW*

Basic Domain

Confectionery Business	● Consistently grew sales mainly in biscuits and candies ● Despite the impact of surging raw material prices, implemented price revisions and cost-reduction initiatives
Foodstuffs Business	● Strengthened efforts in healthy cocoa products, for which price revisions and customer needs are expected to expand in response to the headwind of soaring raw material prices

Functional Sectors

Procurement	● Implemented cost reductions as planned in response to soaring raw material prices and the impact of foreign exchange rates
Manufacturing	● Introduced visualization systems at domestic production sites to build a foundation for smart factories*
Logistics	● Expanded labor-saving transportation and reorganized logistics bases to ensure stable transportation and delivery and to reduce logistics costs
Sales	● Expanded sales mainly in the growing drugstore channel ● Streamlined efficient organizational management and strengthened our sales force

*Using IoT and AI technologies to integrate the technology and digital data of manufacturing facilities to ensure stable operations and increase production efficiency

Business Foundations

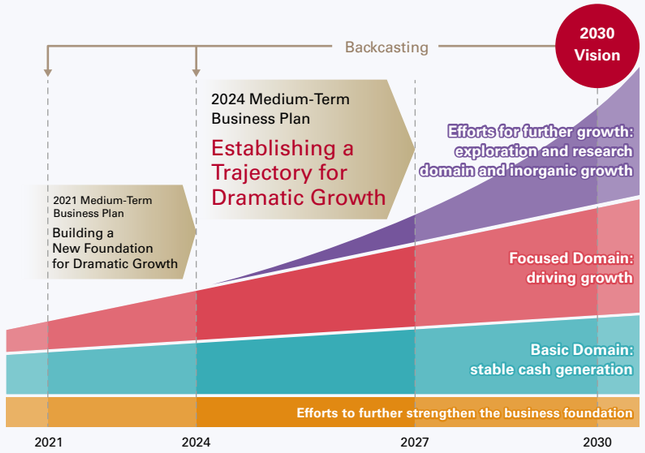
Human resources	● Developed and updated succession plans, secured specialized human resources among other measures ● Made progress with initiatives aimed at building career capital among employees, such as the penetration of Protean Career and the active role of seniors
R&D	● Acquired several technologies that will contribute to businesses, including the development of candies technology that meets U.S. needs and the evolution of *Jumbo* moisture absorption delay technology
DX	● Accelerated efforts to restructure the DX strategy and the organizational structure
Accounting and finance	● Established a system for implementing ROIC management

Overview of the 2021 Medium-Term Business Plan

	Outcomes	Issues
Business	● High growth particularly in the focused domain led to significant top-line growth since the previous Medium-Term Business Plan ● Expanded overseas business, centered on the United States, greatly exceeded the targets of the 2021 Medium-Term Business Plan ● Achieved a V-shaped recovery in operating income by overcoming the headwind of cost increases through price revisions and higher sales	● Further increased growth potential toward the 2030 Business Plan ● Realized dynamic growth through new value creation and inorganic growth ● Further improved profitability and capital efficiency mainly in core areas
Business Foundations	● Steadily built a business foundation to support business growth by expanding intangible investment ● Provided continuous shareholder returns based on an updated financial strategy ● Promoted sustainable management	● Implemented structural reforms and strengthened the business foundation from a global perspective ● Strengthened the governance structure by promoting Group management ● Promoted ROIC management and Group-wide penetration

2024 Medium-Term Business Plan

Key Message and Positioning



The 2024 Medium-Term Business Plan was formulated on the premise of backcasting from the 2030 Vision, while also considering the forecasting perspective from the 2021 Medium-Term Business Plan. Although the environment surrounding the Group is expected to change in the future due to changes in customer consumption behavior and soaring raw materials and energy prices, we will continue to aggressively invest in growth. In addition, we will undertake structural reforms and strengthen our business foundation from a global perspective. A virtuous cycle of growth and capital efficiency will ensure a growth trajectory toward 2030.

Commitment in the Key Message

Establishing a trajectory for dramatic growth

Through ROIC management
Toward a virtuous cycle of growth and capital efficiency for "establishing a growth trajectory"

Growth potential

- Aim to achieve record-high net sales by concentrating management resources through optimization of the business portfolio
- Achieve strong growth in overseas and domestic businesses, especially in the focused domain
- Sublimate seeds of business growth to the next stage to nurture the next generation of businesses

Capital efficiency

- Achieve record-high operating income through further structural reform and a stronger management foundation
- Improve capital efficiency of the Confectionery and Foodstuffs Business
- Execute appropriate investments to boost capital efficiency over the medium to long term
- Maximize use of portfolio assets and promote gradual asset-light management
- Further reduce cross-shareholdings and non-business assets

Positioning of the 2024 Medium-Term Business Plan for dramatic growth

2030 Business Plan: Second stage

- Use the same "for dramatic growth" phrase as in the 2021 Medium-Term Business Plan

Toward 2030 and beyond

- 2030 Business Plan targets are a milestone in the journey to becoming a sustainable company
- Determination to pursue further growth



Business Targets

Targets		FY2023 Results	FY2026 Targets
Net sales		213.3 billion yen	246.0 billion yen
Operating income		20.2 billion yen	24.6 billion yen
Key Performance Indicators	Operating income to net sales ratio	9.5%	10.0%
	Focused domain's sales ratio	50.6%	53% or higher
	Overseas sales ratio	12.7%	16% or higher
	ROE	11.8%	12% or higher
	ROIC* NEW	9.6%	10% or higher
	DOE NEW	4.0%	4.3%

*Calculated using the credit approach Formula: NOPAT ÷ Invested capital (interest-bearing debt + shareholders' equity)

2030 Vision Realization

Initiatives during the 2024 Medium-Term Business Plan to Achieve the 2030 Vision

To realize our 2030 Vision, we will accelerate various initiatives to increase the total number of activities while improving the quality of activity outputs.

Examples of Activities

Customers
- Continue providing value for "health of mind"



Customers
- Further expansion of jelly drinks (overseas, domestic)
- Expansion of *Passienol*™





Employees
- Evolution of "health of mind"
- Activities to further disseminate the concept of D&I



Society
- Utilization of the new Head Office MORINAGA KAKUHAN BASE
- Initiatives to reduce CO_2 emissions
- Development of sustainable alternative proteins

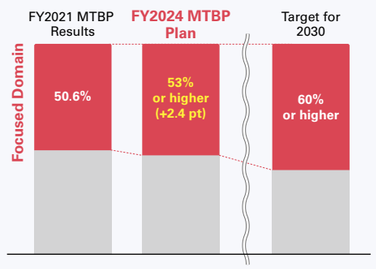


Philosophy of Basic Policy

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

Based on the basic policy of the 2030 Business Plan, we will further accelerate the concentration of management resources in the focused domain that will drive company-wide growth toward the theme of the 2024 Medium-Term Business Plan, "Establishing a trajectory for dramatic growth." We will appropriately identify the stage of each business, our presence in the market, and the strengths we possess, and implement business strategies for optimal portfolio formation based on the perspective of the desired business portfolio for the entire Group. In addition, we will work closely with each business sector, particularly production, logistics, and sales, to implement structural reforms to improve capital efficiency through the practice of ROIC management.

Focused Domain's Sales Ratio



Direction of Portfolio Formation and ROIC Targets by Business*1

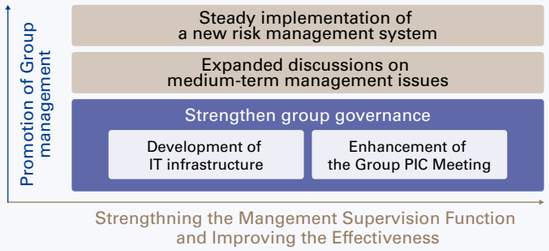
	CAGR of net sales FY2026 vs. FY2023	ROIC FY2023 Results	ROIC FY2026 Targets
"in-"	105%	33.8%	35% or higher
Frozen Desserts	104%	13.9%	12% or higher
Direct Marketing	109%	15.2%	40% or higher
United States*2	116%	35.6%	10% or higher
Confectionery and Foodstuffs	102%	5.3%	8% or higher
Consolidated	105%	9.6%	10% or higher

*1 Consolidated ROIC is calculated using a credit approach, and business-specific ROIC is calculated using a debit approach (non-business assets such as cash and deposits and investment securities are not included in invested capital).
*2 The CAGR of net sales for the U.S. Business is on a local currency basis.

Policy 2 Build a Business Foundation Linked to Business Strategies

Recognizing the importance of investment in intangible assets, we will build a business foundation that contributes to the realization of our 2030 Vision. This will be achieved by proactively making intangible investments in human resources, R&D, DX, and other areas, while also linking them to our business strategy. We will advance each strategy to link aggressive intangible investment to business growth. In addition, we recognize that improving Group governance is essential to strengthening our business foundation. Going forward, we will be more conscious of Group management and promote group governance reforms by strengthening domestic and overseas structures.

Group Governance Reform



Policy 3 Promote Diversity and Inclusion

We will execute our strategy based on the Morinaga Group Diversity and Inclusion Policy and the five guidelines for implementing the policy. We aim to improve resilience and create innovation by deepening our understanding of diversity and strengthening support that contributes to value creation.



Strategy 1 Promote Company-wide understanding and action
- Continue to conduct management D&I training
- Work to strengthen information dissemination and to improve the quality and quantity of mutual communication

Strategy 2 Promote understanding and action by each division
- Strengthen support for divisions with a good understanding of D&I aimed at further improving resilience and creating innovation

Strategy 3 Evaluate dissemination of understanding and action
- Monitor qualitative and quantitative targets for D&I Policy and the five guidelines
- Review and refine actions

2024 Medium-Term Business Plan

Strategy Framework of the 2024 Medium-Term Business Plan

Growth driven by the focused domain

Improvement of capital efficiency of the basic domain

New business creation and nurturing using the exploration and research domain

Structural reforms for functional sectors

Build the business foundation

Focused Domain

"in-" Business	●Grow *in Jelly* products by promoting the lifetime value (LTV) strategy ●Grow *in Bar* products and improve the profit structure as well as grow the "in-" brand by promoting the development and establishment of new "in-" brands
Frozen Desserts Business	●Further evolve freshness marketing for the *Jumbo* group of products ●Acquire customers from adjacent markets by capturing demand for desserts among adults and taking on challenges in frozen foods markets ●Create new markets with technological advantages by expanding flavored ice applications and cultivating wellness products
Direct Marketing Business	●Strength the existing Direct Marketing Business by expanding net sales of *Oishii Collagen Drink* and developing a second pillar ●Further expand business by developing high-value-added discretionary items using the Group's brand awareness and technology, achieving inorganic growth, and exploring expansion of the BtoB business
U.S. Business	●Further expand sales of *HI-CHEW* by increasing the distribution ratio and SKUs ●Expand *Chargel* into U.S.-based channels by drawing on our know-how for building sales networks acquired through the *HI-CHEW* business and by promoting brand understanding through strengthening promotions ●Cultivate and develop wellness products



Basic Domain

Confectionery Business	[Improvement of capital efficiency] Expand net sales by leveraging portfolio assets and promote gradual asset-light operations [Business growth in candies] Work to expand net sales as a highly profitable category to transform the category portfolio [Business growth in biscuits] Expand net sales by increasing customer contact points as well as establish and nurture high-unit-price, high-value-added products [Improved capital efficiency in chocolate] Promote initiatives such as price revisions, SKU reductions, cost reductions, and improvement of production line utilization rates, and improve the product mix
Foodstuffs Business	●Expand the scale of business and improve the profitability of *Morinaga Cocoa* and *Morinaga Amazake* as familiar health beverages by leveraging the strength of our No. 1 market share* and enhancing their health value
Group companies	●Leverage the strengths of each company to maximize synergies to raise corporate value as the Morinaga Group

*INTAGE Inc. SRI+ Amazake, Cocoa Markets (April 2022 to March 2024; estimated cumulative sales amount)



Exploration and Research Domain

Approach	●Create new businesses by combining the Group's strengths and innovations ●Divide the seeds of new businesses discovered so far into three stages: sowing, watering, and pruning ●Promote growth via management's drive and incorporate that into the business portfolio at an early stage
Acceleration of *Passienol*™ commercialization	●Announced the world's first research result showing that piceatannol, the main component of *Passienol*™, increases the expression of sirtuin genes (longevity genes) in human trials ●Implement growth investments with a medium- to long-term perspective ●Take on the challenge of creating a new market for proprietary food ingredients with functional claims developed by the Group
Overseas collagen drinks	●Develop initiatives as a step toward expanding the wellness business globally



Structural Reform

Production Functions	●Pursue low-cost operations that integrate product planning, procurement, and production sites, and reduce manufacturing costs in response to changes in market conditions by selecting and concentrating capital investment ●Improve productivity by using smart factories deployed at domestic production sites ●Consider systematization and standardization of production processes on a global basis ●Create factories that promote further improvement of the work environment, human resource development, and environmental considerations
Logistics Functions	●Stabilize and streamline logistics through restructuring of the transportation and delivery networks ●Control rising logistics costs through various cost reductions, such as the reduction of inefficient assets
Sales Functions	●Evolve the organizational structure to respond to growth channels, accelerate initiatives, and expand customer contact points by deepening inbound tourism initiatives ●Improve profitability and strengthen sales capabilities through efficient management of sales expenses ●Strengthen initiatives that lead to the resolution of local issues and build relationships of trust with customers and employees by testing team-based work-sharing



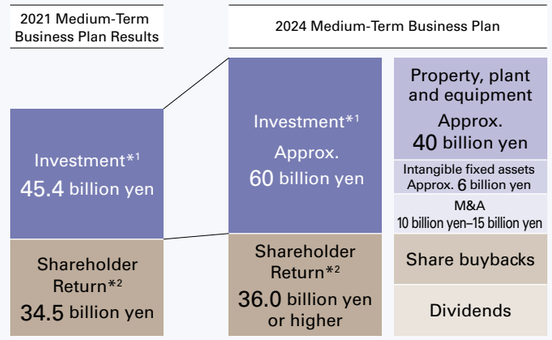
Production Headquarters Vision

Build the Business Foundation

Human Resources Strategy	●Improve resilience and create innovation by formulating and promoting succession plans, securing and developing highly specialized human resources, and expanding initiatives to promote self-sustaining careers for all employees
R&D Strategy	●Acquire innovative processing technologies in soft candies technology, confectionery technology in sub-zero temperatures, and jelly drink technology ●Further strengthen the wellness domain by strengthening basic research in "health of mind and body" and its utilization in product development ●Address procurement risks and social issues by acquiring new technologies in the fields of sustainability and new domains
DX Strategy	●Standardize operations and systems and make operations more efficient and sophisticated by building a digital business foundation ●Optimize the planning of each supply chain function and integrate the digital business foundation and smart factories ●Leverage the DX of the U.S. Business and the Direct Marketing Business ●Develop and secure digital talent and build global IT governance and cybersecurity systems
Financial Strategy	●Improve growth potential and capital efficiency by using ROIC management ●Ensure financial security and reduce capital cost ●Strengthen shareholder returns

Approach to Cash Allocation

We will step up investments mainly in the focused domain, including building a production system for the global growth of the *HI-CHEW* brand and actively exploring M&A opportunities. In addition, we plan to accelerate intangible investments such as human resources and DX to strengthen the business foundation. While placing the highest priority on investments mainly in the focused domain, we will continue to bolster shareholder returns by raising DOE over the medium to long term and implementing flexible share buybacks.



*1 Amount recorded during the period of the Medium-Term Business Plan
*2 Amount on a cash-out basis during the period of the Medium-Term Business Plan

Toward 2030

We will accelerate our global strategy by raising our overseas sales target to further expand our overseas business, especially in the United States. We will implement initiatives overseas such as rolling out *HI-CHEW* in Europe and jelly drinks. We will challenge the creation of new markets for *Passienol*™, which has been shown to increase the expression of sirtuin genes (longevity genes). Our focus will be on nurturing and expanding new business seeds with all kinds of partners in Japan and overseas to quickly integrate the business into our business portfolio. We are also looking at inorganic growth to achieve our 2030 targets.

In April 2024, we acquired Baqtex Co., Ltd., with a view to expanding our business into food hygiene and reagents. We will continue to use M&A and business alliances to materialize our dynamic growth strategy.



Research results presentation for *Passienol*™

Target Update

Overseas sales

At the time of formulating the 2021 Medium-Term Business Plan: 45.0 billion yen → **75.0 billion yen**

Overseas sales ratio

At the time of formulating the 2021 Medium-Term Business Plan: 15% → **25% or higher**

Message from the CFO



Tetsuya Takagi
Director,
Senior Executive Officer,
Chief Financial Officer

Toward 2030

We will sustainably increase corporate value and achieve stable, consistent shareholder returns by pursuing management that is aware of the capital cost and the stock price.

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

▶ **Business growth in the focused domain, including the U.S. Business, was a key driver in our record high net sales*1. Profitability has shifted to a recovery trend as we have crafted a response to changes in the business environment, including surging raw materials and energy prices.**

Under the 2021 Medium-Term Business Plan (MTBP), the Group worked to implement initiatives to "Build a New Foundation for Dramatic Growth." During the period, we achieved record-high net sales*1 for third consecutive fiscal year, far exceeding our plan, driven by the focused domain defined in the 2030 Business Plan. The focused domain's sales ratio exceeded 50%, and the rapid growth of overseas businesses, mainly the U.S. Business, helped push the overseas sales ratio to double digits for the first time. While business portfolio transformation progressed smoothly, the operating income to net sales ratio fell short of the plan, although it saw a turnaround FY2023, the final year of the plan. This was because of the significant impacts of the COVID-19 pandemic and soaring raw materials prices, as well as increased expenses resulting from investments to build management and business foundations based on the medium- to long-term plan.

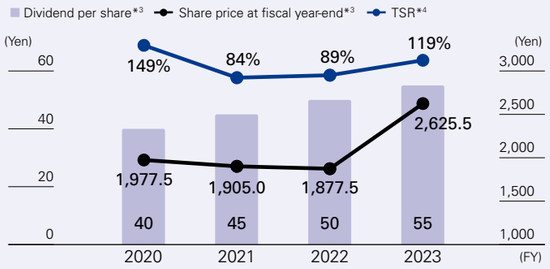
With the recovery of business performance in the most recent fiscal year and the achievement of the ROE plan through the enhancement of asset-light operations and shareholder returns, our share price rose significantly in FY2023. As a result of our higher share price and the ninth consecutive fiscal year of dividend increases, the total shareholder return (TSR) ratio at the end of FY2023 returned to a level above 100% (119%).

KPIs in the 2021 Medium-Term Business Plan*1

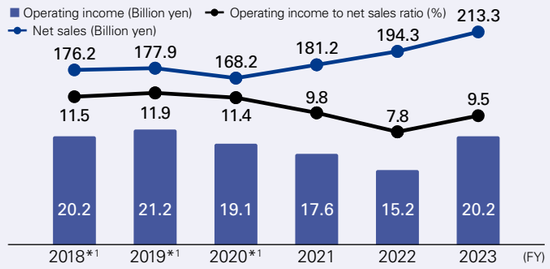
	2018 MTBP	2021 MTBP	
	FY2020 Results	Targets	FY2023 Results
Net sales	168.2 billion yen	190.0 billion yen	213.3 billion yen
Operating income	19.1 billion yen	21.5 billion yen	20.2 billion yen
Operating income to net sales ratio	11.4%	11% or higher	9.5%
Overseas sales ratio	7.0%	9% or higher	12.7%
Focused domain's sales ratio*2	Approx. 42%	47% or higher	50.6%
ROE	11.8%	10% or higher	11.8%

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 2020)," and other regulations, from the beginning of FY2021. Figures for FY2020 were retroactively adjusted in line with this accounting standard. FY2018 and FY2019 represent estimates assuming retroactive application of this accounting standard.
*2 Results for the 2018 Medium-Term Business Plan are averages for the period.

Trend in Shareholder Returns



Trend in Net Sales, Operating Income, and Operating Income to Net Sales Ratio



*3 The Company executed a 1-for-2 stock split of its common shares effective January 1, 2024. Figures prior to FY2022 represent figures after retroactively applying the stock split.
*4 (Stock price at the end of each fiscal year + cumulative amount of dividends per share from four fiscal years before each fiscal year to each fiscal year) ÷ Stock price on the last day of each fiscal year five fiscal years prior to each fiscal year

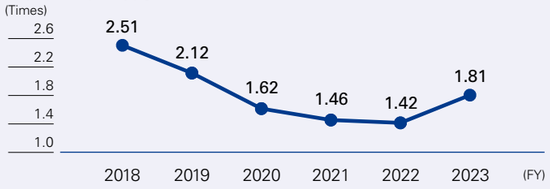
Morinaga Group's Financial Challenges

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

In March 2023, the Tokyo Stock Exchange requested that all listed companies on the Prime and Standard markets take action to realize management that is conscious of the cost of capital and the share price.

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. However, as of the end of the most recent fiscal year, FY2023, the ratio has turned upward, reflecting a rise in the share price and a recovery in return on capital, reaching a level of approximately 1.8 times. We recognize that raising corporate value in a sustainable manner is the most important financial issue for the Group and will continue to work on that.

Trend in P/B Ratio



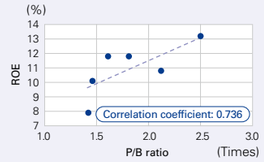
▶ **To raise corporate value, it is important to further improve return on capital and reduce the cost of capital.**

In the case of the Group, the correlation of ROE and the P/E ratio to the P/B ratio is relatively strong, and we recognize that improving ROE in particular is effective in raising corporate value (shareholder value).

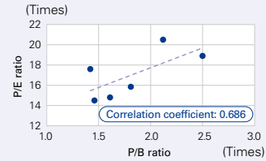
Since the mid-2010s, the Group's ROE has generally maintained a double-digit level due to changes in its business portfolio that have promoted growth in relatively profitable businesses such as the Frozen Desserts Business and the "in-" Business. We estimate the cost of shareholders' equity to be around 5%–6% based on theoretical values from the CAPM and the level of the P/E ratio, and ROE has exceeded this level over the medium to long term. In the 2030 Business Plan, we have set a target to achieve an ROE of 15% or higher, aiming to join the group of companies with high ROE in the TSE Prime Market and maintain that level consistently over the medium to long term.

P/B ratio = ROE × P/E ratio

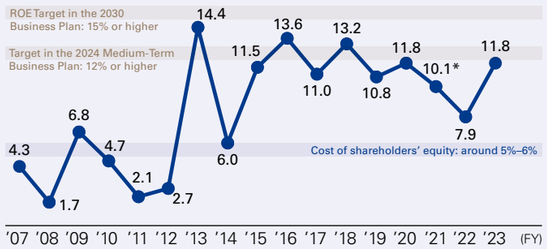
Correlation with P/B Ratio and ROE



Correlation with P/B Ratio and P/E Ratio

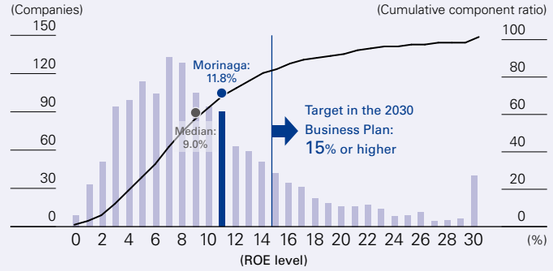


Trend in Morinaga's ROE



*Excludes impacts of extraordinary profit on the sale of cross-shareholdings (22.0% when included)

ROE Distribution of Prime Market Listed Companies



[Estimate of Shareholders' Equity Cost]

Estimate using CAPM (theoretical value)
Risk free rate: around 0.6%
Levered β: around 0.7–0.9
Market risk premium: around 6.0%

Estimate by P/E ratio level (inverse)
P/E ratio as of March 31, 2024
Calculated using the inverse of 15.85 times (= 1 / 15.85)

4.8%–6%
6.3%

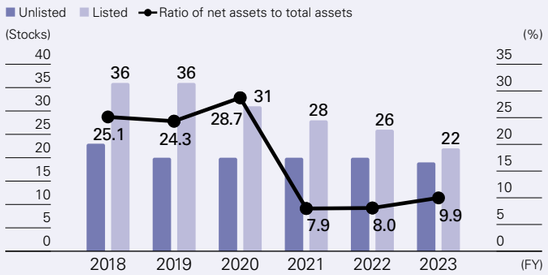
→ The shareholders' equity cost is estimated to be around 5%–6%

Looking at the Group's net profit to net sales ratio, it had been on a downward trend since FY2020 due to rapid changes in the external environment, including the COVID-19 pandemic and soaring raw materials prices, but turned upward in FY2023 thanks to increased sales and price revisions. We will work to further improve profitability.

Looking at the trend in the total asset turnover ratio, there has been improvement in the last three fiscal years. This is recognized as the effect of asset lightening by selling cross-shareholdings and real estate holdings through the reorganization of distribution bases. In addition to reducing non-business assets, we intend to further improve the efficiency of business assets (turnover of invested capital).

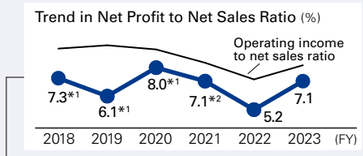
Financial leverage has remained flat overall, although shareholder returns were significantly enhanced during the 2021 Medium-Term Business Plan period. We will adjust our financial leverage over the medium to long term, considering the demand for investment funds for medium- to long-term business growth.

Trend in the Number of Cross-Shareholdings and the Ratio of Net Assets to Total Assets

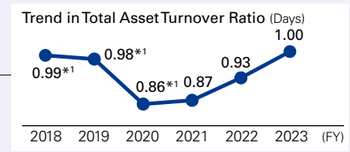


Note: Does not include deemed holdings.

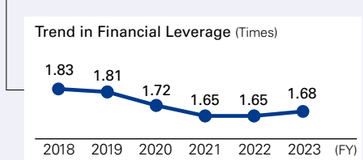
Trend in Net Profit to Net Sales Ratio (%)



Trend in Total Asset Turnover Ratio (Days)



Trend in Financial Leverage (Times)



ROE = Net profit / Net sales × Net sales / Total assets × Total assets / Net assets

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 2020)," and other regulations, from the beginning of FY2021. FY2020 represents estimates assuming retroactive application of this accounting standard. FY2018 and FY2019 represent estimates assuming retroactive application of this accounting standard.
*2 Excludes impacts of extraordinary profit on the sale of cross-shareholdings (15.3% when included)

Financial Challenges	Sustainably enhance corporate value by further improving return on capital and reducing the cost of capital

Message from the CFO

Framework of Financial Strategy

▶ To realize the sustainable enhancement of corporate value, we will practice management that is aware of the capital cost and the stock price.

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. With the aim of achieving the 2030 Business Plan, we will implement management that is aware of the capital cost and the stock price, as well as seek to benefit all stakeholders by maximizing corporate value.

Strategy 1 Improve growth potential and return on capital by implementing ROIC management

Strategy 2 Ensure financial security and reduce the cost of capital

Strategy 3 Increase shareholder returns

1 Improve growth potential and return on capital by implementing ROIC management

- Set ROIC and growth targets by business and **pursue optimization of the business portfolio**
- **Strengthen investment for strategic growth**, focusing on the focused domain
- **Improve return on capital of and restructure low-ROIC businesses**
- Strengthen employee training on the ROIC management system and its management infrastructure

Implement management that is aware of the capital cost and the stock price

2 Ensure financial security and reduce the cost of capital

- Secure funds to address risks and rigorously manage financial security
- **Reduce the cost of capital**
  - Utilize interest-bearing debt to achieve an optimal capital structure
  - **Promote asset-light operations** (e.g., divestment of cross-shareholdings, non-business assets)
  - Reduce long-term business risks by strengthening investment in intangible capital and promoting sustainable management
  - Disclose financial and non-financial information and further strengthen dialogue with shareholders and investors

3 Increase shareholder returns

- **Ensure shareholder returns at a high level** while prioritizing strategic business investments
  - **Increase the medium- to long-term DOE level**
  - **Buy back shares flexibly** with an awareness of the total payout ratio

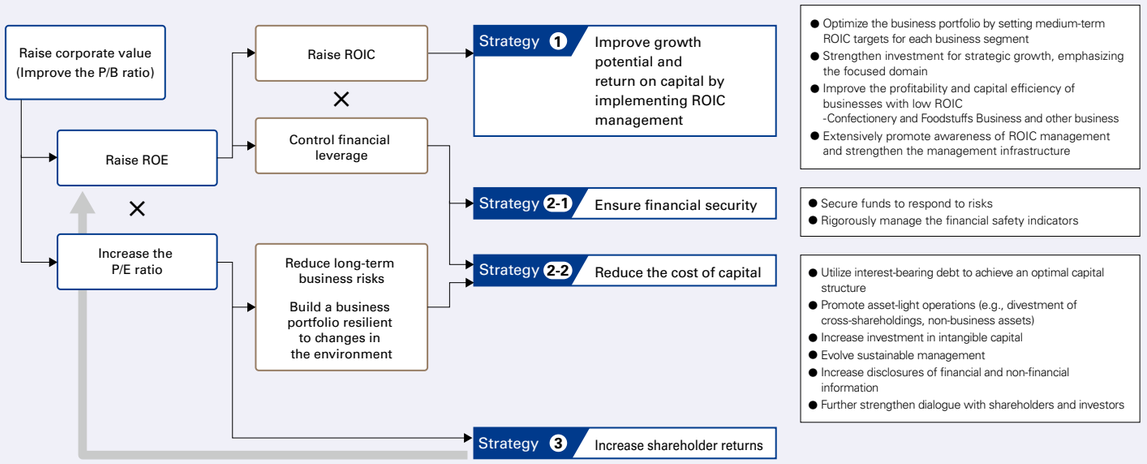
▶ We aim to raise corporate value by implementing three key financial strategies with an awareness of the capital cost and the stock price.

The Group, focusing on the P/B ratio, one of the main indicators of corporate value (shareholder value), will implement three major financial strategies with the aim of improving its components: ROE and the P/E ratio.

Strategy 1 is "Improve growth potential and return on capital by implementing ROIC management." Aiming to raise the ROIC level over the medium to long term, we will work toward "establishing a trajectory for dramatic growth," the theme of the 2024 Medium-Term Business Plan. Toward this end, we will realize a virtuous cycle of "growth" and "return on capital" based on ROIC management.

Strategy 2 is "Ensure financial security and reduce the cost of capital." The Group's basic policy is to maintain a certain level of financial security and investment capacity based on financial guidance. According to this assumption, we will strive to reduce capital cost by controlling financial leverage to optimal levels and reducing long-term business risk through a business portfolio that is resilient to changes in the environment.

Strategy 3 is "Increase shareholder returns." Based on our solid business foundation, we will provide continuous and stable shareholder returns, leading to improvements in ROE and the P/E ratio.



Strategy 1 Improve business growth potential and capital efficiency by implementing ROIC management

▶ Through ROIC management, we will create a virtuous cycle of growth potential and capital efficiency to "establish a growth trajectory."

The Morinaga Group will implement ROIC management and execute business strategies to grow an optimal business portfolio to enhance corporate value over the medium to long term. We will analyze our business segments based on growth potential and capital efficiency to determine medium- to long-term strategies and measures for each. We will identify businesses that accelerate growth and businesses that improve capital efficiency, and allocate management resources accordingly, in terms of investment destination and investment size.

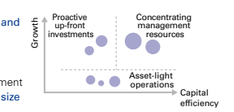
We will place the highest priority on strategic growth investments, including inorganic growth through business alliances and M&A, in the focused domain defined in the 2030 Business Plan to promote dramatic growth. On the other hand, in businesses that are positioned in the basic domain, such as Confectionery & Foodstuffs, where ROIC levels are relatively low, we will work to increase "capital efficiency" mainly by improving profitability and efficiency of capital invested. Specifically, while aiming to expand sales by utilizing owned assets, we will promote an asset-light approach in stages by selecting and concentrating maintenance and renewal investments. At the same time, we will deploy profitability improvement initiatives through cost reduction and flexible price revisions.

Through these efforts, we have clarified the mission and specific approach of each business in the 2024 Medium-Term Business Plan and have set medium-term targets for growth and capital efficiency for each business. During the period of the current Medium-Term Business Plan, the focused domain is where we will prioritize growth investments to establish a growth trajectory. For the Confectionery & Foodstuffs Business, which is in the basic domain, we will focus on improving capital efficiency and work toward a target of 8% or more, which is higher than the companywide WACC*1 (around 5%).

*1 Weighted average cost of capital

Optimization of business portfolio

- Analyze businesses based on the two axes of "growth" and "capital efficiency," and determine medium- to long-term strategies and measures for each business.
  Identify **businesses that will accelerate our growth and improve capital efficiency,** and optimally allocate management resources, **including investment targets and investment size**



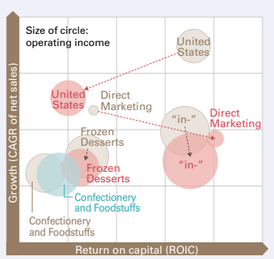
Strengthen strategic growth investments centered on the focused domain

- "in-": Establish the "in-" brand
- Frozen Desserts: Evolve existing products and create new opportunities
- Direct Marketing: Develop subscription customers and expand the business domain
- Global commercialization of *HI-CHEW*
- Acceleration of next-generation business initiatives

Improvement of profitability and the efficiency of invested capital in the basic domain

- While aiming to expand sales **by utilizing owned assets, promote an asset-light approach in stages by selecting and concentrating maintenance and renewal investments**
- Promote profitability improvement through cost reduction, selling expense efficiency, and flexible price revisions

Direction of Portfolio Formation and ROIC Targets by Business



	CAGR of net sales FY2026 compared with FY2023	ROIC*2 Results for FY2023	ROIC*2 FY2026 Targets	Approach in the 2024 Medium-Term Business Plan
"in-"	105%	33.8%	35% or higher	● Expand sales by strengthening the "in-" brand ● Improve profit margins through the product mix
Frozen Desserts	104%	13.9%	12% or higher	● Foster growth drivers following *Jumbo* ● Take on the challenge of creating new markets
Direct Marketing	109%	15.2%	40% or higher	● Continuous growth through aggressive advertising investment ● Improve the operating profit margin by pursuing customer acquisition efficiency
United States*3	116%	35.6%	10% or higher	● Sustainable growth through aggressive marketing investment ● Establish a global production system to support growth
Confectionery and Foodstuffs	102%	5.3%	8% or higher	● Improve profitability through category portfolio transformation ● Promote asset-light operations in stages by selecting and concentrating maintenance and renewal investments
Consolidated	105%	9.6%	10% or higher	Cost of shareholders' equity (estimated by Morinaga): 5%–6%, WACC: 5%

● Focused domain target for FY2026 ● Basic domain target for FY2026 ○ Results for FY2023*4

*2 Consolidated ROIC is calculated using a credit approach, and business-specific ROIC is calculated using a debit approach (non-business assets such as cash and deposits and investment securities are not included in invested capital). *3 The CAGR of net sales for the U.S. Business is on a local currency basis. *4 CAGR of net sales compared with FY2020

▶ We will promote ROIC management through the ROIC tree and the use of educational programs.

To practice ROIC management, we believe that it is important to penetrate ROIC management in the frontline departments of each business. Therefore, management and the divisions in charge use the ROIC tree for each business to identify problem areas that will lead to improvements in capital efficiency, and they consider strategies and measures to solve these issues.

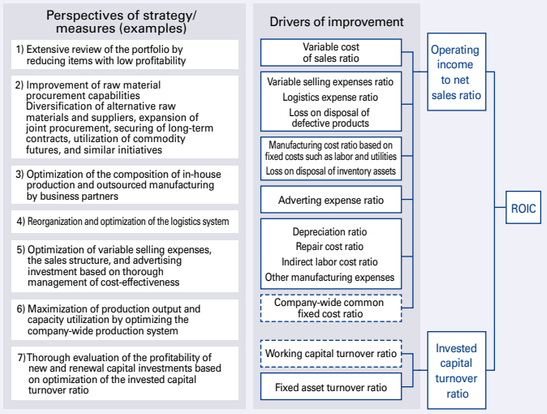
From the formulation of the FY2023 budget, we have started to inspect the budget level based on the ROIC tree, and in formulating the 2024 Medium-Term Business Plan, we developed specific strategic initiatives and set targets. In the future, we will link this to continuous improvement activities based on the PDCA cycle. Furthermore, to instill ROIC management down to the frontline level, we are promoting an understanding of the concept of ROIC management and its relationship to frontline activities among all Company employees using our own video-based teaching materials.



Video-based training program for employees called "Toward Capital Cost Management Practices"

In executing individual investments, we strictly evaluate projects based on investment decision criteria and manage investments with a focus on cost of capital while continuously following up on the investment recovery status.

Reverse the ROIC Tree



Message from the CFO

Strategy 2 Ensure financial security and reduce the cost of capital

▶ We will work to reduce long-term business risk by using financial leverage and building a business portfolio that is resilient to changes in the environment.

The Group's basic policy is to ensure a certain level of financial security and investment capacity in preparation for sudden changes in the external management environment and possible strategic large-scale investments (e.g., M&A). As a general rule, our standard for financial security is to maintain a long-term credit rating of "A" or above by Japan Credit Rating Agency, Ltd. (JCR). In addition, we will ensure financial security by monitoring the relevant indicators to ensure financial security. Moreover, we will make decisions on funding to meet the demand for investment funds after holistically considering the appropriate level of cash on hand, the procurement conditions such as the level of funding costs, and the impact on financial indicators such as financial security indicators as well as ROE and ROIC.

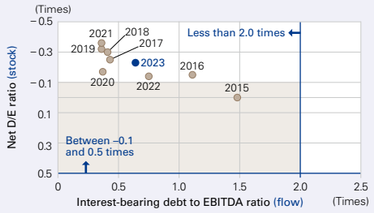
The Group will work to reduce capital cost to enhance corporate value. In response to the current net cash situation, we will increase the share of interest-bearing debt and utilize financial leverage to reduce the weighted average cost of capital (WACC), which we currently estimate to be around 5%, after assessing financial security and demand for investment funds.

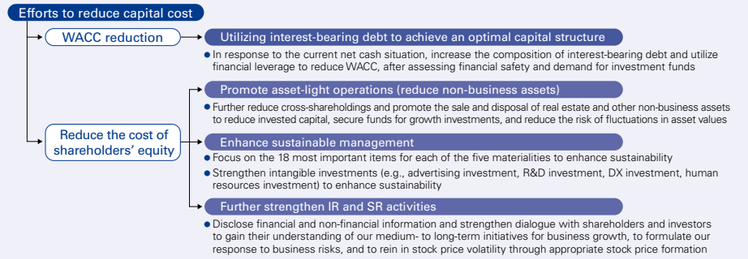
We estimate that the cost of shareholders' equity is about 5%–6% and recognize the importance of addressing long-term business risks by building a business portfolio that is resilient to changes in the environment to lower this cost. To this end, we will further reduce cross-shareholdings and promote asset-light operations through the sale and disposal of real estate and other non-business assets to reduce invested capital, secure funds for growth investments, and reduce the risk of fluctuations in asset values. In addition, we will address our materiality and bolster intangible investments to enhance the long-term growth potential (sustainability) of our businesses.

We will also disclose financial and non-financial information and strengthen dialogue with shareholders and investors to gain their understanding of our medium- to long-term initiatives for business growth, to formulate our response to business risks, and to rein in stock price volatility through appropriate stock price formation.

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

Trend in Financial Position





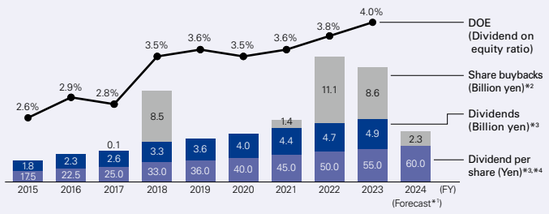
Strategy 3 Increase shareholder returns

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

The Group's basic policy is to offer stable and consistent shareholder returns backed by a solid business foundation, while prioritizing strategic and important business investments.

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 the dividend payout ratio level and free cash flow and ensuring a healthy balance sheet. We will also consider flexibly implementing share buybacks as necessary, considering demand for investment funds and the total payout ratio.

During the period of the 2021 Medium-Term Business Plan, we achieved record shareholder returns of 34.5 billion yen*5, far exceeding the plan (approximately three times the initial plan). We expect to increase our dividend for the past 10 consecutive years up to FY2024 and will continue to aim for stable, consistent dividends. In addition, we will flexibly execute share buybacks as necessary and work to realize shareholder returns of at least 36 billion yen*5 over the three-year period of the 2024 Medium-Term Business Plan.



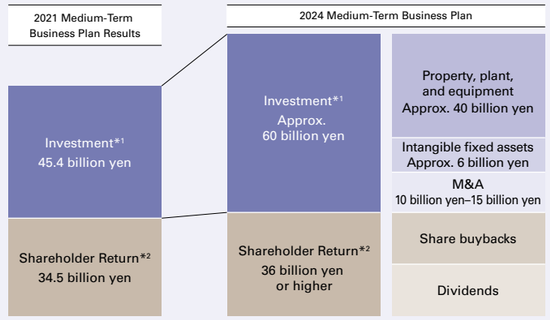
Financial indicators	Guidance
Dividend on equity (DOE)	4.3% (FY2026 target)
Share buyback amount	Implementing flexibly while considering demand for investment funds
Total shareholder returns	During the 2024 Medium-Term Business Plan: 36 billion yen or higher*5

*1 Dividend forecast for the fiscal year ending March 31, 2025, as of May 10, 2024
*2 The acquisition amount during the relevant accounting period (for FY2024, the amount acquired up until May 14, 2024)
*3 The amount of appropriation of surplus for the relevant accounting period
*4 The Company implemented a 1-for-2 stock split on January 1, 2024. Figures for FY2022 and earlier are after retroactive application of this stock split.
*5 Dividends of surplus and share buybacks are both on a cash-out basis.

▶ Based on the three main financial strategies, under the 2024 Medium-Term Business Plan, we will continue to enhance shareholder returns while placing the highest priority on investments, especially in the focused domain.

To create a path to achieve the 2030 Business Plan, the Group has set the theme of "Establishing a trajectory for dramatic growth" in the 2024 Medium-Term Business Plan (2024 MTBP) and will give top priority to investments centered on the focused domains. We will make strategic investments to build a production system for the global growth of the *HI-CHEW* brand. Approximately 60 billion yen*1 will be invested over the three-year period of the 2024 Medium-Term Business Plan, including strategic investments to strengthen the business foundation, such as DX investment, and aggressive M&A exploration in the focused domain. This is a significant increase from the actual investment of 45.4 billion yen*1 during the period of the 2021 Medium-Term Business Plan. Depending on future business developments, we will consider further increasing this investment amount.

Meanwhile, regarding shareholder returns, we will continue to strengthen our ability to generate cash from operations and aim to return more than 36 billion yen*2 over the period of the 2024 Medium-Term Business Plan.



*1 Amount recorded during the period of the Medium-Term Business Plan
*2 During the period of the 2024 Medium-Term Business Plan. Both dividends of surplus and share buybacks are based on cash-out amounts.

Dialogue with Shareholders and Investors

▶ We will further strengthen our dialogue with shareholders and investors to explain our efforts to raise corporate value.

We are focusing on "management that is aware of the capital cost and the stock price" to realize the 2030 Business Plan, which is the Group's long-term business plan.

We have been actively engaged in investor relations (IR) activities to promote understanding of these initiatives among shareholders and investors. As a result of our efforts to create opportunities for dialogue by enhancing segment information in our disclosure information; holding quarterly financial results briefings and providing materials; and holding IR Days, small meetings, and individual IR interviews, along with overseas IR and conferences, the number of meetings with capital market participants has significantly increased over the past two years. We are also working to expand and improve the usefulness of the information disclosed on our IR site, and these efforts were applauded by external organizations in FY2023.

The status and content of the dialogue sessions are reported to the IR Committee, which meets quarterly, and to the Board of Directors meeting (held in March 2024), and are shared with the relevant departments as appropriate throughout the year.

Trend in the Number of Interviews with Investors and Analysts*



*Number of contacts with investors and analysts through individual IR meetings, IR Days, small meetings, conferences, and overseas IR (counted as "1" per company, even if multiple contacts were made in the same quarter).

Evaluation institution	Evaluation
Daiwa Investor Relations Co. Ltd. Daiwa IR's Internet IR Award 2023	Excellence Award
Nikko Investor Relations Co., Ltd. 2023 Survey of All Japanese Listed Companies' Website Ranking	All Markets Ranking AAA Website

Main Themes and Points of Interest from Dialogue Sessions in FY2023

1	Short-term outlook for the domestic business	● Assessment of the impact of soaring raw material prices and approaches to price revisions ● Sustainability of improving profitability in the Confectionery and Foodstuffs Business ● Background to the growth of the Frozen Desserts Business exceeding the market and anticipation of a reaction to the heat wave ● Growth of *in Jelly* after the pandemic-related demand settled down
2	U.S. Business outlook and medium- to long-term growth	● Strengths of *HI-CHEW*, success factors to date, and sustainability of growth ● Outlook and measures to be taken in the overall market based on the current economic environment and consumption trends ● Medium- to long-term global *HI-CHEW* outlook and scale of investment to increase production ● Speed of market creation for *Chargel*
3	Management and business outlook from a medium- to long-term perspective	● Growth potential and capital profitability during the 2024 Medium-Term Business Plan period ● Approaches to the business portfolio with an eye on 2030 and the promotion of ROIC management ● Perception of the domestic market given the population decline ● Possibility of industry restructuring and approach to M&A ● Use of cash and shareholder return policy

We have also used the valuable opinions obtained through these dialogue sessions as a reference in the formulation of the 2024 Medium-Term Business Plan. We disclosed ROIC results and targets by major business segment, as well as estimated cost of capital, in response to the significant interest shown in our business portfolio approach and the promotion of ROIC management.

We will continue our efforts to promote constructive dialogue and apply suggestions to future management activities with the aim of raising corporate value in a sustainable manner.

// Special Feature // *Achieving Global Business Growth*

We will accelerate our global strategy for further expanding our overseas business, especially in the United States.

The Morinaga Group's Global Network

With sales and manufacturing sites in the United States, China, and Taiwan, as well as a sales office in Thailand, we are working to acquire new markets and expand our sales network centered on *HI-CHEW* to expand our business in overseas markets. Harnessing our excellent quality and reliable taste, we are expanding into various countries to convey the corporate message of "Delicious, Fun, and Healthy" to customers around the world.

Shanghai Morinaga Co., Ltd.
(Shanghai)

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

Taiwan Morinaga Co., Ltd.
(Taipei)

Morinaga Asia Pacific Co., Ltd.
(Bangkok)

Morinaga America, Inc.
(California)

Morinaga America Foods, Inc.
(North Carolina)

2003 onward

Shanghai Morinaga

Sales of *HI-CHEW* and imported products made in Japan and more



2013 onward

Morinaga America Foods

Manufacturing of *HI-CHEW*



2008 onward

Morinaga America

Sales of *HI-CHEW*, *Chargel*, and more



2019 onward

Morinaga Asia Pacific

Sales of *HI-CHEW*, *in Jelly*, *DARS*, *Manna*, and more



2010 onward

Morinaga (Zhejiang)

Manufacturing of *HI-CHEW*



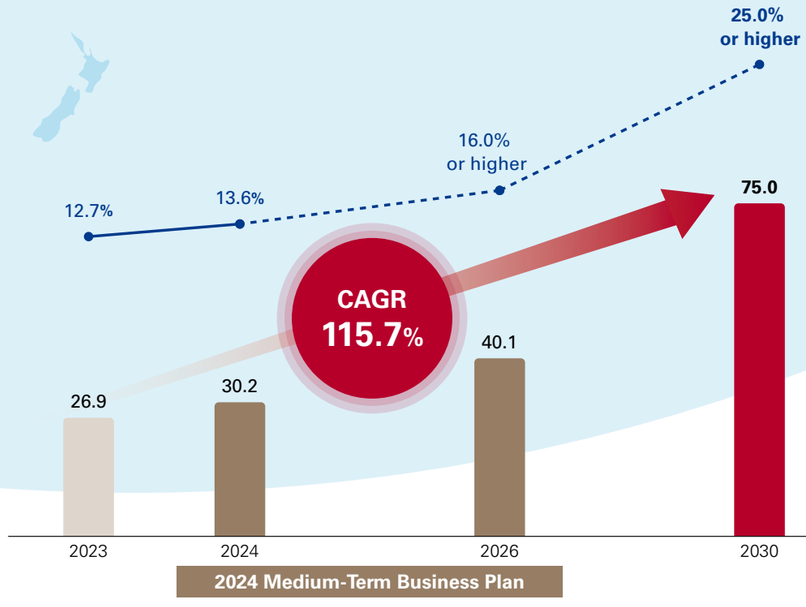
1961 onward

Taiwan Morinaga

Manufacturing, sales, and export of *HI-CHEW*, *in Jelly*, and more







Note: The exchange rate used by overseas subsidiaries for FY2024 is assumed to be 146 yen to 1 U.S. dollar, and 138 yen for FY2026 and FY2030.

Achieving Global Business Growth

Masaki Matsumoto
Senior Executive Officer,
General Manager of Overseas Business Headquarters



Overseas Business: Medium- to Long-Term Strategy

The Morinaga Group's Overseas Expansion

The book *The History of Pioneers*, authored by the Group's founder, states that "Morinaga had a great desire to become one of the world's five major confectionery companies." From our very beginnings, our founder's aspiration to become "Morinaga of the World" has become an important foundation for our efforts to expand into overseas markets even today.

Business Outlook

Currently, we are steadily expanding the reach of *HI-CHEW* as a global brand and taking on the challenge of expanding our footprint in the wellness domain in each region while utilizing the business foundation cultivated through *HI-CHEW*. In FY2023, overseas sales jumped 124.4% year on year to 26.9 billion yen, and operating income increased 1.7 billion yen year on year to 3.7 billion yen. The overseas sales ratio was 12.7%, as we achieved strong growth, especially in the United States. Under the 2024 Medium-Term Business Plan, we have raised the target of overseas sales to 75 billion yen, whereas we have targeted an overseas sales ratio of 25% or higher in the 2030 Business Plan. We are working to achieve new management targets even in a challenging business environment symbolized by fluctuations in exchange rates and rapid increases in raw materials prices and energy costs.

Medium- to Long-Term Strategy

We are also focusing on expanding sales of *HI-CHEW* in each region, fostering the growth of jelly drinks and wellness products that utilize our proprietary technologies, and strengthening our business foundation and production system. With the aim of speeding up product development to meet local needs, we established the U.S. Laboratory in 2022 and opened the *HI-CHEW* Global Branding Office in 2024 to deepen the *HI-CHEW* brand. With the acceleration of the overseas business, we believe that there is an urgent need to develop human resources with a global mindset. Toward this end, we are working on an internship system, executive training at overseas subsidiaries, and human resources development in overseas production sectors. To further strengthen our overseas business foundation, we recognize that it is important to promote an understanding of our Corporate Philosophy while taking into account the cultures and lifestyles of each region, and to build a structure that allows employees of overseas Group companies to work together as one more than ever before.

We define our Purpose as "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." Based on this, the Morinaga Group will continue to take on challenges that transcend national borders by aiming for an overseas sales ratio of 25% or higher through R&D, DX, and growth investment in overseas business sites while utilizing the business foundation cultivated through *HI-CHEW*.

Target for 2030

Target Update

Overseas sales		Overseas sales ratio	
45.0 billion yen (at the time of formulating the 2021 MTBP)	75.0 billion yen	15% (at the time of formulating the 2021 MTBP)	25% or higher

Three Strategies for Achieving Growth

	Brands/Products	Morinaga's proprietary technologies and quality	Target areas
1	*HI-CHEW* including extension products	● Combination of softness, elasticity, and chewyness ● Bursting with juicy flavor ● Wide variety of flavors	North America Asia Oceania Europe
2	Jelly drinks	● Realization of various textures and rich flavors ● Delicious intake of various nutrients	North America Asia, etc.
3 Wellness	Collagen drink	● Collagen drink with functionality that is delicious even in high concentrations	Asia, etc.
	Passienol™	● Unique material with evidence of functionality	

Globalization of *HI-CHEW* and New Initiatives

The unique texture and juiciness of *HI-CHEW* is beloved by customers of all ages overseas. We have expanded the product's sales channels from Asia to the United States and Oceania, and after a breakthrough in the United States, we have expanded to Europe. Currently, *HI-CHEW* is sold in more than 30 countries around the world.

In overseas markets, we are focusing on expanding our product lineup to meet a variety of needs and developing different packaging formats. These include healthy products that use less sugar than regular products as well as environmentally considered products that eliminate the need for individual candy packaging. Aiming for dramatic growth as a global brand, we changed the brand logo in Japan from Japanese to *HI-CHEW* in English. In addition, to support the rapid growth of overseas sales, we will invest approximately 136 million U.S. dollars (approximately 19.6 billion yen) to build a second factory in the United States. Based on a stable supply system, we will promote further sales growth of *HI-CHEW*.

In anticipation of the medium- to long-term growth of our overseas business, we are also focusing on the market development of wellness products. We are expanding *in Jelly* in Taiwan, Hong Kong, and Singapore, and we are expanding sales of collagen drinks in China and Thailand. In the United States, we have launched a new jelly drink called *Chargel* and are working to increase the brand's visibility. Although sales of these products are still limited, we believe that they all offer great potential with the increase in health awareness in recent years. We will continue to actively expand our business in the wellness domain to create a new engine of growth after *HI-CHEW*.



Morinaga Collagen Drink advertisement in Thailand

Overseas Business Growth Story

Market entry and business infrastructure building → Expansion of business scale toward becoming a wellness company



in Jelly advertisement in Taiwan



in Jelly advertisement in Hong Kong

Status in Each Target Area

In addition to *HI-CHEW* and wellness products, we are expanding brands first cultivated in Japan.

Target areas	Status of actions
United States	We decided to build a second factory of Morinaga America Foods, Inc. (scheduled to start operations in January 2027). This will allow us to strengthen the *HI-CHEW* supply system and improve the efficiency of production.
China	We are developing the two businesses of *HI-CHEW* and imported products. *HI-CHEW* sales are growing steadily with the expansion of new sales channels.
Taiwan	Sales of both *HI-CHEW* and *in Jelly* are performing well. We will make capital investments to strengthen local production capacity for *in Jelly* from FY2024.
Australia and New Zealand	We have made progress with introducing *HI-CHEW* to major retailers, steadily expanding the number of stores carrying the product. We will work to raise awareness through advertising and sampling events, among other actions.
Thailand and Vietnam	We are working to expand sales of *Morinaga Collagen Drink* and *Manna* to build a foundation for the wellness business in Southeast Asia.
Europe	We have made progress with introducing *HI-CHEW* to major retailers, and sales in the United Kingdom have grown. We have also established a sales strategy for countries other than the existing sales countries.



Sponsorship of a soccer school tournament in China



HI-CHEW sampling event in the United States



HI-CHEW sampling event on a New Zealand beach



Manna display at a children's products exhibition in Vietnam

Expanding the European Market

We see our entry into Europe, where the candy market is the same size as the United States, as a major opportunity for overseas business growth. We are developing this market in parallel with deepening and strengthening our business activities in existing markets across Asia and the United States. Especially in the United Kingdom, we have already made progress in introducing our products to major retailers and sales are steadily growing.

In November 2022, *HI-CHEW Watermelon* received Highly Commended (second place) at The Grocer New Product Awards hosted by a British retail industry magazine. The awards evaluate new products based on 10 criteria, including taste, texture, design, and innovation. The judges gave *HI-CHEW Watermelon* high marks, commenting, "It is an innovative product, and I was surprised in a good way by the fruitiness and realistic flavor," "The balance of sweetness, fruitiness, and acidity is wonderful," and "The eye-catching design on the sales floor is also good." In April 2024, a German retail industry magazine also awarded *HI-CHEW Watermelon* the top prize in the candy category at Sweetie 2024, which honors innovative new products. We believe that we were able to win these awards because the quality and value of *HI-CHEW* have been accepted by local customers. For this reason, we feel a clear indication of *HI-CHEW*'s success in the European market.



The Grocer New Product Awards certificate



HI-CHEW Watermelon

Business Portfolio Optimization and Structural Reforms

Focused Domain

"in-" Business



Norihiro Kidoguchi
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



in Jelly Energy



in Jelly Energy with Glucose



in Jelly Multi Vitamin



in Jelly Fruit Texture Kyoho Grape



in Bar Protein Baked Chocolate



in Tablet Added Sodium

Strengths

- No. 1 market share in jelly drinks* and strong brand power
- Broad customer base, from top athletes to ordinary consumers
- Jelly drink technology that has evolved with a focus on texture and deliciousness
- Know-how accumulated over about 40 years in building a healthy body and nutritional intake

*INTAGE Inc. SRI+ Jelly Drinks Market (estimated cumulative sales amount from April 2022 to March 2024)

Business Environment

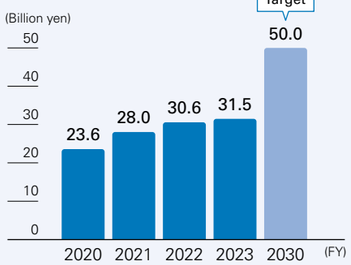
Opportunity	Growing and diversifying health needs
Opportunity	Growing desire to simplify meals and save time
Opportunity	Growing interest in sports
Risk	Soaring raw materials and energy costs
Risk	Intensifying competition due to the rising number of new entrants

Recap of FY2023 and Review of the 2021 Medium-Term Business Plan

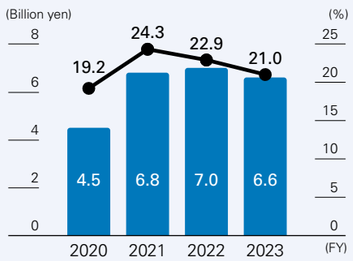
To provide wellness value tailored to the various lifestyle scenarios of our diverse customer base, we have been working to promote drinking settings of *in Jelly*. As a result, sales of *in Jelly Energy with Glucose* and *in Jelly Fruit Texture* performed well in FY2023. Despite the intensifying competitive environment, net sales of mainstay *in Bar* products increased thanks to the success of promotions that appealed to the eating settings, with sales of the "in-" Business as a whole increasing. On the other hand, although we improved profitability through price revisions, operating income declined due to soaring raw material prices and strategic advertising investments with a view to medium- to long-term business growth.

During the three-year period of the 2021 Medium-Term Business Plan, we succeeded in expanding our footprint by flexibly responding to changes in the environment caused by the COVID-19 pandemic. We were also able to achieve significant growth in net sales and operating income, which increased 7.9 billion yen and 2.1 billion yen, respectively, from FY2020. Going forward, we aim to provide wellness value to a diverse range of customers and we will accelerate our efforts to establish the "in-" brand based on the two strategies of expanding *in Jelly* and growing the "in-" brand.

Net Sales



Operating Income



Outcomes of the Basic Strategies of the 2021 Medium-Term Business Plan

	Basic strategies	Outcomes
1	Growth of *in Jelly* products	• Expanded our footprint by flexibly responding to changes in the environment during the COVID-19 pandemic • Sponsored various sports events to raise awareness of sports as a way to maintain health and raised brand visibility • Expanded targets and drinking settings by releasing *in Jelly Fruit Texture* and *in Jelly Growth Support*
2	Growth of *in Bar* products	• Launched a product that provides iron and another with 20 grams of protein in one bar in response to diversifying protein needs
3	Creation of new brands	• Developed and conducted test sales of *in Tansan** to help manage excessive snacking at work

*A drink for managing hunger that changes from a carbonated beverage to a jelly-like drink in the stomach.

Future Challenges

Medium term	Promote lifetime value (LTV) strategies (product development that meets the needs of each target segment)
Medium term	Tap into inactive settings that require mind concentration, such as work, study, and gaming including shogi and e-sports
Long term	Take on the challenge of creating new value

2024 Medium-Term Business Plan Strategy

FY2026 Targets

Net sales	Operating income to net sales ratio	ROIC
36.2 billion yen	24.7%	35% or higher

	Strategy	Tactics
1	Growth of *in Jelly* Products	**Promote lifetime value (LTV) strategies** • Respond to the needs of each life stage, from children to the elderly • Tap into a wide range of drinking settings, both active and inactive ➡ Expansion of energy products, and launch and development of target-specific products
2	Growth of "in-" Brands	**Growth and improvement of profit structure of *in Bar*** • Respond to diversifying and expanding protein-related needs (baked, wafer development) • Take on the challenge of expanding value and targets • Determine the acceptance of each product, reduce costs, and improve profitability through the product mix
		Promote the development and establishment of new "in-" brands • Respond to growing health needs • Create new common sense of nutritional intake and advanced foods for the future (new food styles)









Brand Reinforcement

Intellectual Property Strategy

Leverage the "in" Training Lab

Strengthen Initiatives for Sustainability

Bolster the "in-" Business Foundation

Becoming a Wellness Company

In the "in-" Business, we aim to meet the needs of all customers looking for delicious and healthy eating habits, from top athletes to the general public. We will achieve this by combining the know-how of nutrition and building a healthy body obtained from our nutrition and training support for top athletes with our unique food processing technology. This approach is based on sports science, which is the foundation of the "in-" brand.

In February 2024, we signed an official main partner agreement for the 2024–2025 season of the three-on-three global basketball league 3x3.EXE PREMIER to support athletes. While connecting with a diverse range of athletes, we will continue to work to strengthen the "in-" brand through sports.

In March 2024, we launched the first *in Jelly* product for children called *in Jelly Growth Support*. In addition to one serving* of calcium, which is great for growing children, it contains Vitamin D, iron, and glucose, which is energy needed for cognitive processes. Products also feature flavors that children love. We incorporated the perspectives of parents and children into these products, such as designing packaging that is easy for children to handle. We will continue promoting our LTV strategies by developing products that capture the needs of each target segment.

*Calculated according to at least one-third of the recommended intake for boys and girls ages 8 to 11 based on the Dietary Reference Intakes for Japanese (2020 Edition).



©3x3.EXE PREMIER



in Jelly Growth Support Apple



in Jelly Growth Support Grape

Business Portfolio Optimization and Structural Reforms

Focused Domain

Frozen Desserts Business



Ryuta Takahashi
General Manager of Frozen Desserts Marketing Division, Marketing Heaquarters

What we are aiming for in 2030

We will stably expand the Frozen Desserts Business by concentrating on differentiated products that leverage our confectionery technologies.



Choco Monaka Jumbo



Ita Choco Ice



The Crêpe



Ice Box



Biscuit Sandwich Ice Cream



Pari Pari Bar

Strengths

- *Jumbo* brand, a leader in the frozen dessert market
- Expertise in “freshness marketing” within the frozen dessert market
- A differentiated product lineup utilizing confectionery technology in sub-zero temperatures
- Diverse sales channels established across various businesses

Business Environment

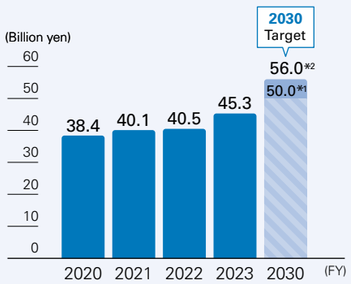
Opportunity	Increasing opportunities for seniors to eat ice cream
Opportunity	Changes in consumer behavior due to climate change
Opportunity	Recovery in inbound tourism demand
Risk	Soaring raw materials and energy costs
Risk	Consumers refraining from purchases due to growing health consciousness

Recap of FY2023 and Review of the 2021 Medium-Term Business Plan

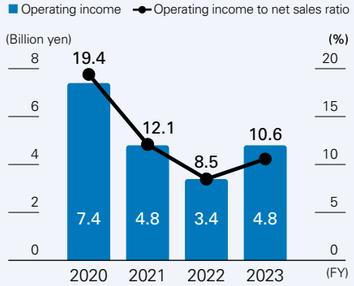
In the Frozen Desserts Business, we focused on differentiated products that utilize confectionery technology and worked toward stable business expansion. In FY2023, we continued to promote the brand value of the *Jumbo* group, which included efforts to capture inbound tourism demand and strong sales of limited-edition winter products featuring impactful package designs. In addition to strong sales of the core *Ita Choco Ice* following investments in TV commercials that promote its unique quality, the *White Ita Choco Ice* released as a limited-edition product for autumn and winter was also well received by many customers. In addition, other products such as *The Crêpe* and *Ice Box* contributed to increased net sales for the overall Frozen Desserts Business because of promotions capitalizing on each brand’s characteristics. Operating income also rose due to higher sales and price revisions made in response to soaring raw material prices.

During the three-year period of the 2021 Medium-Term Business Plan, net sales increased by 6.9 billion yen compared with FY2020, whereas operating income declined by 2.6 billion yen because of soaring raw material and energy prices as well as increased depreciation expenses.

Net Sales



Operating Income



*1 2030 target set at the time of formulating the 2021 Medium-Term Business Plan
*2 Upward revision of the 2030 target in the 2024 Medium-Term Business Plan

Outcomes of the Basic Strategies of the 2021 Medium-Term Business Plan

	Basic strategies	Outcomes
1	Evolving of “freshness marketing”	• As for the *Jumbo* group, succeeded in making the crispiness of monaka last as long as possible with the “chocolate wall” • Continuously promoted the value of the brand and expanded our footprint
2	Acquiring customers from peripheral markets	• Acquired new customers for *Ita Choco Ice* and *The Crêpe* by expanding brand touchpoints such as commercials and new product launches that emphasized their unique quality
3	Creating new markets using product development with technological advantages	• Increased the purchase rate of *Ice Box* buoyed by promotions to expand the eating settings • Conducted test sales of *Ice Box Otsubu for Chuhai* as mixers for alcoholic beverages

Future Challenges

- Medium term: Evolve freshness marketing for the *Jumbo* products
- Medium term: Foster and establish next-generation brands
- Medium term: Acquire customers from peripheral markets
- Medium term: Develop products harnessing combinations of technology with confectionery

2024 Medium-Term Business Plan Strategy

FY2026 Targets

Net sales	Operating income to net sales ratio	ROIC
50.6 billion yen	8.6%	12% or higher

	Strategy	Tactics
1	Progressive evolution of "freshness marketing"	**Evolve *Jumbo*’s moisture absorption delay technology** • Enhance the longevity of crispy texture using new technological innovations • Strengthen the appeal of crispness quality, expand the footprint for all generations, and tap into inbound tourism demand
2	Acquiring customers from peripheral markets	**Capture demand for adult desserts** • Capture demand from chilled desserts and chocolate, which are often purchased with ice cream **Form new segments** • Expand the area of value provided by taking on the challenge of entering the frozen foodstuffs market and other markets
3	Create new markets with technological superiority	**Expand flavored ice applications** • Expand consumption occasions by addressing needs that are different from other companies’ ice confectionery products, such as heat countermeasures and use as mixers for alcoholic beverages **Develop wellness products** • Take on the challenge to uncover potential demand for functional ice cream, plant-based ice cream among others

Confectionery × Frozen Desserts Pursuit of Technology Combinations

Organizational Structure Linked to Strategy

Brand Communication to Enhance Individual Products

Bolster the Frozen Desserts Business Foundation

Becoming a Wellness Company

The Jumbo Smile Project was launched in the spring of 2023 and aims to create ice cream that makes everyone smile. Through this initiative, we are strengthening communication with customers by actively disseminating information about developer approaches and product details. We are also researching the emotional value derived from the crispy texture of *Jumbo*. In 2024, we discovered that the crunch sound of crispy texture evokes pleasant feelings of comfort and deliciousness. We will continue to pursue crispy texture from various perspectives.

In March 2024, we launched *OKOMETO*, our first plant-based milk ice cream*1 made from rice. With increasing consumer awareness of environmental and health concerns, interest in plant-based foods is growing. We decided to focus on plant-based foods because of the challenge of food allergies during development. Utilizing the knowledge we have cultivated over more than half a century in the production of *Amazake* made from rice, we have created a rice-based ice cream that avoids 28 allergens*2 such as milk, eggs, and soybeans.

In the fall of 2024, we launched the health-based ice bar *Sapris* in select regions as an initial release and accelerated our efforts to become a wellness company.



OKOMETO Chocolate



OKOMETO Vanilla



Sapris Prune Yogurt Flavor



Sapris Lemon Yogurt Flavor

*1 Not a dairy product *2 Of the eight specified raw materials, it is manufactured using the same equipment as products containing wheat, eggs, and milk. We do not have information about the manufacture of the 20 items equivalent to specified raw materials not identified for production at common facilities.

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.



Oishii Collagen Drink Peach



Oishii Collagen Drink Lemon



Oishii Collagen Drink Premio



Oishii Aojiru



Hizakaru Collagen



Rakunobi

Strengths

- No. 1 in collagen drink sales*
- Collagen functional research (e.g., skin, knee joints, bones) and food processing technology
- Know-how in the Direct Marketing Business accumulated over about 20 years
- Direct marketing customer base with established relationships through direct communication

*Source: H.B. Foods Marketing Handbook 2024, Fuji Keizai (beauty-oriented products/collagen category/2022 results), for the *Oishii Collagen* series

Business Environment

Opportunity	Growing need to extend healthy life expectancy
Opportunity	Rising health awareness through food
Opportunity	Increasing use of online shopping among seniors
Risk	Soaring raw materials and energy costs
Risk	Declining real wages due to soaring prices and consumer desire to save money

Recap of FY2023 and Review of the 2021 Medium-Term Business Plan

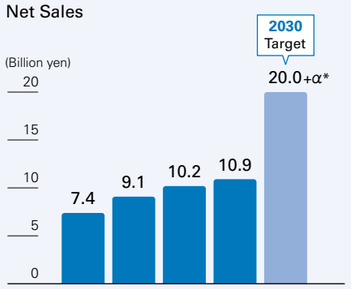
We are working to evolve the Direct Marketing Business into a healthcare business that supports the realization of customer wellness.

In FY2023, the number of subscription customers increased steadily following the strategic introduction of online advertising for *Oishii Collagen Drink* and net sales exceeded the previous year's results. Net sales of *Oishii Aojiru*, which is a candidate for the second pillar of the Direct Marketing Business, are also steadily increasing. In November, *Oishii Collagen Drink Premio* was revamped as a food with functional claims that appeals to the five functions related to the skin, knee joints, and bones.

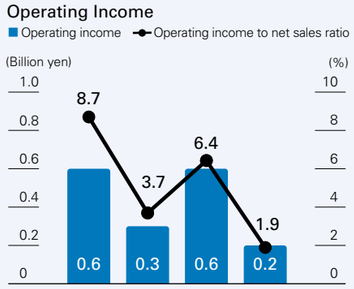
To further grow the business, following *TAICHIRO MORINAGA*, which is based on the concept of "having a 'unique' experience that goes beyond sweets," we launched *Caramel Baum* in April and *Burnt Caramel Financier* in September. As a result, net sales of the overall Direct Marketing Business increased in FY2023, but operating income declined due to the aforementioned strategic advertising investments.

In the three-year period of the 2021 Medium-Term Business Plan, net sales increased by 3.5 billion yen compared with FY2020, far exceeding the initial target. Operating income declined by 0.4 billion yen due to investment in advertising in anticipation of medium- to long-term business growth.

Net Sales



Operating Income



*Upward revision of the 2030 target in the 2024 Medium-Term Business Plan

Outcomes of the Basic Strategies of the 2021 Medium-Term Business Plan

	Basic strategies	Outcomes
1	Evolution of existing businesses	• Expanded business significantly driven by the growth of *Oishii Collagen Drink* and *Oishii Aojiru* • Revamped and released *Oishii Collagen Drink Premio* as a food with functional claims • Released a new product *Hizakaru Collagen* for consumers concerned about knee joints • Renewed website design and online systems in November 2022
2	Creation of new businesses	• Launched *TAICHIRO MORINAGA* products to expand the range of products

Future Challenges

- Medium term: Develop the second pillar after collagen drinks
- Medium term: Expand from the Direct Marketing Business to new business domains
- Long term: Grow the Direct Marketing Business through the development of subscription customers

2024 Medium-Term Business Plan Strategy

FY2026 Targets

Net sales	Operating income to net sales ratio	ROIC
14.0 billion yen	6.4%	40% or higher

	Strategy	Tactics
1	Strengthening of the existing Direct Marketing Business	**Expansion of net sales of *Oishii Collagen Drink*** • Acquire new customers through the expansion of digital contact points • In addition to beauty, continue to strengthen our response to health (bones and joints) needs **Development of second pillar** • Develop *Oishii Aojiru* and *Hizakaru Collagen*
2	Initiatives for further business expansion	• Realize inorganic growth with the goal of increasing the scale of subscription customers and expanding business domains • Develop high-value-added indulgent products that utilize the Group's brands and technologies, and expand the domain of food • Explore the expansion of the BtoB business starting with *Okashi Print*, aiming to acquire customers different from the existing Direct Marketing Business





Increase Customer Convenience | Develop Digital Talent | Strengthen Information Security | Improve NPS*2 and LTV*3

Promote CXM*1 and Data-Driven Systems to Support Business Expansion

*1 Customer Experience Management *2 Net promoter score. An index for measuring customer loyalty *3 Lifetime value

Becoming a Wellness Company

The Direct Marketing Business marks its 20th anniversary this year. In addition to its mainstay collagen-related products, we are developing a variety of products that contribute to extending healthy life expectancy to meet the beauty and health needs of our customers.

With the aim of further expanding our business, we are selling high-value-added products that make the most of the Group's brands and technologies, as well as foods that contribute to daily beauty and health. In February 2024, to support the wellness of our customers from their daily meals, we launched new millet products, *Kokusan Juroku Zakkoku* (domestically produced 16 grain mix) and *Kokusan Mochi Mugi* (domestically produced mochi barley). In June, we revamped and launched the cacao product *Rakunobi* to support childhood growth.

Morinaga Direct Store
https://www.morinaga.co.jp/direct-store/ (Japanese only)
Okashi Print
https://okashiprint.com/ (Japanese only)

Furthermore, as a service for corporations, we will strengthen and develop the *Okashi Print* business, which allows consumers to create original designs for *HI-CHEW* and *Milk Caramel* packaging, aiming to attract customers different from those of the existing Direct Marketing Business with appealing customer experience value as a novelty that can create peaceful harmony.

We will continue to engage in basic research on collagen ingredients and create new value based on scientific evidence, aiming to contribute to the "health of mind and body" of our customers.



Kokusan Juroku Zakkoku



HI-CHEW with Okashi Print

Focused Domain U.S. Business



Teruhiro Kawabe
Chief Representative for the USA and President and CEO
Morinaga America, Inc.

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.



HI-CHEW ORIGINAL STAND UP POUCH



HI-CHEW Fantasy Mix



HI-CHEW bites



Chargel



HI-SOFT



HI-CHEW gummies

Strengths

- *HI-CHEW*'s unique texture and taste refined over many years based on proprietary soft candies technology
- Diverse product development capabilities cultivated through our domestic business
- Robust sales network, including major U.S.-based retailers
- Large number of upcoming brands that can be developed in the U.S. Business

Business Environment

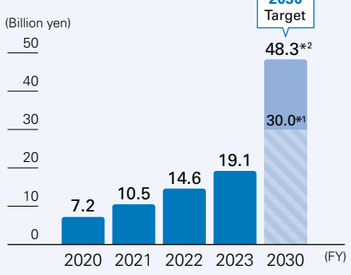
Opportunity	Continued growth of the U.S. candy market
Opportunity	Diverse customer needs in the U.S. candy market
Opportunity	Growing wellness market due to rising health consciousness
Risk	Soaring raw materials and energy costs
Risk	Difficulty in securing human resources due to rising labor costs

Recap of FY2023 and Review of the 2021 Medium-Term Business Plan

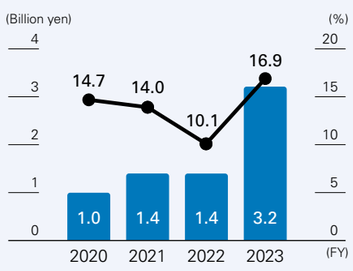
In the U.S. Business, we implemented various strategies for business growth by expanding the *HI-CHEW* brand and creating a jelly drink market. In FY2023, we significantly exceeded the previous year's results after launching a new TV commercial that promotes "chewy" as one of the quality values of *HI-CHEW* and expanding the portion size options of strong-selling products, among other measures. The jelly drink *Chargel* has been introduced at Japanese supermarkets in the United States, and we created opportunities through tastings and other means to stimulate purchases. We also worked to promote the introduction of the jelly drink at American supermarkets and sports-related channels. Furthermore, we strengthened our PR activities, including samplings at sporting events, and actively promoted brand visibility and product understanding. As a result of these initiatives, net sales and operating income of the U.S. Business both increased in FY2023.

During the three-year period of the 2021 Medium-Term Business Plan, net sales increased by 11.9 billion yen and operating income by 2.2 billion yen, respectively, compared with FY2020, both representing significant leaps from the initial targets. The overseas sales ratio rose to 12.7%, exceeding the target of 9% by 3.7 percentage points. We will continue to actively invest in growth to foster our brand and strengthen our business foundations for sustainable growth.

Net Sales



Operating Income



*1 2030 target set at the time of formulating the 2021 Medium-Term Business Plan
*2 Upward revision of the 2030 target in the 2024 Medium-Term Business Plan

Outcomes of the Basic Strategies of the 2021 Medium-Term Business Plan

	Basic strategies	Outcomes
1	Further acceleration of *HI-CHEW*	• In addition to improving the distribution ratio and in-store turnover, price revisions were successful, and sales significantly exceeded the sales plan • Released *HI-CHEW bites* as an extension product of the *HI-CHEW* brand
2	Creation of the jelly drink market	• Launched *Chargel* and expanded its introduction to Japanese supermarkets in the United States • Actively conducted samplings and tastings to create opportunities for trying *Chargel*
3	Exploration of the third pillar of earnings	• Released Japan's long-selling brand *HI-SOFT* by utilizing the sales network built for *HI-CHEW*

Future Challenges

Medium term	Strengthen the global supply system
Medium term	Develop wellness products
Long term	Develop the brands and strengthen business foundations to achieve sustainable growth

2024 Medium-Term Business Plan Strategy

FY2026 Targets	Net sales	Operating income to net sales ratio	ROIC
	29.7 billion yen	**13.0%**	**10% or higher**

	Strategy	Tactics
1	Further expand sales of *HI-CHEW*	**Launch new products to further expand the distribution ratio and increase the number of SKUs** • Strengthen efforts to improve the distribution ratio by region • Expand new products and portion size options to promote introduction to a variety of sales channels **Expansion of contact points through the launch of brand extension products** • Implement initiatives to expand customer contact points in multiple candy categories, such as gummies
2	Breakthrough for *Chargel*	• Strengthen promotions such as event samplings and web advertising to promote brand understanding and fandom as an energy gel • Promote the introduction to U.S.-based channels utilizing the know-how of building a sales network gained through the *HI-CHEW* business
3	Develop wellness products	• Conduct market research and proceed with product development





Build a Global R&D System | Build a Global Production System | Promote DX in In-House Infrastructure | Formulate Accounting and Financial Strategies for the Utilization of Funds

Strengthen the Business Foundations and Production System to Support Business Expansion

Becoming a Wellness Company

Two and a half years have passed since we launched the jelly drink *Chargel*, which was developed for the United States. In the United States, where jelly drinks are not yet common, we are at a stage where it is necessary to invest in the penetration of jelly drinks themselves, such as sampling. Nevertheless, we have received positive feedback from customers who mentioned the delicious taste and liked the caffeine-free nature. We will continue to make steady progress toward providing new value and creating a new market.



Product explanation on the *Chargel* website



Chargel sampling event

Construction of the Second Factory (U.S. Second Factory) of Morinaga America Foods, Inc.

We will build a second factory in the United States to strengthen the supply system and improve production efficiency for *HI-CHEW*, aiming for further growth of our U.S. Business.

Overview of the U.S. Second Factory

- Location: Mebane, Orange County, North Carolina, U.S.A.
- Scale of factory: Reinforced steel construction, a total floor area of 12,322 m²
- Investment amount: Approximately 136 million U.S. dollars (e.g., building, manufacturing facilities) (approx. 19.6 billion yen)
- Construction plan: Construction started in October 2024, and operations will start in January 2027 (planned)



Conceptual image of the completed U.S. second factory

Basic Domain Confectionery and Foodstuffs Business



Minoru Sato
Executive Officer, General Manager of Confectionery Marketing Division, Marketing Headquarters

Yasuhiro Tonohara
General Manager of Foodstuff Marketing Division, Marketing Headquarters

What we are aiming for in 2030

Changing the category portfolio to improve the revenue base.



Otsubu Ramune



DARS Milk Chocolate



Moonlight



Milk Cocoa



Amazake 30% Less carbohydrates



Power of Cacao CACAO70

Strengths

- Many long-seller brands
- *Morinaga Cocoa*, *Morinaga Amazake*, and *Morinaga Hotcake Mix* each maintain the No. 1 market share*
- Cross-category marketing and product development capabilities
- Functional and sensitivity research related to “health of mind and body”
- Ability to propose in-store promotion and develop products that meet customer needs

*INTAGE Inc. SRI+ Cocoa, Amazake, Hotcakes Markets (April 2022 to March 2024; estimated cumulative sales amount)

Business Environment

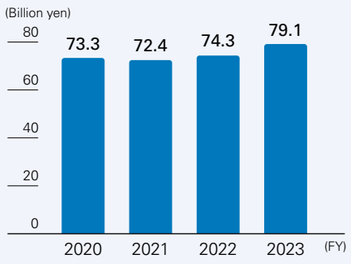
Opportunity	Resumption of travel, increase in opportunities to go out, and recovery in inbound tourism demand
Opportunity	Growing and diversifying health needs
Opportunity	Growing desire to simplify meals and save time
Risk	Soaring raw materials and energy costs
Risk	Declining birth rate and decreasing average household size

Recap of FY2023 and Review of the 2021 Medium-Term Business Plan

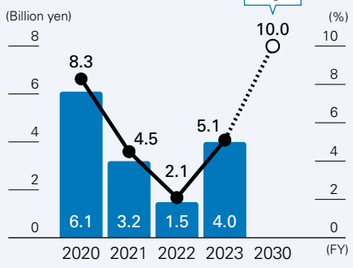
In the Confectionery and Foodstuffs Business, we worked to transform our category portfolio to build a high-revenue base. In FY2023, sales of *Morinaga Biscuits* continued to perform well in the confectionery business buoyed by stronger branding achieved by reviewing product value. Sales of *HI-CHEW* performed well after we revamped its brand logo with the aim of making it a global brand beloved around the world, while sales of *Morinaga Ramune* were also strong following the launch of a new version as a food with functional claims, both contributing to improved profitability. In the chocolates category, we implemented measures to add value to *DARS*, and in terms of *Carré de chocolat*, sales performed well in core products, despite a tough start for new products. In the foodstuffs business, we conducted promotions to highlight the functional value of both *Morinaga Cocoa* and *Morinaga Amazake* to strengthen their health value. As a result, net sales and operating income in the Confectionery and Foodstuffs Business both increased.

During the three-year period of the 2021 Medium-Term Business Plan, net sales increased by 5.8 billion yen compared with FY2020, whereas operating income declined by 2.1 billion yen. The 2024 Medium-Term Business plan will cover the three-year period that will be used to establish a path to improving return on capital.

Net Sales



Operating Income



Outcomes of the Basic Strategies of the 2021 Medium-Term Business Plan

	Basic strategies	Outcomes
1	Initiatives to improve the operating income to net sales ratio (overall)	• Despite the impact of soaring raw material prices, we achieved a V-shaped recovery through structural reforms such as improving the product mix and reducing costs, in addition to price revisions
2	Improving the profits of chocolates	• Net sales of new products *Kaoru DARS* and *Hanjuku DARS* contributed to *DARS* sales, and the change in tactics aimed at high added value proved successful
3	Stimulating and creating demand for biscuits and candies	• *Morinaga Biscuits* sold well in limited-edition packages of existing products and a premium series of high-value-added products • Net sales of *HI-CHEW* and *Morinaga Ramune* increased after we tapped into new eating settings through commercials that emphasized texture and sales promotions targeting university entrance exam takers
4	Converting *Cocoa* and *Amazake* to “health brands”	• We strengthened our image as a health brand through promotions and the launch of food with functional claims

Future Challenges

Confectionery

- Medium term: Further transform the category portfolio
- Long term: Improve return on capital through appropriate asset holdings

Foodstuffs

- Medium term: Enhance the health value of *Cocoa* and *Amazake* and expand our footprint
- Long term: Secure stable earnings

2024 Medium-Term Business Plan Strategy

FY2026 Targets

Net sales	Operating income to net sales ratio	ROIC
84.6 billion yen	6.7%	8% or higher

		Strategy	Tactics
1		Improvement of return on capital	• While aiming to expand sales by utilizing existing assets, promote asset-light operations in stages by selecting and concentrating maintenance and renewal investments • Promote profitability improvement through cost reduction, selling expense efficiency, and agile price revisions
1	2	Growth of the candy business	• Transform the portfolio to drive the Confectionery and Foodstuffs Business • Strengthen the value of the *HI-CHEW* brand and establish the image of a global brand and texture of happiness
1	3	Growth of the biscuit business	• Focusing on *Moonlight*, increase customer contact points for *Morinaga Biscuits* as a whole and expand net sales • As a high-unit price, high-value-added product, establish and nurture the market for the premium biscuit series
1	4	Improvement of return on capital of chocolates	• Promote initiatives such as price revisions, SKU reductions, cost reductions, and improvement of production line utilization rates • Review product strategies in response to changes in the environment such as soaring cacao prices and future changes in customer needs
1	5	Business growth of *Cocoa* and *Amazake*	• Leveraging the strength of our No. 1 market share, aim to position as a familiar health beverage by enhancing their health value, and promote initiatives to sustainably expand the scale of the business and improve profitability

Take on the Challenge of Strengthening Long-Seller Brands and Creating New Products

Asset-Light Operations in Stages

Enhance the Appeal of Wellness Products

Capture Inbound Tourism Demand

Control Costs Continuously

Sustainable Business Growth and Improvement of Return on Capital

Becoming a Wellness Company

In the Confectionery and Foodstuffs Business, we are focusing on providing the value of the “health of mind and body” realized by a group of products that can be enjoyed casually, and we are developing products that make use of the results of various research and technologies to change into a wellness company.

Regarding soft candies and gummies such as *HI-CHEW*, we presented the results of our joint research with Professor Maki Sakamoto of the University of Electro-Communications, entitled “A Study on the Relationship between the Texture of Candies: Soft Candies and Gummies, and the Happiness of Children,” in November 2023 at the Annual Meeting of the Japan Society for Kansei Engineering. We will utilize the relationship between happiness and sensibility derived from this research in the design of our soft candies and gummies.





Utilizing the relationship between happiness and sensibility found in research in product development

In the foodstuffs business, our joint research with Dr. Mitsuko Itoh, director of the Akasaka Family Clinic and a pediatrician and public health specialist, has shown that continuous consumption of cocoa improves children’s mental health. We will continue to engage in research to contribute to the “health of mind” of our customers and utilize the results of our research in product development. In addition, we are preparing to expand the development of *Morinaga Hotcake Mix made with domestic rice flour*, for which we began test sales in February 2024. Also, in August 2024, in select regions, we launched *Fermentation Lab: The Power of Rice**, a food with functional claims that helps reduce fatigue and improve sleep quality, using technology cultivated in *Amazake*. We will continue to provide health value through a wide range of product lines.



Fermentation Lab: The Power of Rice



Morinaga Hotcake Mix made with domestic rice flour

*Labeling: This product contains Gamma-Aminobutyric Acid (GABA). GABA has been reported to reduce temporary mental fatigue caused by daily work and to help improve sleep quality (depth of sleep, refreshed awakening).
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.

Human Resources Strategy



Masaaki Takahashi
Senior Executive Officer,
Responsible for
Human Resources Division

What we are aiming for in 2030

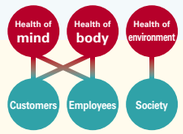
We are working to achieve employee happiness by encouraging their autonomous growth based on mutual relationships of trust with the Company and to continuously generate value for society—all to achieve the Group's sustainable growth.

Human Resources Strategy Linked to Corporate Strategy

Based on our corporate philosophy, we have established the 2030 Vision with the aim of being a sustainable company that continues to grow. We believe that people are the driving force to achieve the 2030 Vision and that the practice of diversity and inclusion (D&I) is the driving force behind maximizing their power. For this reason, we have positioned D&I at the heart of our corporate strategy. To maximize the value of human capital, or the power of people, we will promote a human resources strategy in conjunction with the 2030 Business Plan and invest in our people.

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





Increase Engagement | Improve Productivity



Corporate Strategy
2030 Business Plan
2024 Medium-Term Business Plan

D&I
Leverage each person's individuality

Human Resources Strategy

As is

As our understanding of diversity is evolving, there is a need to further improve the level of understanding and practice of inclusion

Company
It is necessary to continue initiatives to pool management and specialized human resources in both quality and quantity

Employees
The concept of a self-sustaining career is becoming more widespread, but it is necessary to link this to concrete actions and independent learning

To be

Each employee, including those at Group companies, sympathizes with the D&I approach, and engagement and productivity are further improved

Company
Able to systematically develop management personnel who will lead the next generation and human resources with a high level of expertise, and able to optimize our human resources portfolio

Employees
The concept of a self-sustaining career is pervasive and embraced, and thinking and acting from a medium- to long-term perspective is firmly established by both supervisors and employees

Key strategies

Promote D&I | Develop human resources | Promote health and productivity management

Promotion of Diversity and Inclusion

Basic Philosophy and Positioning

The Group has set the promotion of D&I as an important basic policy for realizing the 2030 Vision. For the Group, which has always regarded people as the driving force behind corporate growth, the promotion of D&I is a powerful engine underpinning all future growth.

Based on the idea of "leverage each person's individuality," employees will build a relationship of mutual trust with one another and create an environment in which they can maximize their individual abilities. When employees with diverse backgrounds and perspectives work together, it is possible to combine the wisdom that comes from diversity and increase resilience to respond flexibly to change. In this way, we will create new value with innovation and solve complex issues faced by our customers and society.

To promote this D&I, the Group is developing a comprehensive human resources strategy. We will focus on health and productivity management, provide an environment where employees can work in good physical and mental health, and aim to create a state where everyone can perform at their best. In addition, with the aim of empowering our diverse workforce to autonomously develop and demonstrate their abilities, we promote self-sustaining careers and provide opportunities for each employee to independently design their own career for professional and personal growth. While supporting the success of employees with various attributes, we will promote the active participation of the middle-aged and seniors, which is the largest group by age attribution, and support senior employees with many years of experience and knowledge so that they can continue to play important roles. We will maximize the performance of the entire organization by assigning the right people to the right positions in accordance with the Company's corporate strategy with regard to autonomous employees who understand their own strengths and career aspirations; in other words, by optimizing our human resources portfolio.

As D&I progresses, we will expand the opportunities for diverse human resources to play an active role, promote the active participation of all employees, and strengthen our ability to create new value. This power will be the driving force behind the realization of the Group's 2030 Vision.

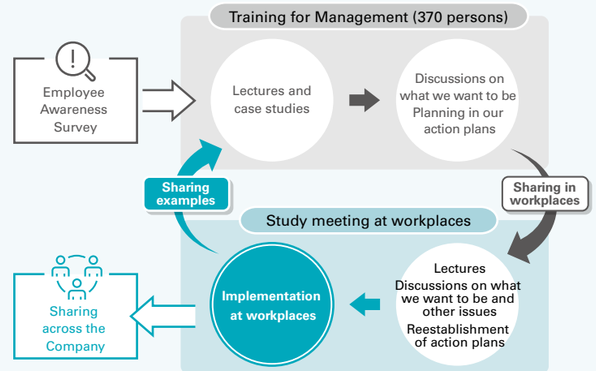
Penetrating Our Stance on D&I

To acquire the knowledge and skills that are useful for promoting D&I, we provide training on unconscious bias for all employees, seminars to understand diversity, and seminars that teach team building.

To embody the Group's Diversity and Inclusion Policy, we conduct special training for management. In addressing problems identified in their own organization, the management team makes an action plan together with the members of the workplace and implements solutions while involving everyone. In addition, we provide follow-up suitable for each department in order to close the gap in progress.

We have established KPIs to visualize these D&I promotion efforts. Every fiscal year, we monitor the results of the Employee Awareness Survey to verify the accuracy of the KPIs and measure the results.

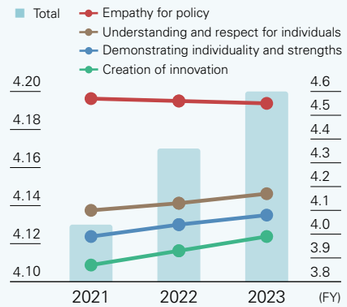
D&I Penetration and Implementation Program



For more information on the Morinaga Group Diversity & Inclusion Policy, please visit our website.
Five guidelines for implementing our Diversity and Inclusion Policy https://www.morinaga.co.jp/company/english/sustainability/policy/pdf/policy_diversity.pdf

Trend in the Employee Awareness Survey (Excerpt)*1

Major category	Medium category	Details	2021	2022	2023
Diversity	Empathy for policy	I empathize with the stance of the Morinaga Group's diversity policy	4.57	4.56	4.55
	Understanding and respect for individuals	In this company, there is a culture of respecting and understanding each other's individuality, regardless of demographics	4.10	4.13	4.17
	Demonstrating individuality and strengths	In this company, employees demonstrate their individuality and strengths to achieve results	3.99	4.04	4.08
	Creation of innovation	In this company, new value is created by demonstrating the individual abilities of employees and the synergistic effects	3.87	3.93	3.99
		Total*2	4.13	4.17	4.20



*1 Full-time employees of Morinaga & Co., Ltd. (non-consolidated), excluding seconded employees
*2 Average of questions related to diversity (out of 6 points)

Human Resources Strategy

Training: Optimization of Human Resources Portfolio

Optimization of Workforce Composition (Hiring and Assignment)

To realize the 2030 Vision, we must vigorously promote a human resources strategy linked to our corporate strategy. Against this backdrop, the Group has set a goal of increasing the sales component ratio of the focused domain ("in-," Direct Marketing, Frozen Desserts, and the U.S. Business) to 60% or more by 2030. To achieve this, we are increasing the allocation of human resources to the focused domain from a medium- to long-term perspective, based on the role that our human resources strategy should play. The growth rate of the number of employees in the focused domain in FY2023 (compared with FY2020) is shown in the figure at right.

As the labor force in Japan is expected to decline in the future, we will need to secure, develop, and appropriately assign human resources who can drive our business growth. Based on this recognition, we will work to improve productivity and management efficiency throughout the Company by enhancing personnel plans for each division and stepping up subsequent monitoring in cooperation with each business sector.

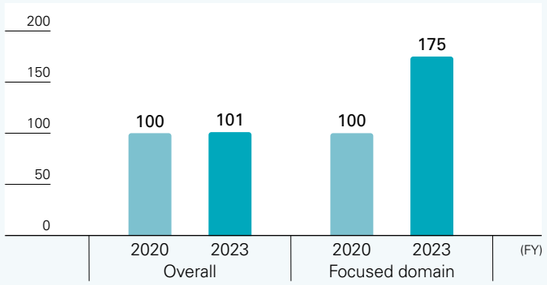
Human Resources Development as the Will of the Company

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 take an objective view of themselves, such as how to be a leader and meet the expectations of those around them. 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 that teaches the framework for problem-solving. For manager candidates, those who have completed the training for future leaders are voluntarily dispatched to an external school to provide opportunities for independent learning to develop their management skills.

Securing and Developing Human Resources with Advanced Expertise

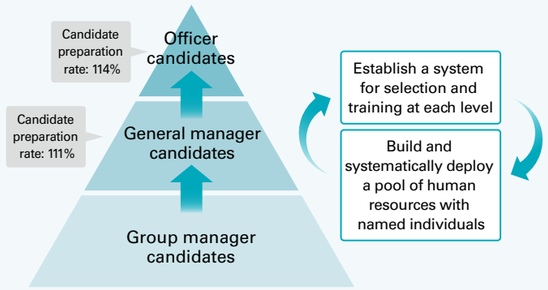
To achieve the sustainable growth of the Group, we are working to secure highly advanced human resources and develop them over the medium to long term in each business domain. In FY2023, based on the requirements of DX, accounting, and global, which are priority areas, we identified the current state of expertise and implemented training options. In FY2024, we will develop options for developing more advanced expertise and expand the scope to include R&D personnel. In addition to mid-career recruitment of human resources who can have an immediate impact, we will further subdivide the recruitment of new graduates by career track and systematically develop and produce human resources from a medium- to long-term perspective.

Workforce Growth Rate of the Focused Domain (FY2020 indexed to 100)



Note: Calculated based on the number of employees in the "in-" Business, Direct Marketing Business, Frozen Dessert Business, and U.S. Business according to the Group's definition.

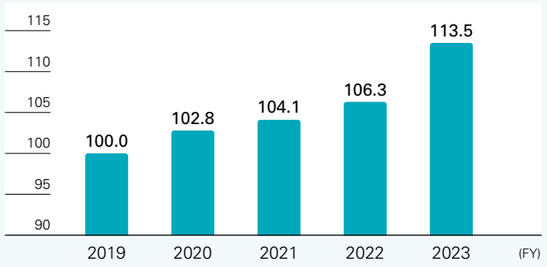
Succession planning



Ideal profile of an employee

- Capable of grasping and thinking through the essence of matters from a wide perspective
- Possess an entrepreneurial mindset and looks outwardly, and can make decisions from a higher perspective
- Can act independently to embrace challenges without being content with the current situation
- Engage others to produce results

Growth Rate of Mid-Career Hires among All Employees
(FY2019 indexed to 100)



Training: Autonomous Development and Utilization of Diverse Employees

Promotion of Self-Sustaining Career Development (Protean Career)

The Group has placed the concept of "Protean Career" at the heart of its efforts to promote self-sustaining careers. As shown in the figure at right, we believe that an increase in the overlap of "Will," "Can," and "Must" among employees is a state in which they are able to achieve a self-sustaining career, and we are supporting their journey by combining various initiatives.

As an example, in FY2023, we started dispatching employees to cross-boundary career workshops, where they frankly discuss their career approaches and worries online with people at the same level at other companies. Around 20 employees in their 20s to 50s took part. Our employees are provided opportunities to think broadly about the business capital and social capital that should be built up in the future by interacting with people outside the Company and having the opportunity to look at themselves objectively.

Other Initiatives to Support Self-Sustaining Career Development

To further penetrate self-sustaining careers, we believe that in addition to initiatives led by the Human Resources Division, detailed career support provided by supervisors is essential. Therefore, from September to October 2023, we held a workshop on career support skills. A qualified career consultant from the Human Resources Division led the seminar, providing participants with an opportunity to learn a wide range of attitudes and communication skills for supporting employees' careers while examining case studies. A total of 23 workshop meetings were held nationwide in Japan, mainly face-to-face, with more than 350 employees taking part.

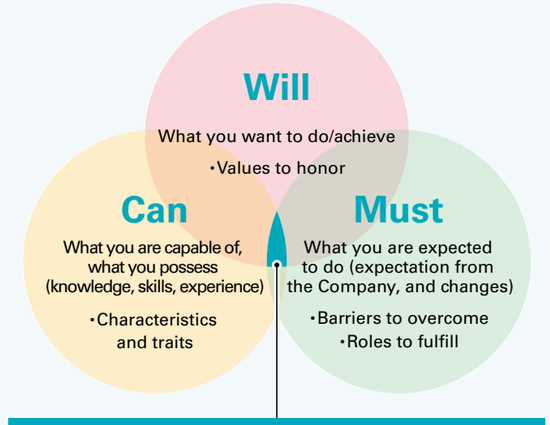
With the launch of the CO-MORI Campus, an internal platform for self-development, in the autumn of 2023, employees can now access a wide range of opportunities and information for self-learning and networking. In the six months since its launch, more than 800 employees, including those from Group companies, have used the platform, fostering a culture of voluntary learning from each other.



Top screen of the CO-MORI Campus

Promoting the Active Participation of Senior Human Resources

With the decline in the labor force, we believe that the active participation of seniors is essential, and since FY2022, we have been providing training for self-sustaining careers to employees in their 50s. A total of 134 employees have participated in the training to rethink Will, Can, and Must. In FY2024, we plan to expand the number of eligible divisions. Also, we plan to conduct various training programs to think about careers from multiple perspectives, such as cross-boundary workshops and career resolution improvement. We continue to hold dialogue between the Human Resources Division and frontline supervisors to eliminate ageism*.

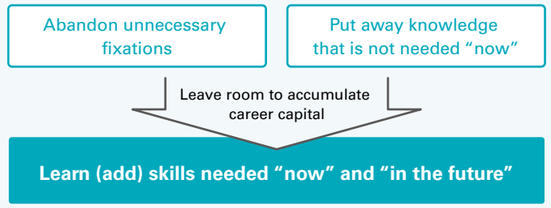


- **Our ideal career development**—**the Protean Career**—is characterized by the ability to flexibly transform oneself in the face of environmental changes and enhance one's skills and knowledge with the mindset that a career is individually driven.
- We seek to integrate "Will, Can, and Must" by ensuring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



Workshop on career support skills

The Morinaga Group's Approach to Unlearning



*Ageism: Stereotypes and assumptions based on age

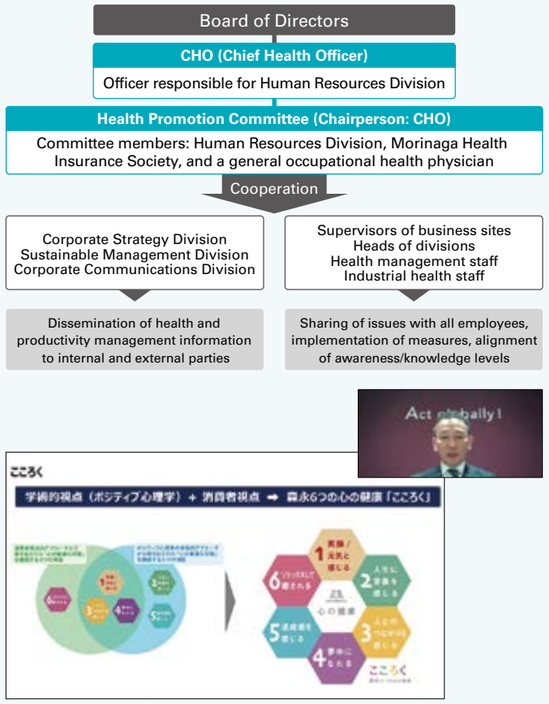
Human Resources Strategy

Promotion of Health and Productivity Management

Basic Philosophy

Following the Morinaga Group Declaration on Health as its guideline, the Group is advancing initiatives to maintain and improve the "health of mind and body" of its employees and to improve the work environment based on the promotion structure described at right. 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.

Promotion Structure



Health of Mind

The term *Kokoroku* is used at the Morinaga Group to define the six building blocks behind the ideal state of "health of mind." To better understand *Kokoroku* and advance its initiatives, we created a video message for employees by the chairperson of the "Health of Mind" Subcommittee and shared it internally. Explaining clearly how the six building blocks, such as "Smiling and feeling energetic" and "Feeling a sense of meaning in life," are connected to the "health of mind" of employees and customers in daily work, and ultimately to the realization of our Purpose, will lead to continuous improvement of employee engagement. In addition, to improve health awareness and self-management skills, we regularly conduct self-care seminars and training for managers. 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. Furthermore, we have set up a dedicated point of contact for consultations inside and outside the Company and have made improvements to facilitate employee consultations. This includes having 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.

Sharing a message for employees from the chairperson of the "Health of Mind" Subcommittee (pictured at top right)

Health of Body

For employees to work energetically and in good health, it is important to maintain not only "health of mind" but also "health of body," which is the foundation for their activities. To promote the health of employees and their families and improve their lifestyle habits, the Morinaga Health Insurance Society has developed its own initiative called "Habit" together with the Human Resources Division. Under this program, each employee sets health-related goals and improves their exercise and dietary habits. This year marks the 22nd anniversary, with more than 1,700 participants to date, demonstrating the growing awareness of health among employees.

In addition, 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.



Part of Morinaga's own fall prevention exercises

Total Annual Working Hours and Days of Annual Paid Leave Acquired*



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

We are implementing various initiatives to prevent prolonged working hours that could have an adverse effect on health. These include improving the accuracy of working hour management and establishing system-based alerts. Furthermore, 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.

As a result of these initiatives, total working hours in FY2023 declined by 13 hours (per employee) compared with the previous fiscal year.

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. Every year, new employees who are assigned to sales are given the opportunity to take a safe driving course immediately after their assignment to foster awareness of occupational safety. We also hold labor-management meetings on safety measures with the labor union for constructive discussions on improving the work environment.

The frequency rate for FY2023 was 0.49, an increase from the previous fiscal year. We are working to lower this number through continuous cross-functional efforts.

Frequency Rate	2021	2022	2023
Frequency rate*	0	0.25	0.49
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)

Indices, Evaluation, and Awards

The Group has been recognized as a 2024 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 seventh consecutive year that we have received this recognition. In addition, Morinaga & Co., Ltd., was certified as a Sports Yell Company 2024, a program run by the Japan Sports Agency. We will continue to promote initiatives to improve the health of our human resources, the foundation of human capital management.

Improving Employee Engagement and Productivity



Tadashi Ando
Executive Officer
General Manager
of Human Resources
Division

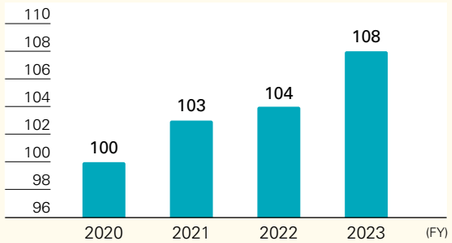
The key to boosting the effectiveness of human capital management is to improve employee engagement and productivity.

To this end, we believe that it is essential to **1) continuously increase the value of human resources (job satisfaction)** and **2) create an environment with high psychological safety and flexible work styles so that employees can fully demonstrate their abilities (ease of working)**. These measures are closely related to the promotion of diversity and inclusion.

To improve job satisfaction, we support self-sustaining careers by providing opportunities for employees to participate in internal recruitment and voluntary training to increase their empathy with our corporate philosophy and encourage them to voluntarily take on challenges and contribute. On the other hand, in terms of ease of working, we have introduced telework and flextime systems so that we can respond to individual circumstances such as childbirth, childcare, and family care. In addition, we have established a system of individual holidays that allows employees to flexibly change their holidays according to the busy seasons of each department and season.

By combining these measures, we aim to achieve both job satisfaction and ease of work, promote D&I, and achieve sustainable growth as a company.

Trend in Productivity*



*Group consolidated basis (includes some non-full-time employees). Productivity calculated by dividing labor costs by net sales FY2020 indexed to 100

R&D Strategy



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

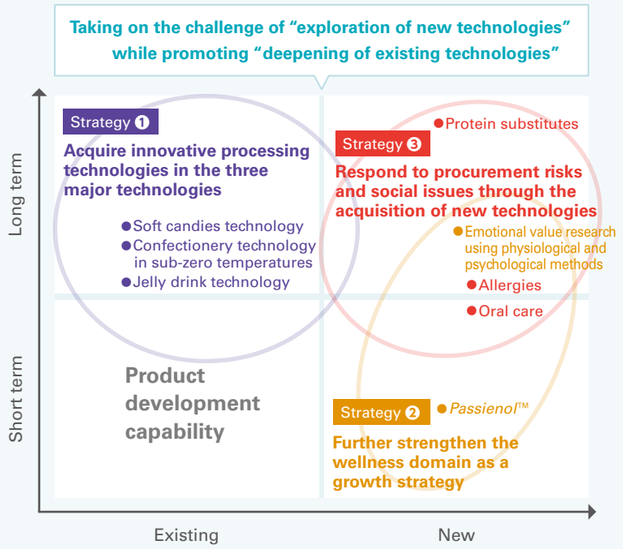
What we are aiming for in 2030

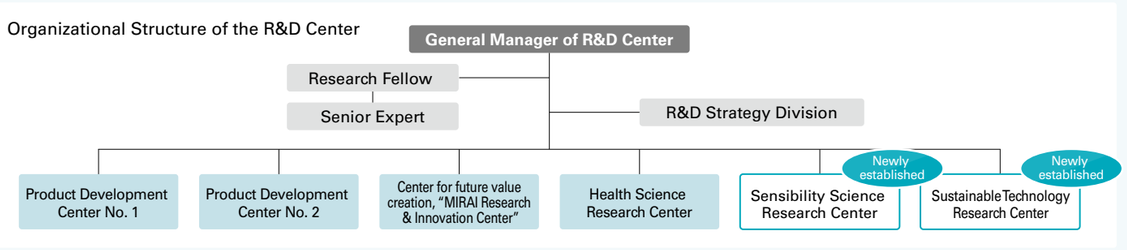
We will create new customer value for the future based on technology, enhance development from a medium- to long-term perspective, and support company-wide strategies and businesses in a cross-functional manner.

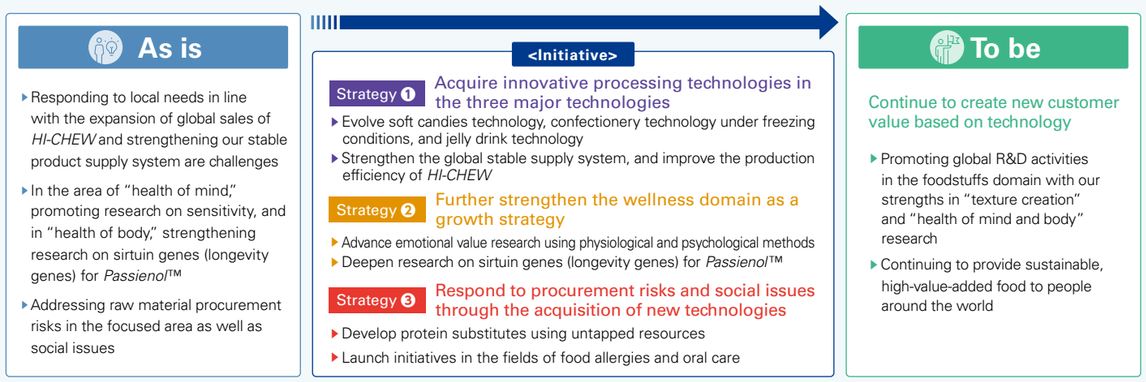
R&D Strategy Aimed at the Future

In the Group's R&D activities, we will further deepen the existing technologies that we have cultivated and promote R&D not only in Japan but also from a global perspective. Specifically, to realize our 2030 Vision, we will proceed with initiatives in line with the three strategies shown in the figure on the right: ❶**acquire innovative processing technologies in the three major technologies**; ❷**further strengthen the wellness domain as a growth strategy**; and ❸**respond to procurement risks and social issues through the acquisition of new technologies**.

In addition, we restructured the R&D organization to strengthen research on "health of mind, body, and environment" and established two new R&D centers. The Sensibility Science Research Center integrates the perspectives of physiology and psychology, and by strengthening cooperation with each department, the results of this research will contribute to our businesses. The Sustainable Technology Research Center aims to resolve social issues, including help to achieve the SDGs, and will acquire new technologies, including packaging technology, and promote the speedy implementation of mass production.







Initiatives to Create New Customer Value

Strategy ❶ Acquire innovative processing technologies in the three major technologies

▸ Evolve soft candies technology (create diverse textures and respond to overseas wellness demand)

HI-CHEW, which is characterized by its pleasant texture, provides customers with even more enjoyment by reproducing the texture of various fruits, through such variations as *HI-CHEW Watermelon* and *HI-CHEW Japanese Pear*. In addition, *HI-CHEW Reduced Sugar*, which was launched for the health-conscious U.S. market, was revamped with a chewy texture, as we continue to evolve the product to meet local needs.



HI-CHEW Watermelon



HI-CHEW Japanese Pear



HI-CHEW Reduced Sugar

▸ Establish a global production system for *HI-CHEW*

To accelerate the growth of *HI-CHEW* as a global brand, we have decided to build a second factory in the United States. At the R&D Center, we aim to quantify the quality to be achieved in each process in cooperation with the production sectors and to establish optimized standard process requirements.

By doing so, we will strengthen our global stable supply system and improve production efficiency.

Strategy ❷ Further strengthen the wellness domain as a growth strategy

▸ Advance emotional value research using psychological methods

Behavioral observation research in childcare settings has shown that snacks make children's eating time together enjoyable and enriching. The results of our observations using psychological methods were summarized and presented at the 35th Annual Meeting of the Japan Society of Developmental Psychology held in March 2024. We found that *Ottotto* with its various kinds of three-dimensional shapes, and *Morinaga Hotcake Mix* with its changing appearance, color, and aroma during the cooking process, stimulate the five senses, providing emotional value such as enjoyment and satisfaction. We will continue to conduct research focusing not only on the nutritional value of snacks but also on their contribution to "health of mind."

Behavioral observation research
-Ways to enjoy snack time-

(Looking at the squid shape of *Ottotto*)
"Rocket, launch!"

(While cutting hotcakes)
How many pieces can you make if you cut it like this?
Is this right?
Shall we count? 1, 2, 3, 4...



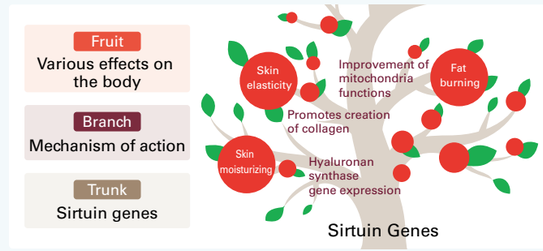


▸ Deepen research on sirtuins (longevity genes) for *Passienol*™

Passienol™ is a food ingredient with health functions that was originally developed by the Group. For the first time in the world, we have confirmed that consumption of beverages containing the active ingredient piceatannol increases the expression of sirtuin genes* in humans. In addition, we have elucidated the enhancement effect of mitochondria-related indices in muscle cells and the function of sirtuin genes in skin cells. The results of this research has been published in academic journals (*Life* and *Biochemistry and Biophysics Reports*). We will further strengthen our sirtuin genes research for *Passienol*™ and help many more people live their lives energetically with a smile.

*A gene known as the "longevity gene" and the "anti-aging gene" discovered at the end of the 20th century, which is important for anti-aging and extending longevity

Research Focusing on Sirtuin Genes



▸See page 60 for the Special Feature on *Passienol*™

Strategy ❸ Respond to procurement risks and social issues through the acquisition of new technologies

▸ Develop protein substitutes using untapped resources

There are concerns of possible shortages of protein as the world's population increases, and the procurement of protein raw materials that are sustainable, delicious, and have excellent processing characteristics has become an issue. Therefore, in parallel with research on improving the physical properties and flavor of vegetable proteins, we are exploring various protein raw materials, such as proteins made by biomass fermentation, and have started the development of some raw materials.

▸ Launch initiatives in the fields of food allergies and oral care

We are promoting initiatives to resolve two social issues utilizing the Group's food processing technologies. The first is an initiative to address food allergies by utilizing the knowledge of Morinaga BioScience, Inc., which has been cultivated through the development and sale of food allergen test kits. The second is an initiative with the goal of promoting new habits in oral care that can be continued in a delicious and enjoyable manner in anticipation of the introduction of universal dental checkups*. Based on our unique technologies, we will continue to take on challenges through various co-creation activities.



Morinaga BioScience, Inc.
Morinaga FASPEK Elisa II Egg (Egg white albumin)



Informational site for oral health
Morinaga Okuchi Laboratory
https://okuchi-lab.jp
(Japanese only)

*A system being promoted by the Japanese government to be introduced in 2025 that will allow all residents of Japan to receive annual dental checkups

DX Strategy



Daisuke Fujii
Director, Managing Executive Officer
Responsible for DX Promotion Division

What we are aiming for in 2030

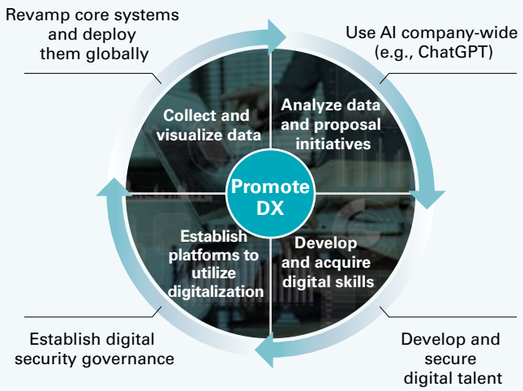
We will transform our value creation process with digitalization and stay ahead of the competition while responding to changes in the operating environment.

DX Strategy Linked to Corporate 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, as well as implementing security measures. Accordingly, the Group has been advancing its DX strategy. In the DX strategy, we have formulated a basic policy under which we are carrying out the activities shown in the diagram at right.

Basic Policy

1. We will digitalize all internal and external information as assets and build and expand our digital business foundation.
2. We will combine technologies such as AI with the digital business platform to contribute to the creation of new businesses, the evolution of existing businesses, and the advancement and efficiency of frontline operations.



As is

- It is necessary to improve the system infrastructure and raise the security level to sufficiently accumulate data.
- There is a need for greater efficiency in the planning of various functions on the production floor and in supply chains.
- It is necessary to accelerate the speed of growth by investing management resources in the focused area.
- There is an urgent need to develop and secure human resources with a high level of expertise in DX.

<Initiative>

Strategy 1: DX that contributes to the solidification of business foundations (Build a digital business foundation)
Strategy 2: DX that contributes to improving profitability (Optimize each function of the supply chain, integrate the digital business platform and smart factories)
Strategy 3: DX that contributes to business portfolio transformation (Leverage the DX of the U.S. Business and the Direct Marketing Business)
Strategy 4: Building a foundation for advancing DX (Develop and secure digital talent, build a global IT governance and cybersecurity system)

To be

- Build a robust and flexible digital business foundation that supports sustainable growth by balancing business standardization and stronger governance with operational upgrades
- Achieve improved productivity on the production floor by integrating and linking the digital management platform and smart factories
- Centralize customer data and continue to provide new value in marketing activities and customer service
- Constantly explore the possibilities of various technologies, including generative AI, and be quick to act on the opportunities we find
- Establish a system to develop and secure DX human resources, and steadily advance our DX strategy
- Establish a global IT governance and cybersecurity system that results in competitive advantages and reduced management risks

Status of Actions

We conducted the following initiatives in FY2022 and FY2023.

Introduction and operation period	Purpose	Initiative	Explanation
December 2023 onward	Enhance security and efficiency in translation operations	Newly introduced AI-powered translation tool	Along with strengthening security, improved the efficiency of operations such as file translation and long-form translation
January 2024 onward	Pass on knowledge of highly experienced researchers and form organizational knowledge	Built a system to accumulate and utilize the knowledge of highly experienced researchers	Accumulate and share personal knowledge as corporate assets and contribute to improving productivity and ensuring business continuity
2022 and sequentially onward	Transform production functions (ensure safety and reliability, stable operation, and improve operational efficiency)	Changeover to smart factories*	Visualized factory operation status using IoT for early detection of problems and remote tracking of work progress. Going forward, expand functions and continue with improvements
2023 and sequentially onward	Streamline product development work	Rebuild product database systems	Integrated systems related to product development operations to improve productivity and create resources
2024 and sequentially onward	Streamline product image utilization work	Introduce a digital asset management system	By linking product image data and master data, digital data related to products will be centrally managed, productivity improved, and resources created
2024 and sequentially onward	Explore the possibilities of utilizing generative AI	Establish and roll out company-wide a proprietary generative AI environment using ChatGPT and other resources	Flexibly and broadly explore the possibilities to improve the efficiency and sophistication of operations using the latest AI technology

*Using IoT and AI technologies to integrate the technology and digital data of manufacturing facilities to ensure stable operations and increase production efficiency

Looking Ahead

To realize the 2030 Vision, we must continue to bring to market high-value-added products globally. We will start by building a digital management platform in Japan and then expand this to the United States to improve the quality and speed of our value creation and help bolster business competitiveness. In supply chain management, we will also work to standardize, streamline, and enhance each business process such as procurement, production, logistics, and sales. In addition, we will continue to make changes regularly, such as upgrading consolidated business management, and contribute to the achievement of the 2030 Business Plan.

// Special Feature //
Creating New Markets

Expanding into markets geared toward extending healthy life expectancy with a proprietary ingredient, *Passienol*™

As extending healthy life expectancy has become a social issue, the Morinaga Group's vision for 2030 is to change into a Wellness Company. To achieve this, we will accelerate our efforts to expand uses for *Passienol*™, a food ingredient with functional claims that the Group has been researching independently. We have confirmed that *Passienol*™ increases the expression of sirtuin* genes, an area that is expected to garner more attention in the future. By supporting the wellness of people of all generations around the world through *Passienol*™, we aim to foster positive momentum for healthy life expectancy and realize the Group's 2030 Vision. Against this backdrop, we established a new *Passienol*™ project team in 2024. With this team spearheading collaboration externally and internally, we aim to commercialize *Passienol*™ as soon as possible.

*Sirtuins are known as the "longevity genes" and the "anti-aging genes." They were discovered at the end of the 20th century and are important for anti-aging and extending longevity.



Isao Matsuzaki
Senior Executive Officer
General Manager of New Business Development Division

What is *Passienol*™?

Passienol™ is a proprietary food ingredient of the Morinaga Group made by extracting the polyphenol component, piceatannol, derived from passion fruit, using Morinaga's patented technology (Patent No. 5347018). Piceatannol has been confirmed to activate sirtuins.

Passienol™ Research Outcomes and New Project Announcement

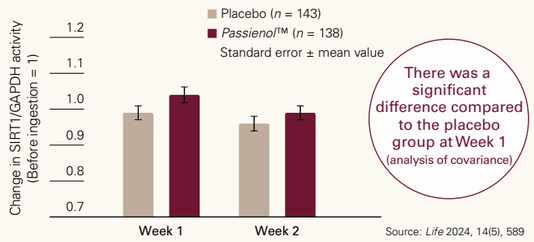
In May 2024, we held a research results presentation, where we reported that we were the first in the world to confirm that *Passienol*™ increases the expression of sirtuin genes (longevity genes) in humans. We also announced the launch of a new project with Sho Sakurai, an entertainer, as our wellness navigator, and partner companies and athletes taking to the stage to share our efforts and the potential of *Passienol*™.

Overview of human testing

Test method

Adult men and women in their 20s to 60s (BMI between 20 and 45, with no suspicion of underlying diseases) were divided into two groups and their test results compared to each other. A total of 281 subjects were analyzed. Participants consumed beverages with/without 100 mg of piceatannol daily for 2 weeks. Expression of sirtuin genes in the blood was measured at 0, 1, and 2 weeks after intake.

Test results Ingestion of *Passienol*™ increased the expression of sirtuin genes in the blood



Source: *Life* 2024, 14(5), 589



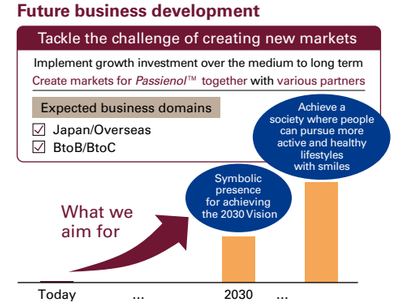
Opening remarks by Representative Director, President Ota
Explained Morinaga's commitment to the *Passienol*™ project to realize the 2030 Vision

Progress and the Future

Passienol™ was created in the context of the Group's exploration of original materials. At that time, my superiors always required me to have a strong desire to search for original materials. Among the materials we explored, we felt that the one with the most potential was passion fruit, which is grown under the strong tropical sun, and we decided to move forward after conveying our strong commitment. We started our research in 2006 and have compiled 35 peer-reviewed papers and presented at more than 60 conferences. In 2014, we confirmed the results of research showing that *Passienol*™ increased the expression of sirtuin genes (longevity genes) in cells, reaffirming the importance of sirtuins. As a result, we moved to obtain evidence in humans. This year, for the first time in the world, we were able to confirm that *Passienol*™ increases the expression of sirtuin genes in humans and announced these results to the world.

We will continue to promote research on the functionality and application of *Passienol*™. Together with our partner companies, we will expand our efforts to make full use of the power of *Passienol*™ as the Group's proprietary material and help more people around the world pursue more active and healthy lifestyles with smiles through *Passienol*™.

Future business development





Yuko Matsui
Passienol™ Project Leader
New Business Development Division



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

With the intensifying severity of social issues including climate change, all stakeholders are expected to address these issues in accordance with their own abilities and responsibility. The Group will also work throughout the value chain to provide "health of environment" to society.

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. Since FY2020, we have been promoting the procurement of certified cacao beans (e.g., Cocoa Horizons–certified cacao*1 supplied by the Barry Callebaut Group) that contributes to sustainable procurement, 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 has promoted the procurement of certified palm oil (RSPO*2-certified raw materials) and achieved 100% sustainable procurement of palm oil used for our products in Japan in March 2024.

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. We will continue to promote the sustainable procurement of raw materials.

*1 Cocoa Horizons–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 FY2023	Single month results for March 2024
Cacao beans	FY2025 100%	78%	82%
Palm oil	FY2023 100%	52%	100%
Paper	FY2022 100%	100%	—

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

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 addition, we hold discussions every year for partner factories. In FY2023, we explained the Group's procurement, human rights, and environmental policies, as well as our environmental initiatives under way at the Group's production sites.

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.

*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

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%

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.

Recognizing that a food company bears the responsibility to reduce food loss and waste, the Group has set long-term targets for reducing food loss and waste. In FY2023, we achieved our target seven years ahead of schedule by promoting waste recycling at our distribution centers in the Tokyo metropolitan area. To maintain this reduction rate in the years that follow, we will promote various company-wide initiatives.

The Production Headquarters has been working to increase our recycling rate of foodstuffs and has achieved 100% at four plants. These include the Mishima Plant, Takasaki Morinaga, and Morinaga Angel Dessert, all of which reached 100% in FY2022, and Morinaga Dessert Co., Ltd., which attained 100% in FY2023.

The Sales Headquarters has engaged in several initiatives. For example, our Kansai Branch Office continues to work with Osaka Prefecture as a member of the Osaka Food Loss and Waste Reduction Partnership System. In FY2023, in addition to donating products through food banks, they worked on sharing recipes for raising awareness about food loss and waste reduction at stores, held seminars for businesses, and conducted educational activities at high schools in the prefecture. These initiatives, having been praised for helping to reduce food loss and waste from perspectives unique to the food manufacturing industry, received honorable mention at the Osaka Environmental Awards in 2023.

In addition, we are working to eliminate waste from society by supplying non-standard products generated during manufacturing at affordable prices without discarding them. We are participating in this initiative by releasing non-standard *Potelong* with irregular lengths in FY2022 as well as non-standard *MOON LIGHT* and *Chocolate Chip Cookie* with cracking in FY2023 and FY2024, respectively.

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 increasing our recycling rate.



*Calculated based on estimated sales volume in FY2024

Initiatives under the One Chocolate for One Smile Campaign

1チョコ for 1スマイル
あなたが食べると、もう一人がうれしい

Working to Improve the Sustainability of the Cacao Industry

Employees visiting Ghana to engage local children and government officials

Since 2008, Morinaga has been supporting cacao-producing countries such as Ghana through the One Chocolate for One Smile campaign.*1 The total amount of donations made through our support partners, primarily Plan International Japan and ACE, reached a running total of approximately 300 million yen in 2023.

In 2023, three employees visited Ghana to deepen their understanding of the local situation and issues in cacao production and utilize this information in future efforts to resolve these issues. The employees visited schools and facilities in the community supported by the One Chocolate for One Smile campaign and had conversations with the Ghana Cocoa Board*2 and Cacao Marketing Corporation*3, which are run by the Government of Ghana.

For more than a decade, support through the One Chocolate for One Smile campaign has expanded to include the Child Labor Free Zone*4 initiative to eliminate child labor in Ghana as a whole, in collaboration with ACE and the Government of Ghana. 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."



*1 An initiative that uses the 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. During special campaign periods, we donate one yen from each sale of eligible products such as *Morinaga Chocolate*.
*2 A government agency with the authority to regulate Ghana's cacao sector, including determining the purchase price of cacao beans for farmers
*3 A subsidiary of the Ghana Cocoa Board
*4 Areas where the Government of Ghana is promoting the introduction of a national system for the prevention and resolution of child labor

One Chocolate for One Smile (Japanese only) https://www.morinaga.co.jp/1choco-1smile/
Learning Journey in Ghana https://www.morinaga.co.jp/1choco-1smile/2024report/index.html

Conserving the Global Environment

Relevant Stakeholders

Customers | Employees | Business partners | Local communities | Global environment

Toward 2030

Aiming to provide "health of environment" to society, we are minimizing environmental impacts in our business activities and conducting environmental conservation activities from a medium- to long-term perspective.

Long-Term Targets for 2030 and 2050

- **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% by FY2030*3**

*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)

In the process of delivering products to customers, the Group aims to provide "health of environment" to society. To achieve this, the ESG Committee 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 divisions, as well as to build an environmental management system based on the ISO 14001 certification. Starting with the results for FY2023, we have expanded the scope of third-party assurance of our CO_2 emissions and the amount of water consumption to include the Group on a consolidated basis including overseas operations.

Based on the Morinaga Group Environmental Policy, we will continue to minimize environmental impacts through our business activities and promote environmental conservation activities from a medium- to long-term perspective with the aim of contributing to a sustainable society and achieving the sustainable growth of the Group.

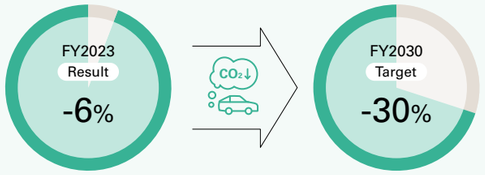


Third-party assurance screening at Morinaga (Zhejiang) Co., Ltd.

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
Environment Management Promotion System Business Sites with ISO 14001 Certification https://www.morinaga.co.jp/company/english/sustainability/environment/

Response to Climate Change Issues

CO_2 Emission Reduction: Long-Term Target and Progress*



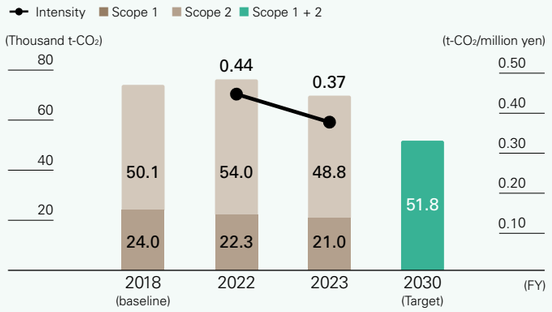
*Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

To contribute to realizing 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 FY2023, our CO_2 emissions decreased by 6% compared with FY2018 and by 9% compared with FY2022 thanks to energy conservation activities and the introduction of renewable energy.

At Takasaki Morinaga Co., Ltd., we started receiving electricity generated from an on-site PPA* solar power generation system in February 2024. This system has a power generation capacity of 2.0 MW and is expected to reduce the factory's CO_2 emissions by more than 1,100 tons per year. Through this initiative, we expect to reduce CO_2 emissions of domestic Group companies by approximately 1.5% per year.

*On-site PPA: A system in which a power generation company (a PPA operator) installs solar power generation equipment on the premises of a user (e.g., a company) at the expense of the power generation company, owns and maintains it, and supplies the electricity generated from the power generation facility to the user.

CO_2 Emissions (Scope 1 + 2)*



*Domestic consolidated basis. CO_2 emissions are rounded 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 reflect retroactive application of the said accounting standard.



Rooftop solar power generation system installed at Takasaki Morinaga Co., Ltd.

In addition, at the Tsurumi Site,*1 where our R&D Center and factory are located, and at the new Head Office building, where we relocated in March 2024, we have started to introduce the Green Basic Plan*2. Under this plan, we will source electricity derived from renewable energy sources with zero CO_2 emissions for all electricity used. As a result of this initiative, the Tsurumi Site and the new Head Office building are expected to reduce CO_2 emissions by more than 9,000 tons annually, which is equivalent to more than 10% of the CO_2 emissions of our domestic Group companies.

*1 Tsurumi Factory, R&D Center, MORIUM, Yokohama Branch Office, Morinaga Shoji Co., Ltd., Morinaga BioScience Inc., Morinaga Business Partner Co., Ltd., etc., located in Tsurumi-ku, Yokohama City, Kanagawa Prefecture
*2 A substantial renewable energy plan provided by TEPCO Energy Partner, Inc., that combines the average power of all power sources with FIT Non-Fossil Fuel Certificates (with tracking) and non-FIT Non-Fossil Fuel Certificates (with power source attribute information) designated as renewable energy.

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 •Introduce electricity generated from renewable energy
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	•Reduce the number of vehicles by coordinating transportation and delivery with other companies in the industry and improving the loading rate •Restructure inventory bases (e.g., shortening of transportation distances) •Promote modal shift

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 promotion of environmental consideration through business activities is 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 work toward achieving a resource-recycling society.

Environmental Initiatives in the Containers and Packaging of Major Brands

The photographs shown below are examples of environmentally considered packaging.

Reduce the Weight and Volume of Plastic Products

Reduction of packaging dimensions

We made improvements and adjustments to the packaging machinery for *Choco Monaka Jumbo*, resulting in a reduction in packaging dimensions of approximately 1.9% compared to before, resulting in a reduction of plastic of approximately one ton per year*1.



Reduction in the size of packaging

We succeeded in making the pouch for *in Jelly Fruit Texture* products smaller, while maintaining the same weight, after reviewing the shape of the packaging. As a result, we reduced the amount of packaging by about 1.3% compared to before. We have begun switching over to this new packaging since April 2024.



Use of Materials with Concern for the Environment



BIG Chocoball



*Koeda*2*

Promote Recycling

The *in Jelly* recycling program was launched in September 2021.



A collection box set up at F Marinos Sports Park

Together with TerraCycle Japan G.K., we are implementing an initiative to collect empty jelly containers and recycle them into new plastic products. Collection boxes for collecting jelly containers are set up at schools and sports facilities among other locations throughout Japan.

*1 FY2023 results
*2 Biomass plastic film is used for the surface layer of the inner bag.

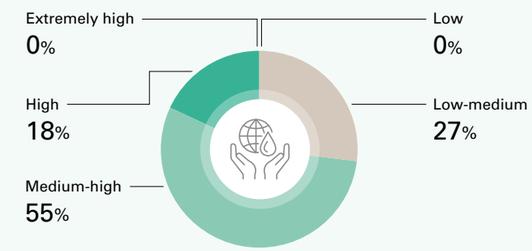
Effective Use of Water Resources

There has been the growing risk of water resource shortages globally 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 use Aqueduct*2 to assess water stress and investigate water intake in areas where our production sites are located. In addition, we received a score of B in CDP Water Security 2023.

We will continue to identify areas where water shortages are likely to occur and track the amount of water resources consumption, strive to understand risks, and make effective use of water 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 4.0

Water Stress Evaluation of All Production Sites (FY2023)



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)

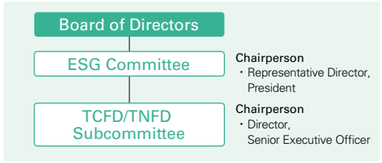
Conserving the Global Environment

Response to the TCFD/TNFD Recommendations (Climate Change, Natural Capital, and Biodiversity)

The Morinaga Group recognizes that climate change is an important issue that affects the continuity of its operations and sustainable growth. The Group relies on a large amount of natural capital for its business, and the maintenance and conservation of natural capital and biodiversity is also an important theme for our initiatives. Because climate change and the issues of natural capital and biodiversity are closely related, we are taking an integrated approach to these issues as we proceed with our responses.

Area	Details
Governance	The Morinaga Group's analysis of risks and opportunities, target setting, and progress monitoring concerning sustainability initiatives is deliberated 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. Reviews on climate change, natural capital, and biodiversity are conducted by the TCFD/TNFD Subcommittee, which operates under the ESG Committee. In line with the recommendations of the TCFD and TNFD, we analyze dependencies and impacts, risks and opportunities, and consider responses. The subcommittee is chaired by the Director, Senior Executive Officer in charge of the Sustainable Management Division. In FY2023, the subcommittees met four times. The results of this review are deliberated by the ESG Committee. In turn, findings are reported to the Board of Directors, which also supervises the status of activities.
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 and other 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/TNFD 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.

Review and Promotion System



Information Disclosures Based on the TCFD Recommendations

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.

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/

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 emission 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* •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

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

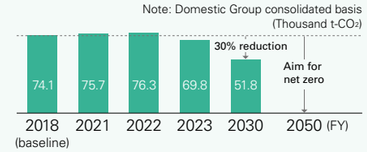
*Smart factory: Using IoT and AI technologies to integrate the technology and digital data of production equipment to ensure stable operations and increase production efficiency

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 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)

Note: Domestic Group consolidated basis



Information Disclosures Based on the TNFD Recommendations

Using the TNFD framework and the LEAP approach*1 advocated by the TNFD as a reference, we analyzed the Group's dependence and impacts on natural capital, risks, and opportunities.

Dependencies and Impacts on Natural Capital

We confirmed the dependencies and impacts of the Group's main business of food product manufacturing and confirmed the dependencies and impacts regarding production of cacao, palm, and wood (paper), among the Group's main raw materials. 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.

Assessment of Dependencies and Impacts on Natural Capital*2

● Larger dependencies/impacts ○ Dependencies/Impacts somewhat large

	Dependencies												Impacts						
	Ecosystem services												Pressure on biodiversity			Environmental factors			
	Supporting services and Regulating services				Regulating services						Provisioning services								
Category	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)	●	○	○	○	●	●	○	○	●	●	●	●	●	●	○	●	○	○	○

Risks and Opportunities

Below, there is a summary of the risks and opportunities and responses to them. We will continuously deepen our understanding of the situation of natural capital and strive to maintain and conserve natural capital and biodiversity.

Examples of the Morinaga Group's Important Risks

Category	Subcategory	Risk factors	Impact on operations	Importance	Response
Physical Risks	Chronic	Ecosystem infrastructure and adjustment/changes in services	Increased raw materials costs and development costs due to deterioration of soil and water quality and decreased yields of agricultural crops caused by increased occurrences of pests and diseases	Large	•Promote raw materials procurement in consideration of the environment in line with the Procurement Policy and Supplier Guidelines •Cooperate with suppliers and enhance communication to respond to risks •Purchase raw materials from multiple suppliers (or multiple sites)
Transition Risks	Laws and Regulations	Changes in laws and regulations related to the maintenance of ecosystems	Increased raw materials costs due to higher demand for materials certified as considering the environment	Medium	
		Stricter nature-related reporting obligations	Increased reporting costs	Medium	•Continuous information collection •Continuous response to nature-related risks

Examples of the Morinaga Group's Important Opportunities

Category	Opportunity factors	Impact on operations	Importance	Response
Products and Services	Changes in consumer preferences	Increased demand for environmentally considered products amid increased environmental awareness among consumers, including Generation Z	Large	•Promote initiatives to achieve the target of 100% sustainable procurement of cacao beans, palm oil, and paper raw materials by 2030*3 •Develop environmentally considered products

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

*1 Guidance for assessing nature-related risks and opportunities. Four steps are recommended: Locate (discovery of interfaces with nature), Evaluate (diagnosis of dependencies and impacts), Assess (assessment of risks and opportunities), and Prepare (preparation for response and disclosure).

*2 A total of 25 items were assessed, with 19 listed as having a high degree of dependence or impact.

*3 Group consolidated basis. Paper covers product packaging only.

Initiatives for Human Rights



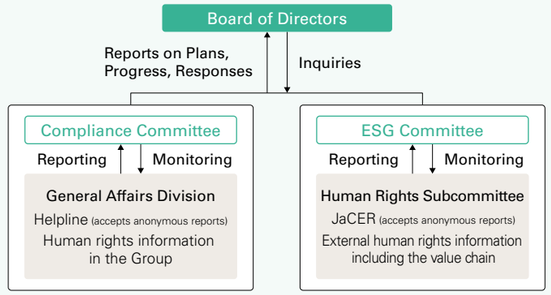
Toward 2030

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 briefings for suppliers. In the unlikely event of a concern about 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. In FY2023, we established the Human Rights Subcommittee under the ESG Committee to advance initiatives related to human rights, including the possibility of human rights issues arising and responses if they do materialize.

Human Rights Management System Diagram



Reinforce Human Rights Management

▶Human Rights Policy

In 2023, we revised the Morinaga Group Human Rights Policy after consulting with experts and professionals, declaring 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 make it clear that we 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

▶Initiatives on Human Rights Due Diligence

We are implementing human rights due diligence initiatives based on the theoretical evaluation on the negative impacts of the Group's business on human rights conducted in 2022. In FY2023, we reviewed the survey on the human rights initiatives conducted on our business partners. Using this, in FY2024 we will strive to better understand the status of contractors for various operations at our factories. In addition, we conducted training on "Business and Human Rights" for executive officers in FY2022 and for employees in FY2024. We will continue to work to address the negative impacts identified in our theoretical evaluations.

▶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 utilize 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 for employees. 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

Up to FY2022 Results	•Implemented human rights due diligence •Established the Morinaga Group Supplier Guideline and commenced the CSR procurement survey •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 a business and human rights training for executive officers
FY2023 Results	•Revised the Morinaga Group Human Rights Policy •Updated the written supplier survey •Expanded internal training and education (e.g., global approaches to business and human rights) •Established the Human Rights Subcommittee
FY2024	•Commence a written survey of factory business partners •Implement training on business and human rights for employees •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 FY2030	•Strengthen trust with our stakeholders and increase brand value/corporate value through initiatives for business and human rights

Governance

69 Roundtable Discussion among Outside Directors and Director, Managing Executive Officer
73 Corporate Governance
81 Compliance and Risk Management
83 Executive Management Team



Roundtable Discussion among Outside Directors and Director, Managing Executive Officer

Enhancing Governance and Human Capital Supporting Morinaga's Global Growth



Evaluation of Governance and the Board of Directors

Fujii: What is your impression of the Morinaga Group?

Urano: From management to employees, I am impressed by the strong devotion and passion for the Company's products, which is conveyed in various aspects of the Company's operations. For myself, I particularly enjoy *Choco Monaka Jumbo*, *HI-CHEW*, caramels, and chocolates, among other products. The Company's will to provide delicious food for children to consume with peace of mind is evident in its television commercials and product packaging, and I feel that this culture is particularly important.

Sakaki: I feel that the Company is highly transparent and faces all stakeholders squarely, honestly, and firmly. There are highly active and open discussions, including in internal meetings, through which the Company always tries to find a better solution rather than maintaining the status quo. Having been managed solidly during the course of its history spanning more than 120 years, the entire Company is now attempting to change under the 2030 Vision. I am excited that the Company is approaching its second founding phase.



Sawamura: Although I was newly appointed as an outside director in June 2024, through communication with the board members and division heads, I have found the Group's corporate culture to be thoughtful, sincere, people-friendly, and psychologically safe. I also had the opportunity to observe discussions at the Corporate Strategy Meeting, a meeting body one step under the Board of Directors, and was impressed by the rational, open, and vigorous discussions among the respective officers beyond the boundaries of their areas of responsibility.

Fujii: Thank you very much. The Group has been strengthening its governance system by soliciting feedback from outside directors. Could you share your opinion about the Group's current governance practices in general?

Urano: While there are many ways to look at it, I feel that the Group's governance has been cultivated with respect to quality, which is important for both the Group and consumers. Over the past three years, this style of governance has been organized and institutionalized as corporate governance, including the way the Board of Directors and other meeting bodies should be organized. I feel this has been achieved without much growing pains. The Company has reorganized the meeting bodies to enable rapid decision-making, and at the same time, it has put into place a system that allows it to firmly confirm the points that need to be emphasized. I believe that the Company will be able to utilize such a governance system to facilitate business operations in the future.

Sakaki: As the level of corporate governance required of listed companies becomes more sophisticated each year, the Company is working to strengthen its governance system from various angles, and I think it was able to considerably strengthen its risk management system in particular in FY2023. I have the impression that the governance system is at a fairly high level, with efforts being made to improve the effectiveness of the management of each meeting. What is especially important in terms of governance is whether decisions are made transparently and rationally. In this regard, the Company is well managed to ensure that decisions are made appropriately.

Fujii: The effectiveness of the Board of Directors is an essential element of governance. How do you evaluate Morinaga's Board of Directors?

Sakaki: At the Board of Directors meetings, directors and statutory auditors from inside and outside the Company freely express their opinions during decision-making. I think this reflects the proper way of operating the Board of Directors. In the process leading up to a Board of Directors' resolution, various policy decisions are made within the Company, while outside directors have opportunities to participate in and observe such meetings on a voluntary basis. I appreciate this consideration and hope that it will continue in the future.

Urano: It is impressive that the Group has fostered an atmosphere in which people are free to express their opinions, and that is not only true for outside directors but also those on the business execution side. I hope that the Company will continue to value this freedom.

Fujii: As internal directors, we also gain a lot of insight from the awareness of issues raised by outside directors at board meetings and from discussions based on such awareness, and we are able to apply such insights to the execution of business.

Discussions for the Formulation of the 2024 Medium-Term Business Plan and Challenges

Fujii: The 2024 Medium-Term Business Plan was formulated as the second stage toward 2030, with the will to increase the certainty of realizing our long-term vision. Looking back on the formulation process, what do you think of the process and discussions?

Urano: In the 2021 Medium-Term Business Plan, as the first stage, the Company was able to respond to drastic changes in the external environment, such as soaring raw material prices and the weak yen, and it was able to firmly advance business toward the medium-term business plan targets, which I think provided a boost of confidence. In the 2024 Medium-Term Business Plan, I have the impression that the discussions focused on the need to become a stronger company capable of overcoming challenges in any business environment, and that the plan is grounded.

Sakaki: The two major themes of the 2024 Medium-Term Business Plan are growth potential in the focused domain and improvement of capital efficiency using ROIC management in order to establish a growth trajectory toward 2030. In particular,

Roundtable Discussion among Outside Directors and Director, Managing Executive Officer

the Company has held and continues to hold considerable discussions on global business expansion, including securing target areas and production systems, and product development. The fact that the Company was able to revise the target upward from the 2021 Medium-Term Business Plan has provided a good sense of direction that is challenging. Improving the profitability of the Confectionery and Foodstuffs Business is a major issue, and the Company has made progress in studying ways to improve profitability from various perspectives, incorporating ROIC management and other measures. The Company is now in the phase of implementation to achieve its targets. In addition to speed being a key factor, the challenge is how far the Company can go in terms of selection and concentration. The Group also needs to ensure that it does not look at ROIC from a short-term perspective, as it requires investments that can be expected to yield large returns ahead of time even if investment efficiency declines temporarily. Some concrete plans have been made for new business areas and inorganic growth, but as these areas are important initiatives that will lead to long-term growth, the Company needs to proceed with the right mindset and approach.



Fujii: Ms. Sawamura, you became an outside director after the 2024 Medium-Term Business Plan was formulated. What is your impression of the Group's new plan?

Sawamura: To realize the 2030 Vision of becoming a wellness company and promote change, it is important to strengthen and revitalize human capital. There are two keys to achieving this. The first is diversity and inclusion. While a highly homogeneous organization provides a high level of psychological safety, it also makes it difficult to create new value. In this era of ultra VUCA (volatility, uncertainty, complexity, and ambiguity), it is important for people with diverse values and attributes to come together at the decision-making table to create new value in order to respond to change in an agile and flexible manner. The Group needs to strengthen this to promote future growth on a global scale. Another key is to transition from a *comfortable* work environment into a *meaningful* work environment. It is important to create a foundation where people with drive and ability can flourish. I hope that the Group can revitalize itself so that employees can take on challenges with a sense of speed, learn from their mistakes, and lead to improvements and innovations.

Toward Long-Term Value Creation

Fujii: In light of the points just made, what are your thoughts on sustainable management and what is necessary for the Group to create value over the long term?

Urano: I would like the Group to focus most on the global market. I hope to see further discussions on what the Group's strengths are and how the Company can expand in North America, Europe, and even Asia. In addition to globalization, it is important to leverage, retain, and promote overseas human resources. Now that it has established a presence in Japan, the Group needs to focus on communicating its Purpose, Corporate Philosophy, and sustainable management, and attracting overseas talent who share these values, in parallel with sales growth and product development.

Sakaki: I agree. The most crucial factor in creating long-term value is to identify globally minded human resources and increase the global ratio of human resources to be promoted to executive positions. In addition, it is essential to have human resources who are willing to embrace challenges with an eye toward future growth. It is important to create a system to support such human resources and to foster a corporate culture that tolerates mistakes.

Sawamura: Yes, that's right. I also believe that from a long-term perspective, global growth will be most important. The Group's Purpose, which is to bring smiles to the faces of people around the world by providing delicious, fun, and healthy food, is a universal philosophy that can be applied globally. To consistently deliver the Group's value to customers around the world based on this philosophy, in addition to strengthening the marketing strategy and production system, it is important to strengthen the Group's global governance.

Sakaki: Global governance is important because unexpected things can happen in overseas operations, which are riskier than domestic ones. It is paramount to clarify the decision-making authority at the Head Office and locally, and to promote global management through compliance with such authority in order to develop the Company in a sustainable and global manner. Sustainable management covers a wide range of issues, including the environment, raw materials procurement, and diversity of human resources, and there are many issues that must be addressed in order to continue to grow as an enduring company. The Group has established and is implementing a structure that includes the ESG Committee. In particular, as ensuring food safety and security is at the core of its business, the Group continues to pay close attention to this issue and recognizes the need to focus even more on prevention of possible risks and prompt response in the event of a problem.

Fujii: Thank you. Finally, could you share your expectations for the Morinaga Group and your role in long-term value creation?

Urano: The Group now has a clear base for 2030 and beyond. It is currently in the phase of implementation. Although it is difficult to change oneself while respecting traditions, as an outside director, I hope to be of help by drawing on my experience as a member of the general public with a female perspective, as well as my own experience of making mistakes in global business. In particular, I would like to play a role in supporting self-improvement by giving a push when I see hesitation in important decisions and applying the brakes when things seem to be going in the wrong direction.





Sakaki: The Group is solidly managed, including its business operations and governance system. I would like to play a role in creating a chemical reaction in a positive sense by bringing together different elements, such as outside directors, in a corporate culture that is family-like and homogeneous in both positive and negative ways. The Group is proceeding with its business while carefully considering risks, which is especially important, but there is also the risk of missing opportunities while stuck continually contemplating them. I hope to be in a position to provide stimulation and promote awareness among the executive management team as the Group is in the process of business growth.

Sawamura: Since becoming a director, I have a renewed appreciation for the Company as it has brought many long-selling products to the world, for which the value is highly regarded in overseas markets. For this, I feel that the Company has the potential for further growth. On the other hand, to change into a wellness company, I believe it is also crucial to let even more stakeholders know that we take customers' "health of mind and body" seriously. I am also committed to further enhancing the Group's corporate value using my knowledge of developing and implementing marketing strategies in a wide range of industries.

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, the Group is 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 to achieve co-existence with society and sustainable growth.

2. Management Monitoring Functions

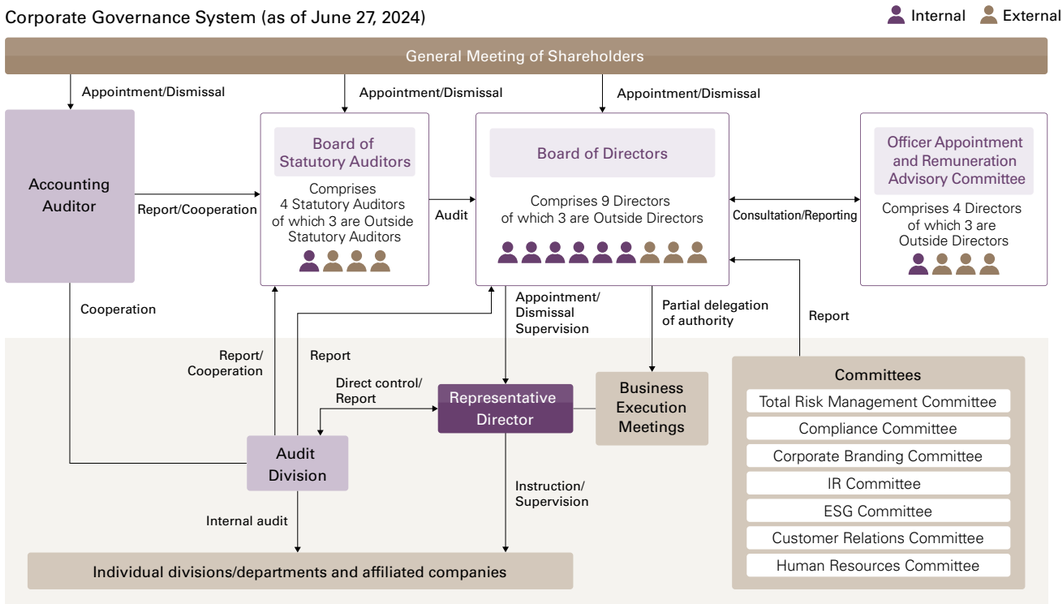
We are working to build an effective internal control system by strengthening the management monitoring functions of the Board of Directors, appointing Outside Directors and Outside Statutory Auditors, requiring attendance by Standing Statutory Auditors at important meetings, and placing the Audit Division 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 27, 2024)



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 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 Advisory 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, three of the nine directors, or more than one-third, are Outside Directors. The Board of Directors also comprises seven men and two women.

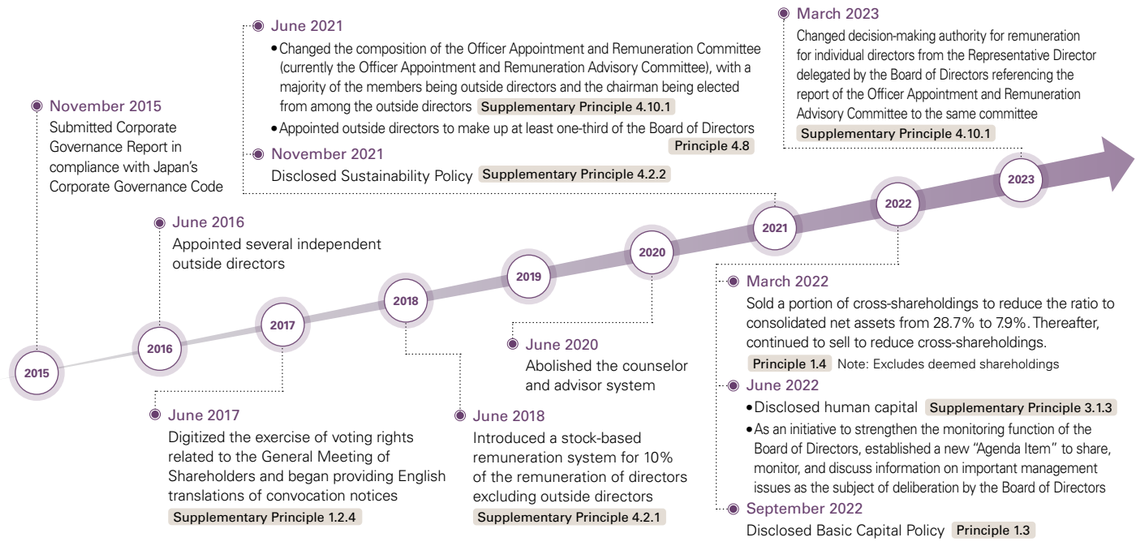
POINT 3 Enhancing the alignment of internal audits, corporate audits, and accounting audits

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.

History of Strengthening Corporate Governance

Contains the corresponding principle of Japan's Corporate Governance Code



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, considering the independence standards set forth by the financial instruments exchange, and has appointed independent outside officers who meet the standards to ensure the independence of officers.

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.

Corporate Governance

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

To realize the Group's Purpose and Vision, as well as its 2030 Business Plan and the Medium-Term Business Plan, we have specified the specialized knowledge and experience particularly expected of the Company's Directors and Statutory Auditors as follows. When selecting candidates for Directors and Statutory Auditors, we consider ensuring the balance and diversity of human resources who possess these skills.

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

Name	Position	Specialty and Experience							
		Corporate management Corporate strategy	ESG Sustainability	Finance Accounting DX	Human resources Labor affairs	Legal affairs Compliance Risk management	Marketing Sales	Global	Research Production Logistics
Eijiro Ota	Representative Director, President	●	●		●	●	●	●	●
Shinya Mori	Director, Managing Executive Officer	●					●		●
Daisuke Fujii	Director, Managing Executive Officer	●	●	●	●	●			
Hideki Matsunaga	Director, Senior Executive Officer	●					●		●
Tetsuya Takagi	Director, Senior Executive Officer	●		●	●	●		●	
Kenji Takanami	Director, Senior Executive Officer	●	●				●		●
Kuniko Urano	Outside Director	●	●		●				●
Shinji Sakaki	Outside Director	●	●			●	●	●	
Tamaki Sawamura	Outside Director			●			●		
Toshiaki Fukunaga	Standing Statutory Auditor	●						●	●
Takehiko Sasamori	Standing Statutory Auditor (Outside Auditor)	●	●	●	●	●		●	
Sawako Ueno	Statutory Auditor (Outside Auditor)			●		●		●	
Hideo Kishi	Statutory Auditor (Outside Auditor)				●	●			

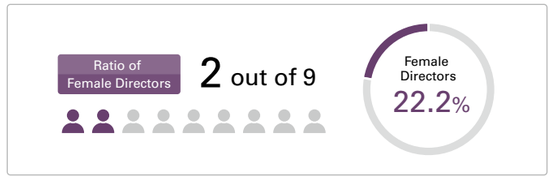
Note: The ● symbol is included in the relevant items if the officer possesses specialized knowledge and experience, such as having background as a business manager in each field.

Reasons for selection of skills

Skill	Reason for selection
Corporate management Corporate strategy	To build appropriate management strategies and make responsible management decisions to achieve the sustainable growth of the Group while responding to changes in the business environment
ESG Sustainability	To co-create with stakeholders to resolve social issues related to our business, and to improve the corporate value of the Group and realize a sustainable society
Finance Accounting DX	To enhance our ability to generate funds through management practices that are conscious of optimizing capital costs, and achieve stable and continuous shareholder returns, and to strengthen our management foundation and sustainably improve corporate value by investing in digital technology
Human resources Labor affairs	To promote the active participation of diverse human resources and realize the happiness of employees based on a relationship of mutual trust between the Company and its employees, and to create new value and achieve the sustainable growth of the Group
Legal affairs Compliance Risk management	To establish an appropriate risk management system, promote compliance management, and build and maintain the management foundation of the Group
Marketing Sales	To accurately identify changes in the business environment and changes in consumer needs, develop management strategies in response, and improve our brand value and corporate value
Global	To strengthen the foundations for overseas expansion while understanding and respecting local cultures, and promote further global expansion to realize richer and healthier eating habits for people around the world
Research Production Logistics	To promote structural reforms, strengthen our business foundation, and establish a system for competitive advantages to create new value based on technology, respond to changes in the external environment, and improve profitability

Independence and Diversity of the Board of Directors





Board of Directors Activity Status

The Board of Directors meets, in principle, once a month and as needed. In FY2023, Board of Directors meetings were held 15 times, with a total deliberation time of approximately 2,000 minutes.

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.

The main deliberation themes in FY2023 can be found in the table below.

	Themes	
Management Strategy and Sustainability	• Progress of 2030 Business Plan • Formulation of the 2024 Medium-Term Business Plan • Formation of the future business portfolio and strategy for growth • Bolstering of corporate branding and product strategy • Sustainability initiatives • Overseas business strategy • DX strategy	• Approach to production system (e.g., expansion of sites for sustainable production, and updating existing factories to smart factories) • Initiatives for R&D, including intellectual property strategy and sensitivity research • Strategy for inorganic growth • Development of visual identity • Revision of Human Rights Policy • Activity status of the ESG Committee and other committees
Governance	• Evaluation of the effectiveness of the Board of Directors • Conflict of interest transactions	• Officer personnel changes and remuneration • Group governance
Compliance Risk Management	• Formulation of multi-stakeholder policy and declaration on partnership building	• Operating status of the internal control system • Compliance Committee report, Total Risk Management Committee report
Finance and Investment	• Financial measures (investments and shareholder returns) • Acquisition and cancellation of treasury shares • Stock split	• Construction of new Head Office building (Morinaga Shibaura Building) and Head Office relocation plan • Divestment of cross-shareholdings and real estate holdings • Approval of financial results and budget

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.

FOCUS In FY2023, deliberations focused on the following themes.

Themes	Formulation of the 2024 Medium-Term Business Plan	Formation of the future business portfolio and strategy for growth	Sustainability initiatives
Details of deliberations	In formulating the 2024 Medium-Term Business Plan, we held extensive discussions from the perspectives of medium- to long-term business strategies, strategy formulation process, optimal resource allocation, stretch plans for growth, and updates to the 2030 Business Plan. We also clarified the significance and positioning of the 2024 Medium-Term Business Plan and discussed the specific content of the plan.	Looking beyond the 2030 Business Plan to 2030 and later, we held vigorous discussions on our long-term vision from a variety of perspectives. These included the priority of growth strategies and resource allocation from a company-wide perspective, the creation of businesses that can demonstrate our strengths for the future, the importance of management decisions during the growth phase, and the ideal business structure that can withstand cost increases.	In response to the report of the ESG Committee, we monitored the progress of various sustainability initiatives such as CO_2 reduction and discussed the direction to the introduction of renewable energy and the creation of sustainable value and wellness value from a medium- to long-term perspective.

Corporate Governance

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 FY2023, 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 2024
- **Scope:** All Directors, including Outside Officers, and all Statutory Auditors

Main themes of survey questions

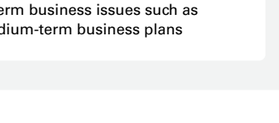
Composition, operation, and agenda of the Board of Directors, nomination and remuneration of executive management, risk management, dialogue with shareholders, system to support the Board of Directors, and findings from past evaluations of the Board of Directors

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, the corporate governance report, and other outlets.



Evaluation Results and Initiatives to Increase Effectiveness

Issues addressed in FY2023	Deepening discussions and initiatives on risk management including Group companies	Further enhancing discussions on medium- to long-term business issues such as sustainability and medium-term business plans
Details of initiatives implemented in FY2023 to address issues	(1) The method of identifying risks was changed from the previous bottom-up approach to a top-down approach in which the Total Risk Management Committee presents a total risk map covering risks that should be recognized by the Company to the planning divisions. We established a PDCA cycle in which the planning divisions formulate countermeasures for the risks presented, the implementing divisions implement the countermeasures, and the planning divisions monitor the results and report improvement measures to the Total Risk Management Committee, if necessary. (2) Intensive efforts were carried out to address the two risks of product defects and recalls as well as cyberattacks at overseas Group companies.	(1) As a review of the Medium- to Long-Term Business Plan, we reported on the progress of the 2030 Business Plan and the progress of formulating the 2024 Medium-Term Business Plan and shared information on a case-by-case basis. (2) Discussions were held on major management issues rather than on individual strategies. Specifically, discussions covered issues for the formulation of the Medium-Term Business Plan, such as "formation of the future business portfolio and strategy for growth" and "approaches to discussions necessary for the formulation of the 2024 Medium-Term Business Plan and the achievement of the 2030 Business Plan."
Effectiveness evaluation results for FY2023	In either case, the overall evaluation was at a reasonably high level, and the effect of improvement was obtained in the items that were addressed with an awareness of the problem.	
Issues to be addressed in FY2024	Further revitalize the Board of Directors by discussing a wide range of management issues after appropriately selecting agenda items and securing time for deliberation	Continue with initiatives to further enhance discussions on medium- to long-term business issues such as sustainability and medium-term business plans

Internal Control

To maximize corporate value and achieve perpetual corporate growth, the Morinaga Group is committed to ensuring the effectiveness of oversight and audit functions while strengthening its internal control system, increasing the efficiency of its management, and appropriately executing business.

To ensure that the duties are executed appropriately, the Board of Directors endeavors to construct an effective internal control system and establish a system to comply with laws and regulations and the Articles of Incorporation. The system is also designed so that the effectiveness and functions of the aforementioned systems are audited by Statutory Auditors. In addition, we have set up a "helpline" both inside and outside the company, including for domestic subsidiaries, to collect a wide range of information that could be problematic in terms of compliance and to respond appropriately.

Main Committee Activity Status

Name of committee	Roles and functions of the committee	Chairperson
Total Risk Management Committee	Establishes and promotes a company-wide total risk management system and crisis management system	Representative Director, President
Compliance Committee	Formulates policies and regulations related to compliance to realize the Morinaga Group Code of Conduct and Standards of Behavior, formulates compliance action plans, and follows up on progress	Representative Director, President
ESG Committee	Formulates policies, targets, actions, KPIs, and related matters, related to sustainable management; follows up on progress; establishes subcommittees; and shares, proposes, and deliberates on the detailed discussions of each subcommittee	Representative Director, President
IR Committee	Formulates measures to improve shareholder value and follows up on progress, after deliberating on timely and appropriate information disclosure and two-way communication with shareholders	Representative Director, President

Cross-Shareholdings

Regarding cross-shareholdings not held for purely investment purposes, at the Board of Directors, the Company evaluates once every year the purposes of these holdings and the medium- to long-term prospect of trading relationships with the companies in which the Company holds such shares. During this process, we scrutinize whether the risks and benefits of holding each individual stock are commensurate with the cost of capital. Based on these evaluations, it is the Company's policy to determine the necessity of each cross-shareholding and reduce such holdings.

With respect to exercising voting rights related to shares held as cross-shareholdings, 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 in corporate governance.



Corporate Governance

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

The Company has established the Officer Appointment and Remuneration Advisory Committee as a voluntary committee to consider 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 Senior Executive Officers, as well as their rewards and punishments, and on succession planning for Directors and Executive 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
Shinji Sakaki	Outside Director	Chairperson
Eijiro Ota	Representative Director, President	Committee member
Kuniko Urano	Outside Director	Committee member
Tamaki Sawamura	Outside Director	Committee member

In FY2023, the Officer Appointment and Remuneration Advisory Committee met six times. The main details of the deliberations are as follows.

	Details of deliberations	
First meeting April 2023	●Deliberation on concurrent postings of officers ●Deliberation on the remuneration levels of individual officers	●Deliberation on maximum officer remuneration for outside directors
Second meeting May 2023	●Deliberation on selection method of candidates for Outside Director and Outside Statutory Auditor positions	●Deliberation on officer remuneration for FY2023
Third meeting October 2023	●Deliberation on candidates for Outside Director	●Deliberation on revisions to the officer remuneration system
Fourth meeting November 2023	●Deliberation on candidates for Outside Director	●Deliberation on revisions to the officer remuneration system
Fifth meeting December 2023	●Deliberation on the officer system and candidates for FY2024 ●Deliberation on the succession plan for the Representative Director, President	●Deliberation on revisions to the officer remuneration system
Sixth meeting January 2024	●Deliberation on the officer system and candidates for FY2024	

Succession Plan

We regard human resources strategies, including for the development and selection of successors to the Representative Director, President, as one of the most important management issues. We continuously discuss these at meetings of the Board of Directors and the Officer Appointment and Remuneration Advisory Committee, which is consulted by the Board of Directors. In developing and selecting successor candidates for the Representative Director, President, the Officer Appointment and Remuneration Advisory Committee examines the necessary requirements and skills in consideration of the linkage with the Company's corporate philosophy and management strategy, as well as the medium- to long-term business environment, and reports to the Board of Directors after sufficient deliberation.

Currently, with the composition of the Board of Directors as a whole in mind, we are discussing the areas of expertise and experience that should be strengthened by successor candidates using the skills matrix and other means.

The Board of Directors receives and discusses the report of the Officer Appointment and Remuneration Advisory Committee, approves the proposal for a new officer structure, and appoints (decides) the Representative Director, President.



Basic Policy of Executive Remuneration and Determination Process

The Board of Directors resolved the policy on determination of remuneration for individual Directors, and subsequently made partial amendments to the policy at the meeting held on February 8, 2024. The items that have changed are the abolition of officer bonuses, the ratio of remuneration for executive directors, the details of performance indicators related to performance-linked remuneration, and the details of non-monetary remuneration. Changes to performance-linked remuneration will be applied from the performance-linked remuneration of executive directors paid in FY2025 based on the FY2024 performance evaluation.

1. Executive Remuneration Basic Policy

(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 the Executive Remuneration System

(1) Structure and Content of Remuneration

1) Executive Directors
Consists of fixed remuneration and performance-linked remuneration. The ratio of performance-linked remuneration to total remuneration if 100% of the performance indicators are achieved is 30%.

(i) **Fixed remuneration:** A fixed amount is paid monthly in cash.

(ii) **Performance-linked remuneration:** If 100% of the performance indicators are achieved, the portion equivalent to two-thirds (2/3) of the 30% performance-linked remuneration in total remuneration will be paid in a fixed amount of cash on a monthly basis, and the portion equivalent to one-third (1/3) will be paid as stock compensation upon retirement of the Executive Director.

2) Outside Directors and Statutory Auditors
Considering 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 Remuneration

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 contribute.

(3) Matters Concerning Performance-Linked Remuneration

The details of the performance indicators for performance-linked remuneration are as follows.

1) Representative Director
The performance indicators for the monetary remuneration portion of the performance-linked remuneration shall be the Group's consolidated operating income. For the stock compensation (non-monetary compensation) portion, the medium- to long-term ESG numerical targets (positive response rate to the Group's employee awareness survey and ESG score results from an external evaluation organization) shall be the performance indicators.

2) Executive Directors other than the Representative Director
The performance indicators for the monetary remuneration portion of the performance-linked remuneration shall be split equally between the Group's consolidated operating income for each fiscal year and the individual performance evaluation. On the other hand, the stock compensation (non-monetary remuneration) portion shall be equal to the medium- to long-term ESG numerical targets (the positive response rate to the Group's employee awareness survey and ESG score results from an external evaluation organization).

(4) Content of Non-Monetary Remuneration

As non-monetary remuneration, Executive Directors are provided stock compensation with the performance-linked remuneration portion using medium- to long-term ESG numerical targets as performance indicators 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. If 100% of the performance indicators are achieved each year, a portion equivalent to one-third of 30% of the performance-linked remuneration in total remuneration is granted to Executive Directors in the form of points as stock-based remuneration. Executive Directors receive Company shares, etc., through the Board Incentive Plan (BIP) trust, in proportion to the points accumulated, when they retire.

3. Total Amount of Remuneration for Directors and Statutory Auditors in FY2023

Remuneration for FY2023 was paid in accordance with the policy before the change. The composition of remuneration under the policy before the change was as follows.

(i) **Basic remuneration:** Consists of two types of remuneration: fixed remuneration (equivalent to 70%) and performance-linked remuneration (equivalent to 30%), and a fixed amount paid in cash on a monthly basis. Of the basic remuneration, 10% is paid as stock-based remuneration (non-monetary remuneration).

(ii) **Executive bonuses:** Paid in a lump sum in cash in July following the resolution by the General Meeting of Shareholders.

(iii) **Stock compensation (non-monetary remuneration):** Paid to Executive Directors upon their retirement.
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 the Group's consolidated operating income, ROE, and individual performance evaluations, including contributions to ESG initiatives.

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-linked remuneration	Compensation based on the BIP Trust (performance-linked)	
Directors (Outside Directors)	290 (41)	196 (41)	66 (–)	27 (–)	11 (4)
Statutory Auditors (Outside Statutory Auditors)	54 (32)	54 (32)	– (–)	– (–)	6 (5)

Notes:
1. The amount paid to directors does not include the salaries of employees concurrently serving as director.
2. The number of eligible officers includes two Statutory Auditors (including two Outside Statutory Auditors) who retired as of June 29, 2023.
3. The total amount of remuneration related to the BIP Trust is the amount of expenses related to the points granted during the current fiscal year under the said system

Compliance and Risk Management

Compliance

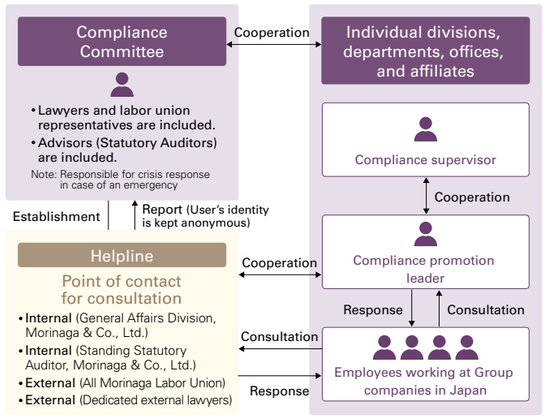
Basic Philosophy

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 Management System

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

Compliance Management System



Initiatives in FY2023 to Promote Compliance

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 FY2023, to further raise awareness of compliance, in addition to training by job class, such as training for new employees and the creation of legal training videos that can be viewed on our company-wide intranet, we conducted various compliance training programs tailored to the needs and circumstances at the Head Office and of each business site. These included training on harassment prevention and training on various laws and regulations such as the Subcontract Act and the Act against Unjustifiable Premiums and Misleading Representations.

We also conduct a compliance survey once a year for all employees of Group companies in Japan with the aim of better understanding the penetration and retention of compliance management. We monitor whether employees are acting in accordance with the Morinaga Group Code of Conduct and Standards of Behavior and whether there are any other compliance problems. The results of the compliance survey and compliance-related initiatives and issues are reported to management at the Compliance Committee for discussion. We then conduct reviews to understand the status of compliance of the Group and to lead to future measures. The discussions of the Compliance Committee are also reported to the Board of Directors in a timely manner.

Actual Compliance Training Sessions (FY2023)

Name of training	Targets	Number of participants (running total)
Training by job class	Relevant employees from each year and position	192
Training by business site	Employees of Morinaga and Group companies	836
Officer training	Directors and statutory auditors (at least once annually)	15

Operation of the Whistleblower System

We have established a helpline (anonymous whistleblowing hotline) for all employees as a point of contact for reporting various compliance violations. The helpline covers cases related to misconduct such as corruption, including bribery, and those related to human rights such as harassment and discrimination. Employees can select from four contact points: internal (General Affairs Division and Standing Statutory Auditor) and external (labor union and external lawyers). Through these contact points, we are striving to eradicate compliance violations, including corruption. We have appointed both male and female lawyers for this hotline, widening the options for those seeking consultation. They handle not only compliance violations that affect the whistleblower but also violations witnessed by others or potential violations with ambiguity. In FY2023, the helpline handled 26 cases across the entire Group, and each consultation was handled in a timely and appropriate manner while ensuring confidentiality. We will continue to strive for early detection and correction of compliance violations through appropriate operation of this system.

Risk Management

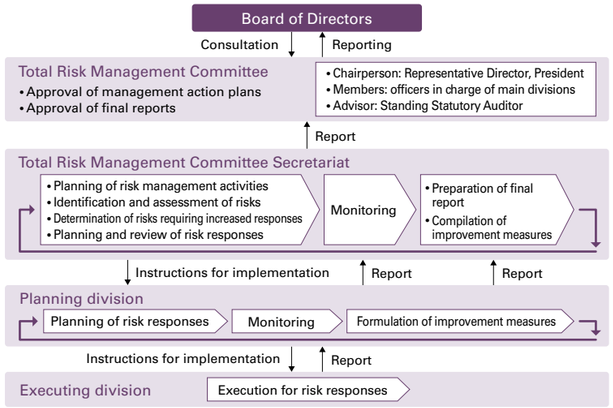
Basic Philosophy

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, and, based on the results, 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. Furthermore, to ensure business continuity in the event of a disaster, we conduct regular revisions of the business continuity management (BCM) of key 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 and Responses in Our Group

■ Important risks that might affect business performance or financial position from a short- to medium-term perspective

Risk items	Assumed risks	Degree of impact	Frequency of occurrence	Responses by the Morinaga Group
Cyber-attacks	• Leakage of personal information, customer information, and/or confidential information • Suspension of supply chains, such as production lines and logistics functions	High	Medium	• Implementation of 24-hour monitoring by the Security Operations Center • Prompt and appropriate response to security risk assessments and their results • Updating of various rules and regulations related to security as appropriate, and extensive security training for all employees • Enhancement of system security • In the event of an incident, quick and appropriate response and recovery in cooperation with all relevant parties
Product defects and recalls	• Shipment of products to the market that do not meet the specified quality standards due to contamination with foreign objects/substances or other concerns	High	Medium	• Establishment of a quality assurance system based on the Quality Assurance Policy and Quality Assurance Rules, and other guidelines • Confirmation of safety, legality, and other important items of raw materials and products through the Quality Assessment System during product development • Management and inspection of manufacturing contractors • Establishment of Crisis Response Guidelines in preparation for the occurrence of quality incidents
Occupational accidents	• 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)	High	Medium	• Establishment of the Morinaga Group Occupational Health and Safety Policy, dissemination of information both inside and outside the Company, and promotion of a safe and comfortable work environment • Labor-management safety meetings to share information on occupational accidents and to prevent accidents
Investment in property, plant, and equipment	• Failure to obtain results as anticipated and planned at the initial stage of investment, leading to impairment losses on property, plant, and equipment	High	Medium	• Implementation of investment management in accordance with the following Investment Management Policy ▷ When investing above a certain threshold, a resolution of the Board of Directors shall be obtained, and a comprehensive evaluation shall be conducted from multiple perspectives including qualitative, quantitative, and risk assessments ▷ Continuous monitoring of the return on investment, timely identification of changes, and implementation of appropriate recovery plans
Leakage of personal information due to unauthorized removal	• Leakage of confidential and important information such as customers' personal information due to unauthorized removal by officer or employee	High	Medium	• Establishment and operation of personal information handling regulations, personal information handling bylaws, and operation manuals
Supply chain disruptions caused by typhoons, storm surges, water damage, and/or floods	• Suspension of procurement, production, logistics, and sales activities due to damage to factories or warehouses, employee injuries, logistics disruptions, or other disasters • Occurrence of disaster losses related to property, plant, and equipment, and inventories due to flooding of factories	Medium	Medium	• Implementation of hazard maps, confirmation of evacuation sites, inspection of disaster prevention equipment, disaster drills, inspection of emergency rations, and other emergency measures • In the event of a typhoon or heavy rain that is predicted, monitoring of the surrounding conditions of distribution centers and product warehouses, and alerting related parties
Spread of infectious diseases	• Suspension of supply chains, such as production lines and logistics functions, due to an infectious disease spread among employees • Inefficiency in the operation of indirect tasks due to an infectious disease spread among employees at the Head Office and sales offices	Medium	Medium	• Updating of the Policy for Responding to the Spread of Infectious Diseases to ensure thorough dissemination and preparation in the event of an outbreak or at the initial stage • Stockpiling of hygiene products as a countermeasure against internal infection

■ Important risks that might affect business performance or financial position from a medium- to long-term perspective

Risk items	Assumed risks	Degree of impact	Frequency of occurrence	Responses by the Morinaga Group
Procurement of raw materials and supplies	• Shortage of raw materials and inability to procure alternative raw materials due to environmental changes such as climate change, demographics, political instability, and exchange rate fluctuations	High	High	• Decentralization and diversification of production areas and supplier procurement bases • Promotion of sustainability for important raw materials and sustainability initiatives by suppliers • Maintaining appropriate inventory levels • Execution of foreign exchange contracts and other measures to hedge against currency fluctuations
Increased costs for compliance with greenhouse gas emission regulations	• Additional energy-related costs due to greenhouse gas emission regulations	Medium	High	• Transition to a highly efficient production system by promoting the changeover to smart factories • Replacement of aging equipment with energy-saving equipment • Takasaki Morinaga Co., Ltd., has started using solar power through an on-site PPA • Promotion of the introduction of renewable energy
Increased costs of compliance with energy-saving policies	• Additional costs incurred due to investments in manufacturing equipment associated with energy-saving measures	High	Medium	
Stagnation of succession planning	• Inability to continuously produce executives due to failure to properly create and operate succession plans	High	Medium	• Selection and annual review of officer candidates, general manager candidates, and manager candidates, and implementation of selective training and planned allocation of candidates • Securing of diverse human resources through external mid-career recruitment in parallel with internal selection and training

For more detail, refer to the "Annual Securities Report" on the Company's website. https://pdf.irpocket.com/C2201/XVHq/CK0e/dhux.pdf

Executive Management Team

(as of June 27, 2024)

Directors



Term of office as a director	13 years
Board of Directors meeting attendance	15/15 times
Responsibilities	Audit Division
Number of shares of the Company owned (of which, to be issued as stock compensation)	43,086 (20,186)

Representative Director, President

Eijiro Ota

June 30, 1959

Significant concurrent positions

President of Morinaga Angel Foundation
President of All Nippon Kashi Association
Chairman of Japan Foods & Biotechnology Intellectual Property Rights Center

•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)
Jun. 2024	Chairman of Japan Foods & Biotechnology Intellectual Property Rights Center (present)



Term of office as a director	5 years
Board of Directors meeting attendance	15/15 times
Responsibilities	R&D Center, Quality Assurance Division, Customer Service Center, Intellectual Property Strategy Division
Number of shares of the Company owned (of which, to be issued as stock compensation)	12,100 (7,100)

Director, Managing Executive Officer

Shinya Mori

March 14, 1962

•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)



Term of office as a director	5 years
Board of Directors meeting attendance	15/15 times
Responsibilities	Corporate Strategy Division, General Affairs Division, Strategic Investment Division, DX Promotion Division
Number of shares of the Company owned (of which, to be issued as stock compensation)	10,040 (7,140)

Director, Managing Executive Officer

Daisuke Fujii

October 18, 1964

•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)



Term of office as a director	2 years
Board of Directors meeting attendance	15/15 times
Responsibilities	Sales Headquarters and Logistics Division
Number of shares of the Company owned (of which, to be issued as stock compensation)	14,632 (3,032)

Director, Senior Executive Officer

Hideki Matsunaga

February 16, 1967

•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



Term of office as a director	2 years
Board of Directors meeting attendance	15/15 times
Responsibilities	Accounting Division, Corporate Communications Division
Number of shares of the Company owned (of which, to be issued as stock compensation)	4,252 (3,052)

Director, Senior Executive Officer

Tetsuya Takagi

August 16, 1963

Significant concurrent positions

Representative Director,
President of Morinaga Finance Co., Ltd.

•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)



Term of office as a director	–
Board of Directors meeting attendance	–
Responsibilities	Marketing Headquarters, Sustainable Management Division, Direct Marketing Division
Number of shares of the Company owned (of which, to be issued as stock compensation)	500 (0)

Director, Senior Executive Officer

Kenji Takanami

March 6, 1972

•Career summary

Apr. 1994	Joined Morinaga & Co., Ltd.
Apr. 2016	General Manager of Confectionery Marketing Division, Marketing Headquarters of the Company
Apr. 2017	General Manager of Frozen Desserts Marketing Division, Marketing Headquarters of the Company
Apr. 2021	Representative Director, President of Aunt Stella Inc.
Apr. 2024	Senior Executive Officer of the Company
Jun. 2024	Director, Senior Executive Officer of the Company (present)



Term of office as a director	3 years
Board of Directors meeting attendance	15/15 times
Number of shares of the Company owned	0

Outside Director (Independent Officer)

Kuniko Urano

October 19, 1956

Significant concurrent positions

Outside Director, Yokogawa Electric Corporation
Outside Director, NIPPON STEEL CORPORATION

•Career summary

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

•Reason for appointment

Ms. Kuniko Urano has a wealth of experience as an executive in the machine industry, and based on the above experience, she has provided objective and neutral advice on overall management coming from a broad perspective that extends beyond the Company's industry to contribute to the strengthening of corporate governance.



Term of office as a director	–
Board of Directors meeting attendance	–
Number of shares of the Company owned	0

Outside Director (Independent Officer)

Tamaki Sawamura

October 3, 1962

Significant concurrent positions

Outside Director,
Takara Standard Co., Ltd.

•Career summary

Aug. 1985	Joined Nestlé Japan Ltd.
Jul. 1991	Joined Asatsu International Inc.
Oct. 1992	Joined Dentsu East Japan Inc.
Oct. 2007	Joined Aflac Life Insurance Japan Ltd.
Apr. 2008	General Manager, Advertising Department of Aflac Life Insurance Japan Ltd.
Jan. 2015	Executive Officer responsible for the marketing division of Aflac Life Insurance Japan Ltd.
Jan. 2023	Advisor of Aflac Life Insurance Japan Ltd. (present)
Aug. 2023	Advisor of HomeServe Japan Corporation (present)
Jun. 2024	Outside Director of Takara Standard Co., Ltd. (present) Outside Director of Morinaga & Co., Ltd. (present)

•Reason for appointment

Ms. Tamaki Sawamura has a wealth of experience as an executive and advisor in the insurance industry and the service industry, and based on the above experience, she is expected to provide objective and neutral advice on overall management coming from a broad perspective that extends beyond the Company's industry to contribute to the strengthening of corporate governance.

Statutory Auditors



Board of Statutory Auditors meeting attendance	16/16 times
Board of Directors meeting attendance	15/15 times
Number of shares of the Company owned	5,100

Standing Statutory Auditor

Toshiaki Fukunaga

February 4, 1960

•Career summary

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



Board of Statutory Auditors meeting attendance	12/12 times
Board of Directors meeting attendance	11/11 times
Number of shares of the Company owned	0

Outside Statutory Auditor (Independent Officer)

Sawako Ueno

August 12, 1964

Significant concurrent positions

Head of Sawako Ueno Certified Public Accountant Office
Outside Statutory Auditor of AIRPORT FACILITIES CO., LTD.
Outside Director of SUMIDA CORPORATION (Audit Committee Member)

•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) Outside Statutory Auditor of AIRPORT FACILITIES CO., LTD. (present)
Mar. 2024	Outside Director of SUMIDA CORPORATION (Audit Committee Member) (present)

•Reason for appointment

Ms. Sawako 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 based on this knowledge and experience.



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

Outside Director (Independent Officer)

Shinji Sakaki

January 23, 1957

Significant concurrent positions

Outside Director (Audit and Supervisory Committee Member), SAN-A CO., LTD.
Outside Director, Senshukai Co., Ltd.

•Career summary

Apr. 1980	Joined TOKYU LAND CORPORATION
Apr. 2006	Executive Officer and General Manager of Corporate Planning Division of TOKYU LAND CORPORATION
Jun. 2007	Director and Managing Executive Officer of Tokyu Hands Inc. (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.
Apr. 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)
Mar. 2024	Outside Director of Senshukai Co., Ltd. (present)

•Reason for appointment

Mr. Shinji Sakaki has a wealth of experience as an executive in the retail industry and real estate industry, and based on the above experience, he has provided objective and neutral advice on overall management coming from a broad perspective that extends beyond the Company's industry to contribute to the strengthening of corporate governance.



Board of Statutory Auditors meeting attendance	12/12 times
Board of Directors meeting attendance	11/11 times
Number of shares of the Company owned	400

Standing Outside Statutory Auditor (Independent Officer)

Takehiko Sasamori

August 7, 1962

•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. Takehiko 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 based on this knowledge and experience.



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

Outside Statutory Auditor (Independent Officer)

Hideo Kishi

May 13, 1958

Significant concurrent positions

Professor, Tokyo Metropolitan University Law School

•Career summary

Apr. 1988	Appointed Judge
Feb. 2019	Chief Judge of Takamatsu District Court
Dec. 2020	Chief Judge of Nagano District Court and Family Court
Apr. 2022	Chief Judge of Chiba Family Court
Apr. 2024	Professor, Tokyo Metropolitan University Law School (present)
Jun. 2024	Outside Statutory Auditor of Morinaga & Co., Ltd. (present)

•Reason for appointment

Mr. Hideo Kishi has a high level of expertise and experience as a judge and university professor. He provides objective and neutral audits from a broad perspective based on this knowledge and experience.

11-Year Financial and Non-Financial Summary

Financial information

Accounting year	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020*6	FY2021*6	FY2022*6	**FY2023*6**
Net sales	(Million yen)	164,603	177,929	181,868	199,479	205,022	205,368	208,878	168,240	181,251	194,373	**213,368**
Operating income	(Million yen)	3,858	5,939	11,456	17,612	19,751	20,217	21,230	19,176	17,685	15,235	**20,273**
Ordinary income	(Million yen)	4,446	6,530	12,062	18,325	20,422	20,767	21,950	19,782	18,247	15,757	**21,039**
Profit attributable to owners of parent	(Million yen)	8,090	3,806	8,092	11,115	10,289	12,816	10,824	13,416	27,773	10,059	**15,154**
Capital investment	(Million yen)	14,517	2,393	7,406	3,750	7,310	7,983	10,661	20,404	20,411	9,995	**14,998**
Depreciation	(Million yen)	6,808	6,581	6,130	5,771	5,820	5,835	6,230	7,909	10,032	10,087	**9,492**
R&D expenses	(Million yen)	1,984	2,005	2,152	2,210	2,205	2,194	2,240	2,217	2,686	2,892	**3,206**
Cash flow from operating activities	(Million yen)	7,684	11,182	16,715	18,400	17,788	20,897	20,994	12,127	24,825	(2,966)	**30,174**
Cash flow from investing activities	(Million yen)	(6,459)	(3,022)	(2,091)	(29,736)	8,154	(20,025)	16,993	(19,862)	9,312	(14,209)	**(5,345)**
Cash flow from financial activities	(Million yen)	(5,764)	(1,491)	(2,311)	(2,398)	(17,906)	(11,888)	(4,375)	(4,084)	(5,943)	(7,348)	**(14,073)**
Free cash flow*1	(Million yen)	625	8,159	14,223	15,663	13,943	15,871	7,988	(7,735)	34,318	(17,080)	**24,829**
End of fiscal year												
Total assets*2	(Million yen)	144,441	151,310	163,085	183,112	177,920	175,837	188,060	202,910	214,300	205,226	**223,644**
Net assets	(Million yen)	62,594	69,393	77,223	91,763	100,331	97,193	105,487	123,706	131,174	125,856	**132,653**
Interest-bearing debt*3	(Million yen)	26,200	26,764	26,446	26,282	11,265	10,666	10,000	10,000	10,000	19,000	**19,000**
Financial indicators												
Operating income to net sales ratio	(%)	2.3	3.3	6.3	8.8	9.6	9.8	10.2	11.4	9.8	7.8	**9.5**
Return on equity (ROE)	(%)	14.4	6.0	11.5	13.6	11.0	13.2	10.8	11.8	22.0	7.9	**11.8**
Return on assets (ROA)*2	(%)	3.1	4.4	7.7	10.6	11.3	11.7	12.1	10.1	8.7	7.5	**9.8**
Equity ratio*2	(%)	41.5	43.8	45.7	48.7	55.0	54.8	55.7	60.5	60.7	60.7	**58.7**
D/E ratio	(Times)	0.44	0.40	0.35	0.29	0.12	0.11	0.10	0.08	0.08	0.15	**0.14**
Book value per share (BPS)*4	(Yen)	575.65	637.05	716.25	856.75	941.11	958.61	1,040.39	1,220.62	1,301.97	1,322.63	**1,448.01**
Earnings per share (EPS)*4	(Yen)	77.69	36.56	77.74	106.80	98.88	123.57	107.59	133.36	276.29	104.38	**165.60**
Dividend per share*4	(Yen)	15.00	15.00	17.50	22.50	25.00	33.00	36.00	40.00	45.00	50.00	**55.00**
Dividend payout ratio	(%)	19.3	41.0	22.5	21.1	25.3	26.7	33.5	30.0	16.3	47.9	**33.2**
Dividend on equity ratio	(%)	2.8	2.5	2.6	2.9	2.8	3.5	3.6	3.5	3.6	3.8	**4.0**
Total payout ratio*5	(%)	19.5	41.5	22.9	21.5	26.7	92.5	33.6	30.1	21.5	157.9	**90.2**

*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 5-for-1 share reverse stock split on October 1, 2016. In addition, the Company implemented a 1-for-2 stock split on January 1, 2024. Figures calculated assuming that the reverse stock split and stock split were 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 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 reflect retroactive application of the said accounting standard.

Non-financial information

			Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	**FY2023**
Number of employees*7	Consolidated		(People)	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)	**3,093 (1,832)**
Ratio of female managers*8	Morinaga & Co., Ltd.		(%)	4.2	4.4	4.2	4.6	5.2	6.7	7.7	8.3	9.4	11.6	**11.9**
Procurement ratio of sustainable raw materials*9	Japan	Cacao beans	(%)									9	34	**78**
		Palm oil	(%)									2	9	**52**
		Paper	(%)									98	99.9	**100**
CO_2 emissions*10,*11	Japan	Scope 1	(Thousand t-CO_2)	63.9	58.0	55.3	57.0	56.7	24.0	20.6	21.4	22.3	22.3	**21.0**
		Scope 2	(Thousand t-CO_2)						50.1	46.9	47.5	53.4	54.0	**48.8**
	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	**4.4**
		Scope 2	(Thousand t-CO_2)						6.6	7.2	6.3	6.8	6.8	**7.3**
Amount of water consumption*11,*12	Japan		(Thousand tons)	1,556.0	1,487.9	1,482.5	1,548.7	1,529.9	1,556.3	1,592.8	1,602.1	1,599.0	1,706.1	**1,631.4**
	Overseas		(Thousand tons)	130.6	215.3	182.6	246.6	208.9	158.7	148.0	169.7	179.4	203.5	**215.5**
Amount of waste emissions*13	Japan		(Tons)	11,410	10,093	9,796	9,962	9,843	9,716	9,556	9,393	10,843	9,554	**9,798**
	Overseas		(Tons)	301	1,109	1,210	1,264	860	515	616	588	690	757	**868**

*7 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.
*8 Figures are non-consolidated for Morinaga & Co., Ltd., as of April 1 of each fiscal year. The calculation method has been changed from FY2023 (calculated based on the provisions of the "Act on Promotion of Women's Participation and Advancement in the Workplace" (Act No. 64, 2015)). The figures for FY2022 used for comparison with the previous fiscal year are the figures after retroactive application of the said standards.
*9 Paper covers product packaging only.
*10 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.
*11 Figures for FY2020 onward are for the Group in Japan on a consolidated basis and figures for FY2023 onward are for the Group overseas on a consolidated basis. Both figures cover CO_2 emissions (Scope 1 and 2) and water consumption and have obtained third-party assurance by LRQA Limited.
*12 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.
*13 Figures for production sites both in Japan and overseas.

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)

	FY2022 (March 31, 2023)	**FY2023 (March 31, 2024)**
Assets		
Current assets		
Cash and deposits	36,362	**44,900**
Notes and accounts receivable–trade	23,712	**30,623**
Securities	–	**4,999**
Merchandise and finished goods	16,330	**16,939**
Work in progress	498	**615**
Raw materials and supplies	14,761	**11,084**
Income taxes receivable	3,328	**–**
Other	6,421	**8,928**
Allowance for doubtful accounts	(43)	**(46)**
Total current assets	101,371	**118,045**
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,990	**67,101**
Accumulated depreciation	(32,940)	**(31,234)**
Buildings and structures–net	30,050	**35,867**
Machinery, equipment and vehicles	100,894	**101,967**
Accumulated depreciation	(72,269)	**(74,935)**
Machinery, equipment and vehicles–net	28,624	**27,031**
Tools, furniture and fixtures	5,281	**6,205**
Accumulated depreciation	(4,112)	**(4,448)**
Tools, furniture and fixtures–net	1,168	**1,756**
Land	20,734	**12,994**
Lease assets	2,355	**2,358**
Accumulated depreciation	(1,051)	**(1,159)**
Lease assets–net	1,304	**1,198**
Construction in progress	4,373	**1,841**
Total property, plant and equipment	86,256	**80,690**
Intangible assets		
Software	192	**260**
Other	647	**1,755**
Total intangible assets	839	**2,015**
Investments and other assets		
Investment securities	10,167	**13,217**
Net defined benefit asset	4,605	**6,764**
Deferred tax assets	1,102	**1,613**
Other	919	**1,330**
Allowance for doubtful accounts	(35)	**(34)**
Total investments and other assets	16,759	**22,891**
Total noncurrent assets	103,855	**105,598**
Total assets	205,226	**223,644**

(Million yen)

	FY2022 (March 31, 2023)	**FY2023 (March 31, 2024)**
Liabilities		
Current liabilities		
Notes and accounts payable–trade	22,798	**23,002**
Lease obligations	490	**467**
Accounts payable–other	10,156	**12,720**
Income taxes payable	360	**6,192**
Refund liabilities	3,916	**5,720**
Allowance for bonuses	2,696	**3,089**
Other	10,879	**13,242**
Total current liabilities	51,297	**64,436**
Long-term liabilities		
Bonds payable	9,000	**9,000**
Long-term loans	10,000	**10,000**
Lease obligations	950	**854**
Deferred tax liabilities	333	**50**
Provision for directors' stock benefits	88	**115**
Provision for environmental measures	273	**149**
Net defined benefit liability	3,640	**2,677**
Asset retirement obligations	66	**66**
Deposits received	3,633	**3,557**
Other	86	**82**
Total long-term liabilities	28,072	**26,554**
Total liabilities	79,370	**90,991**
Net assets		
Shareholders' equity		
Common stock	18,612	**18,612**
Capital surplus	17,186	**17,186**
Retained earnings	83,396	**86,305**
Treasury stock	(3,713)	**(4,865)**
Total shareholders' equity	115,482	**117,239**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,201	**7,610**
Deferred gains or losses on hedges	3	**(2)**
Foreign currency translation adjustments	2,263	**3,027**
Remeasurements of defined benefit plans	1,615	**3,327**
Total accumulated other comprehensive income	9,082	**13,963**
Non-controlling interests	1,290	**1,450**
Total net assets	125,856	**132,653**
Total liabilities and net assets	205,226	**223,644**

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)

	FY2022 (April 1, 2022– March 31, 2023)	**FY2023 (April 1, 2023– March 31, 2024)**
Net sales	194,373	**213,368**
Cost of sales	117,721	**126,679**
Gross profit	76,651	**86,689**
Selling, general and administrative expenses	61,415	**66,416**
Operating income	15,235	**20,273**
Non-operating income		
Interest income	19	**29**
Dividends income	270	**298**
Equity in earnings of affiliates	4	**0**
Subsidy income	263	**363**
Other	303	**289**
Total non-operating income	861	**981**
Non-operating expenses		
Interest expenses	56	**105**
Bond issuance costs	51	**–**
Depreciation	85	**39**
Commission for purchase of treasury stock	76	**2**
Other	68	**67**
Total non-operating expenses	339	**214**
Ordinary income	15,757	**21,039**
Extraordinary income		
Gain on sales of noncurrent assets	7	**985**
Gain on sales of investment securities	274	**782**
Insurance claim income	100	**–**
Other	–	**184**
Total extraordinary income	382	**1,952**
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,535	**508**
Impairment losses	649	**1,712**
Other	71	**194**
Total extraordinary loss	2,256	**2,415**
Income before income taxes	13,884	**20,576**
Income taxes—current	2,964	**7,913**
Income taxes—deferred	628	**(2,711)**
Total income taxes	3,593	**5,201**
Net income	10,291	**15,374**
Profit attributable to non-controlling interests	231	**220**
Profit attributable to owners of parent	10,059	**15,154**

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2022 (April 1, 2022– March 31, 2023)	**FY2023 (April 1, 2023– March 31, 2024)**
Net income	10,291	**15,374**
Other comprehensive income		
Valuation difference on available-for-sale securities	(195)	**2,409**
Deferred gains or losses on hedges	5	**(2)**
Foreign currency translation adjustments	1,006	**876**
Remeasurements of defined benefit plans, net of tax	(629)	**1,709**
Share of other comprehensive income of associates accounted for using equity method	5	**(6)**
Total other comprehensive income	193	**4,987**
Net comprehensive income	10,484	**20,361**
(Breakdown)		
Comprehensive income attributable to owners of parent	10,182	**20,034**
Comprehensive income attributable to non-controlling interests	302	**326**

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

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

FY2023 (April 1, 2023 – March 31, 2024)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	**18,612**	**17,186**	**83,396**	**(3,713)**	**115,482**
Changes of items during the period					
Dividends from surplus			**(4,712)**		**(4,712)**
Profit attributable to owners of parent			**15,154**		**15,154**
Purchase of treasury stock				**(8,685)**	**(8,685)**
Disposal of treasury stock		**0**		**0**	**0**
Cancellation of treasury stock		**(0)**	**(7,532)**	**7,532**	**–**
Net changes of items other than shareholders' equity					
Total changes of items during the period	**–**	**–**	**2,908**	**(1,152)**	**1,756**
Balance at end of the fiscal year	**18,612**	**17,186**	**86,305**	**(4,865)**	**117,239**

	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	**5,201**	**3**	**2,263**	**1,615**	**9,082**	**1,290**	**125,856**
Changes of items during the period							
Dividends from surplus							**(4,712)**
Profit attributable to owners of parent							**15,154**
Purchase of treasury stock							**(8,685)**
Disposal of treasury stock							**0**
Cancellation of treasury stock							**–**
Net changes of items other than shareholders' equity	**2,409**	**(5)**	**764**	**1,712**	**4,880**	**159**	**5,040**
Total changes of items during the period	**2,409**	**(5)**	**764**	**1,712**	**4,880**	**159**	**6,796**
Balance at end of the fiscal year	**7,610**	**(2)**	**3,027**	**3,327**	**13,963**	**1,450**	**132,653**

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)

	FY2022 (April 1, 2022 – March 31, 2023)	**FY2023 (April 1, 2023 – March 31, 2024)**
Operating activities		
Income before income taxes	13,884	**20,576**
Depreciation	10,087	**9,492**
Impairment loss	649	**1,712**
Amortization of goodwill	98	**–**
Increase (decrease) in provision for directors' stock benefits	5	**27**
Increase (decrease) in net defined benefit liability	(4,760)	**69**
(Increase) decrease in net defined benefit asset	(1,154)	**(714)**
Increase (decrease) in allowance for bonuses	(13)	**379**
Increase (decrease) in allowance for doubtful accounts	(6)	**1**
Increase (decrease) in provision for environmental measures	(0)	**(123)**
Interest and dividends income	(290)	**(327)**
Subsidy income	(263)	**(363)**
Interest expenses	56	**105**
Equity in losses (earnings) of affiliates	(4)	**(0)**
Loss (gain) on sales of investment securities	(274)	**(782)**
(Gain) loss on sales of noncurrent assets	58	**(812)**
Loss on retirement of noncurrent assets	1,468	**335**
Insurance income	(100)	**–**
(Increase) decrease in notes and accounts receivable–trade	(1,128)	**(6,689)**
(Increase) decrease in inventories	(7,138)	**3,293**
Increase (decrease) in notes and accounts payable–trade	2,171	**68**
Other	(1,387)	**2,041**
Subtotal	11,958	**28,289**
Interest and dividends income received	288	**322**
Interest expenses paid	(34)	**(104)**
Income taxes (paid) refund	(15,290)	**1,052**
Proceeds from subsidy income	11	**614**
Proceeds from insurance income	100	**–**
Net cash provided by (used in) operating activities	(2,966)	**30,174**

(Million yen)

	FY2022 (April 1, 2022 – March 31, 2023)	**FY2023 (April 1, 2023 – March 31, 2024)**
Investing activities		
Net decrease (increase) in time deposits	(95)	**–**
Purchase of securities	–	**(2,500)**
Purchase of property, plant and equipment	(13,304)	**(9,091)**
Proceeds from sales of property, plant and equipment	176	**7,666**
Purchase of intangible assets	(282)	**(1,382)**
Purchase of investment securities	(2)	**(2)**
Proceeds from sales of investment securities	285	**1,256**
Other	(987)	**(1,292)**
Net cash provided by (used in) investing activities	(14,209)	**(5,345)**
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	(11,250)	**(8,685)**
Proceeds from sales of treasury stock	20	**0**
Cash dividends paid	(4,497)	**(4,712)**
Dividends paid to non-controlling interests	(151)	**(166)**
Other	(417)	**(508)**
Net cash provided by (used in) financing activities	(7,348)	**(14,073)**
Effect of exchange rate change on cash and cash equivalents	454	**267**
Net increase (decrease) in cash and cash equivalents	(24,068)	**11,024**
Cash and cash equivalents at beginning of period	60,146	**36,077**
Cash and cash equivalents at end of period	36,077	**47,101**

Corporate Profile/Stock Information/Third-Party Assurance

Corporate Profile

(as of March 31, 2024)

Company Name: Morinaga & Co., Ltd.
Representative: Eijiro Ota, Representative Director, President
Headquarters: 1-13-16 Shibaura, Minato-ku, Tokyo 105-8309, 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)
Net Sales: Consolidated 213,368 million yen, Non-consolidated 173,340 million yen
Number of Employees: Consolidated 3,093, Non-consolidated 1,504 (average age: 43.5 years)

Business Offices and Affiliated Companies

(as of June 30, 2024)

Main Offices

Head Office
Hokkaido Branch Office
Tohoku Branch Office
Tokyo Branch Office
Kanto Shin-etsu Branch Office
Chubu Branch Office
Kansai Branch Office
Chugoku Shikoku Branch Office
Kyushu Branch Office
Oyama Factory
Tsurumi Factory
Mishima Factory
Chukyo 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 BioScience, Inc.
  Morinaga Business Partner Co., Ltd.
  SEE THE SUN Inc. ★
  BAQTEX Co., Ltd. ★

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)

★Non-consolidated companies accounted for using the equity method

Stock and Shareholder Information

(as of March 31, 2024)

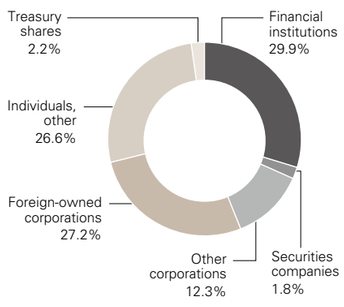
Stock Exchange Listing: TSE Prime Market
Industry: Food products
Securities Code: 2201
Share Unit Number: 100 shares
Fiscal Year: April 1 to March 31 of the following year
Total Number of Shares Authorized to Be Issued: 200,000,000
Total Number of Shares Issued: 90,677,454 (excluding 2,037,084 shares of treasury stock)
Number of Shareholders: 38,029

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)	12,124	13.3
Custody Bank of Japan, Ltd. (Trust account)	6,947	7.6
Morinaga Business Partner Shareholding Association	6,512	7.1
Meiji Yasuda Life Insurance Company	2,242	2.4
MUFG Bank, Ltd.	1,704	1.8
SSBTC CLIENT OMNIBUS ACCOUNT	1,563	1.7
JP MORGAN CHASE BANK 385632	1,560	1.7
MORINAGA MILK INDUSTRY CO., LTD.	1,372	1.5
MITSUI & CO., LTD.	1,372	1.5
Mizuho Bank, Ltd.	1,278	1.4

* The Company holds 2,037,084 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

2024 MSCI ESG Leaders Indexes Constituent
2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX
FTSE4Good
FTSE Blossom Japan Index
CDP DISCLOSURE INSIGHT ACTION

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

Third-Party Assurance

The Morinaga Group has received assurance from LRQA Limited since FY2020 for the following information appearing in this report to enhance the reliability and accuracy of the information contained in the Morinaga Group Integrated Report 2024.

Scope of assurance		
	CO_2 emissions PP.63, 85–86	Amount of water consumption PP.85–86

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/sustainability/data/pdf/3rd-e_2024.pdf

Assurance of Executive Officer in Charge



Kenji Takanami
Director, Senior Executive Officer
Responsible for Sustainable Management Division

Message on Publication of Morinaga Group Integrated Report 2024

The Group, which launched its 2030 Business Plan in FY2021, is promoting corporate activities with the vision of changing into a wellness company. The Morinaga Group has published an integrated report since FY2021. The objective of our integrated report is to deepen the understanding of stakeholders, including shareholders and investors, about our efforts to enhance corporate value over the medium to long term.

In this report, which marks the fourth such report, we have provided a concise overview of the 2024 Medium-Term Business Plan. We have also included special features on our overseas business strategies for medium- to long-term global growth and our efforts to develop *Passienol*™ as a new business. We hope this content will help our stakeholders better understand the Group's initiatives and potential.

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 emphasize dialogue with our stakeholders and aim to further enhance the content of disclosures and communications. We look forward to your honest feedback.

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 an 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 stakeholders and define our path toward value creation. Referencing the International Integrated Reporting Framework and the 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.

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

Information Disclosures System



- **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**
  FY2023 (April 1, 2023, through March 31, 2024)
  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, 2024) are referred to as the Morinaga Group, or the Group.