May 13, 2022

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022
<Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.
Listed stock exchange: Tokyo
Securities code: 2264
URL: https://www.morinagamilk.co.jp/english/
Representative: Yohichi Ohnuki, President & Representative Director
Contact: Taku Yamada, General Manager, PR&IR Dept.
Telephone number: +81-3-3798-0126

Planned Date of General Shareholders' Meeting: June 29, 2022
Planned Commencement Date of Dividend Payments: June 30, 2022
Planned Filing Date of Securities Report: June 30, 2022
Preparation of explanatory materials for financial results: Yes
Holding of a briefing on financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated operating results (% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	503,354	–	29,792	–	31,127	–	33,782	–
March 31, 2021	583,550	(1.2)	28,867	13.8	30,109	16.4	18,741	0.5

(Note) Comprehensive income: the fiscal year ended March 31, 2022: ¥34,792 million / –%
the fiscal year ended March 31, 2021: ¥21,240 million / 27.5%

	Profit per share	Profit per share–diluted	Profit to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	687.45	686.33	16.7	6.8	5.9
March 31, 2021	378.73	378.01	9.8	6.8	4.9

(Reference) Equity method investment gain (loss): the fiscal year ended March 31, 2022: (¥19 million)
the fiscal year ended March 31, 2021: ¥51 million

(Note) The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and related guidance from the beginning of the fiscal year ended March 31, 2022. Accordingly, all figures for the fiscal year ended March 31, 2022 are figures after application of the said standard and guideline, and no year-on-year changes are presented.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	458,788	208,026	44.9	4,554.84
As of March 31, 2021	453,646	202,503	43.9	4,028.36

(Reference) Shareholders' equity: As of March 31, 2022: ¥205,896 million
As of March 31, 2021: ¥199,354 million

(Note 1) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and related guidance from the beginning of the fiscal year ended March 31, 2022. Accordingly, all figures for the fiscal year ended March 31, 2022 are figures after application of the said standard and guideline.

(Note 2) During the end of the consolidated fiscal year under review, the accounting treatment for business combinations that had been applied provisionally was finalized, and this is reflected in the figures relating to the previous consolidated fiscal year.

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	40,268	8,371	(44,522)	23,486
March 31, 2021	38,544	(25,305)	(2,627)	19,138

2. Dividends

	Annual dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Total Amount of Dividends to Shareholders' Equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2021	–	–	–	70.00	70.00	3,464	18.5	1.8
March 31, 2022	–	–	–	80.00	80.00	3,616	11.6	1.9
For the fiscal year ending March 31, 2023 (Forecast)	–	–	–	90.00	90.00		25.7	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% figures show year-on-year change for the full year and quarter)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter-end (Cumulative)	270,000	3.3	17,000	(18.0)	17,700	(17.6)	10,700	(37.9)	236.71
Full year	520,000	3.3	25,000	(16.1)	25,900	(16.8)	15,800	(53.2)	349.53

*** Notes**

(1) Change in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None

New: - (Company name:) Excluded: - (Company name:)

(2) Changes in accounting policies and estimates, and retrospective restatements

(i) Changes in accounting policies in accordance with revision of accounting standards: Yes
(ii) Changes in accounting policies other than item (i) above: None
(iii) Changes in accounting estimates: None
(iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

(i) Number of shares outstanding at end of period (including treasury shares)

As of March 31, 2022	49,845,343 shares
As of March 31, 2021	49,834,143 shares

(ii) Number of treasury shares at end of period

As of March 31, 2022	4,641,538 shares
As of March 31, 2021	346,315 shares

(iii) Average number of shares during period

Fiscal year ended March 31, 2022	49,141,516 shares
Fiscal year ended March 31, 2021	49,485,942 shares

(Reference) Outline of non-consolidated business results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-consolidated financial results (% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	366,807	–	13,978	–	19,913	–	27,023	–
March 31, 2021	422,537	(0.9)	14,627	8.0	18,788	(22.2)	11,549	(15.2)

	Profit per share	Profit per share–diluted
For the fiscal year ended	Yen	Yen
March 31, 2022	549.91	549.02
March 31, 2021	233.40	232.96

(Note) The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and related guidance from the beginning of the fiscal year ended March 31, 2022. Accordingly, all figures for the fiscal year ended March 31, 2022 are figures after application of the said standard and guideline, and no year-on-year changes are presented.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders’ equity ratio	Profit per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	387,255	134,763	34.8	2,977.37
As of March 31, 2021	383,660	136,187	35.4	2,747.83

(Reference) Shareholders’ equity: As of March 31, 2022: ¥134,588 million
As of March 31, 2021: ¥135,984 million

(Note) The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and related guidance from the beginning of the fiscal year ended March 31, 2022. Accordingly, all figures for the fiscal year ended March 31, 2022 are figures after application of the said standard and guideline.

* The financial results are not subject to auditing by a certified public accountant or an audit firm.

* Proper use of earnings forecasts, and other special matters

The above forecasts of consolidated financial results are based on information currently available to the Company and on certain assumptions on market trends, etc. deemed to be reasonable, and are subject to uncertainties. Consequently, actual business and other results may differ substantially due to various factors. For details of the above forecasts of consolidated financial results, refer to pages 6–9.

[Attached Materials]

Index

1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

In the fiscal year under review, various problems arose from the resurgence of COVID-19 in countries around the world, including the spread of variants, as well as diverse geopolitical risks caused by the situation in Ukraine and other factors. The impact of these problems will likely continue in the coming period. In Japan, the economy is expected to pick up along with normalization of economic and social activities as the country continues to take all possible precautionary measures against COVID-19. Still, the trends in the pandemic and global situation will continue to require close monitoring.

Under these circumstances, the Morinaga Milk Group made every effort to continue supplying products to the extent possible, while giving the utmost consideration to the safety and health of employees, in order to fulfill its mission as a company that manufactures foods that are essential to daily life. Demand changed greatly compared with conditions before the pandemic, with a continuous decline in demand for commercial dairy products for the restaurant industry, hotels, tourism, and souvenirs, although some recovery from the previous year has been observed, whereas demand for functional ingredients with health-promoting benefits and for products used by households, such as yogurt and ice cream, has remained firm. There has also been a significant change in society, consumer attitudes, and business conditions overseas, such as a growing demand for functional ingredients against the backdrop of increasing health needs worldwide.

Meanwhile, raw material and energy prices as well as logistics costs surged as a result notably of a global rise in demand and depreciation of the yen, which had a significant impact particularly in the second half of the fiscal year under review. To counter the situation, we implemented such measures as revision of some product prices, improvement of product mix through expansion of high-profit-margin businesses and products, and Group-wide cost reviews.

<Overview of the Medium-term Business Plan>

Based on the "Morinaga Milk Group 10-year Vision," we set the three years from April 2019 through the fiscal year ended March 31, 2022, as a period during which we establish a solid business platform. To that end, we established the three basic policies of: 1) "achieving sustainable growth by enhancing initiatives laterally across our four pillars[*1] of business"; 2) "performing business with an ESG-focus aligned with our Corporate Philosophy"; and 3) "further strengthening our business base in a manner that supports the foundations of our corporate activities." We also established the medium-term business plan, which targets net sales of ¥630,000 million and operating income of ¥30,000 million, and carried out various initiatives to achieve the plan. (The above numerical targets are at the time the plan was developed. The earnings forecast for the fiscal year ended March 31, 2022 were ¥500,000 million in net sales and ¥30,000 million in operating income.)

* 1. The four businesses are (1) B-to-C Business, (2) Wellness Business, (3) B-to-B business, (4) Global Business

<Key initiatives for the fiscal year under review>

This is the final year of our three-year medium-term business plan. We worked to further strengthen our corporate structure and business. Note that the year-on-year comparison is calculated based on comparison of the forecast for the fiscal year ended March 31, 2022 with the result for the fiscal year ended March 31, 2021 adjusted by applying the accounting standard for revenue recognition due to application of the accounting standard for revenue recognition (ASBJ Statement No. 29 of March 31, 2020, "Accounting Standard for Revenue Recognition") and related guidance from the fiscal year ended March 31, 2022.

- Respond to impact of the COVID-19 pandemic.
  - Conduct sales activities aligned with the recovery in commercial and office demand and market changes in household and health-related demand.
  - Deal with the bounce in operating costs that were curbed last fiscal year and cost increases driven by higher raw materials and energy prices.
  - Establish functions to support business, such as raw material procurement, distribution, and finance.

• Provide and promote the value of products that meet the needs of customers, while also expanding high value added products and actively promoting sales of functional ingredients that contribute to people's health, and expanding Global Business.
• Carry out initiatives focused on reduction of CO_2 emissions, water usage, wastewater, plastic use, and food loss to contribute to the creation of a sustainable society.
• Reduce operational costs by improving production efficiency, etc.
• Reorganize the Group's production bases to further strengthen the business base (production suspended at the Tokyo Plant in March 2021).
• Improvement of asset efficiency (sale of former Kinki Plant site, sale of Konan Building (Minato-ku, Tokyo): extraordinary income recognized in the fiscal year ended March 31, 2022, sale of former Tokyo Plant site: extraordinary income expected to be recognized in the fiscal year ended March 31, 2024).
• Bolster dialogue with stakeholders ahead of the announcement of the next medium-term business plan.

As a result, consolidated net sales of yogurt and ice cream increased due to expansion of high value-added products and products that contribute to people's health in the B-to-C Business. The Global Business performance also improved. In addition, commercial dairy products in the B to B Business bounced back from steep declines last fiscal year, helping to support a rise in overall sales.

Consolidated profits were affected by rising raw material and energy prices caused by a global increase in demand and the depreciation of the yen. In response to this, we made further efforts to address these issues, such as improving the product mix by expanding highly profitable businesses and sales of highly profitable products, and working on Group-wide cost reductions. Partly in reaction to the previous year's weakness in the B to B Business, profits rose to exceed previous-year levels.

In the fiscal year under review, payment of ¥1,500 million was made as contribution to Hikari Kyokai, a public interest incorporated foundation.

Consolidated net sales	¥503,354 million	(+3.0% YoY)
Consolidated operating income	¥29,792 million	(+3.2% YoY)
Consolidated ordinary income	¥31,127 million	(+3.4% YoY)
Profit attributable to owners of parent	¥33,782 million	(+80.2% YoY)

(Other important operating indicators)

Operating income to net sales	5.9%
ROE	16.7%
Global business sales ratio	8.7%

Business conditions by segment are as follows.

(Millions of yen)

	Net sales	Year on year	Operating income	Year on year
Food industry	478,940	–	38,262	–
Other industries	30,048	–	2,782	–
Elimination or group-wide	(5,634)		(11,252)	
Total	503,354	–	29,792	–

* The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and related implementation guidance have been applied from the beginning of the fiscal year ended March 31, 2022. All figures in the above table are figures after application of the said accounting standard and related guidance, and no year-on-year comparison is made.

Food industry: Commercial milk, dairy products, ice cream, drinks, etc.
Other industries: Feed, design and construction of plant equipment, etc.

(Reference) Overview of the results by business field (four pillars of business) in the Medium-term Business Plan

1. B-to-C Business: Yogurt and ice cream performed solid. In particular, functional yogurt products such as "Triple Yogurt"

and “Bifidus Yogurt Improves Bowel Movement” enjoyed higher sales, reflecting a rise in health awareness, contributing significantly to an improvement of product mix. By contrast, beverage demand declined, and cheese recorded a decrease in net sales, reflecting a drop in demand in reaction to the increase in household demand in the previous fiscal year, resulting in a decline in net sales for the business as a whole.

In terms of profit, efforts were made to generate profit by implementing such measures as control of sales activity, in addition to improvement of product mix by expanding high value-added yogurt and ice cream products. However, the impact of a rise in raw material and energy prices particularly in the second half was so significant that, despite revision of some product prices, the business as a whole recorded a profit decline.

B-to-C Business net sales	¥260,066 million	(-0.8% YoY)
B-to-C Business operating income	¥14,617 million	(-¥1,510 million YoY)

2. Wellness Business: Sales rose on the back of growth in CLINICO Co., Ltd.’s products, nutritional supplement foods such as the nutritional milk powder “Milk Life” (powdered milk for adults), and health foods.

   On the profit side, although there was a negative impact from the rise in raw material and energy prices, in addition to the impact of higher sales we succeeded in containing costs, such as control of sales activities, which resulted in an increase in profits.

Wellness Business net sales	¥44,218 million	(+2.7% YoY)
Wellness Business operating income	¥3,780 million	(+¥323 million YoY)

3. B-to-B Business: Commercial dairy products, which account for a high proportion of the total, recorded a significant increase in net sales in reaction to the large decrease posted in the previous fiscal year. Meanwhile, increased health awareness led to continued high interest in the Company’s functional ingredients.

   In terms of profits, despite the impact of higher raw material and energy prices, the significant increase in profit on sales led to a rise in profits.

B-to-B Business net sales	¥82,149 million	(+10.7% YoY)
B-to-B Business operating income	¥3,400 million	(+¥786 million YoY)

4. Global Business: Exports of products such as infant and toddler milk dropped in reaction to the considerable increase recorded in the previous fiscal year but sales of MILEI GmbH increased. Net sales also increased as a result of Vietnamese company Elovi becoming a consolidated subsidiary in March 2021.

   In addition to the effects of higher sales, growth in high-margin functional ingredients resulted in an improved product mix, pushing profits higher

Global Business net sales	¥43,862 million	(+19.2% YoY)
Global Business operating income	¥7,237 million	(+¥1,731 million YoY)

(2) Overview of financial position for the fiscal year under review

Total assets at the end of the consolidated fiscal year under review were ¥458,788 million, up ¥5,142 million from the end of the previous fiscal year. This was mainly due to increases in cash and deposits and notes and accounts receivable – trade and contract assets, which offset a decrease in property, plant and equipment.

Total liabilities were ¥250,762 million, down ¥380 million from the end of the previous fiscal year. This was mainly due to a decrease in commercial papers, despite an increase in income taxes payable.

Net assets were ¥208,026 million, up ¥5,522 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings, despite an increase in treasury shares.

As a result, the shareholders’ equity ratio rose from 43.9% in the previous fiscal year to 44.9%, and net assets per share rose from ¥4,028.36 in the previous fiscal year to ¥4,554.84.

(3) Overview of cash flows for the fiscal year under review

The status of each type of cash flow for the consolidated fiscal year under review is as follows.

Net cash provided by operating activities rose by ¥1,724 million in inflows year on year to ¥40,268 million. This was mainly due to inflows of ¥48,296 million in profit before income. This was offset by an outflow of ¥8,745 million in income taxes paid.

Net cash provided by investing activities amounted to ¥8,371 million, with decreased outflow by ¥33,676 million year on year. This was mainly attributable to an inflow of ¥30,926 million from sale of non-current assets, which offset an outflow of ¥18,878 million in the purchase of non-current assets.

The total free cash flow of these activities rose by ¥35,400 million year on year to ¥48,639 million.

Net cash used in financing activities rose by ¥41,894 million in outflows year on year to ¥44,522 million. This was mainly attributable to outflows of ¥24,783 million in purchase of treasury shares and ¥10,000 million in repayments of commercial papers.

As a result of these activities, cash and cash equivalents at the end of the consolidated fiscal year under review increased by ¥4,347 million year on year to ¥23,486 million.

The trend of cash flow indicators is as follows.

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Shareholders’ equity ratio (%)	38.0	38.7	41.6	43.9	44.9
Shareholders’ equity ratio at market value (%)	51.6	43.0	47.4	63.5	51.5
Ratio of cash flows to interest-bearing debt (times)	4.0	6.4	3.8	3.0	2.5
Interest coverage ratio (times)	30.1	24.5	38.0	54.6	53.4

Shareholders’ equity ratio: (Total net assets - Subscription rights to shares - Minority interests) ÷ Total assets
Shareholders’ equity ratio at market value: Market capitalization ÷ Total assets
Ratio of cash flows to interest-bearing debt: Interest-bearing debt ÷ Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities ÷ Payment of interest

* All indicators are calculated on the basis of consolidated financial values.
* Market capitalization is calculated by multiplying the closing price of the Company’s shares at the fiscal year-end by the number of shares outstanding at end of period.
* The term “cash flow from operating activities” refers to cash flow from operating activities used in the consolidated statements of cash flows. The term “interest-bearing debt” refers to those liabilities posted in the consolidated balance sheets on which interest is paid. Payment of interest equates with the interest paid recorded in the consolidated statements of cash flows.
* “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 February 16, 2018) was adopted from the beginning of the fiscal year ended March 31, 2019. These accounting criteria are applied retrospectively with respect to the indicators for the fiscal year ended March 31, 2018.
* During the fiscal year ended March 31, 2022, the accounting treatment for business combinations that had been applied provisionally was finalized, and this is reflected in the figures relating to the fiscal year ended March 31, 2021.

(4) Outlook for the next fiscal year

Although the impact of COVID-19 is expected to linger, the Group will make every effort to continue supplying products to the extent possible, while giving utmost consideration to the safety and health of its employees, to fulfill its mission as a company that manufactures foods that are essential to daily life. With respect to raw material and energy prices and logistics costs, increases are expected at levels significantly different from the past environment, due to uncertainty over the situation in Ukraine, in addition to a global rise in demand and depreciation of the yen. While we will work to meet these challenges, including pushing further with such measures as price revisions, improvement of product mix through expansion of high profit margin businesses and products, and Group-wide cost reviews, we anticipate that the environment will be extremely severe given the outlook for a major change in cost structure not only in the short term but also in the medium to long term.

Over the past years, the Group focused its efforts on addressing the management issues identified in the Medium-term Business Plan (fiscal year ended March 31, 2020, to fiscal year ended March 31, 2022) announced in 2019 and proceeded to strengthen its business platform. Achievements made include expansion of functional ingredients with health-promoting benefits, such as Bifidobacteria, growth of high value-added products such as yogurt and ice cream, which use these ingredients and our proprietary technologies, and significant growth of Global Business, notably in MILEI GmbH in Germany. We also proceeded to steadily strengthen the business base through such measures as elimination and consolidation of plants to streamline the manufacturing structure, and enhancement of financial strength largely by reducing interest-bearing debt. As a result, the consolidated targets for the fiscal year ended March 31, 2022, as set out at the time the said Medium-term Business Plan was developed, which are ¥630,000 million in net sales and ¥30,000 million in operating income (before application of the accounting standard for revenue recognition), could be more or less achieved for operating income, while net sales were below the target due partly to the effects of COVID-19.

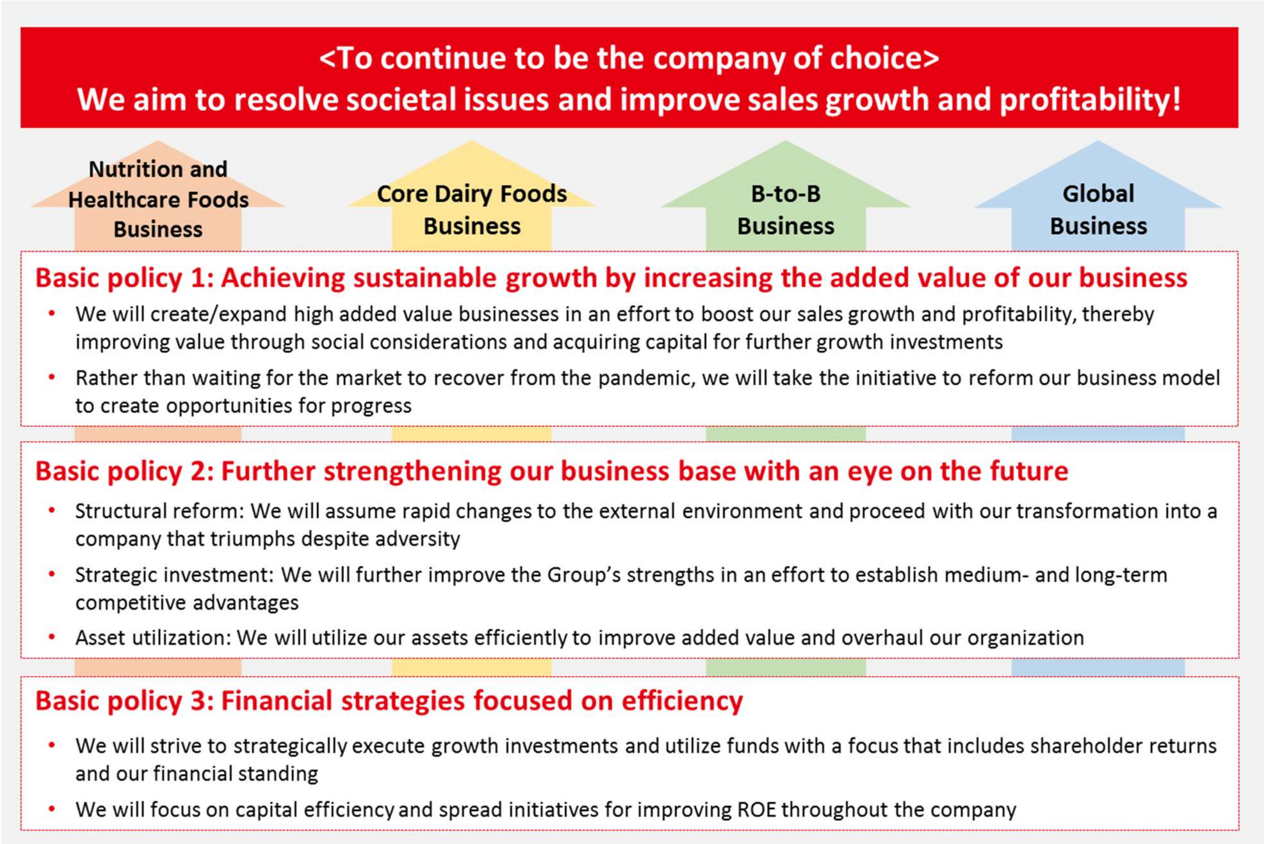
It is against this background that a new three-year Medium-term Business Plan will start in the fiscal year ending March 31, 2023. In terms of the full-year consolidated earnings forecast for the fiscal year ending March 31, 2023, which is the first year of the plan, we anticipate a substantial cost impact, resulting in a large decline in profits. The forecast is as follows: net sales of ¥520,000 million (up 3.3% year on year), operating income of ¥25,000 million (down 16.1% year on year), ordinary income of ¥25,900 million (down 16.8 % year on year), and profit attributable to owners of parent of ¥15,800 million (down 53.2% year on year).

<Morinaga Milk Group’s 10-year vision and Medium-term Business Plan>

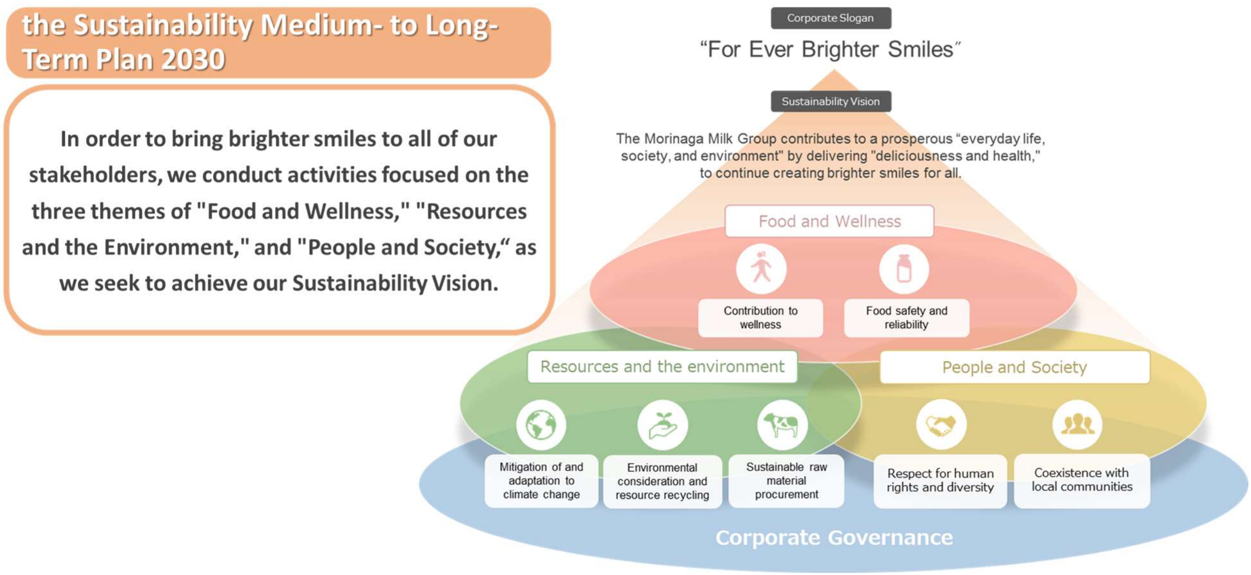
The Group established the Morinaga Milk Group 10-year Vision in April 2019, setting out its vision for the next 10 years. Under the vision, we have established targets for the fiscal year ending March 31, 2029, aiming to achieve an “operating profit margin of at least 7%,” an “ROE of at least 10%,” and a “ratio of overseas sales of at least 15%,” underpinned by a vision in terms of where the Morinaga Milk Group sees itself one decade ahead in terms of becoming “a company that balances ‘delicious and pleasurable food’ with ‘health and nutrition’,” “a global company that exerts a unique presence worldwide,” and “a company that persistently helps make social sustainability a reality.”

Underpinned by this vision, we have established three basic policies for the new three-year Medium-term Business Plan that extends through the fiscal year ending March 31, 2025, which are “achieving sustainable growth by increasing the added value of our business,” “further strengthening our business base with an eye on the future,” and “financial strategies focused on efficiency,” and will aim to balance resolution of social issues and improvement of profitability as we pursue the plan. Additionally, we have formulated the “Sustainability Medium- to Long-Term Plan 2030,” in which 2030 targets and KPIs have been set for the three themes of “Food and Wellness,” “Resources and the environment,” and “People and Society.” It is placed at the core of management and will be carried out in conjunction with the Medium-term Business Plan.

(Reference material 1) Overview of the new Medium-term Business Plan 2022–2024



(Reference material 2) Sustainability Medium- to Long-Term Plan 2030



The first basic policy of the Medium-term Business Plan is “Achieving sustainable growth by increasing the added value of our business,” to which end we have reconfigured our business structure by combining the previous business fields of the B-to-C and Wellness Businesses and reorganizing them as (1) the Nutrition and Healthcare Foods Business and (2) the Core Dairy Foods Business, which together with (3) the B-to-B Business and (4) the Global business comprise the new four pillars of our business. We will work on expanding these pillars individually and will also seek in particular to accelerate the provision of health value laterally across the four pillars as well as strive for renewed growth of our proprietary functional ingredients and bacteria and portfolio transformation of the Global Business. Through our business activities, we will contribute to the “wellness” and “happiness” of consumers by providing “health value” and “tastiness and delightfulness.”

The second basic policy is “Further strengthening our business base with an eye on the future,” which will be pursued from the perspectives of structural reform, strategic investments, and asset utilization. Structural reform will be carried out by strengthening resilience to changes in the external environment, promoting group management, and other measures. As strategic investments, our plan includes strengthening of R&D functions and growth investments and environment-related investments that are in line with our 10-year vision. In terms of asset utilization, we will strengthen our intellectual property base and promote utilization of domestic milk resources.

The third basic policy of “Financial strategies focused on efficiency ” aims to carry out strategic investments for growth and make use of funds by paying attention to shareholder returns and financial position, to be pursued in tandem with improvement of ROE focusing on capital efficiency. With respect to shareholder returns, we will maintain the basic policy of paying stable and long-term dividends, and raise target payout ratio to 30% from the previous target of 20%. We will consider our approach also by paying attention to total payout ratio. Treasury shares that we hold will, in principle, be retired, except for a certain portion that will be retained to allow for a flexible capital policy in the future.

Guided by the aforementioned vision and policies, we will devote our efforts on the various initiatives by positioning the coming fiscal year (fiscal year ending March 31, 2023) as an important start to the new stage.

Note that we have postponed announcement of numerical targets such as those for net sales and operating income given the rapid changes in the external environment, which are making it difficult to properly calculate at this time the cost impact in the medium to long term.

To create a society in which people can enjoy happiness and fulfillment, the Morinaga Milk group will continue to contribute to society by improving and delivering its unique values.

Earnings forecast for the first half of the fiscal year ending March 2023

	1H of FYE Mar. 2023 forecast	YoY percentage change	1H of FYE Mar. 2022 actual results
Consolidated net sales	¥270,000 million	+3.3%	¥261,346 million
Consolidated operating income	¥17,000 million	-18.0%	¥20,730 million
Consolidated ordinary income	¥17,700 million	-17.6%	¥21,471 million
Profit attributable to owners of parent	¥10,700 million	-37.9%	¥17,242 million

Full-year earnings forecast for the fiscal year ending March 2023

	FYE Mar. 2023 forecast	YoY percentage change	FYE Mar. 2022 actual results
Consolidated net sales	¥520,000 million	+3.3%	¥503,354 million
Consolidated operating income	¥25,000 million	-16.1%	¥29,792 million
Consolidated ordinary income	¥25,900 million	-16.8%	¥31,127 million
Profit attributable to owners of parent	¥15,800 million	-53.2%	¥33,782 million

(Other important operating indicators)

Operating income to net sales	4.8%
ROE	7.5%
Global business sales ratio	8.9%

(Reference) Overview of the results by business field in the new Medium-term Business Plan 2022–2024 (fiscal year ending March 2023)

	FYE Mar. 2023 forecast	YoY change (difference)	FYE Mar. 2022 actual results
Nutrition and Healthcare Foods Business net sales	¥129,000 million	+4.8%	¥123,076 million
Nutrition and Healthcare Foods Business operating income	¥7,900 million	-¥1,202 million	¥9,102 million

	FYE Mar. 2023 forecast	YoY change (difference)	FYE Mar. 2022 actual results
Core Dairy Foods Business net sales	¥184,000 million	+1.5%	¥181,207 million
Core Dairy Foods Business operating income	¥9,000 million	-¥1,762 million	¥10,762 million

	FYE Mar. 2023 forecast	YoY change (difference)	FYE Mar. 2022 actual results
B-to-B Business net sales	¥87,000 million	+5.9%	¥82,149 million
B-to-B Business operating income	¥2,100 million	-¥548 million	¥2,648 million

	FYE Mar. 2023 forecast	YoY change (difference)	FYE Mar. 2022 actual results
Global Business net sales	¥46,400 million	+5.8%	¥43,862 million
Global Business operating income	¥5,300 million	-¥983 million	¥6,283 million

*FYE Mar. 2022 actual results of the B-to-B Business and the Global Business are adjusted to reflect the revised business segments under the new Medium-term Business Plan.

2. Basic Policy on the Selection of Accounting Standards

From the perspective of ensuring comparability with prior fiscal years, the Morinaga Milk Group has adopted the Japanese standards for its accounting standards.

As for the adoption of international accounting standards, the Group will apply the appropriate policy taking into consideration the situation both in Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	19,262	23,607
Notes and accounts receivable-trade	61,573	–
Notes and accounts receivable-trade and contract assets	–	63,298
Merchandise and finished goods	49,324	51,015
Work in process	828	1,724
Raw materials and supplies	16,439	17,709
Other	8,556	7,019
Allowance for doubtful accounts	(368)	(247)
Total current assets	155,615	164,127
Non-current assets		
Property, plant and equipment		
Buildings and structures	184,509	187,885
Accumulated depreciation	(96,779)	(102,541)
Buildings and structures, net	87,730	85,344
Machinery, equipment and vehicles	290,708	300,617
Accumulated depreciation	(197,017)	(208,855)
Machinery, equipment and vehicles, net	93,691	91,761
Land	57,185	54,003
Leased assets	5,078	4,621
Accumulated depreciation	(2,904)	(2,798)
Leased assets, net	2,174	1,822
Construction in progress	9,221	10,335
Other	15,474	15,976
Accumulated depreciation	(11,140)	(11,798)
Other, net	4,334	4,178
Total property, plant and equipment	254,336	247,446
Intangible assets		
Other	7,968	9,735
Total intangible assets	7,968	9,735
Investments and other assets		
Investment securities	21,193	21,583
Investments in capital	96	78
Long-term loans receivable	233	215
Net defined benefit asset	2,476	2,998
Deferred tax assets	6,646	6,328
Other	5,169	6,434
Allowance for doubtful accounts	(90)	(158)
Total investments and other assets	35,724	37,479
Total non-current assets	298,030	294,660
Total assets	453,646	458,788

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,764	52,122
Electronically recorded obligations-operating	4,695	4,668
Short-term borrowings	3,292	3,084
Current portion of long-term borrowings	7,936	7,905
Commercial papers	10,000	–
Lease obligations	1,006	856
Income taxes payable	4,169	10,036
Accrued expenses	33,413	34,474
Deposits received	16,111	16,215
Other	15,518	13,136
Total current liabilities	144,906	142,500
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term borrowings	30,404	26,051
Lease obligations	1,650	1,368
Net defined benefit liability	20,985	21,146
Asset retirement obligations	346	735
Other	2,849	8,960
Total non-current liabilities	106,236	108,261
Total liabilities	251,142	250,762
Net assets		
Shareholders’ equity		
Capital stock	21,787	21,821
Capital surplus	19,947	19,980
Retained earnings	153,540	183,884
Treasury stock	(708)	(25,476)
Total shareholders’ equity	194,566	200,210
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,625	7,497
Deferred gains or losses on hedges	73	(41)
Foreign currency translation adjustment	(1,131)	(613)
Remeasurements of defined benefit plans	(1,779)	(1,156)
Total accumulated other comprehensive income	4,787	5,685
Subscription rights to shares	203	174
Non-controlling interests	2,945	1,955
Total net assets	202,503	208,026
Total liabilities and net assets	453,646	458,788

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Millions of yen)

	For the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
Net sales	583,550	503,354
Cost of sales	393,478	381,077
Gross profit	190,072	122,277
Selling, general and administrative expenses	161,204	92,484
Operating income	28,867	29,792
Non-operating income		
Interest income	27	45
Dividends income	1,017	820
House rent income	307	281
Share of profit of entities accounted for using equity method	51	—
Foreign exchange gains	546	445
Other	936	948
Total non-operating income	2,888	2,542
Non-operating expenses		
Interest expenses	707	747
Share of loss of entities accounted for using equity method	—	19
Loss on valuation of derivatives	424	—
Other	514	441
Total non-operating expenses	1,646	1,207
Ordinary income	30,109	31,127
Extraordinary income		
Gain on sales of non-current assets	1,176	21,214
Gain on sale of investment securities	221	9
Other	64	240
Total extraordinary income	1,462	21,464
Extraordinary loss		
Loss on disposal of non-current assets	643	656
Contributions to the public interest incorporated foundation Hikari Kyokai	1,635	1,500
Impairment loss	2,297	–
Plant reorganization expenses	924	1,936
Other	72	202
Total extraordinary losses	5,573	4,296
Profit before income taxes	25,998	48,296
Income taxes - current	7,616	14,279
Income taxes - deferred	(521)	90
Total income taxes	7,095	14,369
Profit	18,903	33,926
Profit attributable to non-controlling interests	161	143
Profit attributable to owners of parent	18,741	33,782

(Consolidated statements of comprehensive income)

(Millions of yen)

	For the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
Profit	18,903	33,926
Other comprehensive income		
Valuation difference on available-for-sale securities	899	(110)
Deferred gains or losses on hedges	150	(163)
Foreign currency translation adjustment	(253)	438
Remeasurements of defined benefit plans	1,533	622
Share of other comprehensive income of associates accounted for using equity method	7	78
Total other comprehensive income	2,337	865
Comprehensive income	21,240	34,792
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,003	34,680
Comprehensive income attributable to non-controlling interests	237	111

(3) Consolidated statement of changes in shareholders' equity

For the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of Yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,760	19,919	137,767	(690)	178,757
Cumulative effects of changes in accounting policies					—
Restated balance	21,760	19,919	137,767	(690)	178,757
Changes of items during period					
Issuance of new shares	26	26			52
Dividends of surplus			(2,968)		(2,968)
Profit attributable to owners of parent			18,741		18,741
Purchase of treasury shares				(17)	(17)
Disposal of treasury shares		0		0	0
Change in scope of consolidation					—
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during period	26	27	15,772	(17)	15,809
Balance at end of current period	21,787	19,947	153,540	(708)	194,566

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	6,738	(13)	(885)	(3,312)	2,526	203	1,655	183,142
Cumulative effects of changes in accounting policies								—
Restated balance	6,738	(13)	(885)	(3,312)	2,526	203	1,655	183,142
Changes of items during period								
Issuance of new shares								52
Dividends of surplus								(2,968)
Profit attributable to owners of parent								18,741
Purchase of treasury shares								(17)
Disposal of treasury shares								0
Change in scope of consolidation								—
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	887	86	(245)	1,533	2,261	—	1,290	3,551
Total changes of items during period	887	86	(245)	1,533	2,261	—	1,290	19,361
Balance at end of current period	7,625	73	(1,131)	(1,779)	4,787	203	2,945	202,503

For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(Millions of Yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,787	19,947	153,540	(708)	194,566
Cumulative effects of changes in accounting policies			12		12
Restated balance	21,787	19,947	153,552	(708)	194,579
Changes of items during period					
Issuance of new shares	34	34			68
Dividends of surplus			(3,464)		(3,464)
Profit attributable to owners of parent			33,782		33,782
Purchase of treasury shares				(24,783)	(24,783)
Disposal of treasury shares		(2)		14	11
Change in scope of consolidation			13		13
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during period	34	33	30,331	(24,768)	5,630
Balance at end of current period	21,821	19,980	183,884	(25,476)	200,210

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	7,625	73	(1,131)	(1,779)	4,787	203	2,945	205,503
Cumulative effects of changes in accounting policies								12
Restated balance	7,625	73	(1,131)	(1,779)	4,787	203	2,945	202,516
Changes of items during period								
Issuance of new shares								68
Dividends of surplus								(3,464)
Profit attributable to owners of parent								33,782
Purchase of treasury shares								(24,783)
Disposal of treasury shares								11
Change in scope of consolidation								13
Change in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	(127)	(114)	517	622	898	(28)	(990)	(120)
Total changes of items during period	(127)	(114)	517	622	898	(28)	(990)	5510
Balance at end of current period	7,497	(41)	(613)	(1,156)	5,685	174	1,955	208,026

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	25,998	48,296
Depreciation	20,484	21,102
Impairment loss	2,297	–
Amortization of goodwill	16	243
Amortization of negative goodwill	(114)	(83)
Increase (decrease) in net defined benefit liability	331	154
Increase (decrease) in allowance for doubtful accounts	52	(52)
Loss (gain) on valuation of investment securities	48	14
Interest and dividend income	(1,045)	(866)
Interest expenses	707	747
Foreign exchange losses (gains)	(449)	(346)
Share of loss (profit) of entities accounted for using equity method	(51)	19
Loss (gain) on sales of non-current assets	(1,176)	(21,214)
Loss (gain) on disposal of non-current assets	643	656
Loss (gain) on sales of investment securities	(221)	(4)
Decrease (increase) in trade receivables	320	(1,423)
Decrease (increase) in inventories	2,566	(3,833)
Decrease (increase) in trade payables	(3,352)	3,272
Increase (decrease) in accrued expenses	889	1,058
Increase (decrease) in deposits received	47	103
Other, net	(1,502)	1,057
Subtotal	46,490	48,900
Interest and dividend income received	1,046	867
Interest expenses paid	(705)	(754)
Income taxes refund (paid)	(8,287)	(8,745)
Net cash provided by (used in) operating activities	38,544	40,268
Cash flows from investing activities		
Purchase of non-current assets	(28,181)	(18,878)
Proceeds from sale of non-current assets	3,950	30,926
Purchase of investment securities	(415)	(376)
Proceeds from sales of investment securities	300	27
Loan advances	(3,918)	(3,227)
Proceeds from collection of loans receivable	3,994	3,257
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,088)	(3,269)
Other, net	52	(86)
Net cash provided by (used in) investing activities	(25,305)	8,371

(Millions of yen)

	For the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8,855)	(298)
Net increase (decrease) in commercial papers	10,000	(10,000)
Proceeds from long-term borrowings	9,397	3,235
Repayments of long-term borrowings	(8,757)	(8,165)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(17)	(24,783)
Dividends paid	(2,968)	(3,464)
Dividends paid to non-controlling interests	(25)	(22)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	(0)
Repayments of finance lease obligations	(1,400)	(1,024)
Net cash provided by (used in) financing activities	(2,627)	(44,522)
Effect of exchange rate change on cash and cash equivalents	19	169
Net increase (decrease) in cash and cash equivalents	10,630	4,286
Cash and cash equivalents at beginning of period	8,505	19,138
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	2	61
Cash and cash equivalents at end of period	19,138	23,486

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

(Application of accounting standard for fair value measurement and related guidance)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereafter "Accounting Standard for Fair Value Measurement") and related guidance from the beginning of the end of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement and related guidance will be applied into the future. This will have no impact on the quarterly consolidated financial statements.

(Application of accounting standard for revenue recognition and related guidance)

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereafter "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the consolidated fiscal year under review. Accordingly, revenue is recognized at a point in time when control of promised goods or services is transferred to customers, at the amount that is expected to be received in exchange for the goods or services.

The main changes resulting from this application are as follows.

For transactions in which the consideration paid to the customer was previously recorded as selling, general and administrative expenses, except in cases where the consideration paid to the customer is paid in exchange for an individual good or service provided by the customer, this has been changed so that it is deducted from the net sales. In addition, for some transactions where the Company or a consolidated subsidiary acted as an agent, the total amount of consideration received from the customer was previously recognized, but this has been changed to the recognition of a net revenue figure consisting of the total amount of consideration from which the amount paid to the supplier has been subtracted.

With regard to the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment set forth in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the end of the consolidated fiscal year under review has been added to or subtracted from retained earnings at the beginning of the end of the consolidated fiscal year under review, and the new accounting policy has been applied to the opening balance at the beginning of the current period.

As a result, in comparison with past accounting treatment, net sales in the consolidated fiscal year under review decreased by ¥92,206 million, cost of sales decreased by ¥26,332 million, selling, general and administrative expenses decreased by ¥65,879 million, and operating income, ordinary income, and profit before income taxes increased by ¥5 million. Retained earnings at the beginning of the current period increased by ¥12 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, the "Notes and accounts receivable" shown in the "Current assets" section of the balance sheet for the previous consolidated fiscal year is included in "Notes and accounts receivable–trade and contract assets," beginning from the end of the consolidated fiscal year under review. Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been conducted for the previous consolidated fiscal year.

(Segment information)

1. Overview of reportable segments

   The Group's reportable segments are those units of independent financial information that the Board of Directors regularly conducts a review of, for the purpose of making decisions about management resources to be allocated to the segments and to assess the segments' performance.

   The Group is comprised of business segments based on its products and services, including the food industry as a reportable segment.

   The food industry is centered on the manufacture and sale of commercial milk, dairy products, ice cream and beverages.

2. Methods for calculating the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

   The accounting standards and methods for reportable segments are generally identical to the description in the "Significant Accounting Policies for the Consolidated Financial Statements."

   Income in the reportable segments is based on operating income.

   Intra-segment internal income and transfer amounts are based on actual market prices.

3. Information on the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Reportable segments	Other*1	Total	Adjustments*2	Amount recorded in the Consolidated Financial Statements*3
	Food				
Net sales					
Sales to external customers	559,379	24,170	583,550	—	583,550
Intra-segment internal sales and transfer amount	372	9,745	10,117	(10,117)	—
Total	559,752	33,915	593,667	(10,117)	583,550
Segment income (loss)	36,086	3,085	39,171	(10,303)	28,867
Segment assets	381,110	39,689	420,799	31,963	452,763
Other items					
Depreciation	19,632	480	20,113	371	20,484
Amortization of goodwill	16	—	16	—	16
Investment in entities accounted for using equity method	1,745	—	1,745	—	1,745
Increases in property, plant and equipment, and intangible assets	24,578	290	24,868	223	25,091

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Reportable segments	Other*1	Total	Adjustments*2	Amount recorded in the Consolidated Financial Statements*3
	Food				
Net sales					
Sales to external customers	478,662	24,692	503,354	—	503,354
Intra-segment internal sales and transfer amount	278	5,356	5,634	(5,634)	—
Total	478,940	30,048	508,989	(5,634)	503,354
Segment income (loss)	38,262	2,782	41,045	(11,252)	29,792
Segment assets	382,127	38,483	420,610	38,177	458,788
Other items					
Depreciation	20,370	386	20,756	345	21,102
Amortization of goodwill	243	—	243	—	243
Investment in entities accounted for using equity method	1,999	—	1,999	—	1,999
Increases in property, plant and equipment, and intangible assets	18,382	170	18,553	283	18,836

(Notes) 1. The category of "other" refers to the business segments not included in the reportable segments, such as feed, design and construction of plant equipment, and real estate leases.

2. Details of the adjustments are as follows.

(1) Segment income (loss)

(Unit: Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of inter-segment transactions	(1,001)	(652)
Company-wide costs*	(9,302)	(10,600)
Total	(10,303)	(11,252)

* Company-wide costs are primarily general and administrative expenses that are not allocated to the business segments.

(2) Segment assets

(Unit: Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of inter-segment transactions	(5,719)	(3,703)
Company-wide costs*	37,683	41,881
Total	31,963	38,177

* Company-wide assets are primarily assets in the administrative division that do not belong to the business segments.

(3) The adjustment of depreciation costs is primarily the amortization expenses related to corporate equipment.

(4) The adjustments of increases in property, plant and equipment, and intangible assets are primarily the investment amount related to corporate equipment.

3. Segment income is adjusted to operating income in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Net assets per share	¥4,028.36	¥4,554.84
Profit per share	¥378.73	¥687.45
Profit per share–diluted	¥378.01	¥686.33

(Note) The basis for calculating profit per share and profit per share–diluted is as follows.

	Previous consolidated fiscal year (April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (April 1, 2021 to March 31, 2022)
Profit per share		
Profit attributable to the parent company (millions of yen)	18,741	33,782
Profit attributable to the parent company and available to common shareholders (millions of yen)	18,741	33,782
Average number of shares in period (1,000 shares)	49,485	49,141
Profit per share–diluted		
Adjustment on profit attributable to owners of parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	93	80
Overview of potential stock not included in calculations of profit per share–diluted because the stocks have no dilutive effect	---------------------	

(Significant subsequent events)

At the meeting of the Board of Directors held on May 13, 2022, the Company resolved to reconstruct Morinaga Plaza Building where the Company's Head Office is located. Details are as follows.

1. Reconstruction of Morinaga Plaza Building

A decision is made at this time on reconstruction of Morinaga Plaza Building (completed in 1974), a 48-year-old building where the Company is currently located, due to aging, an issue which the Company has been examining for some time. The building will be reconstructed at the same location.

In the reconstruction of the building, we will seek to improve asset value through utilization of the urban planning proposal system, and will give due consideration to environmental performance and coexistence with the local community for realization of a sustainable society.

(1) Location

33-1, Shiba 5-Chome, Minato-ku, Tokyo

(2) Site area

6,135.55 m^2

(3) Outline of the new building

The specifications of the building, investment amount, and schedule (timing of start and completion of construction work) are yet to be determined.

2. The Company’s location during reconstruction

The Company plans to move to the following location.

(1) Address

Shiodome City Center

5-2, Higashi Shimbashi 1-Chome, Minato-ku, Tokyo

(2) Timing of relocation

Spring 2024 (planned)

3. Impact of the building reconstruction

In connection with the subject resolution, it is projected that an extraordinary loss of approximately ¥1,200 million will be posted in the first quarter of the fiscal year ending March 31, 2023, as result of writing off the rental portion of the building.

In addition, by adopting new useful life for the rest of the building, it is projected that depreciation will increase by approximately ¥200 million in the fiscal year ending March 31, 2023.

All amounts are currently under review.

4. Other

(1) Changes to officers (scheduled for June 29, 2022)

The following changes to officers were tentatively decided upon at the Board of Directors held on May 13, 2022. Note that the changes to officers will be determined at the General Meeting of Shareholders scheduled for June 29, 2022, and the changes to titles of officers will be determined at the Board of Directors following the General Meeting of Shareholders.

1. Changes to the representative

・ Appointment of Representative Director

Not applicable

2. Changes to other officers

(1) Scheduled for promotion to Director

Not applicable

(2) New candidate for Director

・Managing Director, Executive Managing Officer and General Manager of Corporate Strategic Planning Division	Akihiro Nozaki (currently Executive Managing Officer and General Manager of Corporate Strategic Planning Division)
・External Director	Hiroshi Nakamura Takayuki Ikeda

There are plans to notify the Tokyo Stock Exchange, Inc. of their appointments as an Independent Director if said appointments are approved at the General Meeting of Shareholders on June 29.

(3) Scheduled for resignation as Director

・Current External Director	Shoji Kawakami

(Reference)

1. Career history of new candidates for Director

Name (Date of birth)	Career summary	
Akihiro Nozaki (October 6, 1965)	April 1988	Joined the Company
	April 2016	General Manager of Finance & Accounting Department
	June 2018	General Manager of Finance & Accounting Department of Strategic Planning Division
	June 2019	Managing Officer and Deputy General Manager of Manufacturing Division
	June 2020	Managing Officer and Deputy General Manager of Strategic Planning Division
	June 2021	Executive Managing Officer and General Manager of Strategic Planning Division
	April 2022	Executive Managing Officer and General Manager of Corporate Strategic Planning Division (present) to present