

# INTEGRATED REPORT 2021

Morinaga Group For the Fiscal Year Ended March 31, 2021

Morinaga Group INTEGRATED REPORT 2021



## MORINAGA & CO., LTD.

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

**The Morinaga Group's Corporate Philosophy**



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

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**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 on Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the fiscal year ending March 31, 2022. Monetary amounts and indicators appearing in this report are based on this accounting standard.

**Delicious, Fun, and Healthy**

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

- Good quality**  
Pursue quality with integrity
- Only-one value**  
Create new value and inspiration
- Act globally**  
Expand the scope and possibilities of activities

- Link together**  
Strengthen relations of trust with stakeholders
- Sustainable society**  
Contribute to a sustainable society

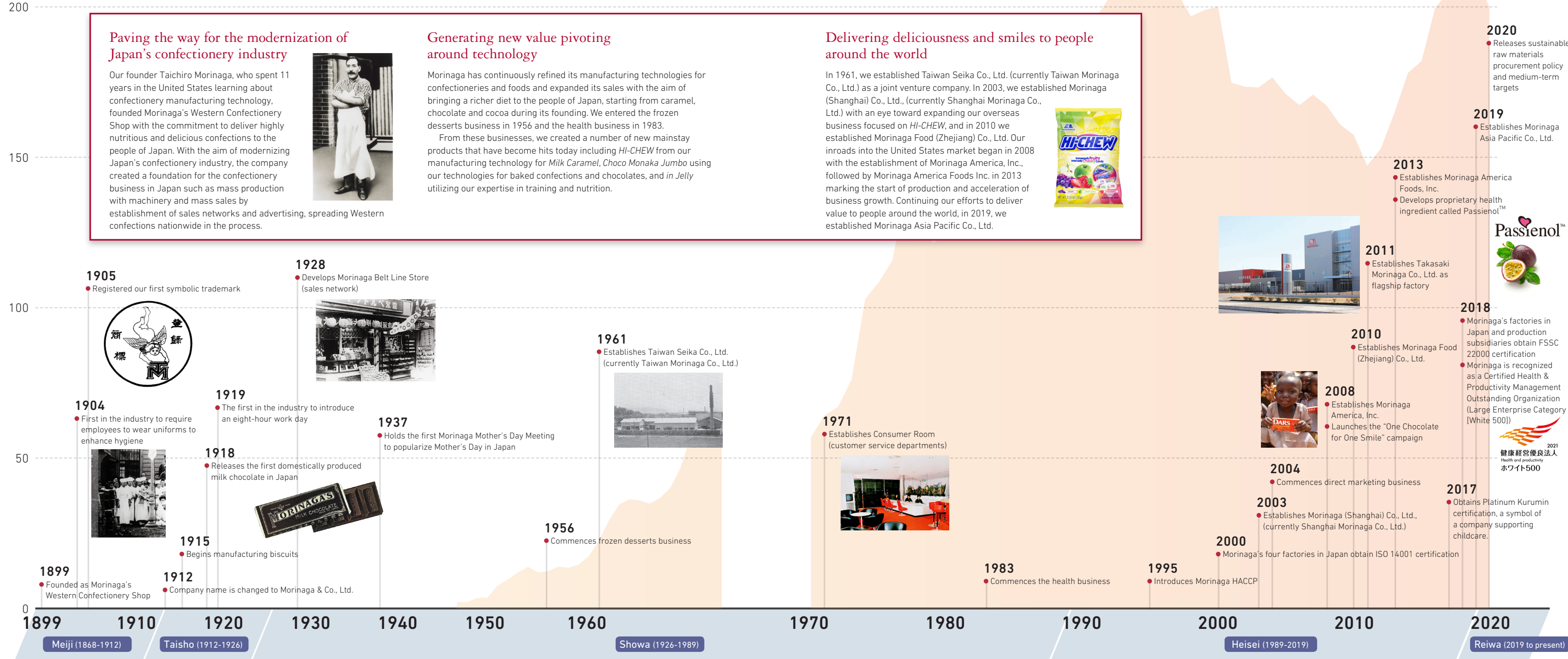
- Altruism**
- Give first priority to customers
- Be a pioneer
- Have an indomitable spirit
- Value ties between people
- Align our business imperatives with social challenges

History

# History of the Morinaga Group's Value Creation

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

Net sales  
(Billion yen)



\* Consolidated net sales from FY1978/3

## Morinaga's Main Brands

Brands more than a century old



Brands more than 50 years old



Brands more than 30 years old



Brands more than 10 years old



\*Product names and images as of October 2021.



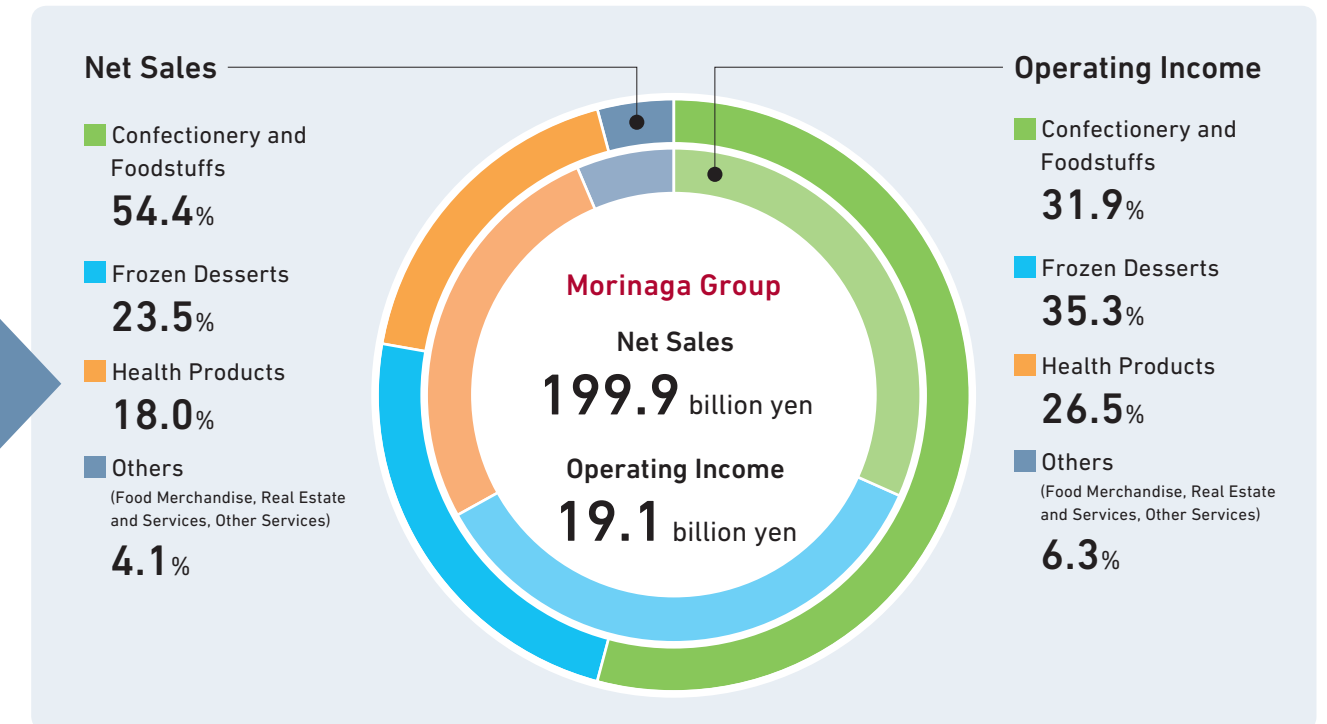
## At a Glance

The Morinaga Group engages in the food manufacturing, food merchandise, and real estate and services businesses. The food manufacturing business, which accounts for 96% of the Group's net sales, includes three business divisions forming the core of the Group's business activities.

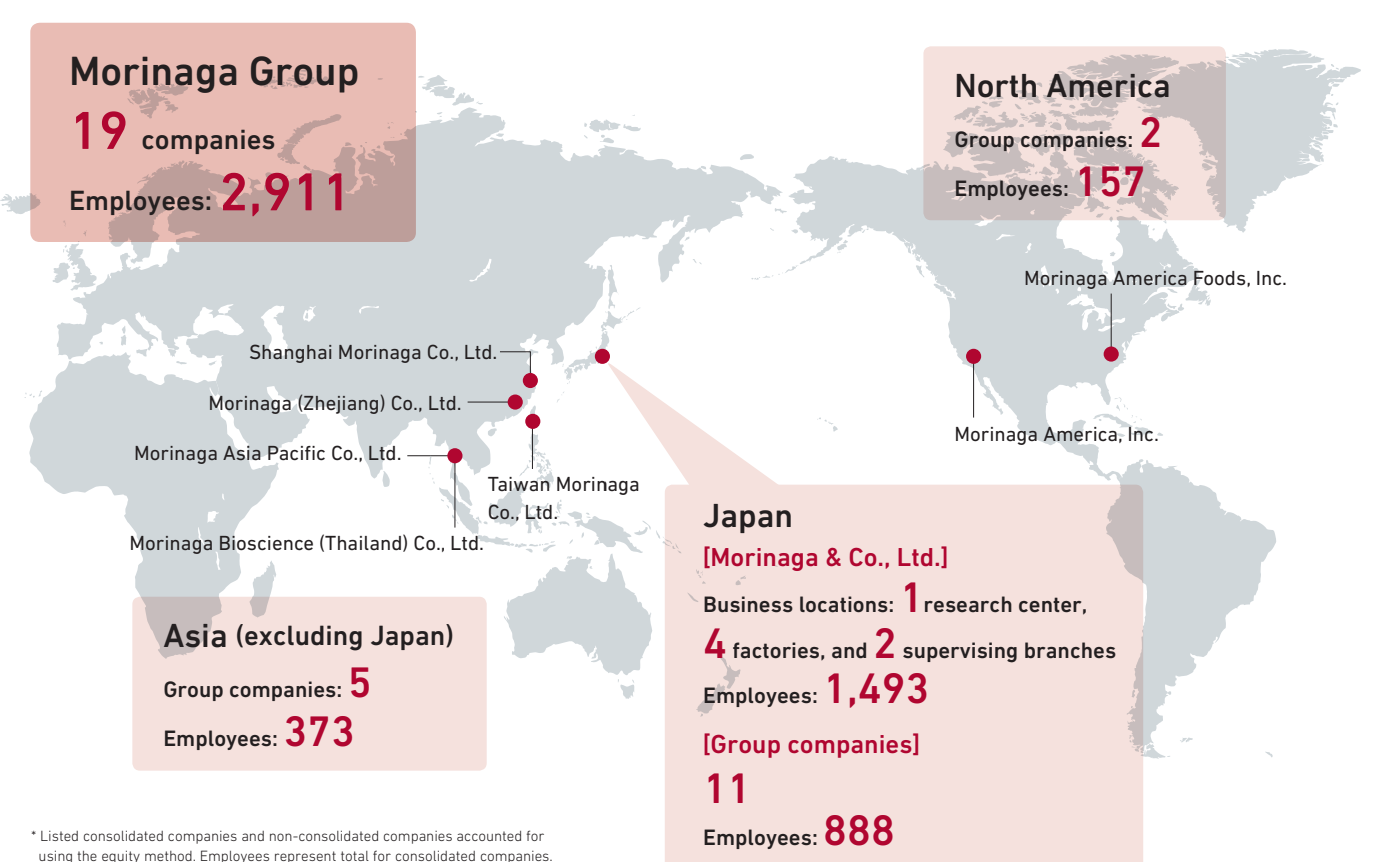
## The Morinaga Group Today

Reporting segments	Strategic Business Categories		Business Overview/ Strengths
	Net Sales/ Operating Income	Main Products	
Food Manufacturing Business	<b>Confectionery and Foodstuffs</b> (Billion yen)  2017/3 2018/3 2019/3 2020/3 2021/3 (FY) ■ Net Sales ● Operating Income	 HI-CHEW Morinaga Biscuits (Marie)	In the domestic confectionery and foodstuffs business, we are constantly creating new and delicious food solutions pivoting around our long-selling brands such as <i>Morinaga Biscuits</i> , <i>Choco Ball</i> , <i>HI-CHEW</i> , and <i>Morinaga Cocoa</i> . Commanding our proprietary food processing technologies combining innovations with our traditions of more than 120 years in business, we are working on value creation that contributes to people's healthy and vibrant lifestyles including high cacao chocolate, cocoa drink, and amazake drink blending deliciousness and health functions.
	<b>Frozen Desserts</b> (Billion yen)  2017/3 2018/3 2019/3 2020/3 2021/3 (FY) ■ Net Sales ● Operating Income	 Choco Monaka Jumbo Ita Choco Ice ice cream bars	We continue to deliver value and inspiration to customers through products made with our proprietary technologies and the Group's unique confectionery and foodstuffs technologies showcased in our top brands of <i>Choco Monaka Jumbo</i> and <i>Ita Choco Ice</i> ice cream bars, and we have seen their net sales increase 20 years running. Our marketing, which concentrates management resources on mainstay brands, has also enabled us to build businesses with high profit margins.
	<b>Health Products</b> (Billion yen)  2017/3 2018/3 2019/3 2020/3 2021/3 (FY) ■ Net Sales ● Operating Income	 in Bar in Jelly	We are working to create new value aimed at "health of mind and body" through foods. <i>in Jelly</i> , which replenishes nutrition anywhere and anytime based on sports science theory, has maintained its top share in the jelly drinks market for 26 years. Our product initiatives in the "in-" brand are meeting the health needs of various lifestyles in modern society.
Food Merchandise/ Real Estate and Services/ Other Services	<b>Others</b> (Billion yen)  2017/3 2018/3 2019/3 2020/3 2021/3 (FY) ■ Net Sales ● Operating Income	 Couverture Chocolate Food allergen test kits	We support customers' wellness life by directly bringing products with both function and deliciousness to consumers. <i>Morinaga Collagen Drink</i> , which is sold exclusively in the direct marketing channel, has sold more than 200 million units to date <sup>*1</sup> , making it the best-selling collagen drink in Japan <sup>*2</sup> . <sup>*1</sup> For existing products, as of April 2019 (survey by Morinaga & Co., Ltd.) <sup>*2</sup> Source: H.B. Foods Marketing Handbook 2021 No. 1, Fuji Keizai (beauty effect/ collagen category/ 2019 results), for the <i>Morinaga Collagen Drink</i> series, including products before and after updating.

## Net Sales and Operating Income (FY2021/3)



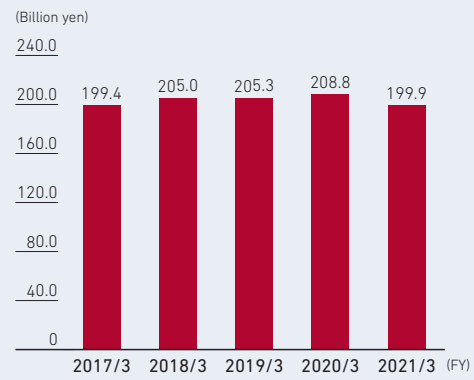
## Reach of the Morinaga Group (As of June 30, 2021)\*



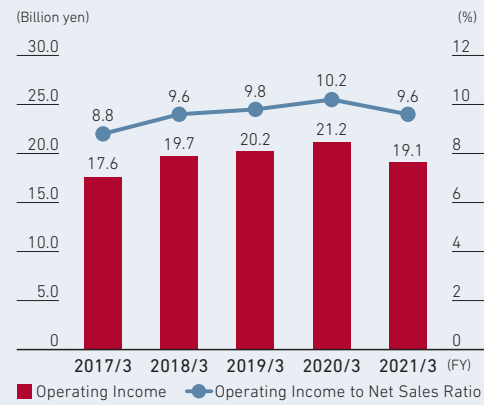


Financial Highlights

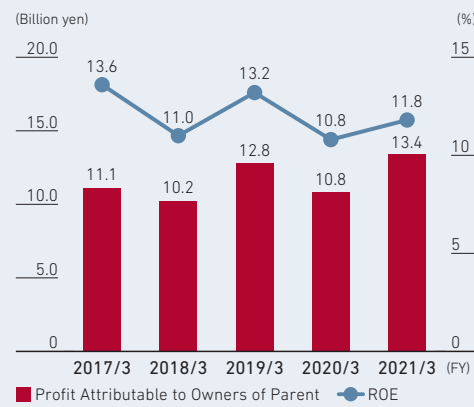
Net Sales



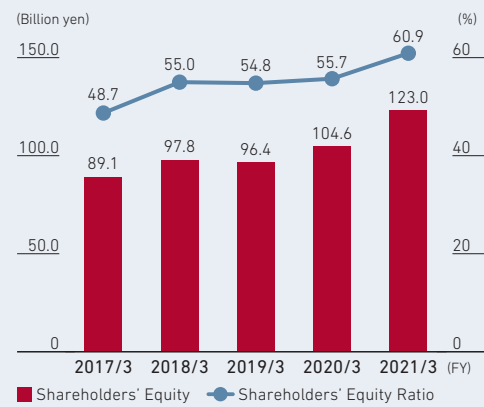
Operating Income/  
Operating Income to Net Sales Ratio



Profit Attributable to Owners of Parent/  
ROE



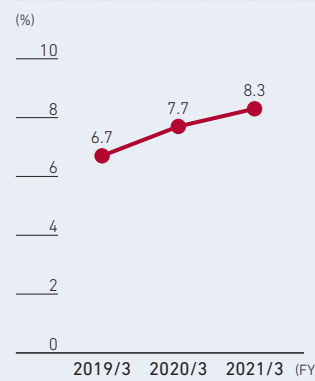
Shareholders' Equity/  
Shareholders' Equity Ratio\*



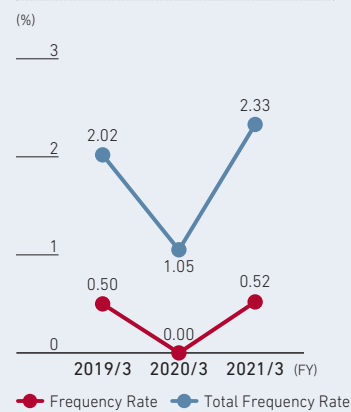
\* The Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting, etc., from FY2019/3. Figures for FY2017/3 and FY2018/3 were retroactively adjusted in line with this accounting standard.

Non-Financial Highlights

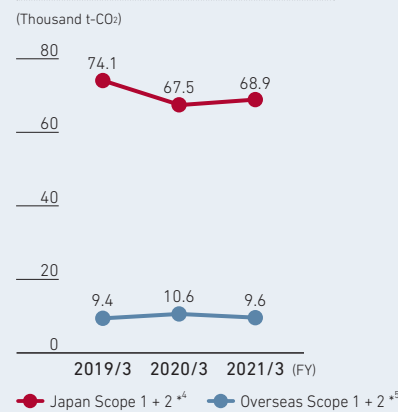
Ratio of Female Managers<sup>\*1</sup>



Rate of Occupational Injury  
(Frequency Rate<sup>\*2</sup> / Total Frequency Rate<sup>\*3</sup>)



CO<sub>2</sub> Emissions



\*1. Figures are non-consolidated for Morinaga & Co., Ltd. as of April 1 of each fiscal year.  
 \*2. Frequency of occupational accidents indicates the number of injuries/ fatalities (not including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd. factories and production-related companies.)  
 \*3. Frequency of occupational accidents indicates the number of injuries/ fatalities (including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd. factories and production-related companies.)  
 \*4. Consolidated basis.  
 \*5. Figures for FY2019/3 are for each production site. Figures for FY2020/3 and onward are for the Group on a consolidated basis.

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## Message from Top Management



**Eijiro Ota**

Representative Director, President

“We will Change into a Wellness Company” that pursues the enriched and glorious life of people around the world by creating healthy foods through a management approach giving every employee ownership that relies closely on our Purpose.

### Our Mission Reaffirmed During the COVID-19 Pandemic

The fiscal year ended March 31, 2021 was a challenging year as most social and economic activities were brought to a standstill due to the COVID-19 pandemic. I would like to take this opportunity to extend our deepest sympathies to those who have lost their loved ones during the pandemic. At the same time, I would like to express our heartfelt appreciation and respect for frontline essential workers who have helped us make it through this difficult time.

The year 2020 was supposed to be a bright year for the Morinaga Group in sharing Japanese confections and food culture with the rest of the world through the Tokyo Olympics and Paralympics. However, the COVID-19 pandemic continues and we spent much of the previous year working across the company to address the challenges presented by the pandemic.

First, speaking of our countermeasures to prevent the spread of the virus among employees, we had already introduced a telework system since the fiscal year ended March 31, 2018 as part of our work style reforms, which helped facilitate operations at our head office and in our sales departments despite the pandemic.

I am also grateful to our factories across Japan because they adapted to the changing situation and continued to provide a stable supply of products without ever stopping production. Here, I would like to express my deepest appreciation to all our stakeholders who have supported the Morinaga Group's business operations, including our manufacturing partners and our employees.

In April 2020, we donated 360,000 units of “in Jelly” in support of healthcare professionals. I was overjoyed to receive many handwritten letters from healthcare professionals saying how much these products helped to keep them going when they could not eat regularly. This experience reaffirmed my sense of pride in our products and presence.

As the period of people staying at home continues, and many people are searching for relaxation and rejuvenation in their lives, sales of hotcake mix, biscuits, and frozen desserts grew. The previous year allowed us to reaffirm the role in people's lives and value provided by our products and deeply consider the direction the Morinaga Group after more than 120 years of history should follow in the future when the pandemic ends.

### Looking Back on the 2018 Medium-Term Business Plan

Looking back, during the 2012 Medium-Term Business Plan, which ran from the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2015, the Morinaga Group faced challenges as operating income totaled 3 billion yen annually and the operating income to net sales ratio was between 2 and 3% due to the impact from the Great East Japan Earthquake. However, during the 2015 Medium-Term Business Plan, we achieved operating income of 10 billion yen annually, reaching what had been our target for many years. The theme for the 2018 Medium-Term Business Plan was solidify this earnings power and translate it into future growth.

Under the 2018 Medium-Term Business Plan, we made steady progress toward our targets until the second year, but eventually fell short because of the impacts of the COVID-19 pandemic in the fiscal year ended March 31, 2021. The negatives from *in Jelly* and *HI-CHEW* largely cancelled out the positives of *Morinaga Hotcake Mix* and *Morinaga Biscuits*. As a result, net sales for the fiscal year ended March 31, 2021 totaled 199.9 billion yen, down 8.8 billion yen year on year. However, factoring out the 7.4 billion yen in net sales in the fiscal year ended March 31, 2020 of *Pringles*, for which our distributorship agreement ended on March 31, 2020, overall net sales were nearly on par with the previous year. Operating income came in at 19.1 billion yen, down 2.0 billion yen, and net income was 13.4 billion yen, up 2.5 billion yen, marking our best ever profit. Of this, we have determined that the negative impacts from the COVID-19 pandemic caused net sales to decline by 8.8 billion yen and operating income by 2.4 billion yen.

Sales of our mainstay product *in Jelly* were cut in half year on year in April and May 2020 due to the COVID-19 pandemic. Using flexible and efficient sales and marketing activities, sales had recovered and increased 20% year on year in September.

#### Financial Results

	Targets for FY2021/3	Results for FY2021/3
Operating income to net sales ratio	10% or higher	9.6%
Wellness sales ratio	50% or higher	45.7%
Overseas sales ratio	10% or higher	6.1%
ROE	10% or higher	11.8%
Shareholders' equity ratio	50% or higher	60.9%
Dividend payout ratio	30%	30.0%

Other businesses including foodstuffs and direct marketing also performed well. In the frozen desserts business, *Choco Monaka Jumbo* posted an increase in sales for the 20th consecutive year. In the U.S. business, we grew sales by 1.7 times (compared to the fiscal year ended March 31, 2018) over the three-year period of the 2018 Medium-Term Business Plan, helping our entire overseas business achieve profitability.

Furthermore, driven by our efforts to increase profitability through company-wide structural reforms and to strengthen cost competitiveness by rebuilding our production bases, the operating income to net sales ratio was 9.6%, which is close to the 10% level despite the impacts of the COVID-19 pandemic. This shows that we have made steady progress with further improved profitability and an upgraded business foundation, which we worked on during this Medium-Term Business Plan. I believe that this also indicates our reforms for building a high profit structure focused on competitive brands has paid off in the form of customer recognition and praise.



### Formulating a New Corporate Philosophy Reexamining the Morinaga Group's Reason for Existence

In taking the reins as the ninth president in 2019, the 120th anniversary of the company, I asked myself what the Morinaga Group should value, what constitutes a good company, and what is my most important role as president. The answer I arrived at was "permanence," which we have managed to achieve by overcoming a number of challenges during our long 120-year history.

I found that continuing to contribute to society by creating value that society truly needs, as well as to strive for our company's sustained growth and development, no matter the situation, will lead to the happiness of all stakeholders, including customers and employees.

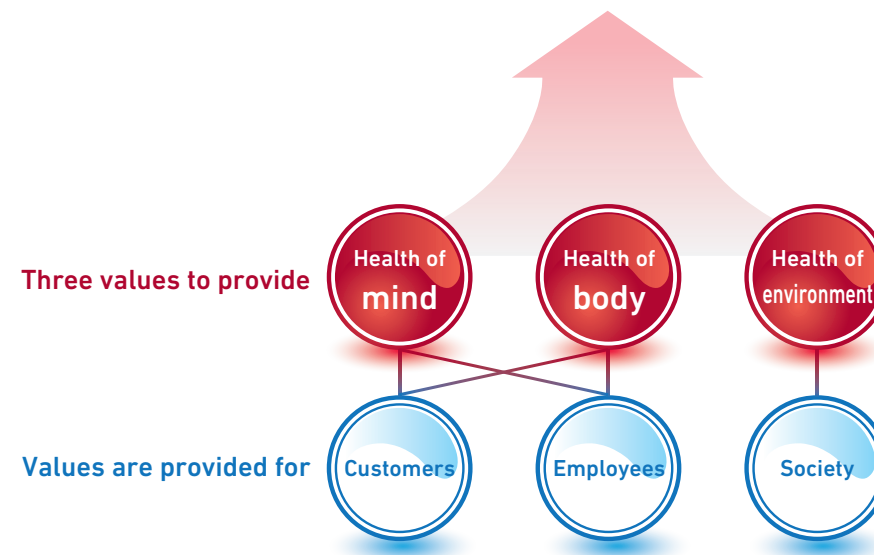
Based on this belief, we asked employees to voice their opinions regarding the meaning of the Morinaga Group going forward. In response, we received passionate feedback from close to 1,000 employees. The newly formulated corporate philosophy represents the culmination of discussions by our executive management team based on these employee voices.

Our 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) outlined in this corporate philosophy represents the heart of our efforts to achieve corporate permanence by connecting the Morinaga Group with employees and society.

In response to this new corporate philosophy, many employees have indicated that they were happy with the process of carefully screening employee voices and that the philosophy itself feels like their own. We plan to hold dialogues directly with employees at our business sites around the world to help disseminate this Purpose. While we have been in business for 120 years, our future is not guaranteed. To grow continuously, I will take the lead in driving us toward being an organization that tackles value creation aimed at the achievement of our Purpose by ensuring the employees think and judge for themselves whether their activities align with our Purpose.

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

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



### 2030 Vision: Change into a Wellness Company

The Morinaga Group established the 2030 Vision to outline the position we want to be in by 2030 in fulfilling our Purpose. This vision declares that "We will Change into a Wellness Company" that contributes to a sustainable and fulfilling society by providing the three values of health (health of mind, health of body, and health of environment) to the three stakeholders of customers, employees, and society. The words "change into" in particular contain my strong conviction. While feeling a sense of accomplishment in the company's growth following the results of the 2018 Medium-Term Business Plan, I wanted to convey to employees through this message that we will strive for more.

Specifically, the Morinaga Group has contributed to "health of mind" by providing a sense of happiness such as deliciousness and fun through our many products centered on confections and foodstuffs. We have proudly contributed to "health of body" through our products like *in Jelly*. As such, during the formulation of the 2030 Vision, I focused on how we can become a company that delivers happiness to everyone involved with the Morinaga Group. This is because I wanted to work even harder toward people's "health of mind and body" and "health of environment" surrounding us.

We will analyze scientifically our value such as "contributions through provision of a sense of happiness including deliciousness and fun" that the Group has provided over the years as "health of mind" to benefit product development that further boosts this sense of happiness and customer satisfaction.

There is steadily growing preference among consumers for even indulgence items such as confections to be healthy. During the COVID-19 pandemic, the number of people worried about their calorie intake is on the rise because of increased telework and fewer opportunities to exercise and go out. This is why we are stepping up product development that further contributes to "health of body," including reducing sugar content and finding effective ways to consume protein.

Moreover, without business processes that generate products as well as sustainability in society and the environment, we will not be able to truly feel a sense of deliciousness from our hearts. Therefore, to ensure the entire value chain of our products is sustainable, we will work collectively as a company to resolve social issues including climate change and food loss and waste.



## Establishment of the 2030 Business Plan

### Financial and Non-Financial Targets for 2030

#### Financial Targets <sup>\*1</sup>

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

#### Non-Financial Targets

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

<sup>\*1</sup> Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of FY2022/3  
<sup>\*2</sup> Scope: products the Company defines as "Deep dive into 'health of mind'", "Accelerate 'health of body'", and "Evolve 'health of mind' to 'health of body'". Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore the establishment of a vision on a global basis.  
<sup>\*3</sup> Ratio of affirmative answers on the employee awareness survey  
<sup>\*4</sup> Consolidated basis; paper covers product packaging only.  
<sup>\*5</sup> Scope 1 + Scope 2 (domestic consolidated basis compared to FY2019/3)

To achieve the 2030 Vision, we will need to implement strategies that utilize the Group's accumulative strengths in terms of reliability and technology, with an eye toward the growth and profitability of each business, based on medium- to long-term environmental changes.

Therefore, we identified important issues both financial and non-financial (materiality) that we need to address to attain our Purpose and 2030 Vision considering medium- to long-term environmental changes. The 2030 Business Plan represents the end result of this process.

The 2030 Business Plan contains three basic policies. First is to improve profitability through business portfolio optimization and structural reforms. We have selected the "in-" business, direct marketing business, U.S. business and frozen desserts business as the four businesses expected to see high growth and profitability through the creation of health value utilizing the Group's strengths. These businesses have been defined as the focused domain category. At the same time, the domestic confectionery and foodstuffs business, operating subsidiaries in Japan and Taiwan, which generate cash in a stable manner and support the growth of the focused domain, have been defined as the basic domain. Our target is to reverse the sales ratio of the focused domain versus the basic domain and exploration and research domain from the current 40%:60% split to 60%:40% by 2030. Toward this end, we have decided to boldly deploy management resources in the focused domain. In the exploration and research domain category, we will explore new business opportunities expected to produce growth in the future and create new businesses that can become the next focused domain.

The second basic policy is to build a business foundation linked with business strategies. Aimed at implementing our business strategies, we will enhance our business foundation including human resources, R&D, DX<sup>\*6</sup>, and financial position. Under our human resources strategy, we will work to develop leaders who will drive our business toward attainment of our Purpose and the 2030 Vision and foster human resources who will contribute to the creation of social value with their advanced expertise. Our R&D strategy calls for the enhancement of research and development for creating new value contributing to "health of mind and body"

through open innovation, and for new product development toward the U.S. market. In 2022, we will open a new research center to strengthen basic research with a long-term perspective and update key technologies. As for our DX strategy, first we will increase the efficiency of business operations and increase profitability, and looking ahead, we will work to create new businesses in the exploration and research domain as well as build a business base that supports future growth. Under our financial strategy, we will actively invest in growth and maintain our stable financial base while offering consistent shareholder returns supported by the implementation of the 2030 Business Plan.

The third basic policy is promotion of diversity. When I became President two years ago, I declared that diversity would form a focal point of our business strategy. The reason behind this is to generate innovation to resolve the challenges faced by customers and society. People are the key drivers supporting the Morinaga Group's business operations and our aspirations for sustainable growth. We will build an organization that values each and every employee of the Morinaga Group and empowers them to fully harness and contribute their uniqueness and skill sets. Our workforce of unique individuals will become a driving force behind the diversity of knowledge and creation of new value. This will give rise to innovation indispensable to achieving our Purpose and the 2030 Vision.

We will implement these three basic policies and initiatives aimed at our materiality, and through sustainable business processes, we aim to reach net sales of 300 billion yen, an operating income to net sales ratio of 12% or higher, and an overseas sales ratio of 15% or higher by the fiscal year ending March 31, 2031.

Moreover, to realize the 2030 Vision, we will also need to address ESG issues. Under our ESG Committee, established in April 2021, we will commence full-fledge efforts toward the Group's sustainable management. We will tackle such issues as sustainable raw materials procurement (cacao beans and palm oil, etc.), GHG<sup>\*7</sup> emissions reduction, plastic container/packaging reduction, and food loss and waste reduction using long-term targets, in an effort to build a sustainable society.

<sup>\*6</sup> Digital transformation  
<sup>\*7</sup> Greenhouse gases

## Start of the 2021 Medium-Term Business Plan

The Medium-Term Business Plan starting from the fiscal year ending March 31, 2022 will see us work on "building a new foundation for dramatic growth" forward as the first stage in achieving the 2030 Business Plan.

In the "in-" business, we will work to restore and expand *in Jelly*, boost sales of *in Bar* products, and create new foods using the "in-" brand. In the direct marketing business, we will provide services tailored to individual customers using digital marketing. In the U.S. business, we will continue to increase sales of *HI-CHEW* and begin rolling out jelly drinks developed for the U.S. market. In the frozen desserts business, we will focus on new product rollouts using the Morinaga Group's unique confectionery technologies following the start of operations at the Takasaki Factory No. 3. In the domestic confectionery and foodstuffs business, we will aim to improve profitability and generate stable profits.

The point of emphasis in implementing these initiatives will be proactive investment in future growth. During the three-year period of the 2021 Medium-Term Business Plan, we aim to increase operating cash flow by 18 billion yen, from around 54 billion yen during the previous medium-term business plan to around 72 billion yen this time around by growing the focused domain and improving the profitability of the basic domain. As part of this, we have committed to investing around 45 billion yen over the three years of the plan in facilities for the frozen desserts business at the Takasaki Factory No. 3 and opening a new research center aimed at the growth of the focused domain. Also, aimed at achieving the 2030 Business Plan, we will expand investments for inorganic growth such as M&A and alliances along with investments in intangible assets such as R&D, DX, and advertising, which will form the foundation for long-term value creation. These investments will be carried out according to management judgement with an eye toward both capital costs and future growth.

Our earnings forecast announced at the start of this medium-term plan calls for decreased operating income due to rising depreciation expenses from capital spending. Despite cost increases from depreciation and intangible investments, we will push ahead with these investments, recognizing they will result in an intentional plateau, aimed at achievement of the 2030 Vision. As for shareholder returns, we will provide stable dividends totaling more than 12 billion yen over the course of the plan's three years, reaching a dividend payout ratio of around 30%. After pressing forward with expansion of the focused domain, improving the earnings power of the basic domain, and investing in future growth, our targets for the fiscal year ending March 31, 2024, the third year of the plan, call for net sales of 190 billion yen and operating income of 21.5 billion yen, which marks a record high.

### Financial Targets <sup>\*1</sup>

Targets for FY2024/3

Net sales:	<b>190 billion yen</b>
Operating income:	<b>21.5 billion yen</b>
<b>&lt;KPIs&gt;</b>	
Operating income to net sales ratio:	<b>11% or higher</b>
Overseas sales ratio:	<b>9% or higher</b>
Focused domain sales ratio:	<b>+5 points or higher<sup>*2</sup></b>
ROE:	<b>10% or higher</b>
Dividend payout ratio:	<b>30%</b>

<sup>\*1</sup> Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of FY2022/3  
<sup>\*2</sup> Compared to the average value during the 2018 Medium-Term Business Plan

## Growing Sustainably with Society

During the course of its more than 120-year history, the Morinaga Group has earned the trust of society having become an integral part of its customers' lives. Today, when our Purpose is clear and we are taking new steps forward, we will work collectively as a Group to achieve this plan with strong conviction and commitment. The driving force behind our effort will be our people. We want to be a company where every employee boldly tackles new challenges unafraid of failure. It will be important for each and every employee to courageously work on value creation for customers and society, with our Purpose close to our hearts, by constantly checking whether their activities align with our 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.) As long as we can combine the power of all our people, I am convinced that we can achieve our Purpose and the 2030 Vision.

After the COVID-19 pandemic ends, there is a high likelihood that a number of unpredictable changes in our business environment could occur in the future. No matter the situation, though, with our Purpose close to our hearts, we will continue working to become a company that can grow sustainably by tackling the challenges of value creation for customers and society using a management approach with everyone having ownership.

太田 栄二郎

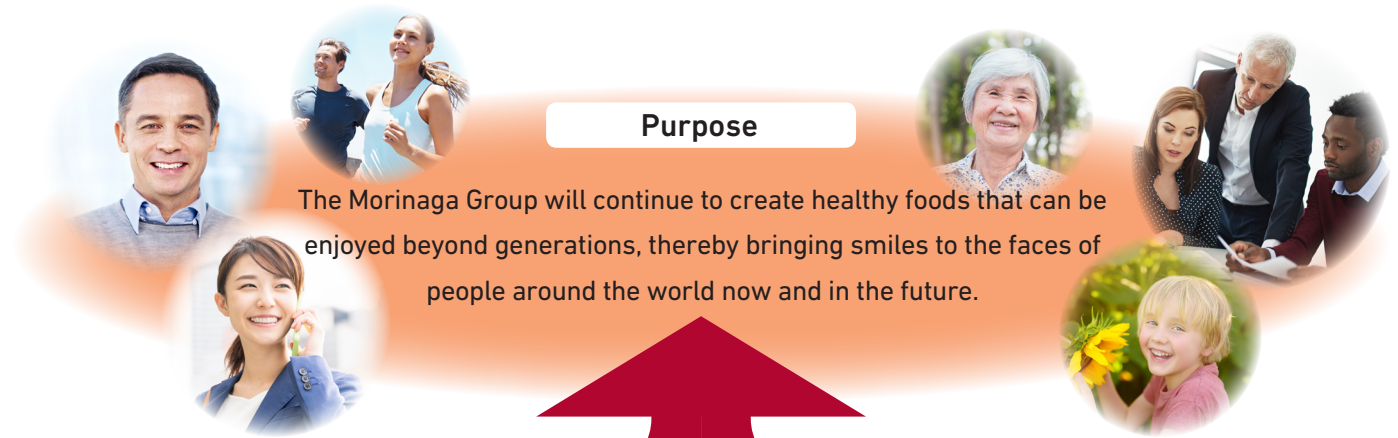
Eijiro Ota

Representative Director, President



## Value Creation Process for Achieving Our Vision for 2030

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



### Purpose

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

### 2030 Vision

See page 11

## Change into a Wellness Company

### Evolution of Management

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

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

See page 18 and 40

### Customer value

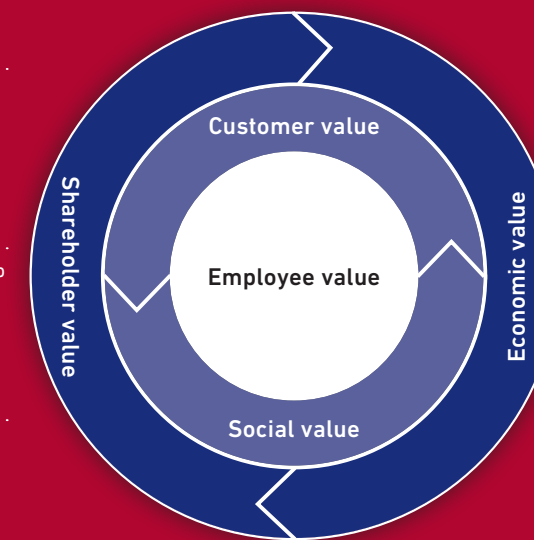
- Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company<sup>\*2</sup>

### Employee value

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

### Shareholder value

- Management aware of capital costs
- Achieve stable dividend



### Social value

- Procurement ratio of sustainable raw materials: 100%<sup>\*4</sup> (cacao beans, palm oil, and paper)
- CO<sub>2</sub> emission reduction: 30%<sup>\*5</sup>
- Use of plastics for *in Jelly* products: 25% reduction<sup>\*6</sup>
- Food loss and waste: 70% reduction<sup>\*7</sup>

### Economic value <sup>\*1</sup>

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

### External Environment

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

### Materiality

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

See page 16

Transition strategy

### Management Capital (FY2021/3)

- [Financial capital]**
  - Net assets: 123.9 billion yen
  - Profitability: Operating income to net sales ratio at 10% level
- [Production capital]**
  - Production sites: 8 factories in Japan and 3 overseas
  - 1 research center
- [Intellectual capital]**
  - Patents owned: 172 in Japan and 125 overseas
  - Trademarks owned: 503 in Japan and 593 overseas<sup>\*8</sup>
  - R&D expenses: 2.22 billion yen
- [Human capital]**
  - Employee loyalty: 80%<sup>\*9</sup>
  - Health management: selected for "White 500" four years running
- [Social capital]**
  - Relationships of trust with various stakeholders built over more than 120 years in the business
  - Many long-seller brands
- [Natural capital]**
  - Diverse raw materials with consideration for sustainability and close quality control

### Current Business Model

Fast development and mass production of products that meet customer needs and deliver



them across a broad range of channels



### Value Created (FY2021/3)

- [Value provided to customers]**
  - Delicious • Fun • Healthy • Nutritional
  - Convenient (easy and quick)
- [Value provided to shareholders]**
  - Annual dividend per share: 66 yen in FY2019/3 to 80 yen in FY2021/3
- [Morinaga's value]**
  - Improve profitability and capital efficiency (operating income to net sales ratio of 9.6% and ROE of 11.8%)
  - Grow U.S. business and turn a profit in overseas businesses
  - Labor environment that is safe and secure

Strengths



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

\*5. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3). \*6. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics). \*7. Scope: Food loss and waste occurring from receipt of raw materials to delivery (distribution) (domestic Group consolidated basis; intensity; compared to FY2020/3). Excludes feedstuffs and fertilizers, etc., that are returned to the food resource chain. Food disposed of by incineration or in landfills is defined as "food loss and waste." \*8. Number of rights owned as of the end of FY2021/3. \*9. Positive responses to "I feel pride as a member of this company" and "I feel fortunate to work for this company" on the employee awareness survey.

Materiality

# The Morinaga Group's Materiality

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



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

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

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



Long-Term Business Plan

# 2030 Business Plan

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

## 2030 Vision

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

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

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

## 1st Stage 2021 Medium-Term Business Plan

Under the 2021 Medium-Term Business Plan (from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024), which is positioned as the first stage of the 2030 Business Plan, we will build "a new foundation for dramatic growth" as we promote the strengthening of our business foundation for achieving future growth.

## 2018 Medium-Term Business Plan (Results and Issues)

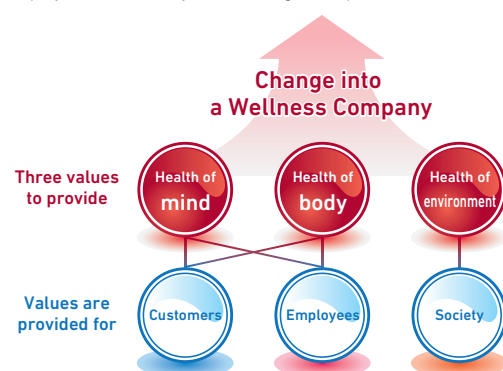
During the 2018 Medium-Term Business Plan, which ran from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2021, operating income declined due to the impacts of the COVID-19 pandemic in the final fiscal year of the plan. However, we built a business foundation that could consistently generate an operating income to net sales ratio at the 10% level by improving the earnings power mainly of domestic businesses. Looking ahead, we will secure earnings power to consistently generate funds for growth investments and foster an organization with a high degree of management efficiency by effectively linking limited management resources to value creation through governance reforms and initiatives for DX, aimed at accelerating our growth strategy.

## Main Changes Predicted to Occur in the Business Environment Going Forward

- Changes in macroeconomic environment**
- Full-fledged population decrease, lower birthrate, and aging population of Japan leading to shrinking markets and labor shortages
  - Economic development mainly in emerging markets and increasing population worldwide
  - Growing seriousness of social issues, including climate change
- Environmental changes surrounding the foodstuff industry**
- Rising awareness toward health worldwide attributed to aging societies and efforts to curtail medical expenses
  - Growing demand for psychological security attributed to the COVID-19 pandemic
  - Changes in purchasing and consumption styles of consumers due to advancements in digital technology

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

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



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

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

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

## Financial and Non-Financial Targets for 2030

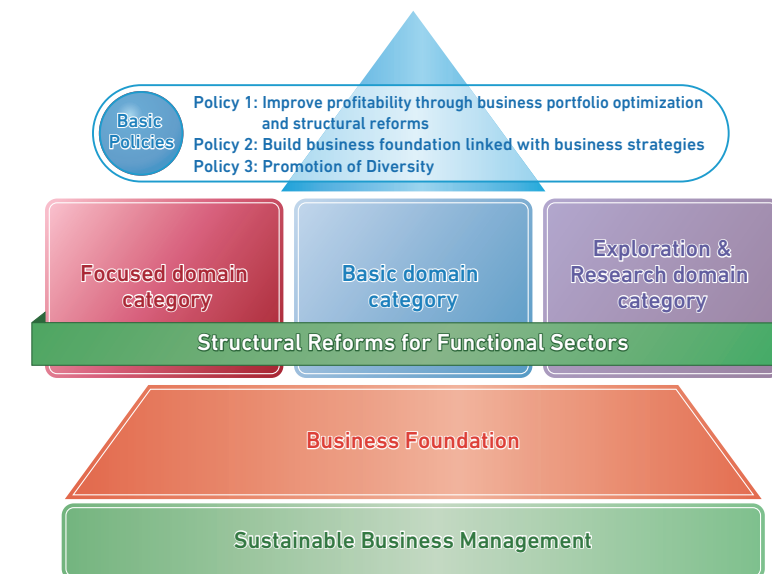
### Financial Targets \*1

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

### Non-Financial Targets

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

\*1. Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of FY2022/3  
\*2. Scope: products the Company defines as "Deep dive into 'health of mind'", "Accelerate 'health of body'", and "Evolve 'health of mind' to 'health of body'." Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore the establishment of a vision on a global basis.  
\*3. Ratio of affirmative answers on the employee awareness survey \*4. Consolidated basis; paper covers product packaging only \*5. Scope 1 + Scope 2 (domestic consolidated basis compared to FY2019/3)



## Strategies Aimed at Achieving the 2030 Vision

Under the 2030 Business Plan, we have defined the three basic policies as "Improve profitability through business portfolio optimization and structural reforms," "Build business foundation linked with business strategies," and "Promotion of Diversity" in order to achieve our financial and non-financial targets outlined in the 2030 Vision. In turn, we formulated strategies based on these basic policies.

As part of our business strategy, we have defined the three business domains, the "Focused domain," comprising businesses with high profitability and growth potential that will drive the Group's growth, the "Basic domain," comprising businesses that will generate cash in a stable manner through steady net sales growth to be allocated to the focused domain, and the "Exploration and research domain," exploring additional growth opportunities aimed at 2030. Through these domains we will create value to achieve the 2030 Vision and increase profitability using company-wide structural reforms focused on functional sectors.

In order to build a management foundation that will underpin our business strategies, we will aim to increase and strengthen

management resources essential to future growth using a long-term perspective in the areas of human resources, technology, cash, and digital based upon our human resources strategy, R&D strategy, financial strategy, and DX strategy. Also, through promoting diversity and inclusion, we will achieve a workplace environment where our diverse workforce finds their job meaningful and can fully harness their skills.

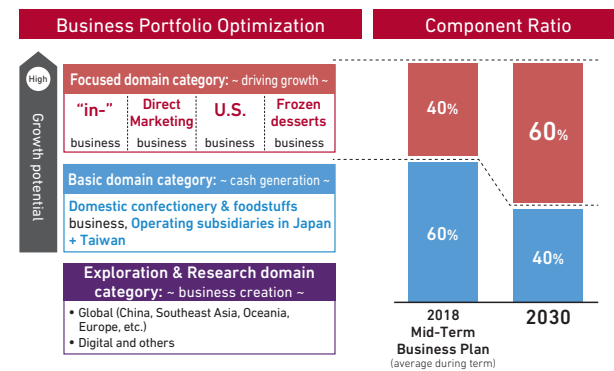
By implementing these strategies in an integrated manner, we will build a resilient management foundation for sustainable growth and deploy the cash generated from improved profitability gained from structural reforms in the focused domain. This will position us to increase the entire Group's growth efficiency and achieve the 2030 Vision.

Furthermore, to increase the probability of achieving the 2030 Business Plan, we will actively explore opportunities globally in terms of inorganic growth using alliances and M&A and ensure that management carries out bold and swift decision making. In executing these strategies, the basis of our actions will be grounded in sustainability management.

## The Three Basic Policies of the 2030 Business Plan

We formulated three basic policies aimed at achieving the 2030 Vision and reaching our financial and non-financial targets.

### Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms



#### Concentration of Management Resources on Focused Domain

We selected the "in-" business, direct marketing business, U.S. business, and frozen desserts business as businesses promising high profitability and growth prospects aimed at the 2030 Vision and designated these as the focused domain. By deploying management resources to the focused domain in a concentrated manner, we will drive the Group's growth. We will invest management resources optimally based on differences in the growth stage of each business to accelerate the speed of growth.

#### Stable Cash Generation from the Basic Domain

We defined the domestic confectionery business, which is the Group's largest business with stable earnings power, the domestic foodstuffs business, which has many category No. 1 brands, and operating companies in Japan and Taiwan as the basic domain that will generate funds in a stable manner for investment in the focused domain. The basic domain will seek to achieve steady and high sales growth and enhance earnings while further increasing the added value in order to contribute to "health of mind" and "health of body" of customers.

#### Initiatives in the Exploration and Research Domain

We defined the exploration and research domain as new initiatives with an eye toward 2030 and beyond, such as business model creation compatible with advancements in digitalization and development of wellness products localized to the preferences and needs of countries and regions where we operate. In this domain, we will create new businesses and incorporate them into our business portfolio as well as foster a strong foundation for the future.

#### Improving Earnings Power through Structural Reforms Mainly Targeting Functional Sectors

We will generate funds to invest in the focused domain as well as implement company-wide structural reforms mainly targeting functional sectors such as procurement, manufacturing, logistics, and sales in order to prepare for various management risks, aiming to further increase earnings power.

### Policy 2 Build Business Foundation Linked with Business Strategies

#### Human Resources Strategy

As we foster human resources for achieving our Purpose and the 2030 Vision and create workplaces where our diverse workforce can thrive professionally, we will take steps to strengthen human resources management with a global perspective. This includes developing leaders who will drive our business activities toward attaining the goals of the 2030 Business Plan, encouraging seniors to play an active role, and increasing business efficiency using labor-saving solutions.

#### R&D Strategy

We will revamp our research center in 2022 and promote open innovation through increased alliances with outside parties, in order to continually create value that contributes to "health of mind and body" for people around the world. In particular, we will evolve the Group's three core technologies and strengths of jelly drinks, confectionery technologies in sub-zero temperatures (frozen desserts), and soft candy to underpin the growth of the focused domain.

#### Financial Strategy

In addition to promoting management aware of capital costs, we will engage in financial management that contributes to increased corporate value by closely monitoring each financial indicator.

#### DX Strategy

We will strategically introduce and utilize digital technologies to increase operational efficiency through digitalization and create new value by using the vast amounts of data available on customers and markets. This will enable us to strengthen our management foundation and business competitiveness aimed at achieving the 2030 Business Plan.

### Policy 3 Promotion of Diversity

Our people will be the driving force behind our ability to become a sustainable company that grows continuously and supports the wellness of people around the world. As such, we will promote diversity and inclusion in order to maximize the power of our workforce. Under the belief of leveraging each person's individuality, we will create an organization where our diverse workforce can exhibit their skills and help us achieve our Purpose and the 2030 Vision. We will also enhance our innovation capabilities for creating value for customers and society.

## Key Measures

In the focused domain, we will actively work to tap into new markets and develop new products mainly in our mainstay brands of *in Jelly*, *HI-CHEW* and *Jumbo* to accelerate growth. In the basic domain, we will further increase added value primarily in the mainstay brands of *Morinaga Biscuits* and *Morinaga Cocoa* and generate stable cash by transforming the business structure

of categories with weaker profitability. As part of our structural reforms and building a management foundation, we will speed up reforms to create strong earnings and management foundations enabling us to compete around the world in response to labor shortages in Japan caused by the declining birthrate and aging population.

#### List of Key Measures in the 2030 Business Plan

	Target State in 2030		Key measures
Focused domain	"in-" business	Aiming to become No. 1 brand among foods supporting "health of mind and body" centering around sports	<ul style="list-style-type: none"> <li>Expansion of <i>in Jelly</i></li> <li>Expansion of <i>in Bar</i> and creation of new foods leveraging the "in-" brand</li> </ul>
	Direct marketing business	Evolving into healthcare business supporting customers' wellness realization	<ul style="list-style-type: none"> <li>Evolution of existing businesses using digitalization</li> <li>Creation of new businesses using foundation cultivated in the direct marketing business</li> </ul>
	U.S. business	Business growth from expanding the <i>HI-CHEW</i> brand and creating a jelly drinks market	<ul style="list-style-type: none"> <li>Further acceleration of growth of the <i>HI-CHEW</i> brand</li> <li>Creation of jelly drink market and exploration of potential for wellness domain products</li> </ul>
	Frozen desserts business	Stably expanding business by concentrating on products with competitive advantages that exploit confectionery technologies	<ul style="list-style-type: none"> <li>Evolution of "freshness marketing"</li> <li>Acquisition of customers in peripheral markets and creation of new markets using technological advantages</li> </ul>
Basic domain	Confectionery business	Changing the category portfolio so as to build a high revenue base	<ul style="list-style-type: none"> <li>Improvement of chocolate business profitability and increase in net sales</li> <li>Stimulation of demand through invigoration of the candy market</li> <li>Further increase of demand in the biscuit market</li> </ul>
	Foodstuffs business	Shifting from article-of-taste brands to health-oriented brands	<ul style="list-style-type: none"> <li>Establishment of <i>Morinaga Cocoa</i> and <i>Morinaga Amazake</i> as health-oriented brands</li> </ul>
Functional sectors	Procurement departments Manufacturing departments Logistics departments Sales departments	Beating the labor shortage as well as establishing a powerful profit structure to allow us to compete around the world	<ul style="list-style-type: none"> <li>Control of rising raw materials expense ratio by reviewing product specifications</li> <li>Creation of smart factories using digitalization</li> <li>Control of rising logistics costs with an eye toward hub optimization</li> <li>Optimization of sales bases and productivity improvement looking ahead to future market changes</li> </ul>
Management foundation	Human Resources strategy R&D strategy DX strategy	Establishing powerful management foundation to support the business strategies to increase corporate value over the medium to long term	<ul style="list-style-type: none"> <li>Establishment and execution of plans for maximizing human resources</li> <li>Cross-functional support of business strategy by creating new value centering around technology</li> <li>Reforms of business activities using digitalization and continued improvement of earnings power</li> </ul>

## Basic Strategy for Cash Allocation

We will prioritize growth investments for achieving dramatic growth mainly in the focused domain and investments in intangible assets for strengthening our management foundation through

R&D and DX. We will closely monitor each financial indicator so as to optimize the balance between shareholder returns and internal reserves in preparation for business risks.

## Build New Implementation Structure

Aimed at achieving the 2030 Business Plan, we will establish dedicated organizations for diversity, DX, and sustainability management and ensure the steady implementation of our strategies. Furthermore, going forward, we plan to initiate

governance structural reforms to further enhance the Group's execution abilities along with reinforcing Group management and addressing issues including risk management.



Medium-Term Business Plan

# 2021 Medium-Term Business Plan



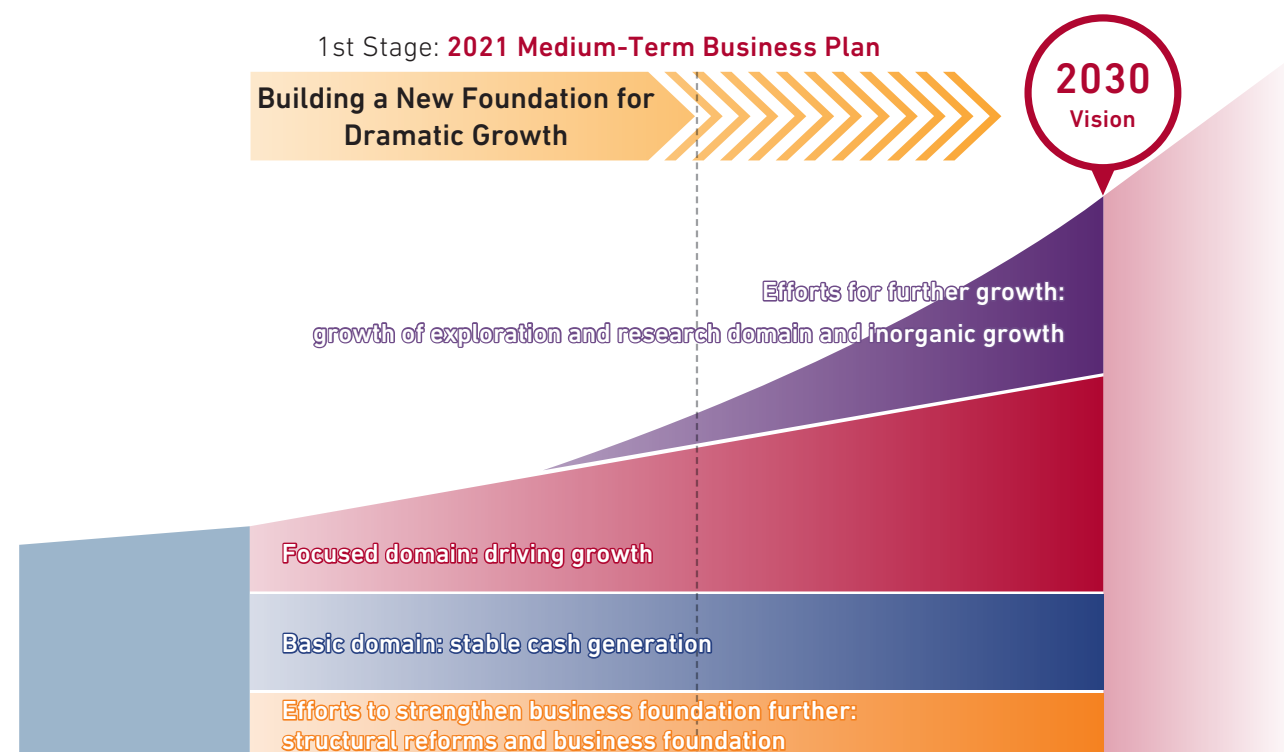
We aim to reach record high operating income by accelerating investment for achieving long-term growth and further enhancing earnings power.

**Daisuke Fujii**  
Director and Senior Operating Officer in charge of Corporate Strategy Division

## Building a New Foundation for Dramatic Growth

The Morinaga Group has improved its earnings power since the fiscal year ended March 31, 2016 through such initiatives as reducing the number of items, concentrating management resources on main products, and undertaking various structural reforms. Under the 2018 Medium-Term Business Plan, whose theme was "solidify business foundation, accelerate growth strategy," we concentrated management resources on brands of best selling items mainly in the domestic business and accelerated our channel strategy to further elevate our earnings power. In addition, we focused on developing and marketing products for a healthy body including *in Jelly* and *Morinaga Collagen Drink*, while in the United States we engaged in business activities to achieve dramatic growth of *HI-CHEW*. As a result, we were able to build a strong management foundation capable of consistently achieving an operating income to net sales ratio at the 10% level and to increase cash for allocation toward future growth.

The 2021 Medium-Term Business Plan has been positioned as the first stage toward achieving the 2030 Business Plan. During the course of this plan, we will engage in business activities under the theme of "Building a New Foundation for Dramatic Growth." We anticipate soaring raw materials costs and rising human resources costs as long-term trends, resulting in a persistently challenging business environment. Nevertheless, we will actively invest in the strengthening of our management foundation and growth of the focused domain as well as further increase earnings power through structural reforms focused on the basic domain and functional sectors. Also, we will begin upfront investments in the exploration and research domain and explore possibilities for inorganic growth aimed at our long-term growth. By implementing these business activities with good speed and in a well-balanced manner, we aspire to achieve record high operating income in the fiscal year ending March 31, 2024, the final year of the medium-term business plan.



Targets of the 2021 Medium-Term Business Plan			
<b>Financial Targets *1</b>			
	FY2021/3 Results	FY2024/3 Targets	Change
Net sales:	168.2 billion yen	190.0 billion yen	+21.8 billion yen
Operating income:	19.1 billion yen	21.5 billion yen	+2.4 billion yen
<b>Non-Financial Targets</b>			
Procurement ratio of sustainable raw materials*1			
Cacao beans	FY2026/3	100%	
Palm oil	FY2024/3	100%	
Paper*2	FY2023/3	100%	
*1. Scope: Morinaga products in Japan *2. Scope: product packaging			
<b>&lt;Key Performance Indicators&gt;</b>			
Operating income to net sales ratio:	11%	11% or higher	
Overseas sales ratio:	7%	9% or higher	
Focused domains' sales ratio:	Approx. 40% +5 points or higher*2		
ROE:	12%	10% or higher	
Dividend payout ratio:	30%	30%	
*1. Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of the fiscal year ending March 31, 2022 *2. Comparison with the average during the period of the 2018 Medium-Term Business Plan			

## Key Measures

### Driving Growth through the Focused Domain

<b>"in-" business</b>	<ul style="list-style-type: none"> <li>Expand sales of <i>in Jelly</i></li> <li>Bring new "in-" brand products to market</li> </ul>
<b>Direct marketing business</b>	<ul style="list-style-type: none"> <li>Release new collagen products</li> <li>Implement CXM* using digitalization</li> </ul>
<b>U.S. business</b>	<ul style="list-style-type: none"> <li>Expand <i>HI-CHEW</i> lineup</li> <li>Bring jelly drink products to market</li> </ul>
<b>Frozen desserts business</b>	<ul style="list-style-type: none"> <li>Evolve "freshness marketing"</li> <li>Invest to expand production at Takasaki Factory No. 3</li> </ul>

\*An acronym for customer experience management

In the "in-" business, we will aim to increase sales of *in Jelly* and *in Bar* products and develop products that capture lifestyle changes, such as increased time at home, to expand the eating scene and add health value. Moreover, we will promote product development in various categories using the "in-" brand aiming to create new food products. In the direct marketing business, we will develop the new collagen products after mainstay *Morinaga Collagen Drink* and evolve existing businesses using digital marketing tailored to individual customers. Also, we will work on exploring and creating new businesses aimed at future growth. In the U.S. business, we will expand the lineup through development of extension products aiming for the

further growth of *HI-CHEW*, and we will start new initiatives to create a jelly drinks market. In the frozen desserts business, we will evolve freshness marketing to further expand targets of the *Jumbo* brand and capture customers in peripheral markets using differentiated desserts such as *The Crepe* and *Ita Choco Ice* ice cream bars. At the same time, we will begin operations at the Takasaki Factory No. 3 from the fiscal year ending March 31, 2022 as a new manufacturing site underpinning growth.

### Stable Cash Flow Generation From the Basic Domain

<b>Confectionery business</b>	<ul style="list-style-type: none"> <li>Establish new <i>HI-CHEW</i> series in market</li> <li>Invest to increase production of <i>Morinaga Biscuits</i></li> </ul>
<b>Foodstuffs business</b>	<ul style="list-style-type: none"> <li>Strengthen appeal of health value of <i>Morinaga Cocoa</i> and <i>Morinaga Amazake</i></li> </ul>

In the confectionery business, we will focus on new product development in our mainstay brands of *HI-CHEW* and *Morinaga Biscuits* appropriate for customers' lifestyles aimed at increasing the net sales weighting of candy and biscuits with high profitability. In the foodstuffs business, we will implement a number of initiatives, including appealing health value, in order to shift from conventional articles-of-taste to the health brand centered on the *Morinaga Cocoa* and *Morinaga Amazake* brands.

Policy 1

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain

“in-” Business

What we are aiming for in 2030

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

**Targets for 2030** Net sales: **50 billion yen**

Main products



in Bar



In Jelly

Creation of New Business through the Exploration and Research Domain

We will explore new businesses mainly involving the creation of a business model in response to advancements in digitalization and development of wellness products in overseas markets. Specifically, we will move ahead with research on the utilization of customer data and investments in DX aimed at building a data utilization platform. Also, we will continue to capture market opportunities by engaging in business activities in the strong growth markets of China, Southeast Asia, Oceania, and Europe.

Structural Reforms Focused on Functional Sectors

Procurement departments will review a shift of raw materials and product specifications to achieve sustainable raw materials purchasing and make efforts to control the increase in the raw materials expense ratio. As part of this, these departments will rebuild our supply chain management infrastructure using digital technology to achieve streamlining and upgrading raw materials purchasing simultaneously through operational reforms. Manufacturing departments will work to minimize lost opportunities and implement labor-saving solutions to make all our manufacturing sites in Japan and overseas smart factories through the use of digitalization, such as IoT. In the fiscal year ending March 31, 2022, we will begin transforming the Group’s flagship factory of Takasaki Morinaga Co., Ltd. into a smart factory and build a strong manufacturing foundation to compete globally. Logistics departments and Sales departments will work to optimize bases by strengthening our presence in urban areas and streamlining regional areas with an eye toward market changes and to lower costs as well as increase productivity.

Building a Strong Management Foundation

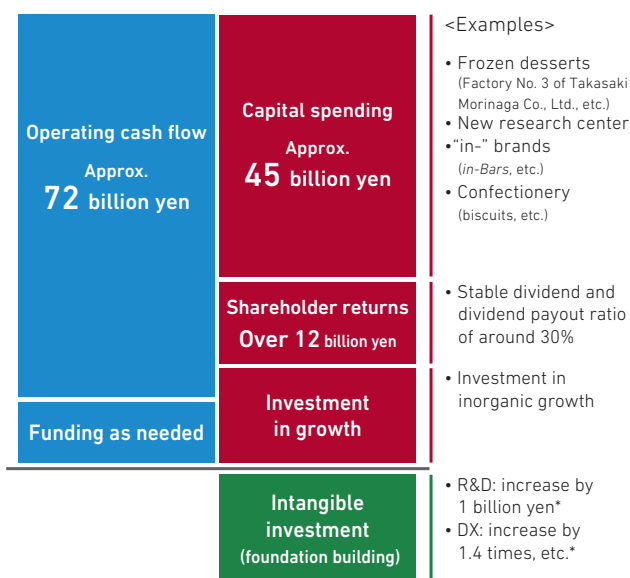
Under our human resources strategy, we will formulate a succession plan, acquire specialists, and consider labor-saving systems, all in a timely manner, aiming to maximize our human resources. In terms of R&D strategy, we will revamp our research center in 2022, upgrade mass production technologies, and strengthen alliances with outside research institutions as a means to creating new value for customers. Under our DX strategy, we will begin “DX1.0” initiatives that seek to enhance profitability with digital technology and commence operational reforms using IoT and RPA\*. We will respond to various issues, including reinforcing Group management and risk management to continue strengthening our governance system, and implement each strategy steadily through proactive and swift decision making.

\* An acronym for robotic process automation; a technology for automating manual operating processes and tasks on a computer.



Exterior rendition of new research center scheduled to open in 2022

Cash Allocation



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

The cash generated will be prioritized for allocation toward investments in the focused domain and management foundation building. This cash will also be used to strike the optimal balance between a stable dividend with a targeted dividend payout ratio of 30% and internal reserves in preparation for various business risks. As for capital spending, we plan to spend around 45 billion yen, which is more than the 2018 Medium-Term Business Plan. Spending will involve building a manufacturing system for the frozen desserts business at the Factory No. 3 of Takasaki Morinaga Co., Ltd. and opening of the new research center. In addition, we will accelerate investments in intangible assets for building a strong management foundation using R&D and DX, creating a foundation for long-term growth.

Awareness of Business Environment

The “in-” brand was launched in 1994 with the release of *in Jelly*. The brand created the new food culture of replenishing nutrition easily on the go when playing sports or needing a quick breakfast,

providing an all-new lifestyle. Today, the lifestyles of customers are undergoing major changes due to the COVID-19 pandemic. As a result, customers now demand new value proposals.

Results and Issues from the 2018 Medium-Term Business Plan

Under the 2018 Medium-Term Business Plan, we increased net sales while maintaining the high profitability mainly of *in Jelly* and *in Bar* following the growth strategy centered on the “in-” brand. The “in-” brand continues to maintain the top share in the jelly drink market having established a solid footing in the marketplace.

We recognize that a future issue will be expanding the product lineup after determining how to address changes in eating scenarios due to increased time at home and rising health consciousness using a line-up of products based on each nutritional element in *in Jelly*, which currently focuses on energy replenishment.

Medium- to Long-Term Strategy

Incorporating sports and exercise into our daily life is becoming more important in terms of health promotion and maintenance based on not only people’s desire to stay healthy as they age but also concerns about unprecedented pandemics. The Morinaga Group will utilize its know-how in nutrition and physique building cultivated through our knowledge of sports nutrition along with proprietary food processing technologies to respond to the needs of customers seeking delicious and healthy eating. By 2030, our goal is to be recognized as “the No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to stay in optimal shape based on sports science.” Toward this end, we will continue to evolve to provide greater health value.

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

<p><b>Brand Vision for “in-”</b></p> <p>No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to stay in optimal shape based on sports science</p>	<p><b>Growth of <i>in Jelly</i> Products</b></p> <p>Provide wellness value to diverse customers in various lifestyle scenarios</p> <ul style="list-style-type: none"> <li>Expand consumption scenes of core products (energy, etc.)</li> <li>Respond to new needs and targets</li> </ul>	<p><b>Growth of “in-” Brands</b></p> <p>Provide new value to customers using the <i>in Bar</i> and new “in-” products, following the success of <i>in Jelly</i>, and foster the brand so that it creates new markets</p>
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Initiatives in the 2021 Medium-Term Business Plan

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

Basic Strategies of the “in-” Business in the 2021 Medium-Term Business Plan

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

Communication Examples for Expansion of Drinking Scenarios of *in Jelly*



Consumers are worried about getting out of shape because of the increased time spent at home. *In Jelly* products support this motivating factor among customers.



# Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

## Focused domain Direct Marketing Business

**What we are aiming for in 2030**  
 Evolving into healthcare business supporting customers' wellness realization

**Targets for 2030** Net sales: **20 billion yen**



Morinaga Collagen Drink Oishii Ajjiru

### Awareness of Business Environment

Morinaga Direct Store supports the wellness lifestyle of each and every customer through direct delivery of health and beauty products such as collagen drinks. The size of the direct market for health products in the fiscal year ended March 31, 2020 was 566 billion yen\*, reaching 115% growth in the past five years.

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

\* Source: H.B. Foods Marketing Handbook 2021, Fuji Keizai

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

### Results and Issues from the 2018 Medium-Term Business Plan

Under the 2018 Medium-Term Business Plan, we followed a growth strategy centered on the *Morinaga Collagen Drink* brand. We enhanced the reliability of the product as a food with functional claim and steadily increased the number of regular customers through active investments in advertising to reach the top spot\* in

sales of collagen drinks. We believe it is our task to strengthen direct communication with customers going forward to further improve our support of customers' wellness life.

\* Source: H.B. Foods Marketing Handbook 2021 No. 1, Fuji Keizai (Category for beauty-oriented products and collagen products/ 2019 results), for the *Morinaga Collagen Drink* series, including products before and after updating.

### Medium- to Long-Term Strategy

We provide products that are both functional and delicious at the Morinaga Direct Store to support our customers' healthy minds and bodies.

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

#### Initiatives in the 2021 Medium-Term Business Plan

We have established the Customer Experience Management (CXM) Promotion Office in an effort to develop a system for promoting business activities that will create experience-based value for customers. At the same time, we are developing a structure to maximize value provision by utilizing the huge amount of customer data. As for products, we will launch new

products with collagen as ingredients to expand the collagen business, as well as enhance the sales promotion of *Oishii Ajjiru* to develop the next potential brand for growth.

#### Secrets Behind the Success of Morinaga Collagen Drink

*Morinaga Collagen Drink* available exclusively through the direct marketing channel is the best-selling collagen drink in Japan with cumulative sales exceeding 200 million units. It is a food product with three verified functional claims in terms of efficacy on skin moisturization, knee joints, and bones. While it contains the highest content of collagen peptide in the industry at 10,000 mg, it does not have the odor that is unique to collagen, thanks to our proprietary food processing technology, making it enjoyable and delicious.

\*1. For existing products, as of April 2019 (survey by Morinaga & Co., Ltd.)  
 \*Source: H.B. Foods Marketing Handbook 2021 No. 1, Fuji Keizai (Category for beauty-oriented products and collagen products/ 2019 results), for the *Morinaga Collagen Drink* series, including products before and after updating.



## Focused domain Frozen Desserts Business

**What we are aiming for in 2030**  
 Stably expanding business by concentrating on differentiated products that exploit our proprietary confectionery technologies

**Targets for 2030** Net sales: **50 billion yen**



Choco Monaka Jumbo Ita Choco Ice ice cream bars

### Awareness of Business Environment

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

our management resources on market mainstay brands thereby conducting our business to effectively yield profits. Using our confectionery technology, we have provided customers with a sense of healing through desserts that goes beyond the realm of ice cream.

### Results and Issues from the 2018 Medium-Term Business Plan

Based on the strategy of focusing on mainstay brands in the 2018 Medium-Term Business Plan, we have been investing in marketing with an emphasis on the *Jumbo* brand, which has established its position in the market and increased sales for 20 consecutive years (56.2% share within the monaka category in FY2021/3\*).

\* INTAGE SRI+

Other product groups beside the *Jumbo* brand are also growing steadily, as overall sales of the frozen desserts business have grown by 10 billion yen within the period of the 2018 Medium-Term Business Plan (which increased by 21.9 billion yen in the 10-year period up to FY2021/3). We believe our task going forward is to conduct product development and enhance production systems to address the expansion of dessert needs.

### Medium- to Long-Term Strategy

We will create new dessert needs that contribute to "health of mind" through enhancing product development using our confectionery and food technology. Specifically, we will further pursue "freshness marketing" in order to continuously improve on the unique value of "crispiness" in our *Jumbo* brand products. Also, we will promote collaboration between industry and academia on the research of emotional values evoked in consumers by the crispy texture of *Jumbo* in order to explore deeply the "health of mind" aspect. Furthermore, we will also invest in equipment for the necessary improvement in the production system to achieve this strategy.

#### Initiatives in the 2021 Medium-Term Business Plan

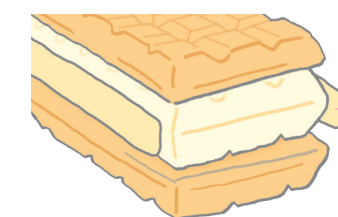
We will promote business growth based on the framework of the three basic strategies.

#### Basic strategies for the frozen desserts business in the 2021 Medium-Term Business Plan

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

#### Evolution of "Freshness Marketing" and Initiatives for Vanilla Monaka Jumbo

Since its release in 2011, sales of *Vanilla Monaka Jumbo* have grown steadily, recording 120% growth in the fiscal year ended March 31, 2021 compared to the previous year. Since spring 2021, the ice cream is now coated with white chocolate on two sides, which shuts out the small amount of moisture released gradually from the ice cream. This is created using a new manufacturing technology aimed at maintaining the crispiness of monaka for as long as possible.



"Chocolate Wall" maintains the crispy texture of monaka

# Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

## Focused domain U.S. Business



**Toshiyuki Sakai**  
Director and Senior Operating Officer,  
Responsible for Overseas Business

### What we are aiming for in 2030

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

Targets for 2030

Net sales: **30 billion yen**



HI-CHEW/ Original Mix



HI-CHEW/ Tropical Mix

### Awareness of Business Environment

The U.S. candy market consists of major manufacturers with funding and developing power, where rival brands compete against one another. However, as the market is growing year on year, it carries a great significance for our global business expansion if we can increase the number of fans of the *HI-CHEW* brand in the U.S., the world's largest candy market. Given the market condition, *HI-CHEW* has been embraced for its real fruity

taste and chewiness like none other, with a steady growth in sales since its launch and a positive reputation among customers in the U.S. Going forward, as an initiative to address growing global health awareness and environmental issues, we believe that products and product development that contribute to "health of mind, body, and environment" will be in demand.

### Results and Issues from the 2018 Medium-Term Business Plan

In order to establish the acceptance of *HI-CHEW* in the U.S. market, we have taken initiatives to promote the distinctive quality in the fruity taste and texture created based on the technology developed in our domestic business to customers in the U.S. We have launched the products in major sales channels in the U.S. and we are expanding these channels and establishing the products' visibility in the marketplace. Consequently, the recognition of the *HI-CHEW* brand has increased, with positive earnings in the fiscal year ended March 31, 2020, and 7.2 billion yen in sales in the fiscal year ended March 31, 2021. As such, we believe we have shifted from market introduction into the growth phase. The huge increase in brand recognition and reliability of *HI-CHEW* in the industry is illustrated by the positive evaluation in the National Confectioners Association (NCA) event\*1, and winning

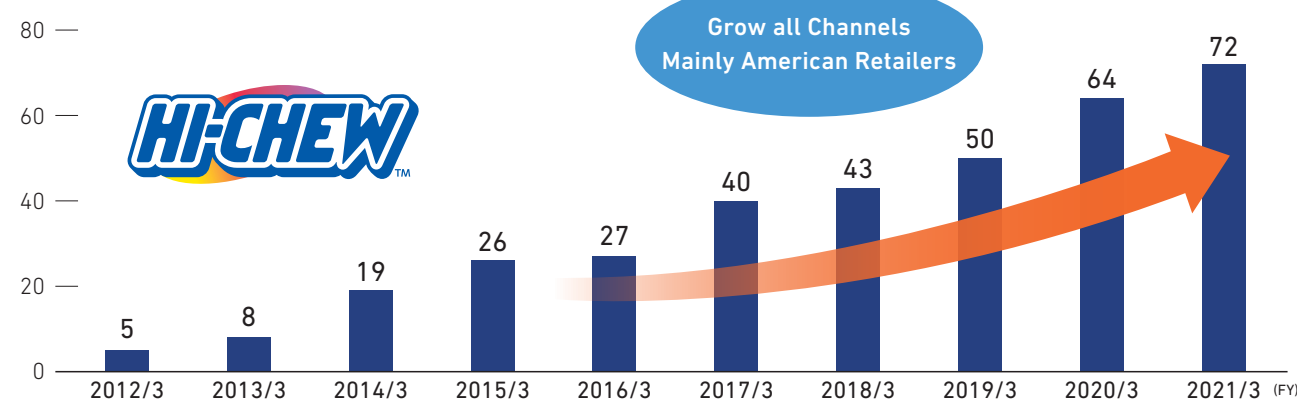
the 2020 Global Nielsen BASES Design Impact Awards\*2 for the design of *HI-CHEW/ Original Mix*. On the other hand, as the product lineup is still small compared to that of competing businesses, the expansion of number of items remains a task to be addressed.

Besides the U.S., *HI-CHEW* is well accepted and recognized for its high competitive advantages in consumer surveys conducted in other countries and regions. As such, we will develop the base for business expansion for further growth going forward.

\*1. An employee from Morinaga America, Inc. was selected in the Future Leadership Program (five candidate spots available in the U.S.) hosted by the National Confectioners Association.  
\*2. Recognized for the improved sales results from the renewed design and enhanced understanding and purchase desire towards the product for the proper conveyance of the brand value. This is the first time for a Japanese manufacturer to receive this award, with only 12 brands awarded in the world.

### HI-CHEW Sales in the U.S. Market

(100 million yen)



### Medium- to Long-Term Strategy

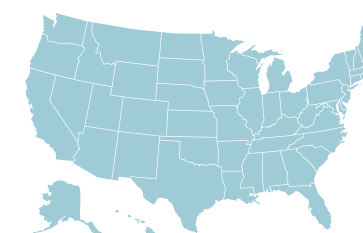
We will launch brand extension products aimed at further increasing sales of the *HI-CHEW* brand. At the same time, as it is essential to strengthen manufacturing capabilities to match expanded sales, we will develop a global supply system, collaborate with manufacturing companies, and re-establish a logistics system to ensure the steady supply structure of products. In addition to *HI-CHEW*, we will develop a market for jelly drinks as a wellness product that contributes to "health of mind and body," as well as search for the third and fourth products at the same time. We will also conduct development support for environmentally conscious products.

### Initiatives in the 2021 Medium-Term Business Plan

Our target sales in the U.S. business for the fiscal year ending March 31, 2024 are 10 billion yen. We will continue to expand the handling ratio of *HI-CHEW* across the U.S. to ensure it can be bought anytime, anywhere, by anyone. Furthermore, we will expand the product lineup of *HI-CHEW* with proactive investment of management resources, as well as accelerate R&D investment to develop brand extension products that suit consumer needs. In addition, we will enhance brand recognition through television commercials and digital advertisements, and expand contact points with customers to improve loyalty to the *HI-CHEW* brand. Also, we will create a market for jelly drinks.

### Key Measures for HI-CHEW in the U.S. Market

#### Expand distribution of main products



Expand handling ratio across the U.S.

#### Expand product lineup



Launch new products

#### Increase brand appeal



Launch TV commercials nationwide in the U.S.

### Create a Market for Jelly Drinks

The wellness market is expected to further expand due to the increased health consciousness of consumers after the COVID-19 pandemic. In the meantime, the U.S. has yet to see any product such as jelly drinks that provide various benefits, which are popular in Japan. As such, we aim to create a market that provides a new value in the U.S. through jelly drinks developed for the U.S. market as a pioneer of jelly drinks in Japan. We

received positive feedback through consumer surveys conducted in limited areas and channels, and we will promptly develop a marketing strategy based on these results to launch products within the fiscal year ending March 31, 2022.

We aim to change into a wellness company also in the U.S. through creating a new jelly drink market while harnessing the business foundation established with *HI-CHEW*.

### Expansion into Other Overseas Markets

Our operating income was also in the black in other overseas markets outside of the U.S. with steady growth in sales during the period of the 2018 Medium-Term Business Plan. We will further accelerate global expansion with the sales of *HI-CHEW*. In addition to *HI-CHEW*, we will increase imports and sales of Japanese-made products in China. We believe the jelly drink business has great potential in Taiwan, and will further expand sales there. We will study the acceptance of wellness products in East Asia, Southeast Asia, Oceania, and Europe, and consider commercialization in these markets in the future.



China



Taiwan



Thailand



Oceania



# Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

## Focused domain Domestic Confectionery and Foodstuffs Business

**What we are aiming for in 2030**

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

**Targets for 2030** Operating income to net sales ratio: **10%**



### Awareness of Business Environment

#### Domestic Confectionery Business

Our domestic confectionery business is a fundamental part of the company that values the founding spirit of "Delicious, Fun, and Healthy" through delivering confectionery products that contribute to "health of mind and body" of our customers. As a result of the increase in time spent at home due to the COVID-19 pandemic, the confectionery consumption scene has changed significantly depending on the product category and packaging. We predict that health needs and expectations for social and environmental considerations will continue to grow.

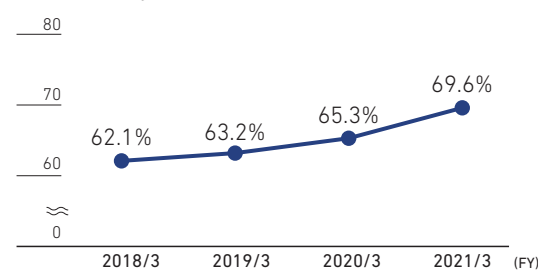
#### Domestic Foodstuffs Business

The domestic foodstuffs business has been leading the Japanese market with the best-in-category products, including the first milk cocoa powder drink product manufactured and sold in Japan in 1919, *Morinaga Cocoa*, our long-standing best seller, and *Morinaga Amazake*. With the COVID-19 pandemic, customers have become more conscious of health; therefore, we predict growing demand for products made using healthy ingredients.

### Results and Issues from the 2018 Medium-Term Business Plan

The confectionery business improved its profitability through structural reforms that concentrated on major brands such as *HI-CHEW*. The foodstuffs business also improved its profitability by focusing management resources on No. 1 products in their respective category and products with a health value appeal. In the future, we will strive to further solidify our revenue base, refine the values unique to the confectionery and foodstuffs business, then explore deep into discovering values that contribute to "health of mind, body, and environment."

Percentage of Sales Comprised of Main Brands in Confectionery and Foodstuffs Business\*



\*Main brands in confectionery and foodstuffs business: Carré de chocolat, DARS, HI-CHEW, Ottotto, Chocoball, Milk Caramel, Morinaga Ramune, Morinaga Cocoa, Morinaga Biscuits, Morinaga Amazake

### Medium- to Long-Term Strategy

#### Domestic Confectionery Business

We will improve the net sales weighting of categories with excellent profitability (candies, biscuits, etc.) and improve the operating income to net sales ratio for each number of items. In the chocolate category, we will launch products such as *DARS* and *Carré de chocolat* in new packaging formats to address the diversifying eating scenes and implement a communications strategy that suits the target group to achieve improved operating income to net sales ratio and secure sales. We aim to increase the net sales weighting of major candy brands that are highly profitable, such as *HI-CHEW* and *Morinaga Ramune*, through expanding the product lineup and enhancing sales promotions to improve the operating income to net sales ratio. Moreover, for the biscuits category, which has grown in response to the demand for staying at home, we will boost production capacity and introduce products with high added value in anticipation of sustained demand.

#### 2021 Medium-Term Business Plan

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

#### Re-branding of DARS

With the production of *DARS* started at Takasaki Factory No. 3, we will redraw the target consumer group and aim for a leap in sales. The brand will be tailored to the younger generation as the target group. We are working with artists in our communication measures, choosing the finest quality with a rich milk chocolate taste, and redesigning the package with a stylish appearance that consumers want to carry with them everywhere.



#### Delivering Fun with HI-CHEW's many textures

With *HI-CHEW*, we will enhance the product lineup focused on texture. We aim to bring fun textures to customers using our unique technology, including "UMAI-CHEW," which is popular for its crunchy-soft texture, "3-texture *HI-CHEW Assortment*," which offers varying textures between fizzy, squishy crunch, and crunchy soft, and "*HI-CHEW Premium*," providing a soothing, squishy bounce with every bite.



#### Domestic Foodstuffs Business

We are fostering the brands of *Morinaga Cocoa* and *Morinaga Amazake*, which are No. 1 in their respective categories, by further focusing on the health value contained in the ingredients to increase sales and profitability. For *Morinaga Cocoa*, we are emphasizing the health value especially in *Power of Cacao* to

enhance sales promotions, while creating its demand as a regular beverage for adults that is good for the body. *Morinaga Amazake* will be rebranded in fall 2021, with an appeal for its double fermented ingredients, we will provide customers with health value in amazake.

#### Power of Cacao supports the health of consumers with rich cacao polyphenol and dietary fibers



Cacao contains polyphenol and dietary fibers, and is known as a superfood.

#### Morinaga Amazake will take on a new packaging artwork to emphasize the value contained in its fermented ingredients



#### Becoming a Wellness Company

For the confectionery and foodstuffs business, we will provide value to "health of mind, body, and environment" available only through product groups that are easily enjoyable. We provide product formats that are easily accessible and have health value using functionality through products such as *Morinaga Ramune* to support school entrance exam takers with glucose, *LAC-Shield® Tablet* containing the probiotic "Lactobacillus paracasei MCC1849," and *90% Less Sugar Cough Drops* that is a food with functional claim and contains inulin as a related ingredient to

soothe the stomach.

We are conducting research on the health effects of ingredients in amazake and cocoa powder drink, such as sake lees, malted rice, and cacao beans. In addition, we are also implementing measures towards "health of the environment." For our *Koeda* chocolate products, we use cacao beans certified by the Cocoa Horizons Foundation in supporting cacao farmers and reducing deforestation and CO<sub>2</sub> emissions. The paper packaging is made with FSC® certified paper (FSC®N003064) while the individual packaging film contains partial biomass plastic film.

#### Easily accessible functional and nutritional values



#### Research on health effect of ingredients



We disseminate the *Cocoa Report* featuring the latest research on the health function of cocoa powder drinks.

We are conducting research on the health and beauty effect of amazake, which is called "drinkable IV" because of its nutritious and easy-to-digest features.

# Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

## Improve Profitability through Structural Reforms Centering on Functional Sectors



**Takashi Hirakue**  
Director, Senior Operating Officer, General Manager of Production Headquarters, Officer Responsible for Logistics Department



**Hideki Matsunaga**  
Senior Operating Officer, General Manager of Sales Headquarters

### What we are aiming for in 2030

We will tackle labor shortages as well as establish a powerful profit structure to allow us to compete around the world.

### Awareness of Business Environment

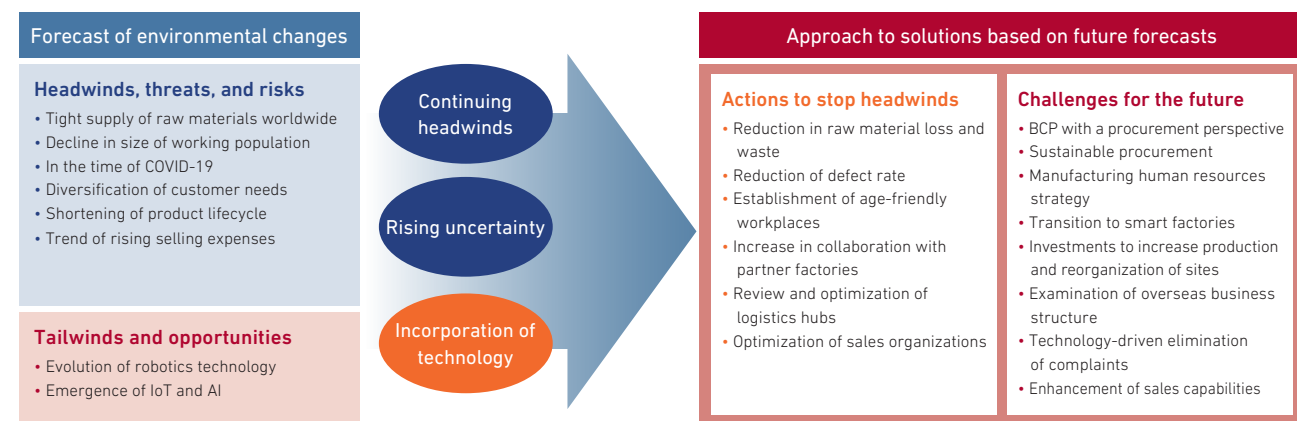
Changes in the external environment affecting the Morinaga Group's business operations include not only soaring raw materials costs and consumption trends, which are impacted directly, but also a number of worldwide and challenging social issues, including climate change, marine pollution, and human rights issues.

Going forward, we will need to carefully plan our response in advance and recognize the impacts on our business activities that these major issues have over the medium to long term. Digital technology, which is rapidly evolving with IoT and AI, is transforming our entire society. We will need to utilize this

technology to strengthen our business foundation and build up our competitive advantages.

The Morinaga Group will undertake comprehensive structural reforms mainly in the functional sectors of procurement, manufacturing, logistics, and sales in order to build a strong revenue base that will enable us to compete on the world stage regardless of the business environment. We will actively promote measures that eliminate labor shortages and enhance competitiveness while strengthening our business foundation related to safety, quality, cost, and delivery.

### Changes in External Environment, Impacts on the Group, and the Group's Approach to Solutions

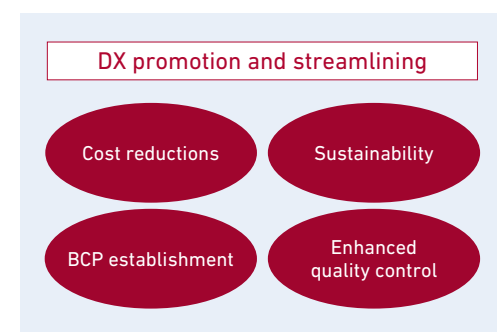


### Unwavering Structural Reforms to Achieve the 2030 Vision

#### 1. Structural Reforms of Procurement Functions

The mission of procurement functions is to procure raw materials required for manufacturing appropriately in a stable manner. Furthermore, in recent years, based on societal demands, the expected responsibility of these functional divisions have been expanding outward from legal compliance to traceability, improved quality control, response to sustainability, and business continuity planning (BCP) for disasters. The Morinaga Group will build a foundation to properly address these societal demands related to raw materials procurement and supply chain management. We will promote DX and streamline our entire procurement operations aimed at strategic procurement that will enable us to better compete in global markets.

#### Issues of Procurement Functions and Strategic System

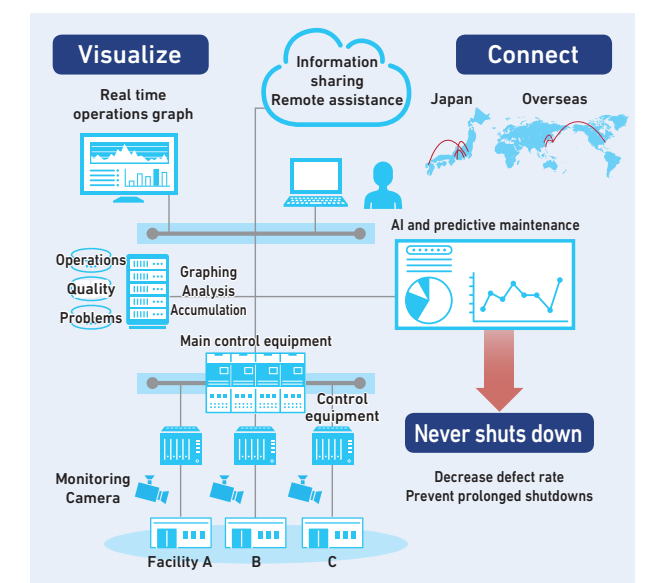


#### 2. Structural Reforms of Manufacturing Functions

The Morinaga Group has created products with the utmost priority given to superior quality, safety, and security. Aimed at achieving the 2030 Vision, we will further evolve our safe, secure, and highly efficient production system built up as a food manufacturer into one for the next generation. Smart factories represent one of our initiatives toward this end.

We will combine our long-standing technologies with digital data from manufacturing facilities to increase the stability of operations and improve production efficiency. As one example, we will speed up collaboration between manufacturing and indirect departments by introducing IoT and AI technologies to our manufacturing facilities to visualize operating status in real time. Also, we will reduce production waste and loss by preventing prolonged shutdowns from the early detection of facility problems. In terms of the transition to smart factories, we have started from new facilities at the Takasaki Factory No. 3 of Takasaki Morinaga Co., Ltd. and will continue to do so at our other factories inside and outside of Japan.

#### Overview of Smart Factories



#### Factory No. 3 of Takasaki Morinaga Co., Ltd.

The Morinaga Group is reviewing its production system and introducing highly efficient manufacturing lines primarily at its mainstay factories. Takasaki Factory No. 3 is our latest factory featuring highly efficient facilities in terms of production and energy consumption. The factory is also proceeding with the transition to a smart factory. We launched production of chocolate in the fiscal year ended March 31, 2021 and frozen desserts in the fiscal year ending March 31, 2022.



Takasaki Factory No. 3

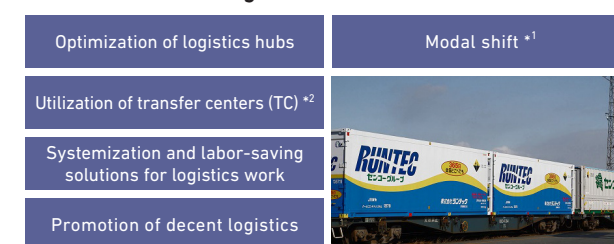


Control room of the Factory No. 3

#### 3. Structural Reforms of Logistics Functions

We are moving ahead with a modal shift<sup>\*1</sup> and diversification of transport methods aimed at building a logistics system that is efficient, stable, and environmentally friendly. We will also increase logistics efficiency by reorganizing and optimizing our logistics hubs and achieve decent logistics that improve the working environment of logistics workers. Looking ahead, we will build a supply-demand system using AI and logistics platforms driven by DX and introduce labor-saving solutions in our logistics operations.

#### Main Measures for Logistics Structural Reforms

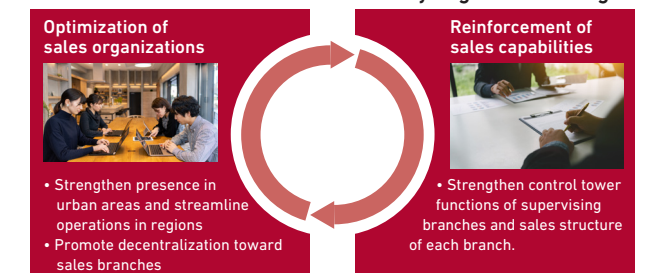


\*1. Shifting from truck transport of cargo to railway or ship.  
\*2. Pass-through-type logistics centers where products are sorted and immediately shipped without being placed into inventory.

#### 4. Structural Reforms of Sales Functions

We will increase productivity by optimizing sales organizations with an eye toward changes taking place in the market. Sales departments will implement area marketing that addresses the diverse needs of customers through decentralization to branches aiming to strengthen our presence in regions. Additionally, aimed at strengthening our sales capabilities, we will enhance the quality of our proposals to retailers through collaboration between supervising branches with control tower functions and regional branches, as well as build strong relationships with our largest customers.

#### Structural Reforms of Sales Functions Eyeing Market Changes





Policy 2 Build Business Foundation Linked with Business Strategies

# Human Resources Strategy



**Masaaki Takahashi**  
Operating Officer  
General Manager of the Human Resources Division

**Aimed at 2030**  
We are working to achieve employee happiness by encouraging their autonomous growth based on mutual relationships of trust with the company and to continuously generate value for society.

## Basic Awareness

The Morinaga Group aspires to become a sustainable company that grows and develops continuously by generating value for society collectively together with the company and employees with an eye toward attaining our Purpose and the 2030 Vision. We believe that employee happiness is an essential element of these efforts.

To achieve employee happiness, it will be important to provide "health of mind and body" to employees and encourage their autonomous growth based on mutual relationships of trust

between the company and employees. We believe that this will lead to employees' sense of growth, self-actualization, target fulfillment, and independent career development, and help employees find their job meaningful.

In the future Japan's working population will decline, which makes increasing productivity an issue facing the entire Group. At the same time, as we are still in the process of global expansion, the Group must accelerate initiatives in terms of human resources strategy.

## Medium- to Long-Term Strategy

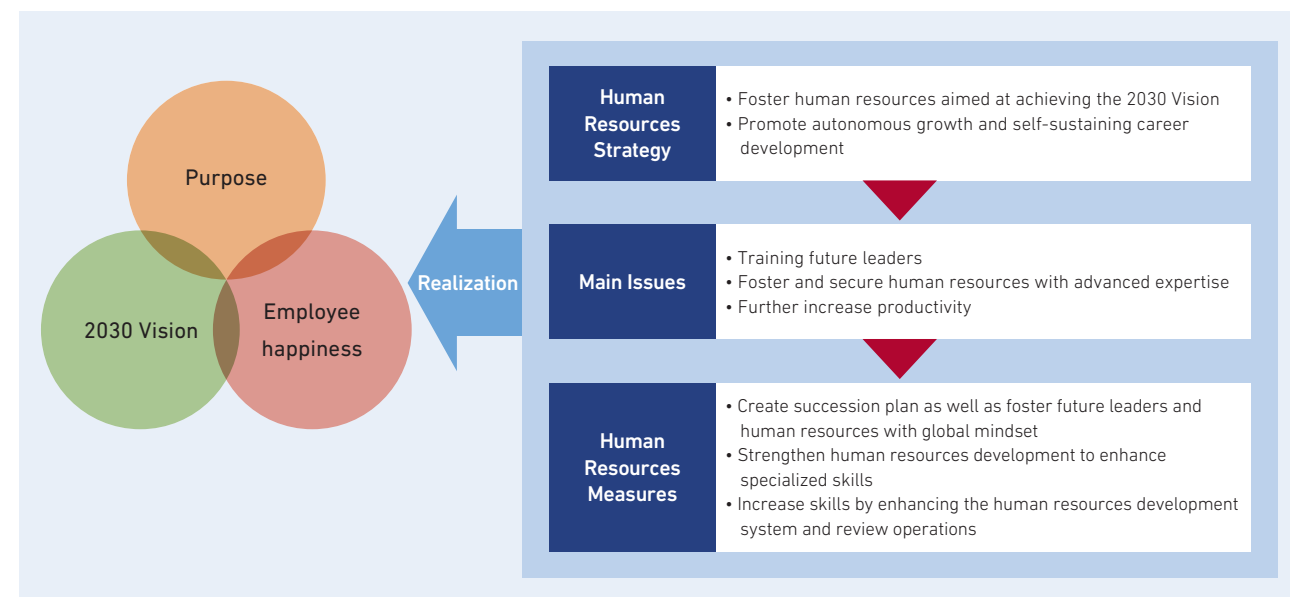
Our basic human resources strategy is to balance development of human resources for achieving the 2030 Vision with the autonomous growth and self-sustaining career development of employees.

Aimed at attaining the 2030 Business Plan, we have positioned 1. Training future leaders to develop leadership skills for driving the business; 2. Foster and secure human resources with advanced expertise; and 3. Further increase productivity, as main human

resources issues, and we will now implement measures to address these issues (see table below). First, our top priority will be to disseminate our new corporate philosophy and the 2030 Vision, and then by continuously fostering human resources that will make us achieve these, we will attain the Group's sustainable growth.

➡ Please see page 38 for our approach to diversity.  
➡ Please see pages 46 and 47 for our human resources development and labor environment.

### Human Resources Strategy for Achieving Our Purpose and the 2030 Vision



# R&D Strategy



**Shinya Mori**  
Director, Senior Operating Officer,  
General Manager of R&D Center

**Aimed at 2030**  
We will support company-wide strategy and operations in a cross-cutting manner by enhancing development with a medium- to long-term perspective to generate new value for customers aimed at the future pivoting around technology.

## Medium- to Long-Term Strategy

Aimed at achieving the 2030 Vision, we will promote research and development pivoting around technology that contributes to new value creation under the following policies.

**[Basic Policies on R&D]**

- Undertake research and development consistent with management and business strategies
- Accelerate initiatives for the co-creation of "health of mind and body" emphasizing open innovation

### Enhancing Basic Research and Updating Core Technologies

We will enhance health science research so that we can provide food products to customers along with science-based evidence on health functions. We will also work on further enhancing the Group's strength in mass production technologies through collaboration with manufacturing departments. Moreover, we will increase allocation of management resources in food processing technologies, which are a driver of products' medium- to long-term strengths. Through these efforts, we will evolve our core technologies of jelly drink technologies, confectionery technologies in sub-zero temperatures (frozen desserts), and soft candy technologies to underpin growth aimed at achieving the 2030 Business Plan.

### Enhancing Growth Strategy (Wellness and Global R&D)

We will promote the following approach to R&D aimed at developing products that are unique to the Morinaga Group and that contribute to "health of mind and body" of people around the world.

### Wellness

In terms of "health of mind," we will promote a deep exploring of emotional values and establishing evidence using a science-based approach. As for "health of body," we will promote R&D following the two directions below. The first is combinations of healthy ingredients and the second is reduced use of ingredients with possible negative impacts, such as sugar.

### Global

We will create new soft candies that match the articles-of-taste and needs of consumers in the regions where we operate, such as the U.S., and engage in research and product development of wellness products.

### Promoting Value Creation and Co-Creation for the Future

#### ● 1. Established MIRAI Research & Innovation Center

In spring 2018, we established the center for future value creation, "MIRAI Research & Innovation Center," with the goal of strengthening R&D from a medium- to long-term perspective aimed at technology and innovation-led growth. This center engages in medium- to long-term R&D and new technology development for new markets. It is taking a deep exploring of core technologies, researching ways to lower raw material costs and stabilize supply, and developing new processing technologies under the key words wellness and global.

#### ● 2. Opening of new research center

In 2022, we will open a new research center for upgrading R&D and new value creation. In addition to improving the existing R&D environment, this new facility will enable joint research from the lab to pilot plant levels in preparation for external co-creation with research partners inside and outside the Group.

#### ● 3. Strengthen industry-academia collaboration

We will strengthen joint research with research institutes such as universities and accelerate value creation led by external co-creation. (Partners: Over 70 institutions including Ochanomizu University, Tokyo University of Technology, Tokyo University of Science, and Tokushima University)

#### ● 4. Increase R&D spending

We will increase R&D spending in stages up to the fiscal year ending March 31, 2031 to increase spending in the fiscal year ending March 31, 2031 (single year basis) by 150% or more compared to the fiscal year ended March 31, 2021.

#### ● 5. Response to sustainability

We will promote research and technology development to shift to sustainable materials that are socially and environmentally friendly centered on our main raw materials.

# Policy 2 Build Business Foundation Linked with Business Strategies

## Financial Strategy



**Shinichi Uchiyama**  
Director and Senior Operating Officer in charge of Accounting Division

**Aimed at 2030**  
We will sustainably increase corporate value and achieve consistent shareholder returns using proactive investments in growth and by maintaining our stable financial base.

### Results and Issues of the 2018 Medium-Term Business Plan

During the 2018 Medium-Term Business Plan, we experienced a downturn in revenue due to the COVID-19 pandemic and end of our distributorship agreement for *Pringles* in Japan in the fiscal year ended March 31, 2021, the final year of the plan. However, we worked to increase profitability by concentrating on mainstay brands and strengthened our revenue base by reducing costs across the company and reorganizing our factories with the aim of increasing production efficiency. As a result, during the course of the three years, we generated stable profits, maintaining an operating income to net sales ratio at the targeted 10% level and achieved our target for ROE at 11.8%. Consequently, we were able to expand our funding capabilities by improving our financial condition and stability, building a financial base that will underpin our future growth strategies in the process.

Going forward, we will address the following three issues. The first is the execution of investments in growth mindful of capital costs that

contribute to increasing corporate value over the medium to long term. The second is the implementation of shareholder return measures with an eye toward not only dividends but also the total shareholder return ratio. The third is the response to uncertainty in the business environment and management risks caused by COVID-19. This will underpin our efforts to achieve the 2030 Business Plan.

### KPIs in the 2018 Medium-Term Business Plan

Perspectives	Indicators	Results for FY2021/3	Targets
Profitability	Operating income to net sales ratio	9.6%	10% or higher
Efficiency	ROE	11.8%	10% or higher
Security	Shareholders' equity ratio	60.9%	50% or higher
Shareholder returns	Dividend payout ratio	30.0%	30%

### Medium- to Long-Term Strategy

The Morinaga Group has clarified its decision-making criteria for investments and manages investments fully aware of capital costs while continuously monitoring the investment return status post investment. On top of this, the cash generated from our business activities will be allocated following the cash allocation policies outlined in (1) to (3) below. This cash will be used to support the implementation of our strategies companywide. Furthermore, cash for satisfying cash demand will in principle be sourced from cash flow from operating activities, while financing will be executed after comprehensive consideration of financing conditions such as appropriate cash on hand levels, term, and interest rate, as well as impacts on financial indicators such as shareholders' equity ratio, ROE and ROIC, to achieve the optimal capital structure.

#### 1. Investments in Growth

We will aim for a leap in growth by prioritizing investments in the focused domain, including investments for inorganic growth such as business alliances and M&A. Additionally, we will achieve sustainable and consistent growth by investing in the exploration and research domain to plant the seeds of future businesses and in the basic domain including renewing aging facilities. We will also increase investment in intangible assets such as advertising, R&D, and DX, respond to major changes in the management environment, and create a foundation for new value creation.

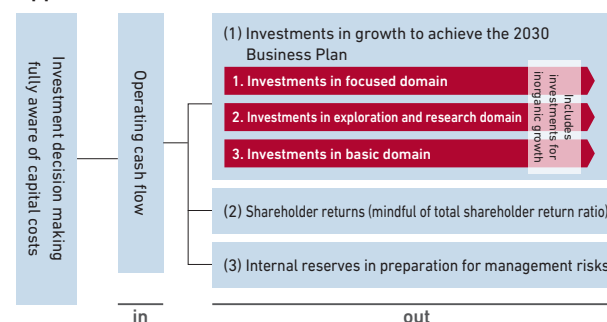
#### 2. Shareholder Returns

The Morinaga Group recognizes that solidifying its management foundation and returning profits to shareholders are top priorities. Our basic policy is to provide dividends in line with performance while ensuring a stable dividend. We will provide shareholder returns mindful of the total shareholder return ratio and offer a stable and consistent dividend targeting a dividend payout ratio of 30%.

#### 3. Internal Reserves

Our basic policy on internal reserves is to fund shareholder returns and investments in growth to enhance corporate value as well as secure a certain level of internal reserves in preparation for management risks including changes in the macro environment and the COVID-19 pandemic.

#### Approach to Cash Allocation



## DX Strategy



**Tomokazu Sano**  
Operating Officer and General Manager of Digital Transformation Promotion Division

**Aimed at 2030**  
We will strategically introduce and utilize digital technologies to strengthen our management foundation and business competitiveness aimed at achieving the targets set out in the 2030 Business Plan.

### Basic Understanding

The Morinaga Group recognizes that it must increase productivity and strengthen the management foundation utilizing investments in quickly evolving digital technologies based on the profound changes taking place in the business environment from advancements in communication technologies and the digitalization of society, including AI, big data, and IoT. For this reason, in the fiscal year ended March 31, 2020 we identified the current situation and challenges and in the fiscal year ended

March 31, 2021 we held discussions involving all departments through the IT strategy project. The formulation of a strategy for investing in digital technology represented a culmination of these efforts. Going forward, the Digital Transformation Promotion Division established in 2021 will take the lead in driving forward companywide cross-functional DX, which will support business activity reforms and our achievement of the 2030 Vision.

### Medium- to Long-Term Strategy

We have established a DX Strategy broken down into three stages of business reforms aimed at incorporating DX companywide.

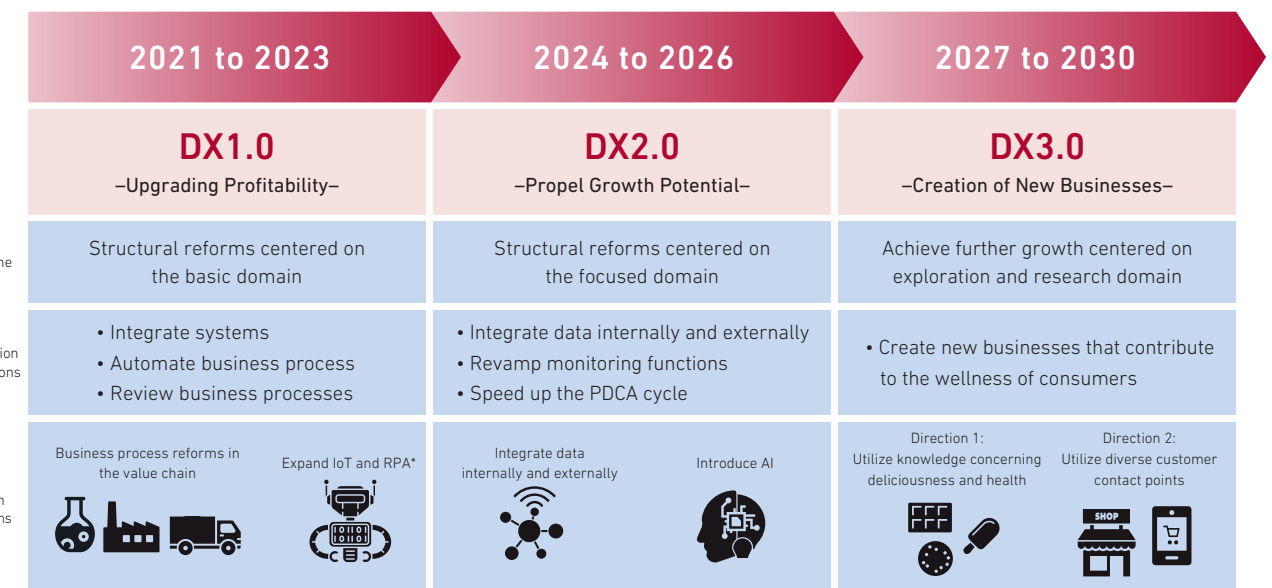
Under DX 1.0, which will take place during the 2021 Medium-Term Business Plan, we will integrate systems and streamline business processes across the value chain by deploying automation solutions, with the goal of upgrading profitability. In turn, the resources generated from these efforts will be allocated to the focused domain in the 2030 Vision and for implementing DX 2.0, helping to speed up our growth strategy.

Under DX 2.0, we will build a management foundation with swift and flexible decision making in response to changes and rebuild

monitoring processes for our business activities by integrating data internally and externally and utilizing AI and other technologies, with the goal of propelling growth potential. As a result, we will enhance our organizational capabilities for forecasting the future based on insight into the business environment and customer tendencies to propel our change into a wellness company and achievement of DX 3.0.

Under DX 3.0, we will continuously invest in digital domains and repeat testing and learning to create new businesses that contribute to the wellness of consumers.

### Overview of DX Strategy



\*An acronym for robotic process automation referring to technologies that automate business processes and manual work with computers.



## Promoting Diversity and Inclusion



**Daisuke Fujii**  
Director and Senior Operating  
Officer in charge of Diversity  
Promotion Office

### Aimed at 2030

Following the approach of leveraging each person's individuality, we will promote diversity and inclusion and generate innovation by creating dynamic organizations where a diverse workforce can play an active role together to achieve our Purpose.

### Accelerating Innovation Using Management That Leverages Each Person's Individuality

The Morinaga Group has made efforts to promote female participation and career advancement in the workplace since 2001 when it reformed its childcare leave and various other programs. As of the fiscal year ended March 31, 2021, the ratio of female managers\*2 stood at 8.3%. Going forward, in addition to further

encouraging female participation and career advancement in the workplace, we will foster a culture that generates innovation from a combination of wisdom by capitalizing on employees' values, individuality, careers, and experience. With this in mind, we established the Diversity Promotion Office in April 2020 and the Diversity and Inclusion Policy in April 2021.

To spread and implement the Diversity and Inclusion Policy, we conducted diversity and inclusion training for around 350 managerial employees because of the importance of promoting these efforts at the workplace level with the understanding of both senior management and middle management. Looking ahead, participants in this training will spearhead our efforts to promote understanding of the Diversity and Inclusion Policy among workplaces and ensure it is put into practice. Using training and various other initiatives, we will ensure that all employees are on the same page when it comes to achieving the position we want to be in by 2030.

#### Morinaga Group

### Diversity and Inclusion Policy

一人ひとりの個を活かす  
Leverage each person's individuality

To deliver happiness to ever more people, the Morinaga Group aims to be a sustainable company that keeps growing. Our employees are the driving force toward achieving that aim: implementing diversity and inclusion maximizes that force. Therefore, we place those values at the core of our management strategy.

We take the approach of "leveraging each person's individuality" and at the same time develop relationships of mutual trust. In that way, we will create conditions where everyone can demonstrate their strengths and play an active role. By enhancing our ability to respond to changes (resilience) and creating new value (innovation) through augmenting the diverse knowledge generated by various individuals, we will continue to address those customers' and society's challenges.

### Five Guidelines for Implementing the Diversity and Inclusion Policy

1. Understanding and Respecting Individuals
2. Promoting the Active Participation of All Employees
3. Providing Fair Support
4. Building Relationships of Trust
5. Emphasizing Independence and Challenge

### Position We Want to Be in by 2030

To elevate the innovation capabilities of our organizations, we need to foster organizations where each and every employee can refine his/ her skills, that create intellectual diversity from the sum total of this diverse individuality, and combine these to produce synergistic effects. Toward this end, we are working to enhance diversity and inclusion following the KPIs listed below.

1. Participation rate in diversity and inclusion training: 100%\*1
2. Condition where the active role of our diverse workforce is being promoted: 80% or higher\*1 (rate of positive responses on the employee survey)
3. Promotion of female participation and career advancement in the workplace; ratio of female managers: 20%\*2



Diversity promotion staff

\*1. Group consolidated basis.  
\*2. Morinaga & Co., Ltd. (non-consolidated)

## Sustainability Section

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  - 50 Conserving the Global Environment
  - 52 Strengthening the Business Management Foundation





Initiatives for Sustainability

# Sustainability Management



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

**Machiko Miyai**  
Director and Managing Executive Officer  
in charge of Sustainable Management Division

## Promoting Sustainable Management Based on Our Purpose

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

### Process of Identifying Materiality at Morinaga Group

In order to identify our materiality, we conducted interviews with experts in the fields of sustainability, consumer issues, capital markets and ESG investment, etc., in July 2020 to obtain opinions on issues that we should address.

Following that, we summarized our 30 material issues for the realization of our Purpose and the 2030 Vision based on vital issues in management and business, international standards and initiatives such as SDGs, and Global Compact, expectations and requests from stakeholders such as customers, business partners, and NGOs, survey items received from survey organizations on CSR, ESG, and sustainability, and other factors such as the external environmental trend that surrounds the Morinaga Group and the food industry.

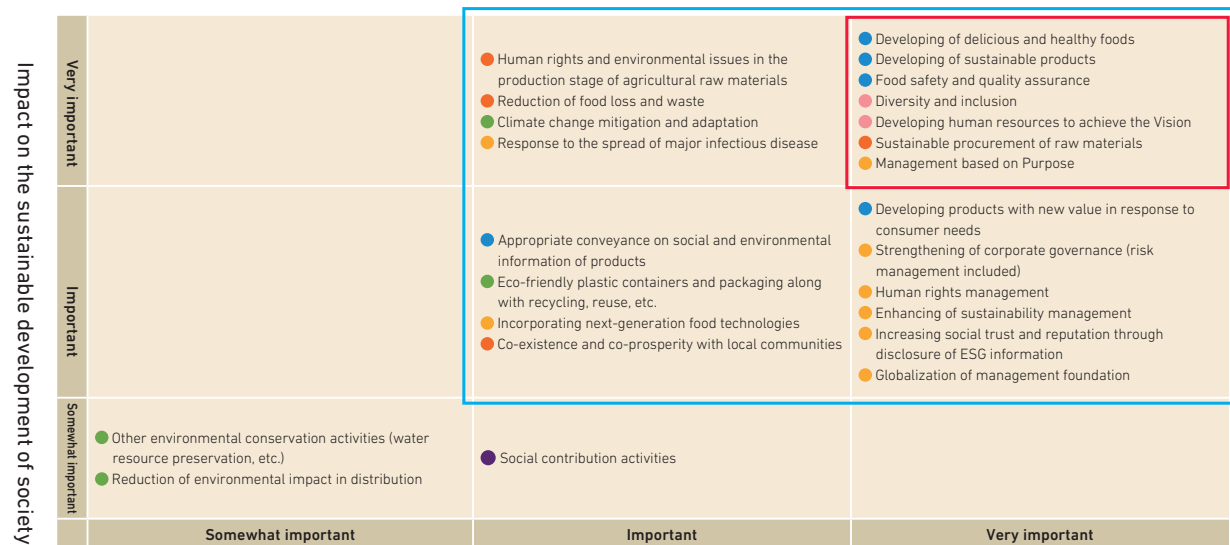
These material issues are evaluated for their importance from the two axes of "impact on the Morinaga Group's sustainable growth," and "impact on the society's sustainable development" by 11 external stakeholders (three investors, four business partners, one NGO, and three Outside Directors) and 10 key members of the Company.

As a result, 21 issues have been rated as important, while seven of which have been rated as the most important (see materiality matrix\*).

Based on this result and repeated discussion among board members, given comprehensive consideration on their relation to the Morinaga Group's management and business operations, we have identified five materialities.

### The Morinaga Group's Materiality Matrix

Deemed the most important issues Deemed important issues



Impact on the Morinaga Group's sustainable growth \*Only results of "Somewhat important" and better presented

### Five materialities

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

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. Our specific efforts are presented in the following pages.

### Identifying the Group's 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. (See pages 16 and 17 for details.)

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

### The Morinaga Group's Materiality



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

We have set Long-Term Targets for 2030 for each materiality in an effort to achieve our Purpose and the 2030 Vision. Furthermore, the actions to be taken during the period of the Medium-Term Business Plan are formulated by backcasting. (See pages 16 and 17 for details.)

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

### Enhance Sustainability Management

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

The Sustainable Management Division serves as the secretariat for the ESG committee, with the heads of departments relevant to

the 2030 Targets 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. Also, it monitors the progress of activities aimed at achieving 2030 Goals and leads the entire Group's initiatives of sustainability.

In order to achieve the Long-Term Targets for 2030, the sharing of our Purpose and the 2030 Vision with all directors and employees and sharing of fundamental knowledge on sustainability and ESG is the starting point. For this reason, we hosted directors training on sustainability and ESG in the fiscal year ended March 31, 2021 in order to deepen the understanding with regard to the latest trend on Purpose-driven management and sustainability. Going forward, we plan to strengthen the employees' understanding and knowledge towards sustainability through training.

Moreover, we will make appropriate disclosure on our activity results 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 will 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.

### Schematics of Sustainability Promotion



Lecture on diversity for board members, lecturer: Asako Osaki (gender specialist)



## Initiatives for Sustainability

# Contributions to Healthy Lives of People around the World



**Keita Tsukui**  
Senior Operating Officer  
General Manager of Marketing Headquarters

**Aimed at 2030**

Contributions to the healthy lives of people around the world with our efforts in providing health values for mind, body, and environment.

**Long-Term Targets for 2030**

- Provide health values to over **70%** of Japan's population through new initiatives aimed at becoming a wellness company.

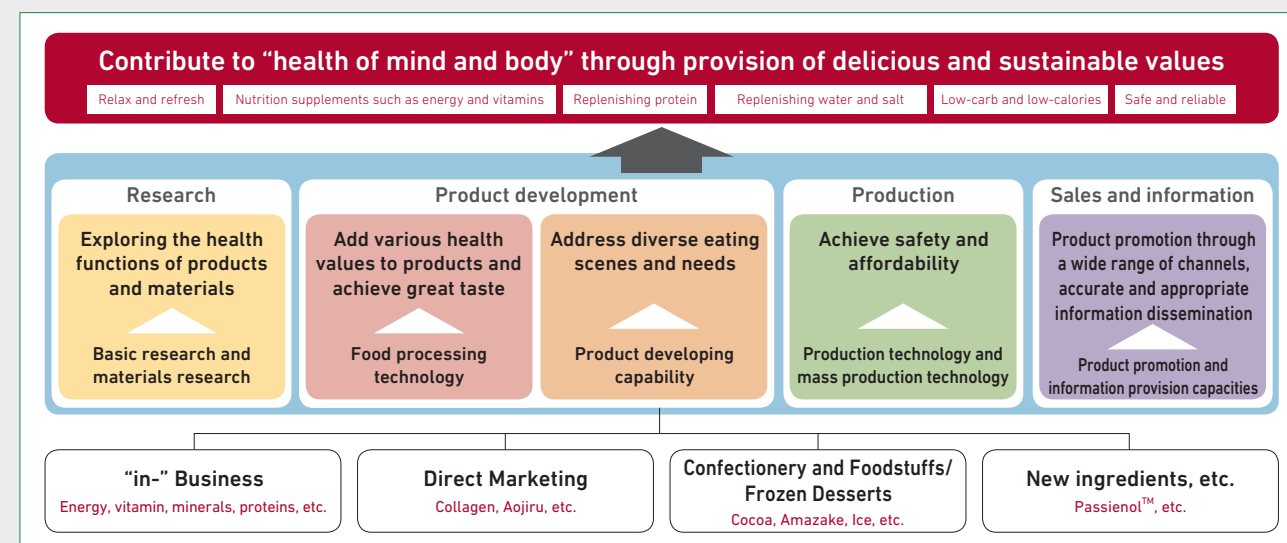
\* Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company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

## Providing the Morinaga Group's Unique Values in Contributing to "Health of Mind, Body, and Environment"

The Group's quest for health begins with the founder Taichiro Morinaga's idea to bring delicious and highly nutritious Western confections to Japan and the statement of "rich in nourishment / exquisite flavor," as written on the package of *Milk Caramel*. Since then, for over 120 years, we have been striving in our basic research, food processing technology, product developing capability, production technology, product promotion capability, and information provision capability, in order to consistently provide customers with values over the age. Even today, we are striving to provide values through a wide range of product categories to bring "health of mind (deliciousness and fun)" and "health of body (nutrition supplement)"

to customers of all generations and lifestyles in order to contribute to a healthy life by harnessing these capabilities as our strength. Particularly, lifestyles have been diversifying in recent years, with the needs for nutritional supplements diversifying, such as "to also satisfy a craving," "in dessert form," and "in drinks form." The Morinaga Group will meet customers' needs with various categories and forms of products. For the future, we will focus on the development of products that dive deeper into "health of mind" and sustainable products, in aiming to realise sustainable growth and enhanced corporate value for the Group by achieving the goal of "health of mind, body, and environment" as stated in the 2030 Vision.

### Values Provided to Customers



## 1. Contribute to "Health of Mind, Body, and Environment"

### 1. Develop products that contribute to "health of mind, body, and environment"

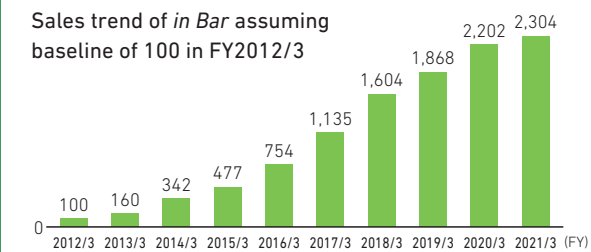
- Delicious, easy, and quick protein supply

The demand for products that can easily replenish proteins is growing due to interest in body building and habits of training resulting from a rising health awareness, and as prevention for

sarcopenia and frailness in the elderly. The Morinaga Group is expanding its lineup of protein supply products among the "in-" brand, including "in Jelly." Recently, we have been working on enhancing added value such as by introducing E lutein, which strengthens the function of proteins.

### Sales Grew by about 20 Times in 10 Years for the in Bar Series

The *in Bar* series offers delicious and easily enjoyable protein bars that have minimal distinctive taste of protein achieved using our confectionery technology. In response to the diversifying needs, we have expanded our product lineup to include those with extra protein, low-carb, bite-size chocolate, as well as drinks type.



- Deliciously and easily replenish water and salt

There is an increasing occurrence of heat strokes due to the rising average temperature along with global warming. The Morinaga Group agrees with the Heat Illness Prevention - Communication Project, and is responding to the needs for replenishing water and salt through our products of *in Jelly* <Energy Lemon>, *in Tablet*, *Morinaga Amazake*, and *Ice Box*.



- Deep dive into "health of mind" and evolve into "health of body"

The COVID-19 pandemic has brought about drastic changes to people-to-people communication and stress levels. Given that the demand for healthy minds is stronger than ever before, we are striving to deeply explore "health of mind" in terms of scientific approach and consumer-oriented marketing. At the same time, we are also enhancing our technology to reduce sugar, fat, and calories to meet the growing needs for "health of body" in confectionery and foodstuffs.

## 2. Information Provision to Consumers

- Information dissemination based on sports science

The Morinaga Group operates a training lab that supports the body building and nutrition counseling for top athletes. We provide articles put together by trainers and dieticians of the Training Lab on our website, "Easy-to-understand textbook on protein"



"Easy-to-understand textbook on protein" (Japanese only)  
<https://www.morinaga.co.jp/protein/>

protein." The website gets an average of 1.5 million visits per month with a multitude of information from protein selection by Purpose of use, to food menu, and workout advice.

## 3. Initiatives for Resolving Social Issues

- Supporting education and preventing child labor in cacao-producing countries

We have been conducting the consumer-participation campaign of "One Chocolate for One Smile,"\* which has been making donations to resolve social issues for 13 consecutive years. Through activities to improve the educational environment for children and prevent child labor in cacao-producing countries of our support partners, Plan International Japan and the non-profit organization, ACE, the cumulative donation amount by 2020 has reached 255,314,702 yen.

\* Limited-time campaign that donates one yen for each eligible product purchased to the support program for children of cacao-producing countries.

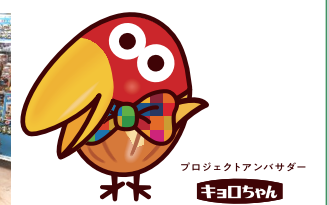


Children in Ghana enjoying school meals provided by the support program

One Chocolate for One Smile  
<https://www.morinaga.co.jp/company/english/csr/social/organization.html>

## Co-creative Action with Consumers — Project to Connect Smiles to the Future —

In 2021, young and mid-career members of the sales division came together to launch the "Project to Connect Smiles to the Future," as a co-creative action with consumers towards a sustainable society. First, the campaign of donating the equivalent amount of *Chocoball* to children's cafeterias throughout Japan based on the number of *Chocoball* purchased and applied for was launched. The campaign was promoted in stores of businesses endorsing the project, where we received 21,816 applications and truly felt the increasing public interest.



Kyoro-chan is the product ambassador of the project. Our aim is to solicit shared understanding and participation from consumers in creating a sustainable society through provision of fun and easy-to-understand information.

Morinaga's sustainable "Project to Connect Smiles to the Future" (Japanese only)  
<https://www.morinaga.co.jp/sustainability/>

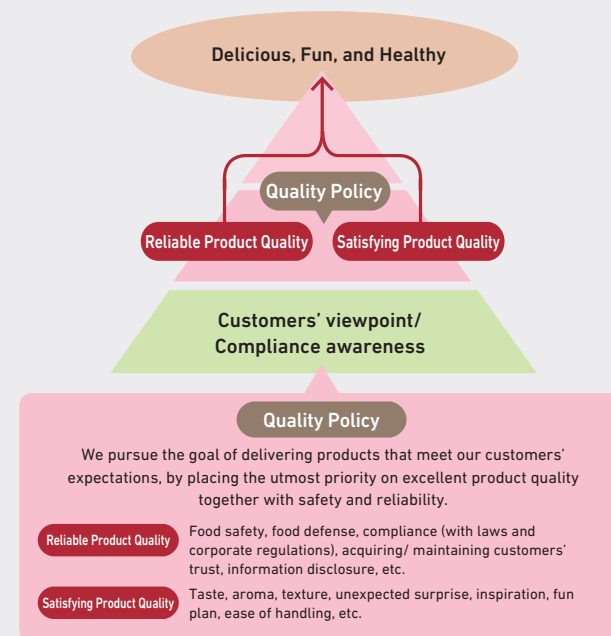
## 2. Provision of Safe and Reliable Products

The Morinaga Group believes it is its mission as a food manufacturer to constantly ensure the quality and safety of products and deliver safe and reliable products to customers.

### Our Philosophy on Quality Assurance

In realizing our Purpose and 2030 Vision, we believe that trust from our customers is the most important. We have established the following quality policy in promoting quality assurance by placing the utmost priority on excellent product quality together with safety and reliability, which are the premise for earning customer trust.

### Morinaga Group's Philosophy on Quality Assurance

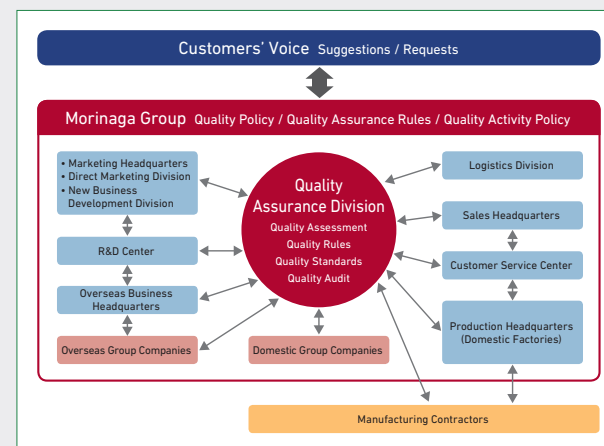


### Quality Assurance System

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

All products of the Morinaga brand are developed involving multiple departments and divisions. We implement a cross-sectional "Quality Assessment System" from the product planning phase to eliminate any omissions or oversight in ensuring quality, safety, and legal compliance. In addition, we conduct constant analysis in pursuit of excellent quality. The Analysis Group within the Quality Assurance Division conducts scientific verification and assurance on products and raw materials. Morinaga Institute of Biological Science, Inc. develops food allergy analysis kits, which contribute to the verification and assurance of product safety and legal compliance. We have developed a "Crisis Management Response" that outlines the handling of matters by directors and employees in the event of a quality accident.

### Quality Assurance System



### Framework for Quality Assurance

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

#### ● 1. Product development

We have put a Quality Assessment System in place to identify and totally remove risks involved in all products in the last stage of their development phase that could affect the safety and reliability of products (checklist that covers 12 categories and approximately 180 items).

#### ● 2. Procurement of raw materials

We have prescribed strict regulations for the raw materials used in our products, and purchase ingredients from manufacturers who can meet these requirements. We check information on the safety and reliability of raw materials with regard to not only compliance with the Food Sanitation Act but also food additives and allergenic substances. We also conduct testing when it is determined to be necessary, confirming that raw materials are safe.

#### ● 3. Production

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

Moreover, we put efforts into food defense to prevent intentional contamination of foreign substances in food, enhance entrance/ exit management within the factory and production sites, thoroughly implement rules on the prevention of mixing in foreign objects, as well as conduct camera recordings. We are conducting risk reduction from both intangible and tangible aspects by striving to create a worker friendly workplace that values communication with employees, and enhancing the consciousness of prioritizing safety and reliability.

#### List of Factories with Certifications (As of June 30, 2021)

FSSC 22000 certification: Mishima Factory, Oyama Factory, Chukyo Factory, Tsurumi Factory, Takasaki Morinaga Co., Ltd., Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd.  
JFS-B standard certification: Osaka Center of Aunt Stella Inc.

#### ● 4. Shipping inspection

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

#### ● 5. Transportation/ Storage/ In-store management

We set rules and request our business partners in the value chain to follow them so as not to impair the quality of our products in order to deliver safe products to our customers.

#### ● 6. Ensuring traceability

To ensure traceability, which forms the basis of quality assurance, we conduct reliable tracking of history on raw materials and products at each stage of raw material procurement, manufacturing, storage, and delivery.

#### ● 7. Responding to inquiries on quality

For any customer inquiry and suggestions regarding their purchased product, we conduct various investigations and analyses to determine their quality and legal compliance, to provide a response to the customer.

#### ● 8. Quality assurance for overseas

Our overseas production sites have also acquired international food safety management system certification, FSSC 22000, and SQF facility certification. We also conduct quality inspections of manufacturing contractors overseas to verify that our products shipped are safe.

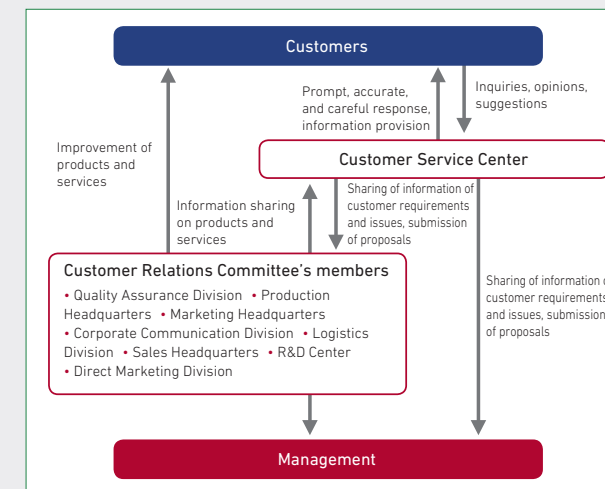
### Initiatives to Improve Customer Satisfaction

#### ● Framework for customer satisfaction

Led by the Customer Service Center, Production Headquarters, and Quality Assurance Division, a meeting of the Customer Relations Committee is held quarterly to share customers' voices among all relevant divisions. We take customers' voices seriously and use them to help improve customer satisfaction. Meeting results from the Committee are reported at the Board of Directors meetings by a representative officer in charge. In addition, we agree with consumer-oriented management recommended by the Consumer Affairs Agency and have made a voluntary declaration on consumer-orientation.

### Customer Relations Committee

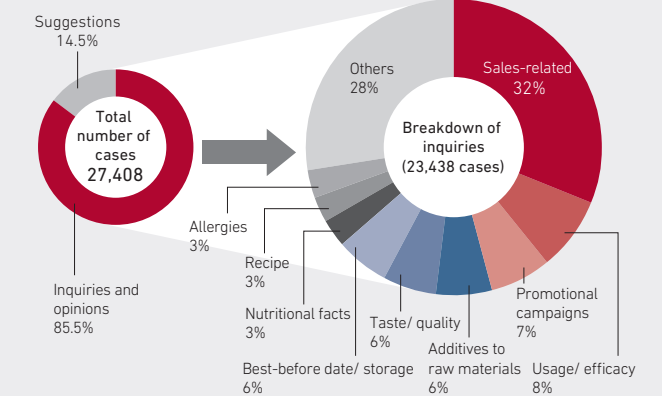
#### – Mechanism for Making Use of Customers' Voices –



### ● Initiatives by the Customer Service Center

Our Customer Service Center constantly implements improvements aimed at achieving a higher level of customer satisfaction in accordance with ISO 10002, with which the Company made a self-declaration of conformity in 2013. We receive and respond to opinions and requests from customers via a number of channels, including a toll-free number, e-mail, and letters, and are mindful of providing sincere, prompt, and accurate responses. All of the customers' voices we received are shared with the entire company through daily and monthly reports, which enables us to detect issues at their early stages, and incorporate these voices in product and service improvement. Moreover, we have published Q&A on our website to help our customers find solutions speedily.

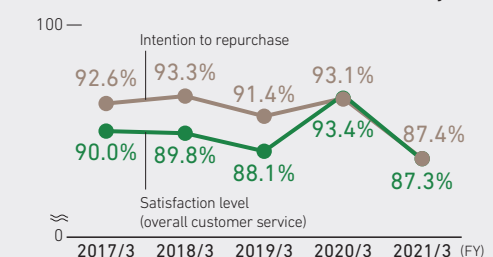
### Breakdown of Inquiries to the Customer Service Center (FY2021/3)



### ● Results of customer satisfaction survey

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

### Results of Customer Satisfaction Survey



In FY2021/3, although both the overall satisfaction and intention to repurchase have reached over 87%, these numbers have declined compared to the previous fiscal year. We believe the result reflects the increased difficulty to connect by phone due to the reduced telephone hours and less phone operators available as an impact of the COVID-19 pandemic. Going forward, we will establish a more easily accessible inquiry system and try to be more considerate of our customers in efforts to improve customer satisfaction.



## Initiatives for Sustainability

# Diversity and Inclusion of People

Aimed at 2030

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

### Long-Term Targets for 2030

Rate of positive responses on the employee survey: 80%

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

## Basic Stance

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

### Initiative Themes to Achieve Long-Term Targets for 2030

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

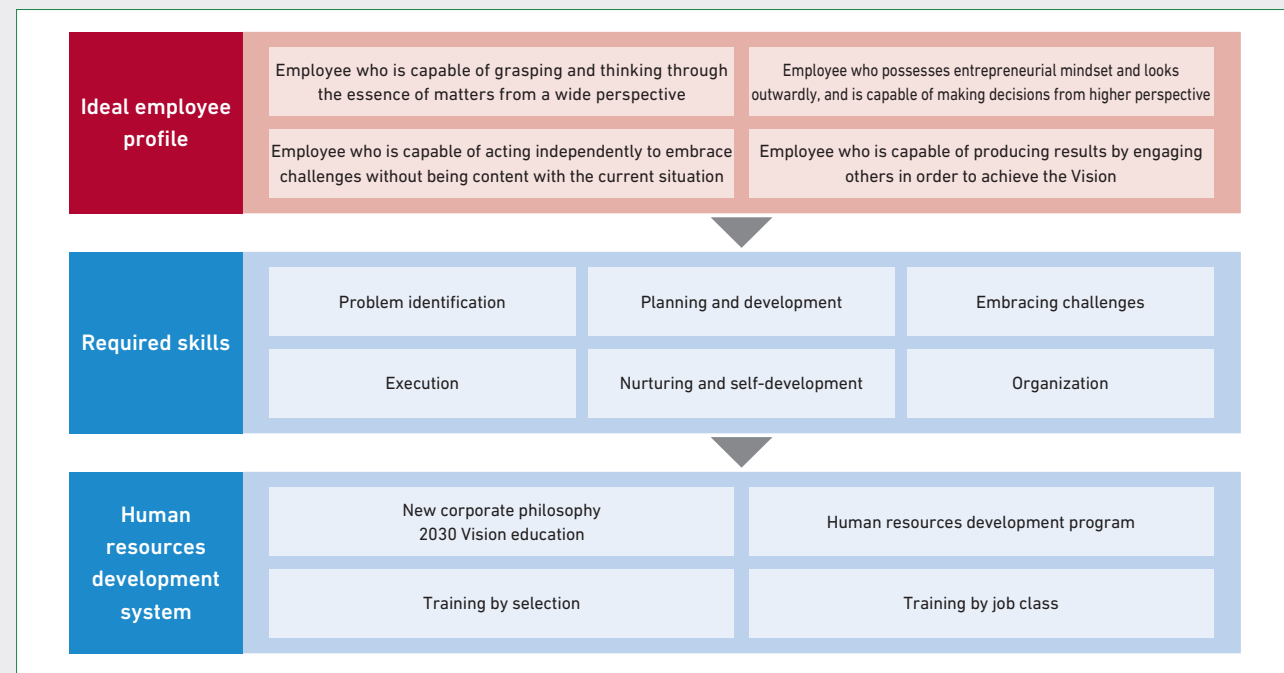
## 1. Human Resources Development that Leads to the Achievement of the Purpose and 2030 Vision

We believe that human resources and organization development are the most crucial aspects in achieving our Purpose and 2030 Vision. We are conducting ongoing activities to permeate the Purpose and 2030 Vision among all directors and employees in

order to promote deep understanding and share the Purpose and 2030 Vision.

Our ideal employee profile for creating values through business is as follows. We have defined "problem identification," "planning

### Ideal Employee Profile and the System for Their Cultivation



and development," "embracing challenges," "execution," "nurturing and self-development," and "organization" as six essential skills and conducting human resources development through strengthening the training program that will instill these skills.

In addition, we have also established a training system linked to the three main topics in human resources strategy: leader training, expertise enhancement, and productivity enhancement, which are implemented as a combination with training by job class and self-development.

### Training System (Morinaga & Co., Ltd. (non-consolidated) in FY2022/3)

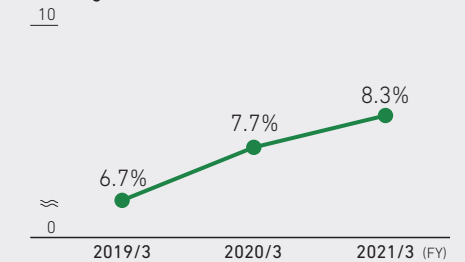
Categories of training	Specific examples (abstract)
1 Leader training	Management skills and nurturing skills enhancement training
	Next-generation leaders training
2 Expertise enhancement	Marketing Headquarters: Advanced marketer training
	Production Headquarters: Production technology training
	Sales Headquarters: SP* training
3 Productivity enhancement	Overseas Business Headquarters: Language skills enhancement program
	Problem-solving skills enhancement training
	Business foundation skill training

\* An acronym for Sales Promotion

## 2. Fostering Organizations that are Diverse and Dynamic

In order to achieve a strong and resilient organization that can create new values and flexibly respond to external environmental changes, it is important to create an organization that enables employees to actively participate with their diversity of strengths. For this reason, in addition to gender, age, race, nationality, and presence or absence of disability, we are promoting a workplace that enables diverse human resources with various differences, such as values towards work and life, individual characteristics, and previous careers to take an active part and exert their strengths. During the period of the 2021 Medium-Term Business Plan, we will take initiatives aimed at the target of 10% of managers being female.

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



## 3. Achieving a Healthy and Worker-friendly Workplace Environment

In order to create better values for society, it is essential to maintain and promote "health of mind and body" among employees and their families and develop a workplace environment for employees to work actively and healthily. To this end, we are promoting initiatives on work-life balance and health management.

personal holiday calendar where employees can set their holidays freely, and are minimizing restrictions based on time, location, and weekdays in creating an environment that is employee-friendly. We have also enabled employees to select working styles where they do not have to relocate, if so desired. We hope to enable work that suits each employee's requirement by family, childcare, nursing care, etc.

### 1. Realizing Work-life Balance

We are cutting back on the annual total labor hours and developing a worker-friendly labor environment aimed at striking a balance between work and life. We have introduced systems such as teleworking, flextime, staggered commuting, and

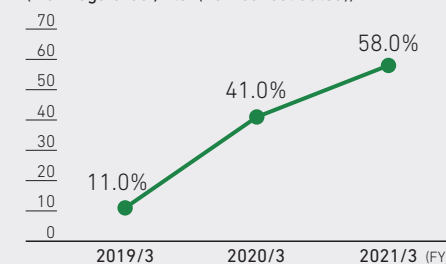
### 2. Promotion of Health Management

In order to ensure the health and safety of employees, workers and management are cooperating together in promoting occupational health and safety activities. Since 2017, the Company has been actively supporting "health of mind and body" of the employees and their families through health management initiatives.

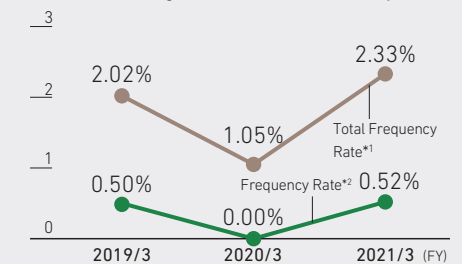
### Annual Total Labor Hours (Morinaga & Co., Ltd. (non-consolidated))

FY2019/3	1,988 hours
FY2020/3	1,993 hours
FY2021/3	1,961 hours

### Rate of Male Childcare Leave Acquisition (Morinaga & Co., Ltd. (non-consolidated))



### Rate of Occupational Injury (includes Morinaga & Co., Ltd. factories and production-related companies)



<sup>1</sup> 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.

<sup>2</sup> 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.

For more detail, please refer to our corporate website. <https://www.morinaga.co.jp/company/english/csr/social/employee.html>

## Initiatives for Sustainability

# Achieving Sustainable Value Chains

Aimed at 2030

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

### Long-Term Targets for 2030

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

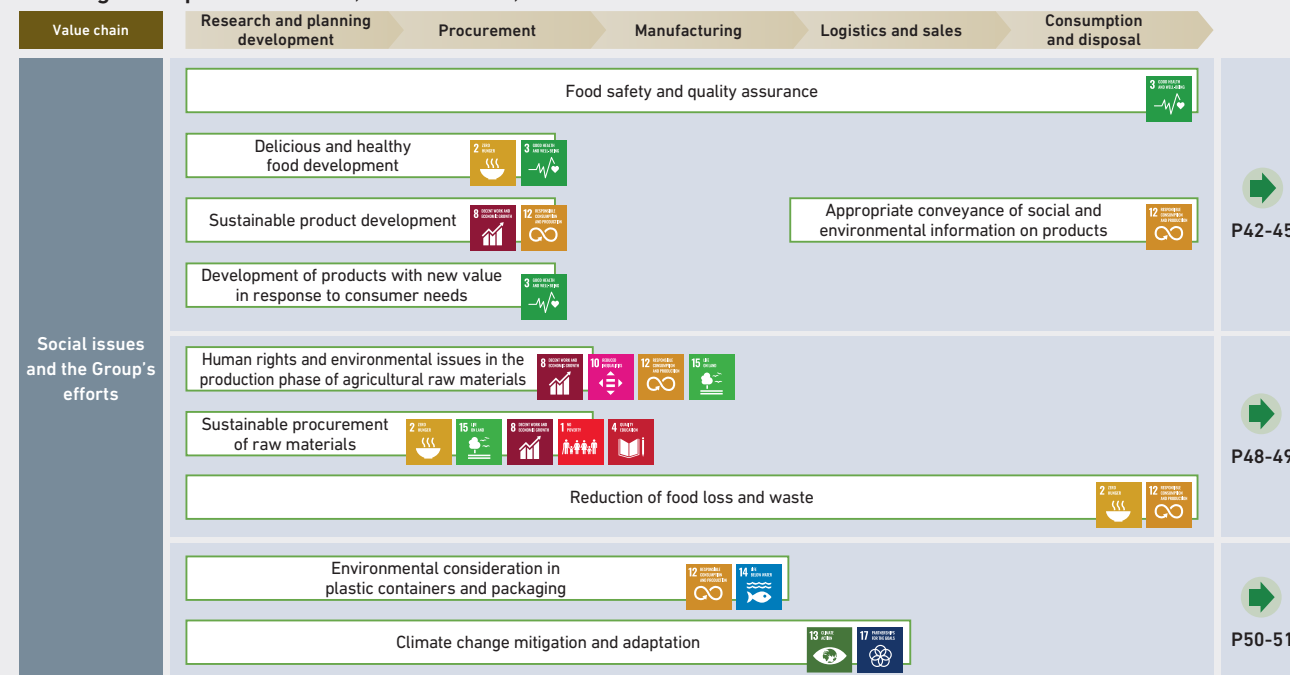
\*1. Group consolidated. Paper covers product packaging only. \*2. Group consolidated. \*3. Domestic Group consolidated basis. Intensity; compared to FY2020/3

## Promotion of Solving Social Issues in the Value Chain

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

in the production phase of agricultural raw materials, social and environmental issues that arise in the supply chain when procuring raw materials, challenges in stable procurement, and food loss and waste as our top priorities. As such, it is our plan to promote sustainable raw materials procurement, CSR supply chain management, and food loss and waste reduction.

### Morinaga Group's Value Chain, Social Issues, and Efforts



## 1. Promotion of Sustainable Raw Material Procurement

We aim to achieve procurement of main raw materials, including cacao beans, palm oil, and paper resources, without being involved in the occurrence of human rights or environmental issues by 2030. In order to achieve this goal, we are cooperating and working together with our raw material suppliers and other stakeholders based on Morinaga Group Procurement Policy. We are firstly taking initiatives on Morinaga & Co., Ltd. products in Japan as outlined in the table on the right and on page 49.

### Sustainable Procurement: Medium-term Targets (targets are for Morinaga & Co., Ltd. products in Japan)

Raw materials for products of Morinaga & Co., Ltd. sold in Japan	
• Cacao beans	Switch to 100% of cacao beans from sustainable sources by FY2026/3
• Palm oil	Switch to 100% of palm oil from sustainable sources by FY2024/3
• Paper (for product packaging)	Switch to 100% of paper from sustainable sources by FY2023/3

## 1. Cacao Beans

Cacao beans, a key raw material for chocolate, are associated with a range of social issues including human rights issues such as poor working conditions for cacao farmers, poverty, child labor, and environmental issues such as deforestation. The Company started using certified cacao beans (Cocoa Horizons\*-certified cacao supplied by the Barry Callebaut Group) in some of its chocolate products in the fiscal year ended March 31, 2021, and aims to switch to 100% of cacao beans from sustainable sources by the fiscal year ending March 31, 2026.

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



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

## 2. Palm Oil

Environmental destruction, such as illegal logging, and human rights problems in producing regions of palm oil, which is extracted and refined from oil palm, have become social issues. We consider it necessary to switch to certified palm oil (e.g., RSPO\*-certified) that contributes to sustainable procurement. We will switch 100% of the palm oil used in our main soft candy and ice cream products to that from sustainable sources by the fiscal year ending March 31, 2023, and for all products in Japan by the fiscal year ending March 31, 2024.

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

## 3. Paper

Sustainable procurement of timber resources for raw paper material is in demand as resources continue to decline worldwide due to deforestation and illegal logging. In order to utilize forest resources with due consideration for the environment and local communities, we have been switching to procurement of raw materials such as FSC®-certified paper (a part of specialty papers use recycled paper or certified paper by a third-party). We will make the switch for all major brands in the fiscal year ending March 31, 2022, and aim to switch 100% of the paper used in products to that from sustainable sources by the fiscal year ending March 31, 2023.

## Procurement of Sustainable Certified Cacao in Collaboration with the Barry Callebaut Group (Switzerland)

Since fall 2020, we have been using certified cacao beans (Cocoa Horizons-certified cacao beans supplied by the Barry Callebaut Group). With the aim to switch 100% of the cacao beans used in products in Japan to those from sustainable sources by the fiscal year ending March 31, 2026, we will contribute to the prosperity of cacao farmers, prevention of deforestation, reduction in CO<sub>2</sub> emissions, and eradication of child labor.



Supporting drinking water infrastructure for cacao farmers (West Africa)

## 2. Promotion of CSR Supply Chain Management

We are working together with our raw material suppliers in order to prevent human rights, labor, and environmental issues within the supply chain. To this end, we formulated the Supplier Guidelines in June 2021, which serves as a basis for establishing a

fair, just, and highly transparent relationship with our business partners in promoting procurement activities with consideration toward society and the environment.

- Procurement Policy <https://www.morinaga.co.jp/company/english/csr/sustainability/supplier.html>
- Supplier Guideline [https://www.morinaga.co.jp/company/english/csr/management/pdf/policy\\_supplier-guideline.pdf](https://www.morinaga.co.jp/company/english/csr/management/pdf/policy_supplier-guideline.pdf)

## 3. Reduction of Food Loss and Waste

As the world population increases, the reduction of food loss and waste has become a global issue, which as a member of the food industry, we must seriously address. As the first step for the Morinaga Group, we have established long-term goals for reducing food loss and waste occurring in the stages of raw materials receipt, manufacturing, logistics and product delivery. Going forward, we will consider our efforts in the consumption stage, while contributing to the reduced occurrence of food loss and waste, improving the recycling rate and donations to food banks, in

promoting a cycle and effective use of food resources.

### Long-Term Targets for 2030

- Food loss and waste: **70% reduction**

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



## Initiatives for Sustainability

# Conserving the Global Environment

Aimed at 2030

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

### Long-Term Targets for 2030

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

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

## 1. Environment Management

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

The ESG Committee, which is chaired by the Representative Director and President, conducts deliberation, formulation, and progress status review on important policies and goals related to the environment in order to realize these missions. The Environment Integration Office was established with members from Production Administration Division and Sustainable Management Division to exchange information with the Factory Environment Management Committee and other organs, as well as to promote continuous improvements to our management system and to reduce the environmental impacts and increase productivity.

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

### Main Environmental Risks and Opportunities for the Morinaga Group

Main environmental issues	Risks	Opportunities
Climate change issues	<ul style="list-style-type: none"> <li>• Procurement risks of agricultural raw material</li> <li>• Rising production cost due to increased burden from carbon taxes</li> <li>• Physical risks caused by storms or floods</li> </ul>	Creation of business opportunities in line with the changing consumer needs due to rising temperatures
Eco-friendly plastic containers and packaging along with recycling, reuse, etc.	<ul style="list-style-type: none"> <li>• Declining corporate value for delayed response to strengthened rules</li> </ul>	Creating innovation through external collaboration

Please see our corporate website for the Morinaga Group’s environmental policy, environmental management system diagram, and ISO 14001 certification status.  
<https://www.morinaga.co.jp/company/english/csr/environment/management.html>

## 2. Response to Climate Change Issues

The Group has set a long-term goal of net-zero greenhouse gas emissions by 2050 in order to contribute to the realization of a

decarbonized society. To achieve this goal, we are conducting carbon management including energy conservation and

### Main Initiatives Aimed at Reducing Greenhouse Gas Emissions

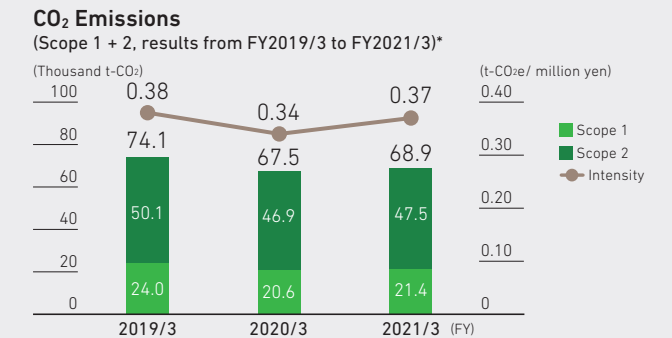
Initiatives	Detail
1. Reducing CO <sub>2</sub> emissions at factories	<ul style="list-style-type: none"> <li>• Promote visualization of CO<sub>2</sub> emissions</li> <li>• Establish a highly efficient production system</li> <li>• Implement energy conservation initiatives (adopt high-efficiency and energy-saving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

visualization of energy consumption. Going forward, we plan to utilize renewable energy and follow the recommendations of the Task Force on Climate-related Financial Information Disclosure (TCFD).

### Long-term Environmental Goals

- Goal of net-zero GHG emissions by FY2051/3\*1
- 30% reduction in CO<sub>2</sub> emissions by FY2031/3 \*2

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



\* Domestic Group consolidated basis. CO<sub>2</sub> emissions are rounded up to the second decimal place. Figures for FY2021/3 are third-party-assured by LRQA.

## 3. Promotion of Environmental Consideration in Containers and Packaging

In recent years, marine pollution by plastic waste has become a serious issue that is attracting growing concerns globally. The Group believes its efforts through business activities are important, and has established a long-term goal for reducing plastic use in the packaging material for “*in Jelly*” as its mainstay product. With the initiatives to achieve this long-term goal as a starting point, we will promote environmental conservation towards achieving a resource-recycling society.

### Environmental Initiatives in the Containers and Packaging of Major Brands

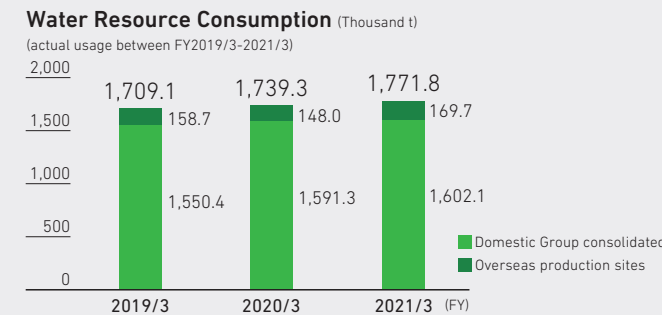
Initiatives	Current initiatives (includes tentative items)
Reduce weight and volume of plastic	Reduce the amount of plastic used in the packaging of products including <i>in Jelly</i> and <i>Choco Monaka Jumbo</i> .
Switch to eco-friendly materials for packaging	Switch plastic package of <i>HI-CHEW</i> and <i>in Jelly</i> to biomass-derived plastic packaging.
Promote recycling	Plan to promote collecting and recycling of disposed containers and packaging

## 4. Effective Use of Water Resources

In recent years, natural disasters, such as droughts and floods, are frequently occurring as a result of climate change. There are regions with increasing risks of water resource shortages as the world population increases. 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\* and utilize water resources. We will identify regions facing high

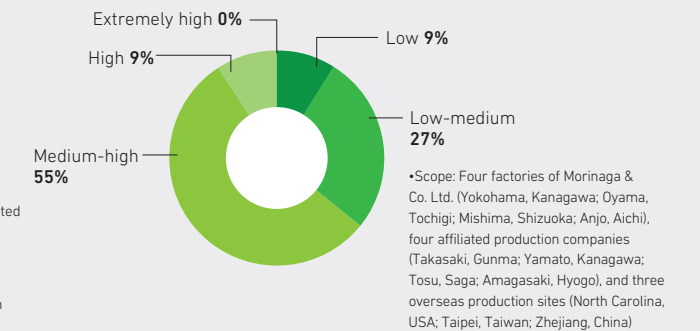
water stress and consider possible actions by conducting water withdrawal surveys and evaluating our domestic and overseas production facilities for water stress using the World Resources Institute’s Aqueduct Water Risk Atlas with the aim of effectively using water resources.

\* Water stress: A state in which water supply and demand is tight. Water stress is when maximum available water resources per capita falls below 1,700 m<sup>3</sup>.



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

### Water Stress Evaluation of all Production Sites (FY2021/3)



## Environmental Education and Awareness

We are conducting education and raising awareness while striving to improve employees’ environmental awareness to conduct business with environmental consciousness in all facets of our activities. Each year, we offer an Internal Environmental Auditor training seminar for employees at domestic production sites with the ISO 14001 certification to cultivate and enhance Internal Environmental Auditors. In the fiscal year ended March 31, 2021, 29 people participated in the seminar, with a total of 172 participants in the ISO 14001:2015 standards training.



Internal Environmental Auditor training seminar

## Initiatives for Sustainability

# Strengthening the Business Management Foundation

Aimed at 2030

We will enhance our sustainability as a corporation as well as achieving sustainable growth and enhancing corporate value.

### Action Themes for 2030

1. Achieve highly transparent and efficient governance
2. Globalize management foundation
3. Establish human rights management
4. Promote business operations using DX
5. Expand disclosures of ESG information

## Strengthening the Business Management Foundation to Enhance Sustainability

To achieve our Purpose and the 2030 Vision, we will need to enhance our sustainability as a corporation, respond quickly and appropriately to changes in the external environment, and flexibly

engage in business operations. The Morinaga Group will steadily work on initiatives for the following five themes through monitoring by the management meeting and ESG Committee.

### Action Themes

<b>1. Achieve highly transparent and efficient governance</b>	We will achieve effective corporate governance that is highly transparent and efficient based on Japan's Corporate Governance Code in order to respond appropriately to changes in society as well as achieving sustainable growth and enhancing corporate value.
<b>2. Globalize management foundation</b>	We will support the growth of our overseas business by building a foundation for corporate activities based on the unique situation in the countries and regions where we operate.
<b>3. Establish human rights management</b>	We will build a global human rights management system based on the UN Guiding Principles on Business and Human Rights in response to rapidly increasing international request for respect of human rights.
<b>4. Promote business operations using DX</b>	We will promote company-wide and cross-functional DX aimed at increasing the Group's productivity, strengthening the management foundation, and creating new business in response to the rapid advancement in digitalization.
<b>5. Expand disclosures of ESG information</b>	We will enhance our disclosure of ESG information in order to obtain appropriate evaluation from the market and in response to the requests for non-financial information disclosure from the capital markets.

## 1. Build a Highly Transparent and Efficient Governance System

The operating environment surrounding companies is facing growing complexity and uncertainty and is changing rapidly amid the COVID-19 pandemic and other factors. Given this situation, to achieve the 2030 Vision, we will need to realize highly efficient and effective corporate governance that can swiftly address these diverse environmental changes and

appropriately identify the needs of stakeholders. The Morinaga Group is working continuously to achieve highly effective and transparent corporate governance based on Japan's Corporate Governance Code.

➡ For details about our corporate governance, please see the Governance Section on pages 54 to 63.

## 2. Promote Globalization of Management Foundation

Under the 2030 Business Plan, we will prioritize the United States as the focused domain of our overseas business. At the same time, Taiwan has been positioned in the basic domain and we have been tapping into markets in China, Southeast Asia, Oceania, and Europe in the exploration and research domain, serving as the seeds for the next stage of our growth. Aimed at

expansion of our overseas business, we will work to promote understanding of our corporate philosophy and develop the business infrastructure required for global growth while respecting the traditions, cultures, and lifestyles of the countries and regions where we operate. We will reinforce our systems so that Group employees overseas can work with even greater unity.

## 3. Reinforce Human Rights Management

Companies must implement management that respects the human rights of stakeholders within the company and in the value chain pursuant to the UN Guiding Principles on Business and Human Rights. We established the Morinaga Group Human Rights Policy in 2018, which requires that we respect basic human rights and have workplaces that are free of discrimination and harassment. It also requires that we eliminate child labor and forced labor in the supply chain of raw materials procurement partners. Currently, through the "One Chocolate for One Smile" campaign, we are learning from NPOs and NGOs about the situation of child labor in cacao producing countries and conducting exchange of views. We are also working to identify and address human rights issues in the supply chain, including deepening understanding of those in palm oil producing areas through our participation in the RSPO.

Moreover we will build a human rights management system following the UN Guiding Principles on Business and Human Rights and update our human rights policy in response to changes taking place in society.

### Roadmap to Reinforcing Human Rights Management

- FY2022/3**
- Start initiatives on human rights due diligence
  - Establish supplier guidelines
  - Revise the Morinaga Group Human Rights Policy
  - Conduct stakeholder engagement with NPOs
  - Promote internal training and education (basic approach to respecting human rights and prevention of harassment, etc.)

- FY2023/3**
- Begin supplier-led assessments based on the supplier guidelines
  - Begin impact assessments of businesses that could have a negative effect on human rights
  - Expand internal training and education (global approaches to business and human rights, etc.)

- FY2024/3**
- Respond to issues identified (starting from urgent issues)
  - Review progress of response to issues and report in the integrated report, etc.

- Looking ahead**
- Build mechanism for human rights due diligence and roll it out in operations

## Morinaga Group Human Rights Policy

As a member of the international community, the Morinaga Group respects fundamental human rights, undertaking sincere business activities that do not tolerate human rights violations.

<b>1. Respect for human rights and prohibition of discrimination</b>	We respect fundamental human rights, and will not discriminate in any way based on a person's race, gender, nationality, religion, ideology, age, or physical characteristics, or for any other reason.
<b>2. Prohibition of harassment</b>	We will not participate in power harassment, sexual harassment, or any other behavior whatsoever that injures human dignity.
<b>3. Consideration for safety/ hygiene</b>	We will give consideration to safety and hygiene in the workplace, endeavoring to ensure a comfortable work environment, and respect employees' fundamental human rights.
<b>4. Building and maintenance of good labor-management relations</b>	We will respect the right to freedom of association and collective bargaining and other fundamental rights of employees, building and maintaining good labor-management relations.
<b>5. Elimination of child labor/ forced labor</b>	In our various business activities, we will not accept child labor, forced labor, or any other unfair labor practices.

(Established May 2018)

## 4. Evolve Business Operations Using DX

The promotion of DX will play an extremely important role in improving productivity and earnings while strengthening our management foundation, which will help us to achieve the 2030 Vision. We will make steady progress with transforming our

business activities utilizing investments in digital technologies while monitoring progress through the management meeting and other meeting bodies.

➡ For details, see DX Strategy on page 37.

## 5. Increase ESG Information Disclosures

We believe that responding to requests for disclosure of non-financial information from the capital markets to obtain appropriate evaluations is vital to the Group's sustainable growth. Therefore, we will further step up disclosures of both financial and non-financial information through our integrated report and corporate website in order to appropriately convey the Group's approach and initiatives for sustainable growth to all stakeholders, including shareholders and investors. Moreover, we will seek to enhance corporate value by actively responding to surveys from ESG rating agencies around the world after carefully reviewing the nature of these surveys.

### Main ESG-related Index Evaluating Morinaga & Co., Ltd. (as of March 2021)

2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)	S&P/JPX カーボン エフィシエント 指数
CDP DISCLOSURE INSIGHT ACTION	2021 Sompo Sustainability Index

MSCI <http://info.msci.com/1/36252/2017-06-27/kj5n9b>



(As of June 29, 2021)

### Director



**Eijiro Ota**  
Representative Director,  
President

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

#### Career summary

Apr. 1982 Joined Morinaga & Co., Ltd.  
Jun. 2011 Director, Commissioned General Manager of Frozen Dessert Business Headquarters of the Company  
Apr. 2014 Commissioned General Manager of Sales Headquarters of the Company  
Jun. 2014 Director, Senior Operating Officer of the Company  
Jun. 2015 Director, Managing Operating Officer of the Company  
Jun. 2017 Director, Senior Managing Operating Officer of the Company  
Jun. 2019 Representative Director, President of the Company (present)

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

**Responsibilities:** Audit Division



**Machiko Miyai**  
Director,  
Managing Operating Officer

#### Career summary

Apr. 1983 Joined Matsushita Electric Industrial Co., Ltd. (Currently Panasonic Corporation)  
Apr. 2011 Officer, General Manager of Environment Headquarters and Power Saving Headquarters of Panasonic Corporation  
Oct. 2012 Officer, responsible for Future Life Research, R&D Headquarters of Panasonic Corporation  
Jun. 2014 Outside Director of Morinaga & Co., Ltd.  
Dec. 2014 Outside Director of KATO SANGYO CO., LTD.  
May 2015 Outside Director of YOSHINOYA HOLDINGS CO., LTD.  
Jun. 2018 Director, Managing Operating Officer of the Company (present), Commissioned General Manager of Marketing Headquarters

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

**Responsibilities:** Marketing Headquarters, Direct Marketing Division, Corporate Communications Division, Sustainable Management Division



**Shiho Takano**  
Outside Director  
(Independent Officer)

**Significant concurrent positions**  
Representative Director, Etoile Ltd.  
Outside Director, FUJITA KANKO Inc.

#### Career summary

Apr. 1987 Joined Meiji Dairies Corporation (Currently Meiji Co., Ltd.)  
Sep. 1990 Joined Yves Saint Laurent Parfums K. K.  
Sep. 1996 Joined Coca-Cola (Japan) Company, Limited  
Apr. 1998 Joined Boots MC Company Limited  
Jan. 2004 Representative Director, President of L'OCCITANE JAPON K.K.  
Apr. 2017 Representative Director of Etoile Ltd. (present)  
Jun. 2018 Outside Director of Morinaga & Co., Ltd. (present)  
Mar. 2019 Outside Director of FUJITA KANKO Inc. (present)

#### Reason for appointment

Ms. Takano has business experience accumulated in the food industry and experience as an executive in the cosmetic industry, and based on the above experience, she provides objective and neutral advice coming from a broad perspective that extends beyond the Company's industry.

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



**Naomi Eto**  
Outside Director  
(Independent Officer)

#### Career summary

Apr. 1979 Joined Bridgestone Tire Co., Ltd. (Currently Bridgestone Corporation)  
Mar. 2009 Executive Officer, responsible for General Affairs and Corporate Communications of Bridgestone Corporation  
Jun. 2014 Director, General Manager of Group CC Headquarters of Zensho Holdings Co., Ltd.  
Jan. 2015 Director, General Manager of Group General Affairs Headquarters of Zensho Holdings Co., Ltd.  
Jun. 2020 Outside Director of Morinaga & Co., Ltd. (present)

#### Reason for appointment

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

Term of office as a director:	Board of Directors meeting attendance:
1 year	11/11 times



**Takashi Hirakue**  
Director,  
Senior Operating Officer

#### Career summary

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

Term of office as a director:	Board of Directors meeting attendance:
11 years	15/16 times

**Responsibilities:** Production Headquarters, Logistics Division, Quality Assurance Division, Customer Service Center



**Shinichi Uchiyama**  
Director,  
Senior Operating Officer

#### Career summary

Apr. 1983 Joined The Mitsubishi Bank, Ltd. (Currently MUFG Bank, Ltd.)  
May 2009 General Manager of Nagoya Corporate Banking Division No. 3, Nagoya Corporate Banking Group of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Currently MUFG Bank, Ltd.)  
Aug. 2010 General Manager of Trade Business Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Currently MUFG Bank, Ltd.)  
Jun. 2012 Director of Morinaga & Co., Ltd.  
Apr. 2013 Commissioned General Manager of Accounting Division of the Company  
Jun. 2014 Director, Senior Operating Officer of the Company (present)

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

**Responsibilities:** Accounting Division



**Shuichi Hoshi**  
Outside Director  
(Independent Officer)

**Significant concurrent positions**  
Outside Director, SBS Holdings, Inc.

#### Career summary

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

#### Reason for appointment

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

Term of office as a director:	Board of Directors meeting attendance:
1 year	11/11 times



**Kuniko Urano**  
Outside Director  
(Independent Officer)

#### Career summary

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

#### Reason for appointment

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

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



**Toshiyuki Sakai**  
Director,  
Senior Executive Officer

#### Career summary

Apr. 1982 Joined Matsushita Electric Industrial Co., Ltd. (Currently Panasonic Corporation)  
Dec. 2005 Representative Director, President of Panasonic Appliances Air-Conditioning Malaysia Sdn. Bhd.  
Apr. 2016 Director of Panasonic Corporation of China  
Jan. 2018 General Manager of Overseas Business Headquarters of Morinaga & Co., Ltd.  
Jun. 2018 Director, Senior Operating Officer of the Company (present), Commissioned General Manager of Overseas Business Headquarters

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

**Responsibilities:** Overseas Business Headquarters



**Shinya Mori**  
Director,  
Senior Operating Officer

#### Career summary

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

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

**Responsibilities:** R&D Center, New Business Development Division

### Statutory Auditors



**Tadashi Nishimiya**  
Standing Statutory Auditor

#### Career summary

Apr. 1981 Joined Morinaga & Co., Ltd.  
Jun. 2010 Senior Operating Officer, General Manager of Foodstuff Business Headquarters of the Company  
Apr. 2012 Senior Operating Officer, General Manager of Corporate Strategy Division of the Company  
Apr. 2015 Senior Operating Officer, General Manager of Marketing Headquarters of the Company  
Jun. 2016 Director, Senior Operating Officer, Commissioned General Manager of Marketing Headquarters of the Company  
Jun. 2018 June 2018 Standing Statutory Auditor of the Company (present)

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



**Akiyuki Igarashi**  
Standing Outside Statutory Auditor (Independent Officer)

#### Career summary

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

#### Reason for appointment

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

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



**Daisuke Fujii**  
Director,  
Senior Operating Officer

#### Career summary

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

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

**Responsibilities:** Corporate Strategy Division, General Affairs Division, DX Promotion Division



**Koichi Sakaguchi**  
Outside Statutory Auditor  
(Independent Officer)

**Significant concurrent positions**  
Attorney (GINGA LAW OFFICE)

#### Career summary

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

#### Reason for appointment

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

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



**Hiroshi Iwamoto**  
Outside Statutory Auditor  
(Independent Officer)

**Significant concurrent positions**  
Outside Director, MEDIPAL HOLDINGS CORPORATION

#### Career summary

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

#### Reason for appointment

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

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

## Messages from Outside Directors



**Shiho Takano**  
Outside Director

The Morinaga Group has defined its Purpose and also formulated the 2030 Business Plan based on this Purpose. The Purpose and 2030 Vision may be viewed as something vogue. However, I believe that it is quite natural for a company to contribute to society and sustain its growth over the long-term toward this end. The Morinaga Group maintains a deep appreciation for the conviction of its founder to contribute to society, having been in business for more than 120 years. Given this background, the formulation process on this occasion involved the entire Company, including the feedback of employees, strategy of the current management team, and opinions of Outside Directors.

The key is not just to come up with targets, but rather achieve them. Outside Directors are charged with the important role of providing opinions with an outsider perspective as to how the Company can achieve its goals, and contribute in the form of participating in discussions at times and providing a helping hand to the decision-making process. In the case of a 10-year plan, the next generation following the current management team must shoulder the responsibility. In this sense, all employees need to aggressively and concretely work toward achieving the 2030 Business Plan. I believe building a strong foundation so that the entire Company, from management to the frontline, will work as one toward its goals is the most important element of the 2021 Medium-Term Business Plan.



**Naomi Eto**  
Outside Director

Since becoming outside director in June 2020, I have found that the major drivers behind the Morinaga Group's growth are its brand power cultivated over 120 years as well as the loyalty and devotion of its employees supporting this.

In the fiscal year ending March 31, 2022, the Morinaga Group formulated a new corporate philosophy including Purpose and established its first-ever long-term Vision up to 2030. Achieving these will be extremely important in order to meet the expectations of stakeholders and fulfill responsibilities to shareholders.

To accomplish this ambitious Vision and targets, the Company will need to change its ways of thinking and transform its methodology; going beyond the status quo of previous initiatives. Utilizing my career experience at two completely different companies, one in heavy machinery and manufacturing business and the other a progressive company in the food service industry, I hope to present challenges that need to be overcome to achieve the Company's long-term targets, and facilitate discussions for promptly crystalizing required actions, while sharing my different perspectives from those inside the Company.

I will also utilize my professional experience in engaging society and addressing ESG issues. I intend to help the Morinaga Group to achieve true diversity and inclusion that goes beyond promoting female participation and career advancement in the workplace and to explore ways in which I can contribute to the Morinaga Group's entire supply chain, while remembering to always learn from changes taking place in society.

The Morinaga Group, after holding many discussions, established a new corporate philosophy and announced its Vision for 2030 along with a medium- to long-term plan. By clarifying the direction of management, the Group will need to plant the seeds for new business beginning this fiscal year and steadily implement growth strategies for its core businesses.

The Group will need to speed up decision-making and strategy execution while strengthening governance in response to the information society symbolized by technological innovations and the quick spread of changes to all industries they entail. In addition, the Group must produce results by flexibly responding to changes in the global environment, one of the major ESG issues and actively working on it.

As an outside director, I believe that what is required of me is capacity for imagination based on my experience in executive management positions at an operating company in the foodstuff industry. Moving toward the 2030 Vision of "Changing into a Wellness Company" represents an innovation for the Company. I will fulfill my duties as outside director using a balanced perspective respecting the Company's corporate culture while being mindful of the trust of stakeholders and providing insight into the future based on broad and long-term perspectives.



**Shuichi Hoshi**  
Outside Director

The Morinaga Group, with its 120 years of history, established a new corporate philosophy this year with the aim of achieving a new and further evolution. Based on this, it also announced the 2030 Vision calling for it "Changing into a Wellness Company" as the position we intend to be in for 2030.

I am honored to have been appointed outside director in this milestone year and I also feel keenly aware of my important responsibility in this position. I spent more than 40 years at a machinery manufacturer where I was involved in production, logistics, human resources, public relations, and CSR. During the course of my career, I have found a number of valuable hints not only inside the company but also from other companies and businesses. I also have come to know that the frontline is the starting point for everything in various meanings and understand the importance of honest and frank communication.

This year, the Morinaga Group established targets and plans under the 2030 Vision and commenced concrete activities. In a business environment that is changing constantly and profoundly, it is becoming more important to identify and share risks from various viewpoints and boldly tackle challenges without losing sight of opportunities at the start of these activities. Change is a challenge, but at the same time it is also an opportunity for a company to build upon its strengths. I intend to contribute wherever possible to the Morinaga Group's development while being mindful of medium- to long-term and objective viewpoints.



**Kuniko Urano**  
Outside Director



# Corporate Governance

## Corporate Governance Basic Policy

The Morinaga Group has established its corporate governance with the aim of maximizing corporate value and achieving enduring corporate growth based on the basic policies of improving the health and efficiency of management, ensuring the reliability of its financial position, providing timely and appropriate disclosure of information, complying with laws and regulations, and strengthening the trust and relationships with all stakeholders.

### 1. Positioning of Stakeholders

The Morinaga Group considers all stakeholders vital to our company in order to achieve our Purpose. To enable us to fulfill our social responsibility in all areas of our business activities, we are committed to maintaining and further developing strong relationships with all stakeholders, and promoting appropriate

collaboration in accordance with corporate philosophy and the code of conduct.

### 2. Management Monitoring Functions

We are committed to building an effective internal control system by strengthening the management monitoring functions of the Board of Directors, appointing Outside Directors and Statutory Auditors, requiring attendance by Standing Statutory Auditors at important meetings, and placing the Audit Division under the direct control of the President.

### 3. Consistency in Thinking within the Entire Group

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

## Corporate Governance System

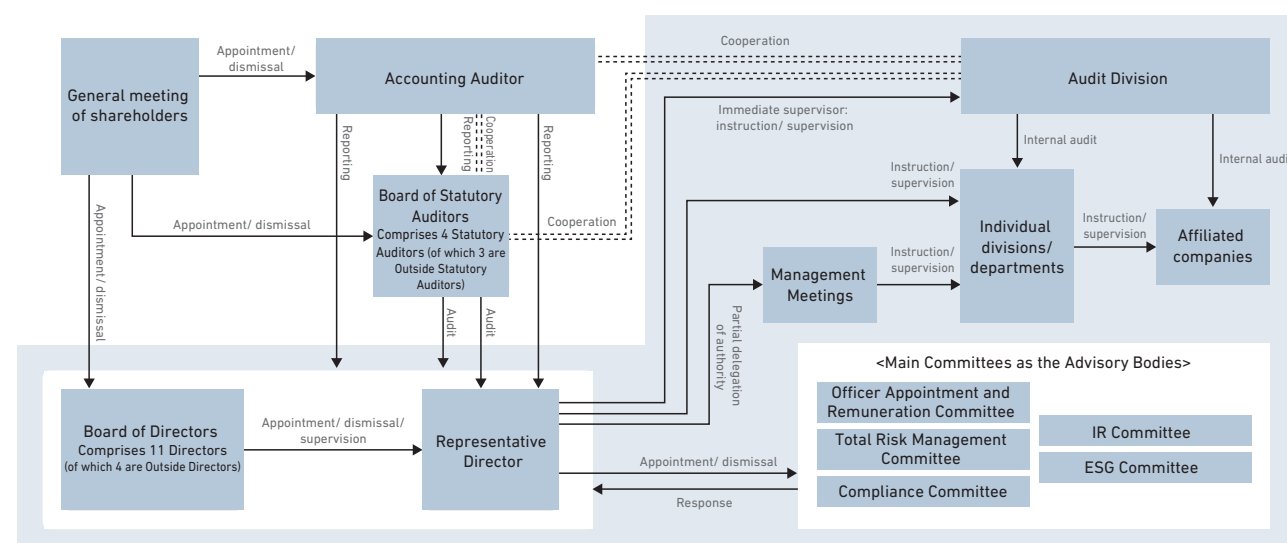
### Rationale for choosing the current corporate governance system

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

- (1) Outside Directors: Four Outside Directors have been appointed to strengthen corporate governance from an objective and neutral standpoint regarding overall management based on their wide range of perspectives.
- (2) Outside Statutory Auditors: Three outside Statutory Auditors (including one Standing Statutory Auditor) have been appointed to perform audits on the business execution of the Directors.

(3) Management monitoring functions: The Board of Statutory Auditors meeting is in principle held once a month, and also held as needed. Standing Statutory Auditors hold regular meetings with the Representative Director and attend management meetings and other important gatherings to audit the Directors' performance of their duties. Among cases under the jurisdiction of any Director, Operating Officer, or General Manager, the Standing Statutory Auditor performs audit on the approval application for important cases. Statutory Auditors conduct regular meetings with the accounting auditor and Standing Statutory Auditors with the General Manager of the Audit Division, as well as meetings as needed to exchange opinions and perform accounting and business audits.

### Corporate Governance System (As of June 29, 2021)



For more detailed information, refer to our website for Corporate Governance and Corporate Governance Report.  
<https://www.morinaga.co.jp/company/english/about/governance.html>  
<https://pdf.irpocket.com/C2201/gK0G/DWIO/ngba.pdf>

### Business execution

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

### Board of Directors

The Board of Directors deliberately makes decisions on statutory matters and the execution of important business based on the business judgment principle and supervises the execution of business. To ensure the effectiveness and efficiency of deliberations at the Board of Directors, sufficient prior discussions are made at various committees (see diagram on the right) that serve as advisory bodies for the Boards. The Board of Directors comprises 11 Directors, of which four are Outside Directors, with seven male and four female Directors.

### Diversity of Directors (As of June 29, 2021)

Ratio of Female Directors	36.3% (4 out of 11)
Ratio of Outside Directors	36.3% (4 out of 11)

### Management Meetings

Management Meetings, which are mainly comprised of Directors and Standing Statutory Auditors, deliberate and make decisions on important management themes and other matters for which authority is delegated by the Board of Directors.

### Operating Officer System

With the aim of increasing the agility to respond to the changing business environment and accelerating the decision-making process, the Morinaga Group has adopted an Operating Officer system. With this move, the Company delegated authority and responsibility for executing regular business relating to the implementation of strategies to Operating Officers, ensuring efficient management and a clarification of responsibilities for business execution.

### Officer Appointment and Remuneration Committee

The Officer Appointment and Remuneration Committee has been established as a voluntary committee to discuss the nomination and remuneration of Directors. Chaired by an Outside Director, the Committee deliberates on matters, including officer appointment and remuneration for Directors and their treatment, as well as appointment of Operating Officers and representatives of affiliated companies.

### Composition of the Officer Appointment and Remuneration Committee

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

### Other Main Committees

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

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

### Main Areas of Expertise of Directors

Name and position	Specialty and Experience							
	Corporate management/ Management strategy	ESG/ Sustainability	Finance/ Accounting	Human resources/ Labor affairs	Legal affairs/ Compliance/ Risk management	Marketing/ Sales	Global	Research/ Production/ Logistics
Eijiro Ota Representative Director, President	●	●		●	●	●		●
Machiko Miyai Director, Managing Operating Officer	●	●				●		●
Takashi Hirakue Director, Senior Operating Officer	●	●		●	●	●		●
Shinichi Uchiyama Director, Senior Operating Officer	●	●	●				●	
Toshiyuki Sakai Director, Senior Operating Officer	●					●	●	●
Shinya Mori Director, Senior Operating Officer	●					●		●
Daisuke Fujii Director, Senior Operating Officer	●	●		●	●			
Shiho Takano Outside Director	●					●	●	
Naomi Eto Outside Director	●	●			●			
Shuichi Hoshi Outside Director	●					●	●	
Kuniko Urano Outside Director	●	●		●				●

### Approach to the Appointment of Officers

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

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

### Independence Standards for Outside Directors

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

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

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

## Basic Policy and Structure of Executive Remuneration System

### Basic Policy

Our Executive Remuneration Basic Policy stipulates that the Company shall establish and operate a system that prioritizes the strengthening of executives' motivation for contributing to the enhancement of corporate value over the medium- to long-term and the achievement of sustainable growth, while discouraging excessive risk-taking. We are determined to continue pursuing a better remuneration system, ensuring the objectivity and transparency of the remuneration determination process and taking into account regulatory revisions and social trends in the future.

### Structure and Content of Remuneration

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

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

### Structure of Remuneration of Directors

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

### Total Amount of Remuneration for Directors and Statutory Auditors in FY2021/3

Category	Total amount of remuneration (Million yen)	Total amount by type of remuneration (Million yen)			Number of eligible officers (persons)
		Monetary remuneration		Non-monetary remuneration	
		Fixed remuneration	Performance-based remuneration	Compensation based on the board incentive plan (BIP) (performance-linked)	
Directors	202	129	48	24	11
Statutory Auditors	47	47	-	-	4

## Board of Directors Activity Status

In the fiscal year ended March 31, 2021, Board of Directors meetings were held 16 times, with a total deliberation time of approximately 1,800 minutes. The main deliberation themes are as follows:

### Main Deliberation Themes in FY2021/3

Category	Main deliberation themes
1. Legal items	Convene a general meeting of shareholders, financial results, and important human resources matters.
2. Items specified in the Corporate Governance Code	Evaluate the effectiveness of Board of Directors, formulate the determination policy for individual directors' remunerations, and report on the ownership status of cross-shareholdings.
3. Overall management	The Morinaga Group's Corporate Philosophy, 2030 Business Plan and 2021 Medium-Term Business Plan, capital investment, transaction system revision.
4. Internal control, risk management, compliance	Compliance Committee report, Total Risk Management Committee report.

## Evaluation of the Effectiveness of the Board of Directors

### Method of Analysis and Evaluation

To analyze and evaluate the effectiveness of the Board of Directors as a whole, the Company conducted, during the period from February through March 2021, a survey of all Directors including Outside Directors and all Statutory Auditors including Outside Statutory Auditors regarding: 1) the composition, operation, and agendas of the Board of Directors; 2) nomination, and remuneration of senior management; 3) risk management; 4) dialogues with shareholders; 5) systems supporting the Board of Directors; and 6) matters pointed out in the past evaluations of the Board of Directors. Based on the results of the survey, a discussion was held at a Board of Directors meeting and an evaluation was executed by each Director. Moreover, in order to obtain objective opinions from experts, we engaged a third-party law firm to analyze and evaluate the results of the survey. The evaluation of the Board of Directors was discussed and decided at a meeting of the Board of Directors held in April 2021, with reference to this third-party analysis and evaluation.

### Results of Evaluation

As a result of the analysis and evaluation by a third-party law firm, the Company's Board of Directors for the fiscal year ended March 31, 2021 was determined to be "functioning effectively" in light of the Companies Act and the Corporate Governance Code, without any significant dysfunction or structural deficiency, etc. It was noted that ample discussions to step up risk management and

enhanced function of the Board of Directors as a monitoring board were areas that require improvement going forward. Based on this evaluation, the Company recognized that the Board of Directors was effective and functioning effectively in line with the basic views on corporate governance, etc., of the Company.

### Initiatives for Improvement

There were a number of issues identified in the FY2020/3 evaluation of the Board of Director's effectiveness. They included: 1) more balanced composition of the Board of Directors; 2) appropriate selection of matters to be resolved or reported; 3) further clarification on the nomination processes for Directors and remuneration determination; 4) sufficient discussions to be held on risk management; 5) intensified discussions with a stakeholder's perspective; and 6) further intensified cross-functional discussions. We believe that significant progress has been made based on the FY2021/3 effectiveness evaluation.

### Initiatives for the Future

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

- Conduct ample discussions to step up risk management
- Study to strengthen the function of the Board of Directors as a monitoring board

## Cross-shareholdings

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

to determine the necessity of each cross-shareholding and reduce such holdings. The Company sold some of its cross-held shares in the fiscal year ended March 31, 2021. With respect to exercising voting rights related to shares held as cross-holdings, the Company determines approval or disapproval for proposals by each individual stock after considering from the viewpoints of whether the proposal in question will impose a negative impact on the relationship and trading with the Morinaga Group, or whether significant concerns have arisen on corporate governance.



## Compliance

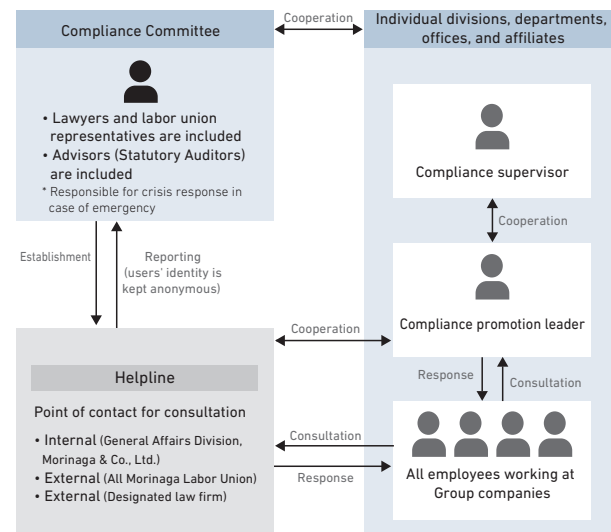
### Basic Philosophy

Founded on its awareness that compliance is a priority issue for all business activities, the Group has formulated the Morinaga Group's Code of Conduct and Standards of Behavior, based on which the Group is promoting efforts to ensure compliance.

### Compliance System

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

#### Morinaga Group Compliance Management System



#### Compliance Committee

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

### Efforts in FY2021/3

With the aim of embedding a compliance culture into the organization, we displayed the Morinaga Group Code of Conduct and Standards of Behavior on panels in each office, and distribute booklets and cards to all employees. In order to increase awareness of compliance, we have continued to hold compliance training sessions not only as part of training by job class, including those for new recruits and newly appointed managers, but also at such workplaces as the headquarters and individual offices. In the fiscal year ended March 31, 2021, we also conducted the annual compliance questionnaire among all employees working at domestic Group companies to identify the Group's level of compliance and plan for future measures. The results of these efforts were reported to and deliberated by the Compliance Committee, as well as reported to the Board of Directors. In the fiscal year ended March 31, 2021, we conducted various training to improve awareness of compliance, with over 900 employees taking part.

#### Compliance Training Sessions (FY2021/3)

Name of training	Target	Number of participants
Training by job class	Years at work and job position	170 employees
Training by workplace	Morinaga Group and affiliated companies' employees	767 employees

### Operation of the Whistleblower System

We have installed a Helpline as a point of contact to report compliance violations and provide consultation regarding compliance. We have set up three contact points for consultation, internally, at the labor union, and at an external law firm, to handle not only cases of compliance violation that affect the user, but also cases of violation witnessed by others or potential violations with an ambiguity. We have appointed both male and female external lawyers, widening the options for those seeking consultation.

## Risk Management

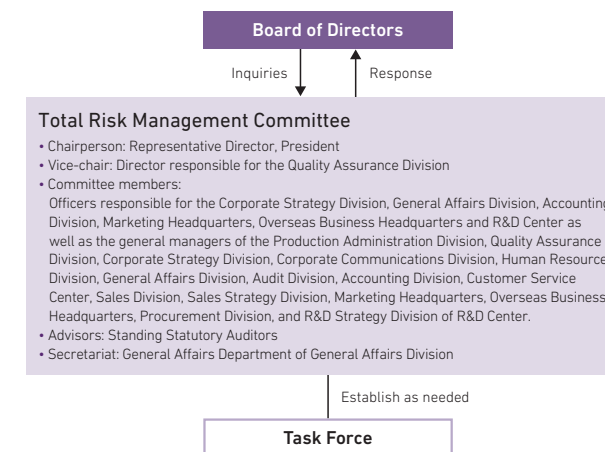
### Basic Philosophy

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

### Risk Management System

The Group has established the Total Risk Management Rules and set up the Total Risk Management Committee, as a body to conduct a cross-organizational review and implementation of total risk management. The Committee plans for risk management and performs monitoring and revision appropriately.

#### Total Risk Management System



### Assessment and Management of Risks

The Group has categorized assumed risks and identified the main responsible department based on the Total Risk Matrix to have a clear handle on risks that require prioritized response. Segmented items that align each risk and the department implementing response are recorded in the Total Risk Map, with each business office taking specific risk management. The risk countermeasures for "normal" and "emergency" times are revised each year, and monitored through recording/ updating in the Total Risk Map. Training based on these contents is conducted and the results are then reported to the Total Risk Management Committee, fulfilling the cycle of PDCA. In addition, to ensure business continuity in the event of a disaster, we conduct regular revisions of the business continuity management (BCM) of mainstay products to ensure smooth operation of such management, and report the results to the Total Risk Management Committee.

#### Response to COVID-19

The Total Risk Management Committee formulated a policy based on the infectious disease crisis response procedure, and held the Employees' Safety Subcommittee and Supply Chain Subcommittee as the initial response to discuss business continuity and safety measures for the employees. We believe it is necessary to continue verifying the sustainability of the supply chain, recommending telework, raising employee awareness by sharing the status of infection, and identifying the degree of impact on BCM/ BCP and discussing a response for when business establishments other than production sites are closed.

#### Major Risks Anticipated by the Morinaga Group and Responses Thereto

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

## 11-year Financial and Non-Financial Summary

## Financial information

	Unit	FY2011/3	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3
<b>Accounting year</b>												
Net sales	(Million yen)	157,336	147,190	152,885	164,603	177,929	181,868	199,479	205,022	205,368	208,878	199,990
Operating income	(Million yen)	6,653	2,813	2,695	3,858	5,939	11,456	17,612	19,751	20,217	21,230	19,162
Ordinary income	(Million yen)	6,880	3,140	2,973	4,446	6,530	12,062	18,325	20,422	20,767	21,950	19,767
Profit attributable to owners of parent	(Million yen)	2,449	1,081	1,419	8,090	3,806	8,092	11,115	10,289	12,816	10,824	13,405
Capital spending	(Million yen)	4,972	7,585	13,010	14,517	2,393	7,406	3,750	7,310	7,983	10,661	20,404
Depreciation and amortization	(Million yen)	4,996	5,506	5,594	6,808	6,581	6,130	5,771	5,820	5,835	6,230	7,909
R&D expenses	(Million yen)	2,240	2,399	2,329	1,984	2,005	2,152	2,210	2,205	2,194	2,240	2,217
Cash flow from operating activities	(Million yen)	8,166	4,879	5,565	7,684	11,182	16,715	18,400	17,788	20,897	20,994	12,127
Cash flow from investing activities	(Million yen)	-6,087	-7,817	-5,681	-6,459	-3,022	-2,091	-29,736	8,154	-20,025	16,993	-19,862
Cash flow from financial activities	(Million yen)	-2,404	-1,845	3,645	-5,764	-1,491	-2,311	-2,398	-17,906	-11,888	-4,375	-4,084
Free cash flow *1	(Million yen)	4,579	-2,937	-2,615	625	8,159	14,223	15,663	13,943	15,871	7,988	-7,735

## End of fiscal year

Total assets*2	(Million yen)	127,045	128,845	141,154	144,441	151,310	163,085	183,112	177,920	175,837	188,060	201,915
Net assets	(Million yen)	51,845	52,773	52,981	62,594	69,393	77,223	91,763	100,331	97,193	105,487	123,923
Interest-bearing debt	(Million yen)	23,947	24,091	29,901	26,200	26,764	26,446	26,282	11,265	10,666	10,000	10,000

## Financial indicators

Operating income to net sales ratio	(%)	4.2	1.9	1.8	2.3	3.3	6.3	8.8	9.6	9.8	10.2	9.6
Return on equity (ROE)	(%)	4.7	2.1	2.7	14.4	6.0	11.5	13.6	11.0	13.2	10.8	11.8
Return on assets (ROA)*2	(%)	5.4	2.5	2.2	3.1	4.4	7.7	10.6	11.3	11.7	12.1	10.1
Shareholders' equity ratio*2	(%)	40.4	40.7	37.2	41.5	43.8	45.7	48.7	55.0	54.8	55.7	60.9
D/E ratio	(Times)	0.47	0.46	0.57	0.44	0.40	0.35	0.29	0.12	0.11	0.10	0.08
Book value per share (BPS)*3	(Yen)	984.66	1,004.47	1,009.48	1,151.30	1,274.09	1,432.50	1,713.49	1,882.23	1,917.22	2,080.77	2,445.53
Earnings per share (EPS)*3	(Yen)	46.90	20.73	27.24	155.37	73.11	155.47	213.60	197.76	247.15	215.18	266.52
Dividend per share*3	(Yen)	30	30	30	30	30	35	45	50	66	72	80
Dividend payout ratio	(%)	64.0	144.6	110.1	19.3	41.0	22.5	21.1	25.3	26.7	33.5	30.0

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

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

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

## Non-financial information

	Unit	FY2011/3	FY2012/3	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2021/3	
CO <sub>2</sub> emissions*4	Domestic	Scope 1*9 (Thousand t-CO <sub>2</sub> )	61.6	61.8	62.5	63.9	58.0	55.3	57.0	56.7	24.0	20.6	21.4
		Scope 2*9 (Thousand t-CO <sub>2</sub> )	-	-	-	-	-	-	-	-	50.1	46.9	47.5
	Overseas	Scope 1 (Thousand t-CO <sub>2</sub> )	-	-	-	4.7	9.0	14.3	18.4	15.1	2.8	3.4	3.3
		Scope 2 (Thousand t-CO <sub>2</sub> )	-	-	-	-	-	-	-	-	6.6	7.2	6.3
Amount of water resources consumption*5*9	Domestic	(Thousand ton)	1,822.5	1,724.5	1,689.7	1,556.0	1,487.9	1,482.5	1,548.7	1,529.9	1,550.4	1,591.3	1,602.1
	Overseas	(Thousand ton)	-	-	-	130.6	215.3	182.6	246.6	208.9	158.7	148.0	169.7
Amount of waste emissions*6	Domestic	(Thousand ton)	9.8	9.2	10.7	11.4	10.1	9.8	10.0	9.8	9.7	9.6	9.4
	Overseas	(Thousand ton)	-	-	-	0.3	1.1	1.2	1.3	0.9	0.5	0.6	0.6
Number of employees*7	Consolidated	(People)	2,854	2,670	2,573	2,927	2,978	3,056	3,256	3,169	2,717	2,711	2,825
			(2,475)	(2,036)	(2,084)	(2,323)	(2,613)	(2,330)	(2,186)	(1,950)	(1,712)	(1,687)	(1,597)
Ratio of female managers*8	Non-consolidated	(%)	4.3	4.3	4.5	4.2	4.4	4.2	4.6	5.2	6.7	7.7	8.3

\*4. Figures for Japan for FY2019/3 and later represent a Group consolidated basis. Figures for overseas for FY2020/3 and later represent a Group consolidated basis. Figures prior to this are for production sites both in Japan and overseas. The conversion coefficient at the time of CO<sub>2</sub> calculation for FY2018/3 and prior uses the fixed coefficient of 0.378kg-CO<sub>2</sub>/kwh established internally in 2003.

\*5. Figures prior to FY2018/3 are for production sites both in Japan and overseas. Figures for Japan for FY2019/3 and later represent a Group consolidated basis.

\*6. Figures for production sites both in Japan and overseas.

\*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 parenthesis is excluded from the above number and shows the average number of temporary employees per year. Temporary employees include part timers and contract workers, but exclude temporary employees from placement agencies.

\*8. Figures as of April 1 each fiscal year.

\*9. Figures for FY2021/3 CO<sub>2</sub> emissions for the Group in Japan on a consolidated basis (Scope 1 + 2) and water usage amount have received third-party assurance from LRQA.



## Financial Summary

## Consolidated Balance Sheets

Million yen

	FY2020/3 (Mar. 31, 2020)	FY2021/3 (Mar. 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	43,427	31,568
Notes and accounts receivable-trade	20,969	19,934
Merchandise and finished goods	10,885	11,430
Work in process	383	319
Raw materials and supplies	6,264	6,987
Income taxes receivable	81	795
Other	4,349	6,059
Allowance for doubtful accounts	-31	-43
Total current assets	86,328	77,051
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	53,262	59,335
Accumulated depreciation	-33,055	-33,562
Buildings and structures-net	20,206	25,773
Machinery, equipment and vehicles	85,620	94,239
Accumulated depreciation	-68,702	-70,659
Machinery, equipment and vehicles-net	16,917	23,579
Tools, furniture and fixtures	4,527	4,848
Accumulated depreciation	-3,483	-3,807
Tools, furniture and fixtures-net	1,044	1,041
Land	21,581	21,589
Lease assets	1,574	1,703
Accumulated depreciation	-739	-875
Lease assets-net	834	828
Construction in progress	9,690	9,618
Total property, plant and equipment	70,275	82,431
Intangible assets		
Goodwill	294	196
Other	237	231
Total intangible assets	532	427
Investments and other assets		
Investment securities	26,175	35,583
Net defined benefit asset	3,085	4,548
Deferred tax assets	773	830
Other	924	1,080
Allowance for doubtful accounts	-36	-37
Total investments and other assets	30,923	42,005
Total noncurrent assets	101,731	124,864
Total assets	188,060	201,915

Million yen

	FY2020/3 (Mar. 31, 2020)	FY2021/3 (Mar. 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	17,443	18,162
Lease obligations	342	359
Accounts payable-other	16,178	9,847
Income taxes payable	4,454	1,357
Allowance for bonuses	2,609	2,595
Other	16,826	15,954
Total current liabilities	57,855	48,278
Long-term liabilities		
Long-term loans	10,000	10,000
Lease obligations	570	558
Deferred tax liabilities	1,690	6,946
Provision for directors' stock benefits	33	57
Provision for environmental measures	303	279
Net defined benefit liability	8,169	7,767
Asset retirement obligations	52	262
Deposits received	3,708	3,706
Other	189	135
Total long-term liabilities	24,717	29,714
Total liabilities	82,573	77,992
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,281	17,281
Retained earnings	64,572	74,354
Treasury stock	-11,279	-11,291
Total shareholders' equity	89,187	98,957
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,660	20,729
Deferred gains or losses on hedges	7	23
Foreign currency translation adjustments	600	493
Remeasurements of defined benefit plans	1,211	2,803
Total accumulated other comprehensive income	15,478	24,049
Non-controlling interests	821	916
Total net assets	105,487	123,923
Total liabilities and net assets	188,060	201,915

## Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Operations)

Million yen

	FY2020/3 (Apr. 1, 2019 – Mar. 31, 2020)	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	208,878	199,990
Cost of sales	98,747	94,343
Gross profit	110,130	105,646
Selling, general and administrative expenses	88,900	86,484
Operating income	21,230	19,162
Non-operating income		
Interest income	5	7
Dividends income	461	490
Equity in earnings of affiliates	53	—
Other	411	349
Total non-operating income	932	847
Non-operating expenses		
Interest expenses	66	32
Equity in losses of affiliates	—	16
Depreciation	83	131
Other	62	61
Total non-operating expenses	213	242
Ordinary income	21,950	19,767
Extraordinary income		
Gain on sales of noncurrent assets	1,784	1
Gain on sales of investment securities	1	43
Total extraordinary income	1,786	45
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	875	796
Impairment loss	2,560	32
Contract cancellation fee	4,855	—
Other	7	38
Total extraordinary loss	8,298	867
Income before income taxes	15,437	18,944
Income taxes—current	7,102	3,572
Income taxes—deferred	-2,626	1,779
Total income taxes	4,475	5,352
Net income	10,962	13,592
Profit attributable to non-controlling interests	138	186
Profit attributable to owners of parent	10,824	13,405

(Consolidated Statements of Comprehensive Income)

Million yen

	FY2020/3 (Apr. 1, 2019 – Mar. 31, 2020)	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)
Net income	10,962	13,592
Other comprehensive income		
Valuation difference on available-for-sale securities	743	7,069
Deferred gains or losses on hedges	-8	14
Foreign currency translation adjustments	-57	-90
Remeasurements of defined benefit plans, net of tax	174	1,590
Share of other comprehensive income of associates accounted for using equity method	-119	-7
Total other comprehensive income	732	8,575
Net comprehensive income	11,694	22,168
(Breakdown)		
Comprehensive income attributable to owners of parent	11,550	21,976
Comprehensive income attributable to non-controlling interests	144	192



## Consolidated Statements of Changes in Net Assets

FY2020/3 (Apr. 1, 2019 – Mar. 31, 2020)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	18,612	17,281	57,070	-11,277	81,687
Changes of items during the period					
Dividends from surplus			-3,321		-3,321
Profit attributable to owners of parent			10,824		10,824
Purchase of treasury stock				-15	-15
Disposal of treasury stock				12	12
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	7,502	-2	7,499
Balance at end of the fiscal year	18,612	17,281	64,572	-11,279	89,187

	Accumulated other comprehensive income					Non-controlling interest	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the fiscal year	13,043	14	656	1,037	14,751	754	97,193
Changes of items during the period							
Dividends from surplus							-3,321
Profit attributable to owners of parent							10,824
Purchase of treasury stock							-15
Disposal of treasury stock							12
Net changes of items other than shareholders' equity	616	-7	-56	173	726	67	794
Total changes of items during the period	616	-7	-56	173	726	67	8,293
Balance at end of the fiscal year	13,660	7	600	1,211	15,478	821	105,487

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

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	<b>18,612</b>	<b>17,281</b>	<b>64,572</b>	<b>-11,279</b>	<b>89,187</b>
Changes of items during the period					
Dividends from surplus			-3,623		-3,623
Profit attributable to owners of parent			13,405		13,405
Purchase of treasury stock				-12	-12
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	9,782	-11	9,770
Balance at end of the fiscal year	<b>18,612</b>	<b>17,281</b>	<b>74,354</b>	<b>-11,291</b>	<b>98,957</b>

	Accumulated other comprehensive income					Non-controlling interest	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	<b>13,660</b>	<b>7</b>	<b>600</b>	<b>1,211</b>	<b>15,478</b>	<b>821</b>	<b>105,487</b>
Changes of items during the period							
Dividends from surplus							-3,623
Profit attributable to owners of parent							13,405
Purchase of treasury stock							-12
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	<b>7,069</b>	<b>15</b>	<b>-106</b>	<b>1,592</b>	<b>8,570</b>	<b>94</b>	<b>8,665</b>
Total changes of items during the period	<b>7,069</b>	<b>15</b>	<b>-106</b>	<b>1,592</b>	<b>8,570</b>	<b>94</b>	<b>18,435</b>
Balance at end of the fiscal year	<b>20,729</b>	<b>23</b>	<b>493</b>	<b>2,803</b>	<b>24,049</b>	<b>916</b>	<b>123,923</b>

## Consolidated Statements of Cash Flows

Million yen

	FY2020/3 (Apr. 1, 2019 – Mar. 31, 2020)	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)
Operating activities		
Income before income taxes	15,437	<b>18,944</b>
Depreciation	6,230	<b>7,909</b>
Impairment loss	2,560	<b>32</b>
Amortization of goodwill	98	<b>98</b>
Increase (decrease) in provision for directors' stock benefits	11	<b>24</b>
Increase (decrease) in net defined benefit liability	38	<b>379</b>
(Increase) decrease in net defined benefit asset	38	<b>50</b>
Increase (decrease) in allowance for bonuses	68	<b>-13</b>
Increase (decrease) in allowance for doubtful accounts	-14	<b>13</b>
Increase (decrease) in provision for environmental measures	-25	<b>-23</b>
Interest and dividends income	-467	<b>-498</b>
Interest expenses	66	<b>32</b>
Equity in losses (earnings) of affiliates	-53	<b>16</b>
Loss (gain) on valuation of investment securities	3	<b>—</b>
(Gain) loss on sales of noncurrent assets	-1,656	<b>84</b>
Loss on retirement of noncurrent assets	747	<b>710</b>
Contract cancellation fee	4,855	<b>—</b>
(Increase) decrease in notes and accounts receivable–trade	3,586	<b>1,013</b>
(Increase) decrease in inventories	-368	<b>-1,290</b>
Increase (decrease) in notes and accounts payable–trade	-3,666	<b>751</b>
Other	-303	<b>-4,154</b>
Subtotal	27,187	<b>24,082</b>
Interest and dividends income received	467	<b>532</b>
Interest expenses paid	-66	<b>-31</b>
Income taxes paid	-6,595	<b>-7,599</b>
Contract cancellation fee	—	<b>-4,855</b>
Net cash provided by (used in) operating activities	20,994	<b>12,127</b>

Million yen

	FY2020/3 (Apr. 1, 2019 – Mar. 31, 2020)	FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)
Investing activities		
Proceeds from withdrawal of time deposits	30,000	<b>—</b>
Purchase of property, plant and equipment	-14,416	<b>-19,853</b>
Proceeds from sales of property, plant and equipment	2,015	<b>10</b>
Purchase of intangible assets	-41	<b>-21</b>
Purchase of investment securities	-3	<b>-3</b>
Proceeds from sales of investment securities	5	<b>105</b>
Payments of loan receivable	-5	<b>—</b>
Proceeds from liquidation of subsidiaries	—	<b>387</b>
Other	-561	<b>-486</b>
Net cash provided by (used in) investing activities	16,993	<b>-19,862</b>
Financing activities		
Net increase (decrease) in short-term loans payable	-657	<b>—</b>
Purchase of treasury stock	-15	<b>-12</b>
Proceeds from sales of treasury stock	12	<b>0</b>
Cash dividends paid	-3,321	<b>-3,623</b>
Dividends paid to non-controlling interests	-76	<b>-97</b>
Other	-316	<b>-351</b>
Net cash provided by (used in) financing activities	-4,375	<b>-4,084</b>
Effect of exchange rate change on cash and cash equivalents	-22	<b>-39</b>
Net increase (decrease) in cash and cash equivalents	33,590	<b>-11,858</b>
Cash and cash equivalents at beginning of period	9,836	<b>43,427</b>
Cash and cash equivalents at end of period	43,427	<b>31,568</b>



## Corporate Profile/ Stock Information/ Editing Policy

## Corporate Profile (As of March 31, 2021)

<b>Company Name</b>	MORINAGA & CO., LTD.
<b>Representative</b>	Eijiro Ota Representative Director, President
<b>Headquarters</b>	5-33-1 Shiba, Minato-ku, Tokyo108-8403, Japan
<b>Establishment</b>	August 15, 1899 Founded as Morinaga's Western Confectionery Shop
<b>Incorporation</b>	February 23, 1910
<b>Capital</b>	18,612 million yen
<b>Business Activities</b>	Morinaga's main business activities are the manufacture, purchase, and sale of confectioneries (caramel, biscuits, chocolate, etc.), foods (cocoa, cake mix, etc.), frozen desserts (ice cream, etc.), and health products (jelly drinks, etc.).
<b>Sales</b>	<b>Consolidated</b> / 199,990 million yen <b>Non-consolidated</b> / 178,311 million yen
<b>Number of Employees</b>	<b>Consolidated</b> / 2,825 <b>Non-consolidated</b> / 1,439 (average age: 42.5 years)

## Business Offices and Affiliated Companies (As of June 30, 2021)

## Main Offices

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

## Domestic Group Companies

## ● Food Manufacturing

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

## Overseas Group Companies

Taiwan Morinaga Co., Ltd. (Taipei, Taiwan)  
Shanghai Morinaga Co., Ltd. (Shanghai, China)  
Morinaga (Zhejiang) Co., Ltd. (Zhejiang, China)  
Morinaga America, Inc. (California, USA)  
Morinaga America Foods, Inc. (North Carolina, USA)  
Morinaga Asia Pacific Co., Ltd. (Bangkok, Thailand)  
Morinaga Bioscience (Thailand) Co., Ltd. (Bangkok, Thailand) ★

★ Non-consolidated companies accounted for using the equity method

## Stock and Shareholder Information (As of March 31, 2021)

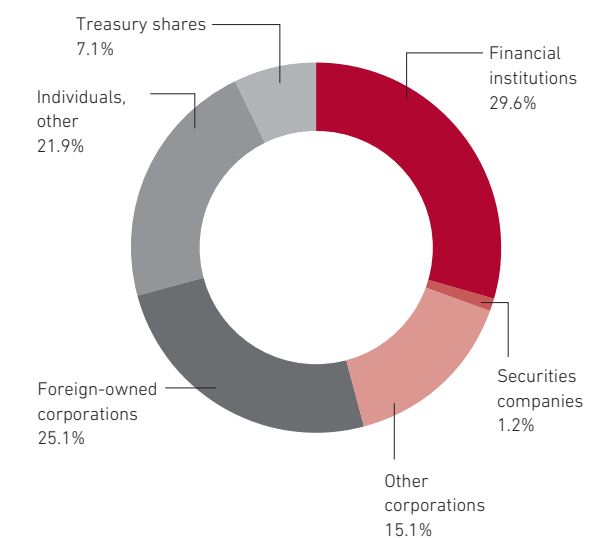
<b>Stock Exchange of Listing</b>	First Section of the Tokyo Stock Exchange
<b>Industry</b>	Food products
<b>Securities Code</b>	2201
<b>Number of Shares Constituting One Unit</b>	100 shares
<b>Fiscal Year</b>	April 1 to March 31 of next year
<b>Total Number of Shares Authorized to be Issued</b>	200,000,000
<b>Total Number of Shares Issued</b>	54,189,769
<b>Number of Shareholders</b>	24,086 (As of March 31, 2021)

## Major Shareholders Status\*

Shareholder Name	Number of shares held (Thousand shares)	Ratio of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,549	7.0
Morinaga Business Partner Shareholding Association	3,195	6.3
Custody Bank of Japan, Ltd. (Trust account)	1,884	3.7
MUFG Bank, Ltd.	1,704	3.3
Mizuho Bank, Ltd.	1,289	2.5
Meiji Yasuda Life Insurance Company	1,246	2.4
SSBTC CLIENT OMNIBUS ACCOUNT	1,059	2.1
JP MORGAN CHASE BANK 380055	913	1.8
JP MORGAN CHASE BANK 385632	781	1.5
Custody Bank of Japan, Ltd. (Trust account 5)	724	1.4

\* The Company holds 3,866,566 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



## Editing Policy

The Morinaga Group has started a new long-term business plan, 2030 Business Plan, in aiming to continuously enhance its corporate value based on the new corporate philosophy in the fiscal year ending March 31, 2022. This integrated report is designed with the goals of disseminating, and promoting understanding of our vision of the future achieved through the Group's new corporate philosophy as well as our value creation strategy towards that goal in the short-, medium-, and long-term to audiences inside and outside of Japan. We hope this report will deepen our dialogue and mutual understanding with the shareholders and ensure our course of action towards value creation. This report aims to present the Company's critical issues in achieving its new corporate philosophy from both financial and non-financial aspects, as well as initiatives to address these issues in an easy-to-understand manner referencing the International Integrated Reporting Framework. For more detailed information, please refer to our corporate website\*.

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

## Reference guidelines

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

## Period covered by the Report

FY2021/3 (April 1, 2020 through March 31, 2021)

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

## Scope of reporting

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, 2021) are referred to as the Morinaga Group or the Group.