

INTEGRATED REPORT 2023

Morinaga Group For the Fiscal Year Ended March 31, 2023



MORINAGA & CO., LTD.

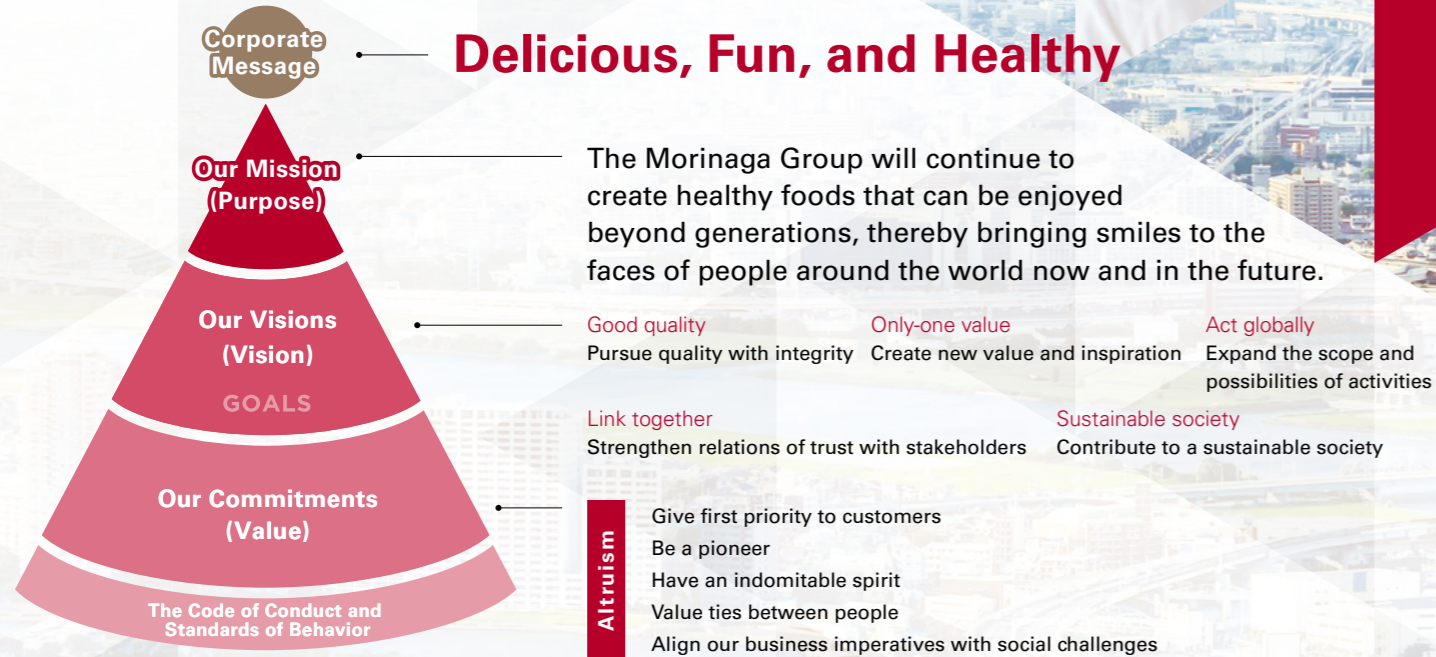
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The Morinaga Group's Corporate Philosophy

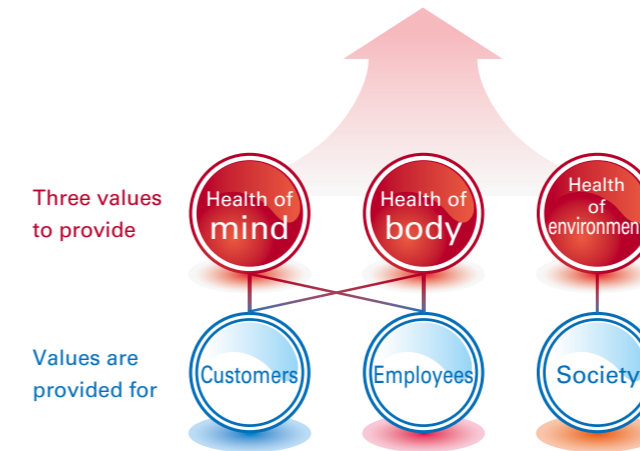


The Morinaga Group's Corporate Philosophy is composed of Our Mission, Our Visions, and Our Commitments. Our Mission states how the Group will contribute to society. Our Visions comprise the five visions that we will pursue toward the future. Our Commitments represent the values that we have developed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

2030 Vision

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

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



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

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Cautionary Statement about Forward-Looking Statements

This report contains forward-looking statements on such matters as the Morinaga Group's plans, strategies, and business performance. These statements are based on judgments made using information obtainable at present. Consequently, actual performance could vary greatly from forecasts because it is subject to various risks and uncertainties. Elements affecting forward-looking statements include the economic environment surrounding the Morinaga Group's business domains, competitive pressures, relevant laws and regulations, changes in the development status of products, and fluctuations in foreign exchange rates. However, elements affecting future forecasts are not limited to these. Furthermore, the Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), and other regulations, from the beginning of the fiscal year (FY) ended March 31, 2022. The figures for FY2020 are from after retroactive application of the said accounting standard.

At a Glance

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

The Morinaga Group Today

Strategic Business Categories		Business Overview/Strengths
Main Products	Net Sales/Operating Income	
Confectionery & Foodstuffs Business*1 	(Billion yen) ■ Net sales ● Operating income 2020: 73.3 (Net sales), 6.1 (Operating income) 2021: 72.4 (Net sales), 3.2 (Operating income) 2022(FY): 74.3 (Net sales), 1.5 (Operating income)	We are constantly creating new and delicious food solutions pivoting on our long-selling brands such as <i>Morinaga Biscuits</i> , <i>HI-CHEW</i> , <i>Choco Ball</i> , and <i>Morinaga Cocoa</i> . Capitalizing on our proprietary food processing technology cultivated over more than 120 years since our establishment and the results of our research and technological development related to ingredients, we are working to provide products that benefit health of mind and body aimed at becoming a wellness company.
Frozen Desserts Business 	(Billion yen) ■ Net sales ● Operating income 2020: 38.4 (Net sales), 7.4 (Operating income) 2021: 40.1 (Net sales), 4.8 (Operating income) 2022(FY): 40.5 (Net sales), 3.4 (Operating income)	Our strength is found in products made with the Group’s unique confectionery technologies in sub-zero temperatures such as in our top brands of <i>Choco Monaka Jumbo</i> , which was released more than half a century ago, and <i>Ita Choco Ice</i> , featuring the shape and texture of a chocolate bar. By concentrating management resources on mainstay brands, we are implementing effective marketing and achieving steady business growth.
“in-” Business*1 	(Billion yen) ■ Net sales ● Operating income 2020: 23.6 (Net sales), 4.5 (Operating income) 2021: 28.0 (Net sales), 6.8 (Operating income) 2022(FY): 30.6 (Net sales), 7.0 (Operating income)	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 drink market for 28 years. Our product initiatives in the “in-” brand are meeting the health needs of various lifestyles in modern society.
Direct Marketing Business 	(Billion yen) ■ Net sales ● Operating income 2020: 7.4 (Net sales), 0.6 (Operating income) 2021: 9.1 (Net sales), 0.3 (Operating income) 2022(FY): 10.2 (Net sales), 0.6 (Operating income)	We support customers’ wellness lifestyle by directly bringing products with both function and deliciousness to consumers. <i>Oishii Collagen Drink</i> , which is sold exclusively in the direct marketing channel, has sold more than 300 million units to date*3, making it the best-selling collagen drink in Japan*4. In addition, we are working to develop <i>Oishii Aojiru</i> as a product set to become the next important pillar of our business in the future.
Operating Subsidiaries and Others 	(Billion yen) ■ Net sales ● Operating income 2020: 13.4 (Net sales), (0.7) (Operating income) 2021: 15.0 (Net sales), 0.5 (Operating income) 2022(FY): 16.9 (Net sales), 0.7 (Operating income)	Aunt Stella Inc. manufactures and sells cookies and other products and operates restaurants. Morinaga Market Development Co., Ltd., sells confectioneries and foods to theme parks and companies as well as sells imported products. Morinaga Shoji Co., Ltd., develops and markets commercial-use food ingredients. Morinaga Institute of Biological Science, Inc., researches, develops, manufactures, and markets food allergen test kits and other products. For other businesses, we own real estate rental properties and manage a golf course.
U.S. Business*2 	(Billion yen) ■ Net sales ● Operating income 2020: 7.2 (Net sales), 1.0 (Operating income) 2021: 10.5 (Net sales), 1.4 (Operating income) 2022(FY): 14.6 (Net sales), 1.4 (Operating income)	In the U.S. business, we are expanding <i>HI-CHEW</i> , which has a real fruity taste and unique texture that has been embraced by customers in the United States. We are working to expand the <i>HI-CHEW</i> brand while developing new products that provide wellness value tailored to the needs of local customers and releasing products in new packaging formats. <i>Chargel</i> , a jelly drink developed for the U.S. market, was released in 2022. We are working to create a market in the United States for jelly drinks harnessing the business foundation established with <i>HI-CHEW</i> .
China, Taiwan, Exports, etc. 	(Billion yen) ■ Net sales ● Operating income 2020: 4.5 (Net sales), 0.0 (Operating income) 2021: 5.7 (Net sales), 0.3 (Operating income) 2022(FY): 7.0 (Net sales), 0.5 (Operating income)	Including global expansion of <i>HI-CHEW</i> , we deliver products with unique texture and taste based on our long-standing technologies cultivated in our domestic business to customers around the world together with the Morinaga Brand and our Corporate Message of “Delicious, Fun, and Healthy.” In Taiwan, <i>in Jelly</i> was launched in 1999 and is sold in response to rising health awareness. It is also sold in Hong Kong and Singapore. We are also working to tap into new markets while expanding wellness products such as <i>Oishii Collagen Drink</i> in China via e-commerce.

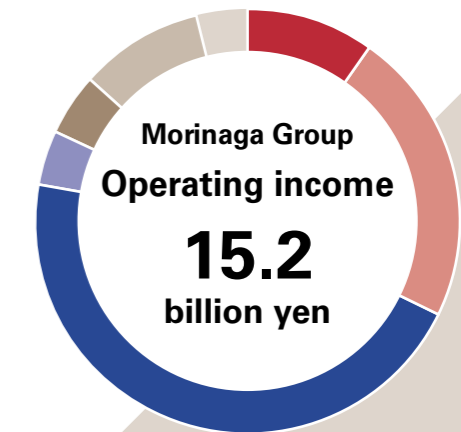
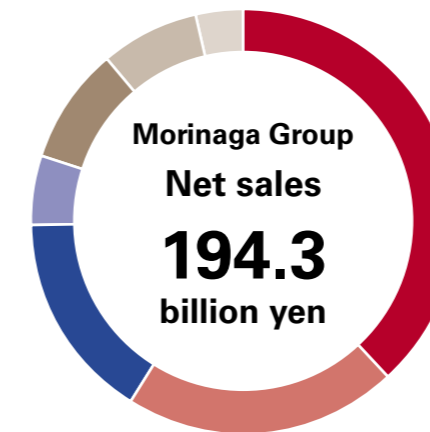
*1 Products including candies, chocolates, and others in the “in-” brand are included in the confectionery and foodstuffs business.

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

*3 Includes the *Oishii Collagen Drink* series and products before and after the updating of existing products, as of October 2021 (survey by Morinaga & Co., Ltd.).

*4 Source: H.B. Foods Marketing Handbook 2023 No. 1, Fuji Keizai (beauty effect/collagen category/2021 results), for the *Oishii Collagen Drink* series, including products before and after the updating of existing products.

Net Sales and Operating Income (FY2022)*5



Net sales



Operating income



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

Morinaga Group

19
companies

3,076
Employees

North America

Group companies: **2**
Employees: **271**

Morinaga America Foods, Inc.

Morinaga America, Inc.

Shanghai Morinaga Co., Ltd.

Morinaga (Zhejiang) Co., Ltd.

Morinaga Asia Pacific Co., Ltd.

Morinaga Bioscience (Thailand) Co., Ltd.

Taiwan Morinaga Co., Ltd.

Asia (excluding Japan)

Group companies: **5**
Employees: **399**

Japan

[Morinaga & Co., Ltd.]

Business locations: Head Office,
1 R&D center, **4** factories,
and **2** supervising branches
Employees: **1,472**

[Group companies] **11**
Employees: **934**

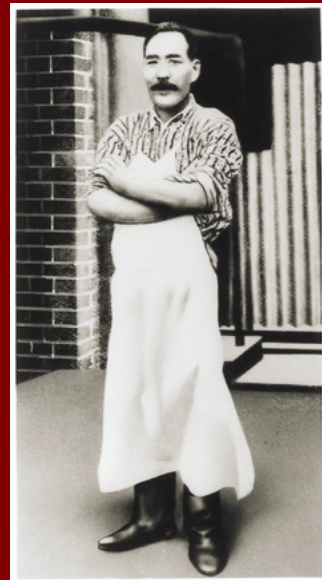
*5 Breakdown of operating income contains -1.3% as an adjustment excluding the above.

*6 Listed consolidated companies and non-consolidated companies accounted for using the equity method. Employees represent the total for consolidated companies.

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

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

Short Stories Symbolizing Our Commitment



Founder's commitment

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

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

For our customers

1905 Registered our first symbolic trademark

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



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

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

For our employees

1919 Introduction of the eight-hour workday

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



For society

2008 Launched the One Chocolate for One Smile campaign

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



Brands more than a century old



Brands more than 50 years old



Aiming to Resolve Social Issues through Food

Delivering deliciousness and smiles to people around the world

The Morinaga Group has created new value pivoting on technology developed in confectionery manufacturing with the aim of resolving social issues through food. First, we expanded the business of foodstuffs, frozen desserts, and health products focusing on Japan. In recent years, we have also been accelerating the growth of our overseas business centered on HI-CHEW. In 2022, we launched *Chargel*, aiming to create a market for jelly drinks in the United States.

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



1913



Spreading Highly Nutritious Confections

Released Milk Caramel

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

1994



Creating New Foods in Response to Consumer Needs

Released in Jelly

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

2022



Bringing Delicious and Healthy Foods to the World

Released a health-conscious version of HI-CHEW

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

History of creating foods and Morinaga's main brands

Brands more than 30 years old



Brands more than 10 years old



Note: Product names and images as of September 2023.

Message from Top Management

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



Eijiro Ota

Representative Director, President

Looking Back on FY2022

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

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

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

Over the medium to long term, we are working to secure net sales and operating income, while increasing corporate value through the enhancement of functions that contribute to heightened productivity and proactive investments in intangible assets. We are strategically investing in advertising to accelerate growth, mainly in the focused domains. With the aim of improving profitability by optimizing operational efficiency, we are also promoting several other efforts. These include the visualization of factory operation status, the

changeover to smart factories with even more stable operation using the digital data of manufacturing equipment, and the development of a data utilization infrastructure by revamping the direct marketing system. To realize the 2030 Vision, we will continue to invest in growth that leads to the enhancement of corporate value.

*Accounting Standard for Revenue Recognition applied retrospectively.

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

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

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

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

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

Formulated Corporate Philosophy, Purpose, and the 2030 Vision

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

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

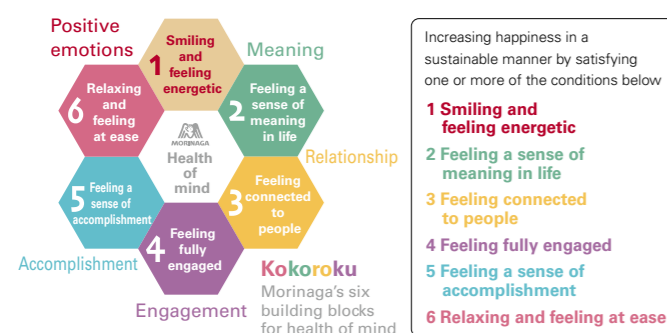
Initiatives for Realizing the Corporate Philosophy and the 2030 Vision

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



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

Kokoroku as the definition of “health of mind”



Assumption:

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

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

Promoting Diversity & Inclusion and Creating Innovation

An organization is made up of people. It all comes down to “people” for achieving the vision and responding to change. I believe that it is

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

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

Various milestones became opportunities for my own growth. In my fifth year with the Company, I was transferred from the Yokohama Branch Office, which had about 50 employees when I was first hired, to the Himeji Branch Office, which had only about seven at the time. I was disappointed because I used to believe that I would have greater opportunities working in a larger branch. However, it turned into a



Dialogue session at Morinaga America Foods, Inc.

truly great asset for my subsequent sales career and current role in management as I took on multiple roles at the Himeji Branch Office and experienced a wide range of on-site work such as delivery and sales. Based on my own experience that “experience will come in handy later,” we make personnel changes centered on human resources who will play a central role in the future and have them

experience fields completely different from those in the past. We believe that the experience of working in a new place will not only contribute to individual growth but also create new challenges to reach even greater heights. We will continue to work on human resources, corporate culture, and organizational development to promote diversity.

Addressing Various Issues to Achieve the 2030 Business Plan

Progress and Outlook of the 2021 Medium-Term Business Plan

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

The Further Growth of the U.S. Business

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

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

Financial and Non-Financial Targets for 2030

Financial Targets* ¹		Non-Financial Targets	
Net sales	300 billion yen	Provide value of health to 70% or more of the Japanese population through new initiatives aimed at becoming a wellness company* ⁵	
Operating income to net sales ratio	12% or higher	Ratio of employees who find their job meaningful and who are in good mental and physical health at work	80%*⁶
Overseas sales ratio	15% or higher	Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper)	100%*⁷
Focused domains’ sales ratio	60%	CO ₂ emissions	30%*⁸ reduction

*¹ The Company applied the “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020),” and other regulations, from the beginning of FY2022.

*² According to Morinaga’s research

*³ IRI data

*⁴ IRI data (January to December 2022)

*⁵ Scope: Products defined as a deep dive into “health of mind,” accelerate “health of body,” and evolve “health of mind” to “health of body.” Population percentage calculated based on INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). The Company intends to explore the establishment of a vision on a global basis.

*⁶ Ratio of affirmative answers on the employee awareness survey

*⁷ Consolidated basis. Paper covers only product packaging.

*⁸ Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)

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

Achieving Growth Globally

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



The Morinaga booth at the Sweets & Snacks Expo in Chicago

raw materials that we need to address. Therefore, the *HI-CHEW* Global Branding Office will proceed with the development of an optimal global system and the formulation of an integrated marketing strategy for the *HI-CHEW* brand.

Capital Cost-Conscious Management

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

Creating Opportunities for Inorganic Growth

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

Co-Creation with Stakeholders for Resolving Social Issues

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

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

We have also been updating our business and human rights initiatives to strengthen our foundation as a company with global business operations. The Group signed the UN Global Compact in April 2022, and in October 2022 we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) as an inaugural member to establish a mechanism for remedying human rights violations outside the Company. In April 2023, we revised the Morinaga Group Human Rights Policy and are now promoting human rights initiatives such as clarifying the Group's approach in line with the UN Guiding Principles on Business and Human Rights. In addition, we believe that sustainability initiatives, such as sustainable procurement of raw materials and addressing climate change issues and managing natural capital, are important for the Group's corporate activities. We believe that collaboration and cooperation with our business partners and other stakeholders are essential for the implementation of these activities, and we will advance these activities with their understanding and cooperation. Awareness of the SDGs and the environment is increasing, especially among young

people, and we believe that steadily advancing these initiatives will not only benefit society but also create business opportunities for the Group.

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

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



Second meeting of the Sustainability Advisory Board

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

Aimed at Embodying Our Purpose and Realizing the 2030 Vision

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

For shareholders, we increased dividends and initiated share buybacks for the eighth consecutive year, marking the largest

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

Resolving Social Issues through the “in-” Business

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

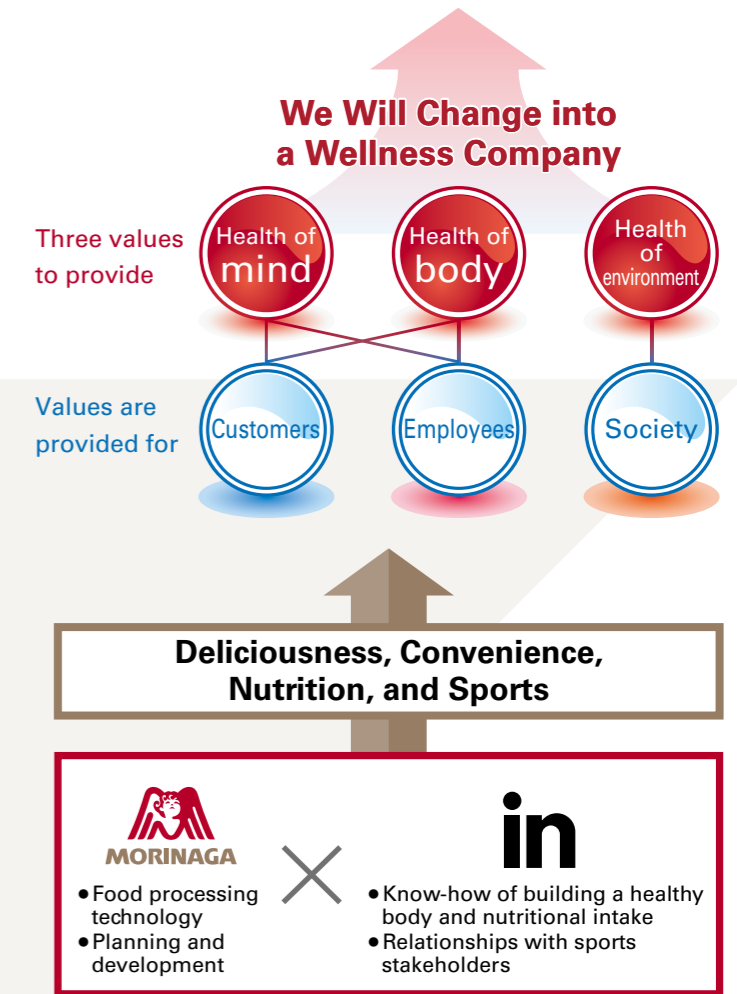
Realizing the 2030 Vision by Providing “Health of Mind, Body, and Environment”



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



Morinaga “in” Training Lab



Source of “in-” Business Competitiveness

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

with many top athletes and sports stakeholders built over many years of support are also invaluable assets.

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



in Jelly



in Bar

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

“in-” brand contract athletes



Baseball
(Tokyo Yakult Swallows)
Masanori Ishikawa



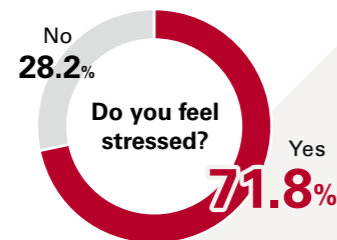
Judo
Naohisa Takato
©Kazuyuki OGAWA



Surfing
Shino Matsuda
Photo: ISA/Pablo Franco

Future Forecast Concerning “Health of Mind, Body, and Environment”

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



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

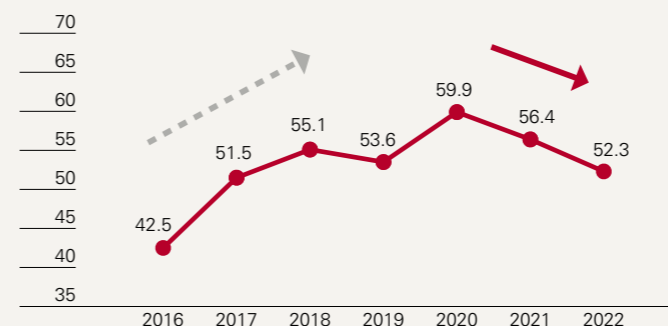
opportunities for exercise also lead to fewer consumption opportunities for *in Jelly* and *in Bar*, we are paying particular attention to business opportunities for the “in-” business. In addition, the amount of physical activity in consumers’ daily lives is on a downward trend due to fewer opportunities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

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

“health of environment” by providing opportunities for customers to work together to achieve the targets of the SDGs.

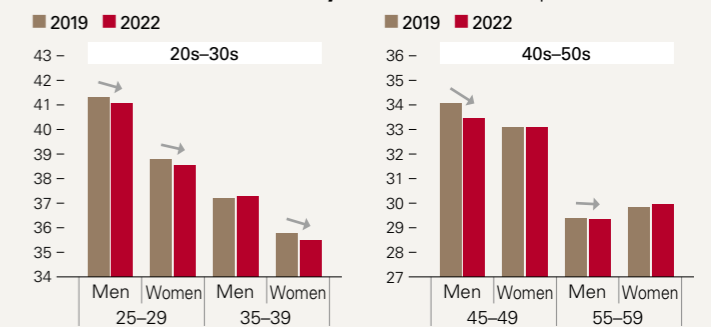
Based on these situations and forecasts, we will utilize the assets of the “in-” business as we work to provide “health of mind, body, and environment” to customers and society while co-creating with all stakeholders.

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



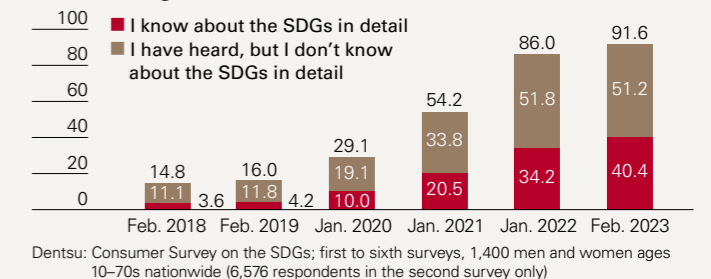
Japan Sports Agency: FY2022 National Public Opinion Survey on Sports Participation; 40,000 men and women ages 18–79

Total Score of the New Physical Fitness Test (points)



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

SDGs Recognition Rate (%)



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

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

Resolving Social Issues through the “in-” Business



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



in Jelly Energy Management



Tasting of prototypes

Providing Products That Control Nutritional Intake

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

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

we explored and tested a combination of flavors and other ingredients many times, which eventually led to commercialization.

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



Preparing prototypes

Creating Opportunities for Exercise

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

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



Satsuki Run & Walk, easily participable with a smartphone

Satsuki Relay Marathon



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

Providing Optimal Foods for Situations Requiring Concentration

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

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

As a symbolic example of this, in response to the fact that *in Jelly* is a favorite

of players of shogi (Japanese chess), the “in-” business decided to sponsor the Osho Tournament, one of the eight titles in professional shogi from 2022. Players embrace the fact that *in Jelly* can fill their stomach moderately without being hungry or full, allowing them to concentrate on the match. In addition, we believe that *in Jelly* can



72nd ALSOK Osho Tournament

contribute to similar situations where people are immersed in something, and we have begun to expand promotions through tournament organizers and supporting players in eSports, which is expected to grow its footprint in the future.

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

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



in Jelly eSports WORLD CHALLENGE CUP 2022



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

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

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

Given that the larger the diameter of the cap, the easier it tends to be to open, it is difficult to increase size while reducing materials usage. With that being the case, the people in charge of various

departments at Morinaga & Co., Ltd., and Hosokawa Yoko Co., Ltd., managed just that by sharing their wisdom and repeated trial and error on the current shape of caps and straws.

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



Business meeting with Hosokawa Yoko Co., Ltd.

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

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

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

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

governments that are working to improve the health of citizens and create comfortable cities, and our company that provides foods suitable for active scenes.

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



Plogging event in Kuki City, Saitama

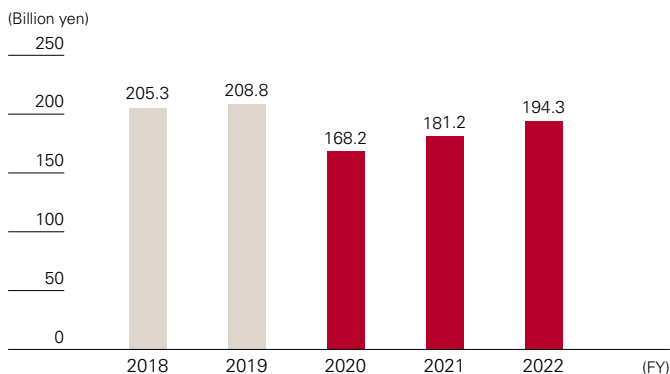


Plogging event held with Yokohama F. Marinos, volunteers of Yokohama City’s Tsurumi Ward Office, and the Yokohama City Sports Association

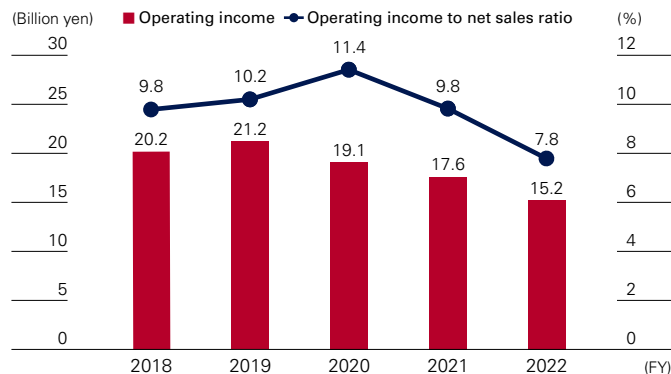
Financial and Non-Financial Highlights

Financial Highlights

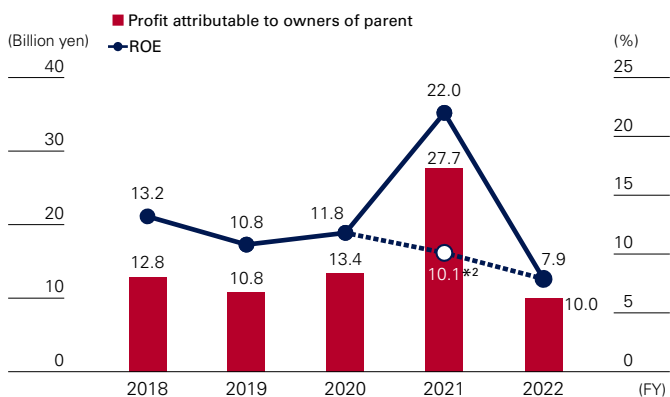
Net Sales*1



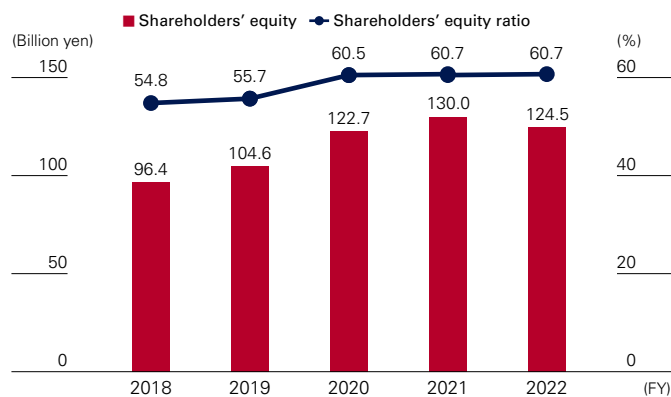
Operating Income*1/ Operating Income to Net Sales Ratio*1



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



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

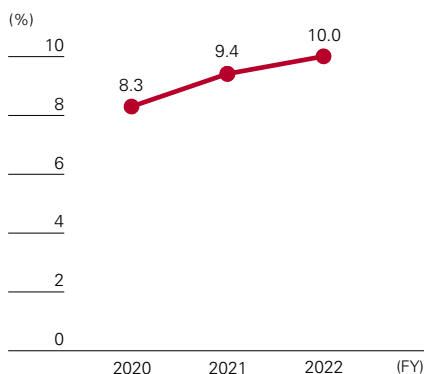


*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 are from after retroactive application of the said accounting standard.

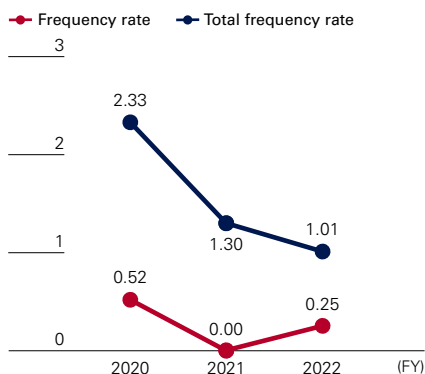
*2 Excluding the impacts of extraordinary income from the sale of cross-shareholdings.

Non-Financial Highlights

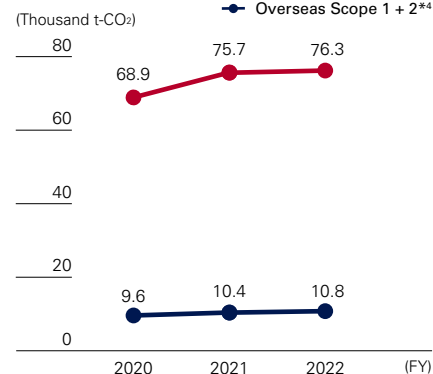
Ratio of Female Managers*1



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



CO₂ Emissions



*1 Figures are non-consolidated for Morinaga & Co., Ltd., as of April 1 of each fiscal year.

*2 Frequency of occupational accidents indicates the number of injuries/fatalities (not including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd., factories and production-related affiliated companies)

*3 Frequency of occupational accidents indicates the number of injuries/fatalities (including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd., factories and production-related affiliated companies)

*4 Group consolidated basis