



Sustainable Finance Framework

November, 2022

Morinaga & Co., Ltd.

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Morinaga & Co., Ltd. (hereinafter, "the Company" or "Morinaga") has established the Sustainable Finance Framework (hereinafter, "the Framework") and will execute a Sustainable Financing based on the Framework. By using the proceeds, we will advance our efforts to realize our "2030 Vision" which aims at achieving medium- to long-term growth and raising corporate value and promote sustainable management to realize a sustainable society.

1.1 Overview of issuer

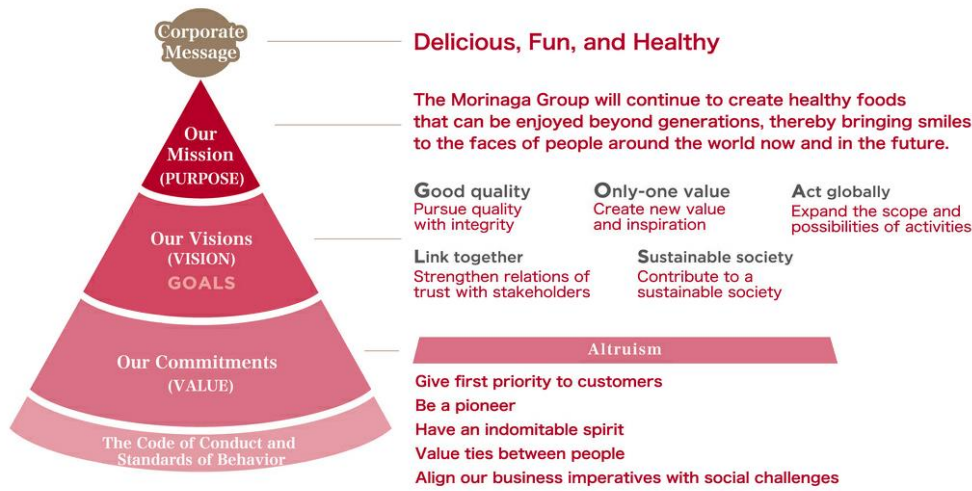
The Morinaga Group consists of Morinaga & Co., Ltd. 16 consolidated subsidiaries and 2 non-consolidated subsidiaries, and is engaged in business such as the food manufacturing, food merchandise, and real estate and services.

Morinaga & Co., Ltd. was established in 1899 as a confectionery manufacturing company. In the 120 years since its founding, the company has tackled many challenges. The first challenge tackled by the company's founder Taichiro Morinaga was to provide delicious and highly nutritious Western confectionery to the people of Japan, who in the late 1800s lacked nutritional food options and were unfamiliar with Western confectionery culture. Ever since then, we have continued to provide a wide variety of products such as the development of milk caramel packaged in pocket-size boxes and the first chocolate in Japan to be produced from cacao beans in a "bean-to-bar" process that will remain in the memories of the Japanese people by pursuing basic research, food processing technology, product development capabilities, production technology, and product distribution capabilities, in order to continue to provide value to our customers throughout the ages.

Today, Morinaga continues to use these strengths to provide value to customers of various generations and lifestyles. In recent years, in particular, various environmental changes have occurred in COVID-19 pandemic, and the importance of not only "physical health" but also "mental health" is increasing. While building on the research, technological capabilities, and knowledge that the Group has cultivated over the years, we will continue to meet the changing needs of our customers by taking on the challenge of further evolution.

1.2 Corporate Philosophy

In 2021, the Company has formulated a new corporate philosophy aimed at facilitating sustained growth for the Morinaga Group amid a dynamically changing business environment. The corporate philosophy consists of "Our Mission (PURPOSE)", "Our Visions (VISION)", and "Our Commitments (VALUES)", which are expressed succinctly with the corporate message "Delicious, Fun, and Healthy". With this corporate philosophy serving as the compass guiding the Morinaga Group's activities, we aim to contribute to the realization of a sustainable society by meeting the expectations of our stakeholders and society as a whole, while endeavoring to enhance our corporate value over the long term.

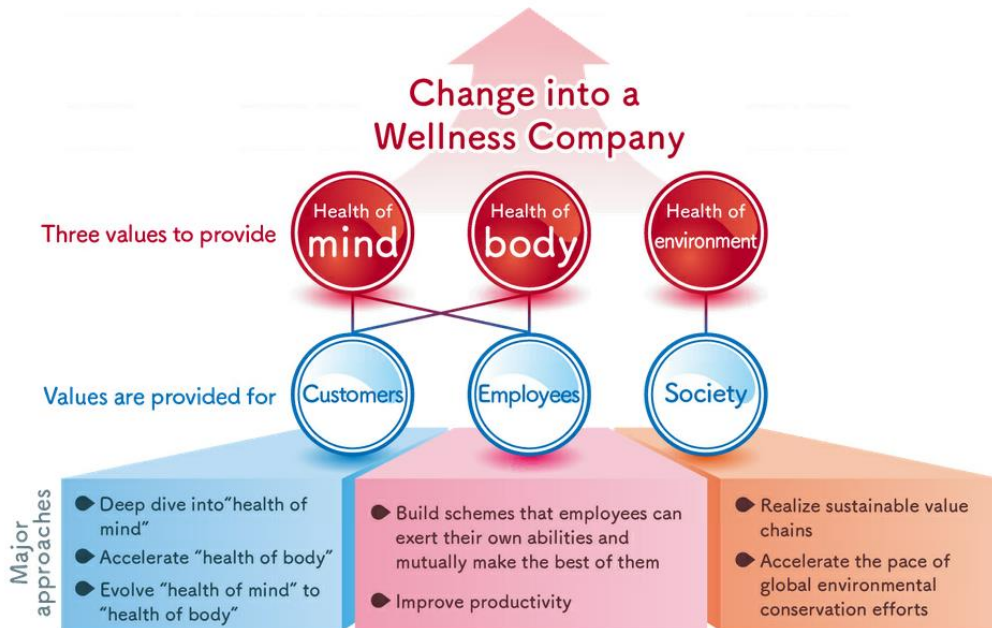


1.3 2030 Business Plan

To guide us as we grow steadily over a medium to long-term and raise its corporate value under our new Corporate Philosophy while contributing to the realization of a sustainable society, the Morinaga Group has formulated the 2030 Business Plan for the long term up to 2030. In this plan, we will integrate vitally important management issues both financial and non-financial and practice sustainable management.

2030Vision

To express the state that we intend to reach in 2030, we have formulated our 2030 Vision, which reads: “The Morinaga Group will change into a wellness company in 2030.” Defining wellness as a state where, based on a healthy mind, body and environment, one pursues and achieves a truly fulfilling, rich life, we will endeavor to become a company that will continue providing our customers, employees, and society with the three values of the health of the mind, the body, and the environment. We will further evolve reliability and technology built on in its 120-year history to support people’s wellness lifestyles in all generations.





Basic approach to attainment of 2030 Business Plan


- Concentrate management resources on businesses expected to have high growth potential and create markets focusing of the health of the mind and body
- Carry out in-depth structural reforms so as to stably generate investment resources for growth
- Solidify the business foundation in order to execute business strategies in a powerful manner
- Make mechanisms to allow employees to perform vibrantly for the realization of all of the above



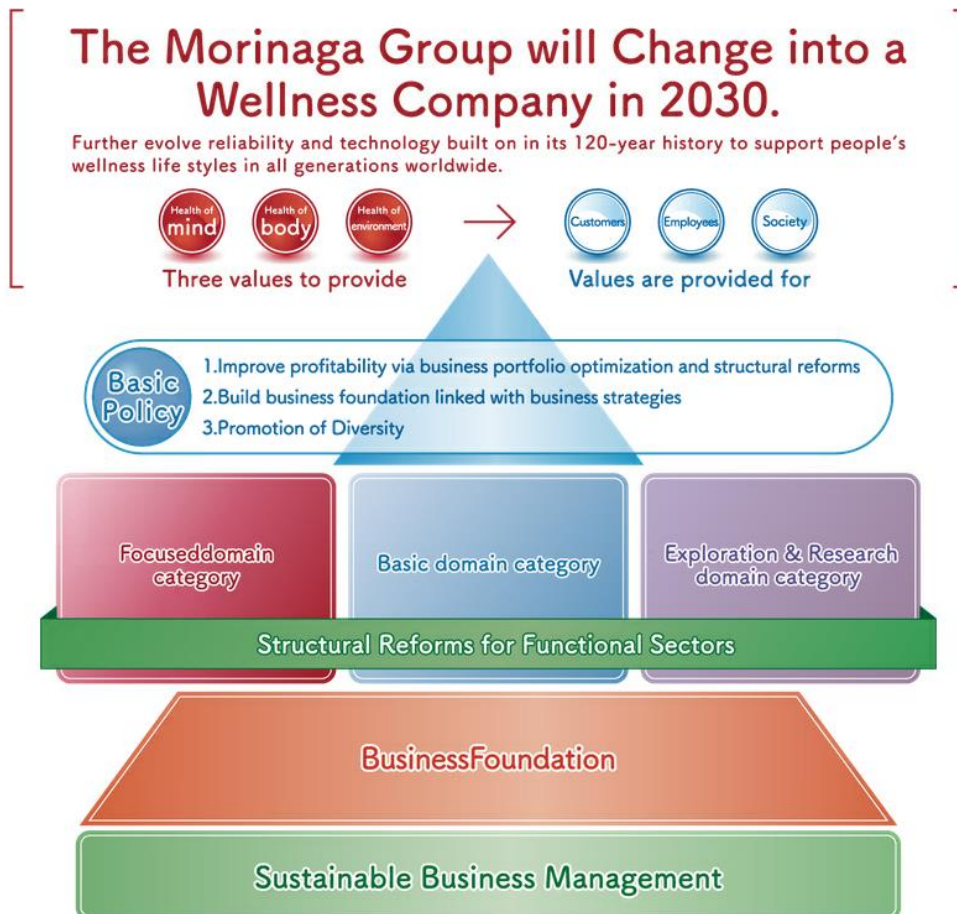
We have formulated three basic policies and business plan based on the backcasting approach

Policy 1  **Improve profitability via business portfolio optimization and structural reforms**

Policy 2  **Build business foundation linked with business strategies**

Policy 3  **Promote diversity**

Entire Picture of 2030 Business Plan



1.4 Sustainable Business Management

Currently in the global community, environmental changes, such as intensifying social issues including climate change and rapid advancement of digitization, which are greatly impacting business activities and increasing uncertainty toward the future, are taking place at an unprecedented speed. Given this condition, we must make efforts involving the entire Morinaga Group from a long-term perspective and follow clearly established tasks to reach the position we want to be in, in order to achieve our Purpose and the 2030 Vision. The Morinaga Group has been conducting business with a strong conviction toward contributing to society since its inception. With the formulation of a new corporate philosophy, we have decided to take a proactive approach to undertake efforts aimed at realizing a sustainable society, including achieving the SDGs as a member of the global community. We believe, these cumulative efforts will make the Group's business more sustainable as well as lead to sustainable growth and enhanced corporate value in the medium- to long-term.

1.5 Morinaga Group Sustainability Policy

The Morinaga Group's Purpose is to “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.” By conducting our corporate activities to realize this Purpose, we aim to contribute to the creation of a sustainable society and achieve sustainable growth of the Morinaga Group.

- We will provide value to customers and society and make efforts to solve social issues while giving proper consideration to the global environment.
- We will engage appropriately in dialogue and build relationships of trust with all our stakeholders.
- We will realize sound and highly-effective management through fair and transparent governance.

1.6 Materiality

The Morinaga Group began deliberating material issues for achieving our Purpose and the 2030 Vision in July 2020, and identified material issues (Materiality) from both financial and non-financial aspects following the approval of the Board of Directors.

We will steadily establish social values and a resilient management foundation to achieve sustainable growth through addressing our materiality.

The Morinaga Group's Materiality



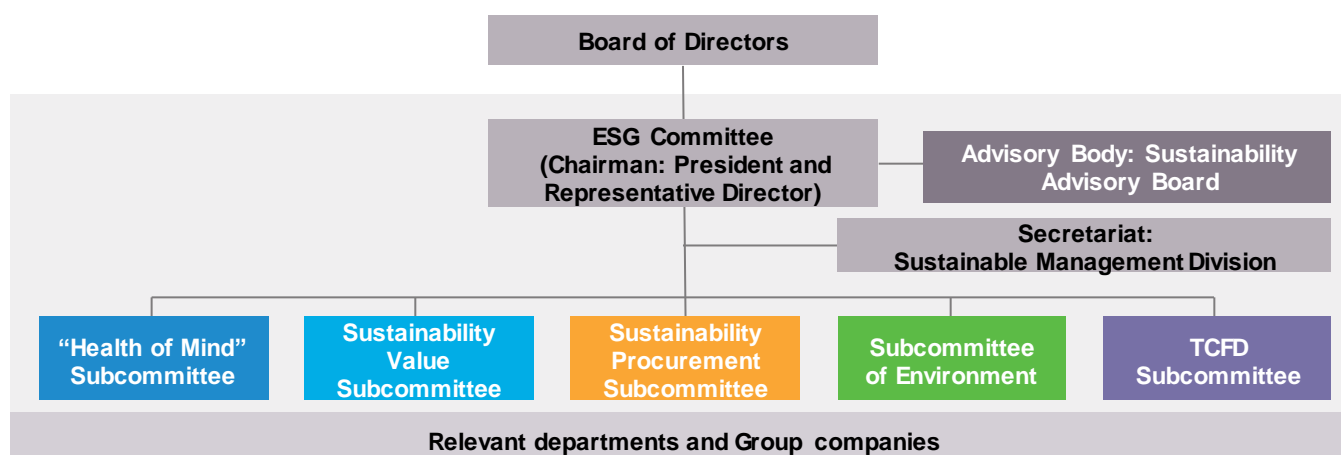
1.7 Schematics of Sustainability Promotion

In April 2021, we newly established the ESG Committee, which is chaired by the President and Representative Director and the Sustainable Management Division to support and promote the entire Group's sustainability and ESG initiatives in order to promote initiatives for sustainability and achieve the Group's Purpose.

The Sustainable Management Division serves as the secretariat for the ESG Committee, with the heads of departments working to attain our long-term targets for 2030 serving as committee members. The Committee reports on and shares the latest society trends related to sustainability, as well as deliberates necessary items on policy, planning, and response to issues in order to achieve our Purpose and the 2030 Vision.

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

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



2.1 Use of Proceeds

The net proceeds based on the Framework will be used for financing and refinancing new and existing projects ("Eligible Projects") that fall within the following eligible project categories that have been confirmed to have environmental or social impacts. Refinancing of existing investments will be limited to expenditures made within 36 months from the execution of Sustainable Finance.

The net proceeds will be allocated to the projects of the following project categories, subject to the type of sustainable finance

- Green Finance : Green Projects
- Social Finance : Social Projects
- Sustainability Finance : Green Projects and Social Projects

2.1.1. Eligibility Criteria

| Eligible Project Categories | Eligible Projects | SDGs |
|---|---|---|
| Green Projects | | |
| GBP : Green Buildings / Energy efficiency Environmental objectives : Climate change mitigation GLP : Green Buildings / Energy efficiency Environmental objectives : Addressing climate change concerns | Expenditures for development, construction, interior and equipment work, retrofits and acquisition of the buildings that was able to receive or will be able to receive any of the following third-party green building certifications or recertifications. <ul style="list-style-type: none"> · ZEB Certification : ZEB, Nearly ZEB, ZEB Ready or ZEB Oriented · DBJ Green Building Certification : 5 Stars, 4 Stars or 3 Stars · CASBEE Certification : S Rank, A Rank or B+ Rank · BELS Certification : 5 Stars, 4 Stars or 3 Stars · LEED Certification : Platinum, Gold or Silver | 7. Affordable and clean energy 9. Industry, innovation, infrastructure 11. Sustainable cities and communities 13. Climate action |
| Social Projects | | |
| SBP / SLP : Affordable basic infrastructure | Setting up evacuation sites <ul style="list-style-type: none"> · evacuation space for stranded people of not only the company staffs but of neighboring businesses and local residents · A warehouse for stockpiling emergency supplies | 3. Good Health and Well-Being 11. Sustainable cities and communities |

| | | |
|--|---|---|
| SBP/SLP : Socioeconomic advancement and empowerment | Projects to promote diversity <ul style="list-style-type: none"> · Installation and maintenance of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. · Installation and maintenance of gender-free restrooms · Setting up nursing rooms · Setting up prayer rooms | 3. Good Health and Well-Being 5. Gender Equality 10. Reduced Inequalities |
|--|---|---|

Social Projects defined in the Framework will contribute to solving below social issues and are expected to have positive social impacts on the Target Populations.

| Eligible Projects Categories | Target Populations | Social Issues |
|---|---|---|
| Setting up evacuation sites <ul style="list-style-type: none"> · evacuation space for stranded people of not only the company staffs but of neighboring businesses and local residents · A warehouse for stockpiling emergency supplies | <ul style="list-style-type: none"> · Victims of natural disasters, etc. · Local companies and residents | Sustainable and resilient national land (disaster prevention and mitigation measures) |
| Projects to promote diversity <ul style="list-style-type: none"> · Installation and maintenance of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. · Installation and maintenance of gender-free restrooms · Setting up nursing rooms · Setting up prayer rooms | <ul style="list-style-type: none"> · Elderly and disabled people · Sexual and gender minorities · Working women · Worshipers, etc. · Local residents | Promoting Barrier-Free, Gender-Free and Diversity |

2.1.2. Exclusion Criteria

The net proceeds raised based on the Framework will not be allocated to the projects related to:

- Unfair transactions that do not comply with the laws and regulations of the jurisdictions and/or inappropriate relationships such as bribery, corruption, blackmail, embezzlement, etc.
- Transactions that can cause social problems such as human right abuse and the environmental issues

2.2 Process for Project Evaluation and Selection

The Board of Directors will make the final decision on the eligible projects to which the net proceeds from sustainable finance based on the Framework, after consultation with the Accounting Division, Sustainable Management Division, and other relevant divisions, and deliberation by ESG Committee. Through project assessment process, we confirm that the projects takes into account potentially negative environmental and social impacts and addresses the followings.

- Compliance with environmental laws and regulations required by the national government or the local government where the project is located, and implementation of environmental assessment as necessary
- Provide adequate explanations to local residents ahead of a project implementation

2.3 Management of Proceeds

Accounting Division will manage the net proceeds from sustainable finance using an internal management system, on an annual basis, until full allocation. The proceeds will be allocated to eligible projects within 36 months from the execution of the applicable sustainable financing. Any portion of the net proceeds of sustainable finance that has not been allocated to eligible projects will be held in cash or cash equivalents.

In the case of any unforeseen event or sales of the eligible projects to which the proceeds have been allocated, even after the completion of the allocation of the proceeds, we will make a necessary and timely disclosure of such event and the status of unallocated proceeds on our website and other media.

2.4 Reporting

2.4.1. Allocation Reporting

Until the proceeds have been fully allocated to eligible projects, the company will disclose the following items on its website or any other means annually. In the event of any material situation where an allocation plan has to be reconsidered, we will disclose such even in a timely manner.

- 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

2.4.2. Impact Reporting

The company will report on the project overview and the following indicators of each Eligible Project on its website and elsewhere, to the extent practicable, until the net proceeds from sustainable finance based on the Framework have been fully allocated.

【Green Projects】

| Eligible Projects | Indices |
|-----------------------------------|---|
| Green Buildings/Energy efficiency | <ul style="list-style-type: none"> Acquisition of third-party green building certifications CO₂ emissions avoided (t-CO₂) |

【Social Projects】

| Eligible Projects | Output | Outcome | Impact |
|---|---|---|---|
| Setting up evacuation sites <ul style="list-style-type: none"> evacuation space for stranded people of not only the company staffs but of neighboring businesses and local residents A warehouse for stockpiling emergency supplies | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Capacity (number of people) who can be accepted Stockpiles in disaster prevention stockpile warehouses | Sustainable society resilient to natural disasters |
| Projects to promote diversity <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Number of ramps and accessible restrooms installed Number of gender-free restrooms installed Number of nursing rooms installed Number of prayer rooms set up | Barrier-free and gender-free environment and inclusive-society with respect for diversity |

3.1 Second Party Opinion

We have obtained a second-party opinion on our conformity with the following principles, etc., from Japan Credit Rating Agency, Ltd (hereinafter, "JCR").

- Green Bond Principles 2021(ICMA)
- Green Loan Principles 2021(LMA)(APLMA)(LSTA)
- Green Bond and Sustainability-Linked Bond Guidelines 2022(Ministry of the Environment, Japan)
- Green Loan and Sustainability-Linked Loan Guidelines 2022(Ministry of the Environment, Japan)
- Social Bond Principles 2021(ICMA)
- Social Loan Principles 2021(LMA)(APLMA)(LSTA)
- Social Bond Guidelines(October 2021, Financial Services Agency of Japan)
- Sustainability Bond Guidelines 2021(ICMA)

3.2 Annual Review

Until the net proceeds from sustainable finance based on the Framework are fully allocated, the company will obtain an external review from JCR, an independent external reviewer, to evaluate whether its reporting of the eligible projects are aligned with the Framework.