

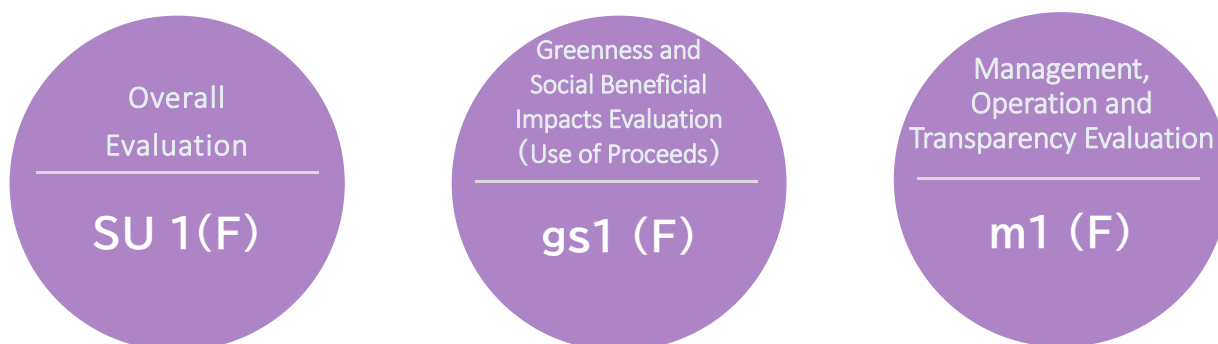
23-D-1243
December 14, 2023

Japan Credit Rating Agency, Ltd. (JCR) announces the review results of the Sustainability Finance Framework evaluation as follows.

Morinaga & Co., Ltd.

Sustainable Finance Framework

Affirmation



Issuer/Borrower	Morinaga & Co., Ltd. (Security code: 2201)
Subject	Morinaga & Co., Ltd. Sustainable Finance Framework

Evaluation overview

On November 10, 2022, JCR published an overall evaluation of "SU1 (F)" for the Sustainable Finance Framework for green and social finance developed by Morinaga & Co., Ltd. The main outline is as follows.

(The following is an excerpt from the evaluation report dated November 10, 2022)

Established in 1899, Morinaga & Co., Ltd. ("Morinaga" or the "Company") is a confectionery manufacturer with a business history of more than 120 years. It has many long-selling products created over its long history. Representative brands include "Milk Caramels," "Morinaga Biscuits," "HI-CHEW," "DARS," "Koeda Chocolate," "Chocoball," "Ottotto," "Morinaga Cocoa," and "Morinaga Amazake" for confectionery, "Choco Monaka Jumbo" for frozen desserts and jelly drinks "in Jelly" for health department. (Omission)

In May 2021, the Morinaga Group has formulated its "2030 Business Plan" for the long term up to 2030. In this plan, the Morinaga Group has set forth its 2030 Vision, which reads: "The Morinaga Group will change into a Wellness Company in 2030," and is working to provide three values: "Health of the mind," "Health of the body," and "Health of the environment."

The scope of this evaluation is the Sustainable Finance Framework established by Morinaga for the implementation of sustainable finance. JCR evaluates whether the Framework complies with the Green Bond Principles (2021 edition), the Green Loan Principles (2021 edition), the Social Bond Principles (2021 edition), the Social Loan Principles (2021 edition), the Sustainability Bond Guidelines (2021 edition), the Green Bond Guidelines (2022 edition), the Green Loan Guidelines (2022 edition) and the Social Bond Guidelines. These principles and others are not binding, as they are voluntarily published principles or guidelines by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), the Loan Syndications and Trading Association (LSTA), the Ministry of the Environment (MOE) and the Financial Services Agency (FSA), and are not regulations, but JCR evaluates the Framework by referring to these principles and guidelines as the unified standards in Japan and abroad.

Morinaga plans to use the proceeds from sustainable finance to finance or refinance green projects and/or social projects that meet predetermined eligibility criteria. JCR assesses that all uses of proceeds have environment improvement effects and/or social benefits.

JCR confirmed that projects for which the proceeds are to be used were selected with the involvement of management and departments with specialized knowledge, that proceeds management are clearly defined and are scheduled to be properly managed, and that matters required for reporting are scheduled to be disclosed. Given these facts, JCR confirmed that the management of Morinaga has established a system for managing and operating sustainable finance under this framework and that highly transparent. JCR also confirmed that the management of Morinaga positions sustainability as a high-priority issue with high importance.

(End of the excerpt)

JCR has confirmed that the contents of the framework have not changed since its development.

JCR has been confirmed that the reporting content of bonds issued under the framework meets the factors stated in the framework.

Based on the above review and JCR Sustainability Finance Framework Evaluation Methodology, JCR assigned "gs1 (F)" to the "Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds)," "m1 (F)" to the "Management, Operation and Transparency Evaluation," and "SU 1 (F)" to the "JCR Sustainability Finance Framework Evaluation." The Framework is also considered to meet the standards

for items required by the Green Bond Principles¹, the Green Loan Principles², the Social Bond Principles³, the Social Loan Principles⁴, the Sustainability Bond Guidelines⁵, the Green Bond Guidelines⁶, the Green Loan Guidelines⁷, and the Social Bond Guidelines⁸.

¹ ICMA (International Capital Market Association) Green Bond Principles 2021

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

² LMA, APLMA, LSTA Green Loan Principles 2021

<https://www.lsta.org/content/green-loan-principles/>

³ ICMA Social Bond Principles 2021

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

⁴ LMA, APLMA, LSTA Social Loan Principles 2021

<https://www.lsta.org/content/social-loan-principles-slp/>

⁵ Sustainability Bond Guideline 2021

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁶ MOE Green Bond Guidelines 2022

<https://www.env.go.jp/content/000128193.pdf>

⁷ MOE Green Loan Guidelines 2022

<https://www.env.go.jp/content/000128193.pdf>

⁸ FSA Social Bonds Guidelines

<https://www.fsa.go.jp/en/news/2021/001.pdf>

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■ Review Contents

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2. Criteria and process for selecting the use of proceeds
3. Management of proceeds
4. Reporting
5. Organizational sustainability initiatives

■ Review Results (Conclusion)

Review Items

In this section, JCR describes the items to be confirmed in the review of the framework. The review focuses on items, which content is changed compared with that of the previous evaluation.

1. Use of proceeds (eligibility criteria)

JCR evaluates if the use of proceeds or eligible criteria categories for Sustainability Finance remain the same from the methods stipulated by the issuer/borrower when assigning the Sustainability Finance Framework Evaluation.

2. Criteria and process for selecting the use of proceeds

JCR evaluates if there have been no changes to the objectives to be achieved through the Sustainability Finance, the criteria for selecting Sustainability projects, the adequacy of the process, and the series of processes to be implemented since assigning the Framework Evaluation.

3. Management of proceeds

JCR evaluates whether the proceeds are certainly allocated for Sustainability projects or not. JCR also evaluates if there is a structure and internal system in which the allocation status can be easily tracked and managed.

4. Reporting

JCR evaluates if the environmental improvement effects /social benefits resulting from the Sustainability project financed by Sustainability finance are appropriately calculated according to the method stipulated by the issuer/borrower when assigning the Framework Evaluation.

5. Organizational sustainability initiatives

JCR evaluates if the issuer's/borrower's management highly prioritizes sustainability issues.

Review content

1. Use of proceeds (eligibility criteria)

At the time of the previous evaluation, JCR evaluated the procurement of proceeds and eligibility criteria described in this framework were appropriate. For this latest review, JCR checked with Morinaga and confirmed that there were no changes from the previous evaluation.

2. Criteria and process for selecting the use of proceeds

At the time of the previous evaluation, JCR evaluated that the criteria for selecting the use of proceeds and the process described in this framework were appropriate. For this latest review, JCR checked with Morinaga and confirmed that there were no changes from the previous evaluation.

3. Management of proceeds

At the time of the previous evaluation, JCR evaluated the validity and transparency of the management of the proceeds described in this framework as appropriate. For this latest review, JCR checked with Morinaga and confirmed that there were no changes from the previous evaluation.

4. Reporting

Proceeds allocation reporting

In this framework, Morinaga will conduct the following as reporting on the status of proceeds allocation.

- The list and overview of eligible projects to which proceeds have been allocated (including progress of the projects)
- The amount of net proceeds allocated
- The amount of net proceeds pending allocation and expected timing for allocation
- The amount or share of refinancing

JCR has confirmed the reporting regarding the allocation status of proceeds for the bonds issued by Morinaga based on this framework (Morinaga & Co., Ltd. Limited 15th unsecured straight bonds (with specific inter-bond pari passu clause for short) (Sustainability bond)). JCR have confirmed that the completion and operation start date of the Morinaga Shibaura Building on the reporting material and the other three items have also met that described on the next page. JCR evaluated these reporting materials as appropriate.

Morinaga Shibaura Building

Completion; January 2024, Start of operations; April 2024

Projects	The amount of proceeds	The amount of net proceeds allocated (The amount or share of refinancing)	The amount of net proceeds pending allocation (Expected timing for allocation)
Expenditure for rebuilding the Morinaga Shibaura Building ⁹	JPY 8.945 billion	JPY 5.877 billion (0)	JPY 3.068 billion (June 30, 2024)

Table 1: Morinaga's proceeds Allocation Reporting¹⁰

Impact reporting

Under this framework, there are no changes to Morinaga's impact reporting for green projects and social projects. JCR confirmed the impact reporting content of the bonds issued by Morinaga based on this framework (Morinaga & Co., Ltd. Limited 15th unsecured straight bonds (with specific inter-bond pari passu clause for short) (Sustainability bond)), and JCR confirmed that the reporting stuffs were sufficient and evaluated it as appropriate.

[Green Project]

Eligible project	Indices
Green Buildings/ Energy efficiency	<ul style="list-style-type: none"> - Acquisition of third-party green building certifications : ZEB Ready - CO₂ emissions avoided: About 464 (t-CO₂) (Theoretical values)¹¹ <p>※The Morinaga Shibaura Building is planning to use 100% green electricity starting from February 2024.</p>

⁹ The name of the building was "the Morinaga Shibaura Building (tentative name)" at the time of the Sustainability Bond issuance, but it has been changed

¹⁰ Source: Morinaga's reporting materials

¹¹ Calculated based on reference and design values for primary energy consumption

[Social project]

Eligible Projects	Output	Outcome ¹²	Impact
Setting up evacuation sites - evacuation space for stranded people of not only the company staffs but of neighboring businesses and local residents - A warehouse for stockpiling emergency supplies	- Setting up space for stranded people of not only the company staffs but of neighboring businesses and local residents - Setting up a warehouse for stockpiling emergency supplies	- Capacity (number of people) who can be accepted (186 people) - Stockpiles in disaster prevention stockpile warehouses (For a minimum of 3 days)	- Sustainable society resilient to natural disasters
Projects to promote diversity - Installation of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. - Installation of gender-free restrooms - Setting up nursing rooms - Setting up prayer rooms	- Installation of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. - Installation of gender-free restrooms - Setting up nursing rooms - Setting up prayer rooms	- Number of ramps (in various locations) and number of accessible restrooms installed (7 places) - Number of gender-free restrooms installed (3 places) - Number of nursing rooms installed (1 place) - Number of prayer rooms set up (1 place)	Barrier-free and gender-free environment and inclusive-society with respect for diversity

Table 2: Morinaga's Impact Reporting¹³

¹² The Morinaga Shibaura Building, the eligible project, is currently under construction, and the figures are at the design stage.

¹³ Source: Morinaga's reporting materials

5. Organizational sustainability initiatives

In 2021, Morinaga formulated its important corporate policies, including its Corporate Philosophy, 2030 Vision, and Materiality.

In its Corporate Philosophy, Morinaga has defined its mission (Purpose) and as a message that expresses the Purpose in a concise manner, it has set forth a corporate message "Delicious, Fun, and Healthy."



Figure 1: The Morinaga Group's Corporate Philosophy¹⁴

In May 2021, Morinaga also formulated the 2030 Business Plan, a long-term management plan for 2030, and set forth its vision for 2030 "The Morinaga Group will change into a wellness company in 2030."



Figure 2: Overview of the 2030 Business Plan¹⁵

¹⁴Source: Morinaga's website <https://www.morinaga.co.jp/company/english/about/vision.html>

¹⁵Source: Morinaga's website <https://www.morinaga.co.jp/company/english/ir/policy/strategy.html>

The Morinaga Group is actively implementing sustainability-related initiatives, including the establishment of the Sustainable Management Division, which promotes and supports the Group-wide initiatives for sustainability and ESG, ESG Committee, and five subcommittees under the ESG Committee, in order to realize its 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" and promote the sustainability activities.

The ESG Committee is chaired by Representative Director, President, with the directors or executive officers in charge as members, standing statutory auditors as advisors. The ESG committee is held seven to eight times a year. In FY2023, it was held six times by October, and its contents included human rights due diligence, sustainable procurement, TNFD, environmental implement, and reviewing of materiality. The contents of the discussion are reported to the Board of Directors.

The Sustainable Management Division is comprised of the Planning Group, which is responsible for planning and promotion of sustainable management in general and ESG-related information disclosure, and the Environmental Promotion Group, which is responsible for setting and promoting company-wide environmental targets. The Sustainable Management Division serves as the secretariat for the ESG Committee and as the contact point for the Sustainability Advisory Board, which is composed of external experts with specialized knowledge on sustainability, and is also involved in the formulation of eligibility criteria for this framework. The Sustainable Management Division also oversees company-wide ESG initiatives.

As mentioned above, the ESG Committee has five subcommittees, each chaired by the director in charge of the subcommittee, and discussions are held by members in accordance with the respective themes.

(Subcommittees under the ESG committee)

- 1 Health of Mind Subcommittee
- 2 Sustainable Value Subcommittee
- 3 Sustainable Procurement Subcommittee
- 4 Subcommittee of Environment
- 5 TCFD/TNFD Subcommittee

In April 2022, Morinaga endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD consortium. Morinaga believes that its business is based on natural capital and maintaining and conserving nature is an important initiative in carrying out corporate activities, and in August 2023, Morinaga participated in and endorsed the Task Force on Nature-related Financial Disclosures (TNFD) forum. Discussions regarding climate change, natural capital, and biodiversity are conducted by the above-mentioned "TCFD/TNFD Subcommittee."

JCR confirmed that Morinaga receives consulting and advice from an outside third-party organization with expertise in undertaking these initiatives and that it is working with outside experts on its sustainability initiatives. In addition JCR has also confirmed that Morinaga's General Affairs Division, as well as its design and construction companies and construction management companies, have provided their expertise in the eligible green projects of the bond issued under the framework.

On the social front as well, Morinaga has set "Diversity & Inclusion of People" as one of its basic policies in the "2030 Management Plan," and is strengthening its efforts to promote diversity by placing a department to promote diversity directly under the control of the Corporate Strategy Division. Morinaga is fostering a culture of diversity within the Company by holding training sessions for management and subcommittee meetings at each workplace. The Morinaga Group Human Rights Policy which was composed in 2018 has also been completely revised in April 2023 in light of the Guiding Principles on Business and Human Rights under the consultation of external experts. In addition, it is strengthening management to realize a sustainable value chain by switching its main raw materials, cocoa beans, palm oil, and paper, to sustainable raw materials by 2030, and by formulating supplier guidelines on human rights, labor, and environmental issues in the supply chain as the Morinaga Group and informing suppliers of these guidelines.

JCR evaluates that the management continuously positions sustainability related issues as high priority issues and that departments with expertise are involved in the sustainable finance policies and processes and project selection as an organization.

Review results

SU1(F)

As a result of confirming the matters described in the previous section regarding this framework, JCR have confirmed that there are no changes to the content. Furthermore, JCR confirmed that reporting was conducted appropriately for bonds issued under this framework.

		Management/operation/transparency evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness/social beneficial impacts evaluation	gs1(F)	SU 1(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU5(F)
	gs2(F)	SU 2(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU5(F)
	gs3(F)	SU 3(F)	SU 3(F)	SU 4(F)	SU5(F)	Not qualified
	gs4(F)	SU 4(F)	SU 4(F)	SU5(F)	Not qualified	Not qualified
	gs5(F)	SU5(F)	SU5(F)	Not qualified	Not qualified	Not qualified

(Responsible Analyst for this evaluation) Kosuke Kajiwara, Shintaro Arai

Important explanation regarding the evaluation of the Sustainability Finance Framework

1. Assumptions, Significance, and Limitations of JCR Green Finance Framework Evaluation

JCR Sustainability Finance Framework Evaluation, which is granted and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the sustainability finance framework, and expresses the overall opinion of JCR at this time regarding the appropriateness of the sustainability project as defined by JCR and the degree of management, operation and transparency initiatives related to the use of proceeds and other matters. Accordingly, it does not undertake specific environmental improvement effects, management and operation systems, and transparency assessments of the use of proceeds for individual bonds and loans implemented in accordance with this policy. In the event that Sustainability Finance Evaluation is granted for individual bonds or individual loans based on the framework, such evaluations need to be conducted separately. Furthermore, the JCR Sustainability Finance Framework Evaluation does not demonstrate the improvement effect on the environment and social impacts of individual bonds or borrows implemented under this framework and does not assume any responsibility for the environmental and social improvement effect. In principle, JCR does not directly measure the environmental and social improvement effects of process procured under the sustainability finance framework, although JCR confirms the quantitative and qualitative measures by the issuer or a third party requested by the issuer.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en/>) as JCR Sustainability Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

JCR Sustainability Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Independence in JCR Sustainability Finance Framework Assessment

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■ Disclaimers

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■ Glossary

JCR Sustainability Finance Framework Evaluation is an assessment of the extent to which funds procured through Green Finance are appropriated for Green Projects as defined by JCR and the extent to which such funds are used for management, operation, and transparency of the Green Finance. Evaluations are performed on a five-point scale, from the top to the bottom using the symbols of SU1 (F), SU2 (F), SU3 (F), SU4 (F), and SU5 (F).

■ Status of registration as an external assessor of sustainable finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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