May 15, 2023

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2023
<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
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Telephone number: +81-3-3798-0126
Planned Date of General Shareholders' Meeting: June 29, 2023
Planned Commencement Date of Dividend Payments: June 30, 2023
Planned Filing Date of Securities Report: June 30, 2023
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, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		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, 2023	525,603	4.4	23,939	(19.6)	25,218	(19.0)	16,875	(50.0)
March 31, 2022	503,354	–	29,792	–	31,127	–	33,782	–

(Note) Comprehensive income: the fiscal year ended March 31, 2023: ¥20,220 million / (41.9)%
the fiscal year ended March 31, 2022: ¥34,792 million / –%

	Basic earnings per share	Diluted earnings per share	Profit to shareholders' equity	Ordinary profit to assets	Operating profit to net sales
For the fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	373.15	372.61	7.9	5.3	4.6
March 31, 2022	687.45	686.33	16.7	6.8	5.9

(Reference) Equity method investment gain (loss): the fiscal year ended March 31, 2023: (¥53 million)
the fiscal year ended March 31, 2022: (¥19 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, 2023	485,116	227,124	45.9	4,927.30
As of March 31, 2022	458,788	208,026	44.9	4,554.84

(Reference) Shareholders' equity: As of March 31, 2023: ¥222,902 million
As of March 31, 2022: ¥205,896 million

(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, 2023	19,382	(25,463)	2,925	20,976
March 31, 2022	40,268	8,371	(44,522)	23,486

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, 2022	–	–	–	80.00	80.00	3,616	11.6	1.9
March 31, 2023	–	–	–	90.00	90.00	4,071	24.1	1.9
For the fiscal year ending March 31, 2024 (Forecast)	–	–	–	90.00	90.00		7.1	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		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)	285,000	5.6	13,200	(9.7)	13,700	(12.9)	54,100	538.0	1,195.89
Full year	550,000	4.6	20,000	(16.5)	20,600	(18.3)	57,700	241.9	1,275.47

*** Notes**

(1) Change in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): Yes

New: 1 (Company name: NutriCo Morinaga (Private) Limited)

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, 2023	47,845,343 shares
As of March 31, 2022	49,845,343 shares

(ii) Number of treasury shares at end of period

As of March 31, 2023	2,607,118 shares
As of March 31, 2022	4,641,538 shares

(iii) Average number of shares during period

Fiscal year ended March 31, 2023	45,224,122 shares
Fiscal year ended March 31, 2022	49,141,516 shares

(Reference) Outline of non-consolidated business results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	371,858	1.4	4,326	(69.0)	9,434	(52.6)	6,453	(76.1)
March 31, 2022	366,807	–	13,978	–	19,913	–	27,023	–

	Basic earnings per share	Diluted earnings per share
For the fiscal year ended	Yen	Yen
March 31, 2023	142.70	142.49
March 31, 2022	549.91	549.02

(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, 2023	396,136	138,492	34.9	3,058.63
As of March 31, 2022	387,255	134,763	34.8	2,977.37

(Reference) Shareholders’ equity: As of March 31, 2023: ¥138,367 million

As of March 31, 2022: ¥134,588 million

* 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 7–8.

[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, diverse geopolitical risks including the prolonged situation in Ukraine, as well as tight monetary policy around the world and other factors have had various impacts on international society and posed downside risks to the global economy. In Japan, the economy was expected to pick up as the country shifted to living with COVID-19, but rising prices have been visibly affecting households and businesses. Given such developments, the trends in the domestic and global situation will continue to require close monitoring.

Under these circumstances, the Morinaga Milk Group has 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. Under the new Medium-term Business Plan 2022–2024, which began in the fiscal year under review, the Morinaga Milk Group is striving to provide health value and tastiness and delightfulness that are unique to it. In particular, against the backdrop of increasing health needs in and outside Japan, the Group has been expanding products in the "five domains of wellness," including yogurt and functional ingredients, that take into consideration various health issues. In the Global Business, led by MILEI GmbH, significant increases were recorded in both sales and profits as the Group proactively set out on M&A deals notably in Pakistan, the U.S., and Vietnam.

Meanwhile, raw material and energy prices and logistics costs surged 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. A further rise in costs was driven by an increase in the trade price of raw milk for beverages and fermented milk products from November 2022. To counter this situation, efforts were made to absorb the costs such as by revising prices of cheese, ice cream, milk, yogurt, infant formula, beverages and other products, improving the product mix through expansion of high-profit-margin businesses and products, and reviewing Group-wide costs. However, due in part to the impact of sales volume decline following price revisions and changes in consumption trends, profits decreased despite higher net sales.

<Morinaga Milk Group's 10-year vision and Medium-term Business Plan 2022–2024>

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, 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,"

based on which 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 "Global Business sales ratio of at least 15%."

Underpinned by this vision, we have established three basic policies for the three-year Medium-term Business Plan 2022–2024 that extends through the fiscal year ending March 31, 2025, which are:

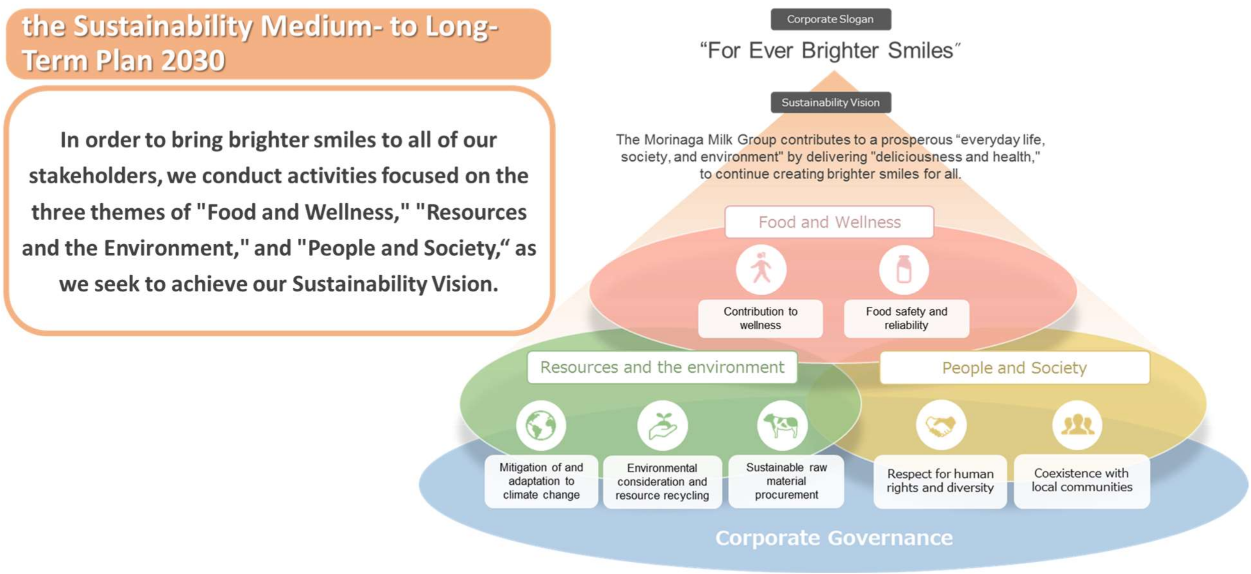
- "achieving sustainable growth by increasing the added value of our business,"
- "further strengthening our business base with an eye on the future," and
- "financial strategies focused on efficiency,"

and 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 is carried out in conjunction with the Medium-term Business Plan.

With respect to numerical targets for the final fiscal year of the Medium-Term Business Plan (ending March 31, 2025), we are aiming for net sales of ¥540.0 billion, operating profit of ¥25.0 billion, profit attributable to owners of parent of ¥16.0 billion, operating profit to net sales ratio of 4.6%, ROE of 6%, and global business sales ratio of 13% .

(Reference material 1) Overview of the 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 four new pillars of our business. We are working on expanding these pillars individually and are also seeking in particular to accelerate the provision of health value laterally across the four pillars by expanding products in the “five domains of wellness,” as well as striving 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 is being pursued from the perspectives of structural reform, strategic investments, and asset utilization. Structural reform is being 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 are strengthening our intellectual property base and promoting 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 maintain the basic policy of paying stable and long-term dividends, and will raise the target payout ratio to 30% from the previous target of 20%. Additionally, we will take measures that give due consideration to total payout ratio. Treasury shares that we hold will, in principle, be canceled, except for a certain portion that will be retained to allow for a flexible capital policy in the future.

<Key initiatives for the fiscal year under review>

The fiscal year under review was an important starting year for the Group as it moves toward a new stage of growth. We endeavored to further strengthen our corporate structure and business while responding to the drastically changing environment.

- Deal with cost increases driven by higher raw materials and energy prices.
  - Minimize the impact of cost increases through price revisions, product mix improvement, rationalization, and other measures
- Promote initiatives in line with the policies of Medium-term Business Plan 2022–2024 and Sustainability Medium-to Long-Term Plan 2030.
  - Provide products that meet the needs of customers, offer high-value-added products, and promote the value of products by pursuing “health value” and “tastiness and delightfulness” that are unique to the Morinaga Milk Group
  - Expand products in the “five domains of wellness,” including yogurt and functional ingredients, that take into account various health issues
  - Expand the Global Business (Expansion of existing businesses, resolution on such matters as acquisition of shares in NutriCo Morinaga (Private) Limited (Pakistan) and Turtle Island Foods, Holdings, Inc. (USA), and share transfer agreement relating to shares in Morinaga Le May Vietnam Joint Stock Company (Vietnam), and other initiatives)
  - Promote sales activities that respond to environmental changes caused by the pandemic, mainly in the B-to-B Business (commercial dairy products)
  - Invest in growth areas to further strengthen the business base
    （Start of operation in May 2022: expanded drink yogurt production line at the Tone Plant, planned start of operation in April 2024: expanded manufacturing building at the Kobe Plant)
  - Efforts to promote sustainability management
    (Contribution to wellness through our main business, measures to address environmental issues such as climate change and the problem of plastics, giving due consideration to human rights and diversity, promotion of sustainability awareness throughout the Group, the Group’s first issuance of Green Bonds, etc.)

As a result, consolidated net sales increased. In the Nutrition and Healthcare Foods Business and the Core Dairy Foods Business, we made efforts to revise prices of cheese, ice cream, milk, yogurt, infant formula, beverages, and other products, and to provide high-value-added products such as functional yogurt and "Mt. RAINIER CAFFÈ LATTE." Although the Core Dairy Foods Business in particular was heavily impacted by a sales volume decrease following price revisions and changes in consumption trends in Japan largely in the first half, overall sales increased attributable partly to the expansion of the B-to-B Business through increased sales notably of commercial dairy products as well as growth in the Global Business, primarily MILEI GmbH.

Consolidated profits were significantly affected by rising raw material and energy prices caused by factors such as a global increase in demand, the impact of yen depreciation, and an increase in the trading price of raw milk for beverages and fermented milk products. In response, we promoted price revisions, improved product mix, and conducted Group-wide cost reviews. The Global Business also contributed to profit, but we were unable to absorb the large cost increases, resulting in an overall profit decline from the previous year.

In the fiscal year under review, payment of approximately ¥1,700 million was made as contribution to Hikari Kyokai, a public interest incorporated foundation.

Consolidated net sales	¥525,603 million	(+4.4% YoY)
Consolidated operating profit	¥23,939 million	(-19.6% YoY)
Consolidated ordinary profit	¥25,218 million	(-19.0% YoY)
Profit attributable to owners of parent	¥16,875 million	(-50.0% YoY)

(Other important operating indicators)

Operating profit to net sales	4.6%
ROE	7.9%
Global Business sales ratio	11.3%

Business conditions by segment are as follows.

(Millions of yen)

	Net sales	Year on year	Operating profit	Year on year
Food industry	502,306	+4.9%	33,415	-12.7%
Other industries	30,230	+0.6%	2,129	-23.5%
Deleted or group-wide	(6,933)		(11,604)	
Total	525,603	+4.4%	23,939	-19.6%

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 in the Medium-term Business Plan 2022–2024

1. Nutrition and Healthcare Foods Business: The business was significantly affected by rising raw material and energy prices, and efforts were made to revise prices. The yogurt segment enjoyed higher net sales reflecting the solid performance of "Bifidus Yogurt Improves Bowel Movement" as we continued to promote functional yogurts against the backdrop of increasing health needs. CLINICO Co., Ltd., which handles products such as liquid foods, also recorded an increase in sales. As a result, the business as a whole recorded a sales increase.

   On the profit side, although efforts were made to revise prices of yogurt, infant formula, and home delivery products, and to improve the product mix and reduce costs in the face of rising raw material and energy prices, the business as a whole recorded a profit decline.

Nutrition and Healthcare Foods Business net sales	¥123,682 million	(+0.5% YoY)
Nutrition and Healthcare Foods Business operating profit	¥5,578 million	(-¥3,523 million YoY)

2. Core Dairy Foods Business: The business was significantly affected by rising raw material and energy prices, and efforts were made to revise prices of cheese, ice cream, "Morinaga Yaki Pudding," and beverages, and to expand high-value-added products such as "Mt. RAINIER CAFFÈ LATTE." The business as a whole recorded a decline in sales

and profits, partly due to a sales volume decrease following price revisions and changes in consumption trends in Japan largely in the first half.

Core Dairy Foods Business net sales	¥170,232 million	(-6.1% YoY)
Core Dairy Foods Business operating profit	¥5,137 million	(-¥5,625 million YoY)

3. B-to-B Business: In the commercial dairy product segment, which accounts for a high percentage of total sales, we worked on responding to environmental changes caused by the pandemic and proceeded with price revisions and other measures, to record an increase in net sales for the business as a whole. We continue to see high interest in functional ingredients, including the Company's own bacteria, as a result of increasing health needs.

   In terms of profits, although there was an increase in sales, profits were lower than the previous fiscal year, mainly due to the impact of higher raw material and energy prices.

B-to-B Business net sales	¥93,159 million	(+13.4% YoY)
B-to-B Business operating profit	¥1,498 million	(-¥1,150 million YoY)

4. Global Business: Exports of infant and toddler milk and bacteria remained solid, and MILEI GmbH, which manufactures and sells dairy ingredients, responded to rising raw material market conditions by passing on prices. The depreciating yen also contributed to an increase in sales for the business as a whole.

   On the profit side, despite such factors as the impact of rising raw material and energy prices on a global scale and expenditure for growth, including M&A deals in Pakistan, the U.S., and Vietnam, the business as a whole recorded an increase in profit, helped in part by the positive effect of MILEI's contribution, higher net sales of infant and toddler milk and bacteria, and the depreciation of the yen.

Global Business net sales	¥59,355 million	(+35.3% YoY)
Global Business operating profit	¥10,143 million	(+¥3,860 million)

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

Total assets at the end of the consolidated fiscal year under review were ¥485,116 million, up ¥26,327 million from the end of the previous fiscal year. This was mainly due to increases in other current assets and goodwill, which offset a decrease in cash and deposits.

Total liabilities were ¥257,991 million, up ¥7,229 million from the end of the previous fiscal year. This was mainly due to an increase in commercial papers, despite a decrease in income taxes payable.

Net assets were ¥227,124 million, up ¥19,098 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings and an increase in foreign currency translation adjustment.

As a result, the shareholders' equity ratio rose from 44.9% in the previous fiscal year to 45.9%, and net assets per share rose from ¥4,554.84 in the previous fiscal year to ¥4,927.30.

(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 decreased by ¥20,885 million year on year to ¥19,382 million. This mainly reflected an inflow of ¥23,719 million in profit before income taxes and an outflow of ¥17,162 million in income taxes paid.

Net cash used by investing activities rose by ¥33,835 million in outflows year on year to ¥25,463 million. This was mainly attributable to an outflow of ¥19,587 million in the purchase of non-current assets.

Total free cash flow of these activities was negative ¥6,081 million, a decrease of ¥54,720 million year on year.

Net cash provided in financing activities amounted to ¥2,925 million, with decreased outflow by ¥47,448 million year on year. This was mainly attributable to an inflow of ¥10,000 million resulting from an increase of commercial papers despite an outflow of ¥8,106 million in repayments of long-term borrowings.

As a result of these activities, cash and cash equivalents at the end of the consolidated fiscal year under review decreased by ¥2,510 million year on year to ¥20,976 million.

The trend of cash flow indicators is as follows.

	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	For the fiscal year ended March 31, 2023
Shareholders' equity ratio (%)	38.7	41.6	43.9	44.9	45.9
Shareholders' equity ratio at market value (%)	43.0	47.4	63.5	51.5	44.5
Ratio of cash flows to interest-bearing debt (times)	6.4	3.8	3.0	2.5	5.7
Interest coverage ratio (times)	24.5	38.0	54.6	53.4	25.7

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.
* During the consolidated 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 consolidated fiscal year ended March 31, 2021.

(4) Outlook for the next fiscal year

In Japan, the impact of rising prices on households and businesses is likely to persist in the coming period. The trends in the domestic and global situation will continue to require close monitoring.

Further increases in raw material and energy prices and in logistics costs are expected to have an impact also on the Group. To meet these challenges, the Group will continue to push ahead with price revisions, improvement of product mix through expansion of high-profit-margin businesses and products, Group-wide cost reviews, and other measures. The severe environment, however, will likely persist. In the consolidated earnings forecast for the fiscal year ending March 31, 2024, a substantial impact of the sharp increase in costs is anticipated and while we plan to implement various measures, overall, we project an increase in net sales and a decrease in profits.

Specifically, the forecast is net sales of ¥550,000 million (up 4.6% year on year), operating profit of ¥20,000 million (down 16.5% year on year), ordinary profit of ¥20,600 million (down 18.3% year on year), and profit attributable to owners of parent of ¥57,700 million (up 241.9% year on year), as approximately ¥65,000 million in extraordinary income pursuant to the transfer of the former Tokyo Plant site is scheduled to be recorded in the first quarter.

The Group established the Morinaga Milk Group 10-year Vision in April 2019, setting out its vision for the next 10 years. Underpinned by this vision, we have established three basic policies for the three-year Medium-term Business Plan 2022–24 that extends through the fiscal year ending March 31, 2025, and 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. It is placed at the core of management and is being carried out in conjunction with the Medium-term Business Plan.

In the fiscal year ending March 31, 2024, we will continue to work on implementing the initiatives based on these policies and plans. 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 2024

	1H of FYE Mar. 2024 forecast	YoY percentage change	1H of FYE Mar. 2023 actual results
Consolidated net sales	¥285,000 million	+5.6%	¥269,962 million
Consolidated operating profit	¥13,200 million	-9.7%	¥14,620 million
Consolidated ordinary profit	¥13,700 million	-12.9%	¥15,723 million
Profit attributable to owners of parent	¥54,100 million	+538.0%	¥8,478 million

Full-year earnings forecast for the fiscal year ending March 2024

	FYE Mar. 2024 forecast	YoY percentage change	FYE Mar. 2023 actual results
Consolidated net sales	¥550,000 million	+4.6%	¥525,603 million
Consolidated operating profit	¥20,000 million	-16.5%	¥23,939 million
Consolidated ordinary profit	¥20,600 million	-18.3%	¥25,218 million
Profit attributable to owners of parent	¥57,700 million	+241.9%	¥16,875 million

(Other important operating indicators)

Operating profit to net sales	3.6%
ROE	23.1%
Global Business sales ratio	13.4%

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

	FYE Mar. 2024 forecast	YoY change (difference)	FYE Mar. 2023 actual results
Nutrition and Healthcare Foods Business net sales	¥127,000 million	+2.7%	¥123,682 million
Nutrition and Healthcare Foods Business operating profit	¥4,800 million	-¥778 million	¥5,578 million

	FYE Mar. 2024 forecast	YoY change (difference)	FYE Mar. 2023 actual results
Core Dairy Foods Business net sales	¥173,600 million	+2.0%	¥170,232 million
Core Dairy Foods Business operating profit	¥4,700 million	-¥437 million	¥5,137 million

	FYE Mar. 2024 forecast	YoY change (difference)	FYE Mar. 2023 actual results
B-to-B Business net sales	¥96,500 million	+3.6%	¥93,159 million
B-to-B Business operating profit	¥1,300 million	-¥198 million	¥1,498 million

	FYE Mar. 2024 forecast	YoY change (difference)	FYE Mar. 2023 actual results
Global Business net sales	¥73,500 million	+23.8%	¥59,355 million
Global Business operating profit	¥8,000 million	-¥2,143 million	¥10,143 million

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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	23,607	21,096
Notes and accounts receivable–trade and contract assets	63,298	65,354
Merchandise and finished goods	51,015	49,482
Work in process	1,724	1,221
Raw materials and supplies	17,709	23,679
Other	7,019	18,676
Allowance for doubtful accounts	(247)	(322)
Total current assets	164,127	179,189
Non-current assets		
Property, plant and equipment		
Buildings and structures	187,885	188,542
Accumulated depreciation	(102,541)	(104,287)
Buildings and structures, net	85,344	84,255
Machinery, equipment and vehicles	300,617	312,590
Accumulated depreciation	(208,855)	(218,296)
Machinery, equipment and vehicles, net	91,761	94,294
Land	54,003	53,959
Leased assets	4,621	4,234
Accumulated depreciation	(2,798)	(2,589)
Leased assets, net	1,822	1,645
Construction in progress	10,335	10,091
Other	15,976	16,652
Accumulated depreciation	(11,798)	(12,509)
Other, net	4,178	4,142
Total property, plant and equipment	247,446	248,388
Intangible assets		
Goodwill	2,066	11,127
Other	7,668	10,112
Total intangible assets	9,735	21,239
Investments and other assets		
Investment securities	21,583	21,760
Investments in capital	78	78
Long-term loans receivable	215	206
Net defined benefit asset	2,998	2,985
Deferred tax assets	6,328	5,037
Other	6,434	6,375
Allowance for doubtful accounts	(158)	(145)
Total investments and other assets	37,479	36,298
Total non-current assets	294,660	305,926
Total assets	458,788	485,116

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,122	53,844
Electronically recorded obligations–operating	4,668	4,600
Short-term borrowings	3,084	5,233
Current portion of long-term borrowings	7,905	7,952
Commercial papers	–	10,000
Lease obligations	856	913
Income taxes payable	10,036	2,927
Accrued expenses	34,474	35,991
Deposits received	16,215	15,733
Other	13,136	19,411
Total current liabilities	142,500	156,607
Non-current liabilities		
Bonds payable	50,000	55,000
Long-term borrowings	26,051	20,196
Lease obligations	1,368	2,039
Net defined benefit liability	21,146	21,483
Asset retirement obligations	735	355
Other	8,960	2,309
Total non-current liabilities	108,261	101,384
Total liabilities	250,762	257,991
Net assets		
Shareholders’ equity		
Capital stock	21,821	21,821
Capital surplus	19,980	19,985
Retained earnings	183,884	186,518
Treasury stock	(25,476)	(14,316)
Total shareholders’ equity	200,210	214,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,497	8,591
Deferred gains or losses on hedges	(41)	(49)
Foreign currency translation adjustment	(613)	1,549
Remeasurements of defined benefit plans	(1,156)	(1,198)
Total accumulated other comprehensive income	5,685	8,893
Subscription rights to shares	174	124
Non-controlling interests	1,955	4,097
Total net assets	208,026	227,124
Total liabilities and net assets	458,788	485,116

(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, 2022 (April 1, 2021 – March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
Net sales	503,354	525,603
Cost of sales	381,077	407,308
Gross profit	122,277	118,295
Selling, general and administrative expenses	92,484	94,355
Operating profit	29,792	23,939
Non-operating income		
Interest income	45	43
Dividends income	820	724
House rent income	281	272
Foreign exchange gains	445	613
Other	948	835
Total non-operating income	2,542	2,488
Non-operating expenses		
Interest expenses	747	710
Share of loss of entities accounted for using equity method	19	53
Other	441	445
Total non-operating expenses	1,207	1,210
Ordinary profit	31,127	25,218
Extraordinary income		
Gain on sales of non-current assets	21,214	814
Gain on sale of investment securities	9	53
Gain on step acquisitions	–	2,653
Other	240	–
Total extraordinary income	21,464	3,521
Extraordinary loss		
Loss on disposal of non-current assets	656	592
Contributions to the public interest incorporated foundation	1,500	1,691
Impairment loss	–	1,226
Plant reorganization expenses	1,936	494
Other	202	1,016
Total extraordinary losses	4,296	5,020
Profit before income taxes	48,296	23,719
Income taxes - current	14,279	5,447
Income taxes - deferred	90	1,252
Total income taxes	14,369	6,699
Profit	33,926	17,019
Profit attributable to non-controlling interests	143	144
Profit attributable to owners of parent	33,782	16,875

(Consolidated statements of comprehensive income)

(Millions of yen)

	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
Profit	33,926	17,019
Other comprehensive income		
Valuation difference on available-for-sale securities	(110)	1,088
Deferred gains or losses on hedges	(163)	(9)
Foreign currency translation adjustment	438	2,137
Remeasurements of defined benefit plans	622	(41)
Share of other comprehensive income of associates accounted for using equity method	78	25
Total other comprehensive income	865	3,200
Comprehensive income	34,792	20,220
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,680	20,082
Comprehensive income attributable to non-controlling interests	111	137

(3) Consolidated statement of changes in shareholders' equity

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
Cancellation of treasury shares					–
Transfer from retained earnings to capital surplus					–
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	202,503
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
Cancellation of treasury shares								–
Transfer from retained earnings to capital surplus								–
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)	5,510
Balance at end of current period	7,497	(41)	(613)	(1,156)	5,685	174	1,955	208,026

For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(Millions of Yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,821	19,980	183,884	(25,476)	200,210
Cumulative effects of changes in accounting policies					–
Restated balance	21,821	19,980	183,884	(25,476)	200,210
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(3,616)		(3,616)
Profit attributable to owners of parent			16,875		16,875
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		(84)		198	113
Cancellation of treasury shares		(10,970)		10,970	–
Transfer from retained earnings to capital surplus		11,052	(11,052)		–
Change in scope of consolidation			427		427
Change in ownership interest of parent due to transactions with non-controlling interests		6			6
Net changes of items other than shareholders' equity					
Total changes of items during period	–	4	2,633	11,160	13,798
Balance at end of current period	21,821	19,985	186,518	(14,316)	214,009

	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	7,497	(41)	(613)	(1,156)	5,685	174	1,955	208,026
Cumulative effects of changes in accounting policies								–
Restated balance	7,497	(41)	(613)	(1,156)	5,685	174	1,955	208,026
Changes of items during period								
Issuance of new shares								–
Dividends of surplus								(3,616)
Profit attributable to owners of parent								16,875
Purchase of treasury shares								(8)
Disposal of treasury shares								113
Cancellation of treasury shares								–
Transfer from retained earnings to capital surplus								–
Change in scope of consolidation								427
Change in ownership interest of parent due to transactions with non-controlling interests								6
Net changes of items other than shareholders' equity	1,093	(8)	2,163	(41)	3,207	(49)	2,141	5,299
Total changes of items during period	1,093	(8)	2,163	(41)	3,207	(49)	2,141	19,098
Balance at end of current period	8,591	(49)	1,549	(1,198)	8,893	124	4,097	227,124

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	48,296	23,719
Depreciation	21,102	21,231
Impairment loss	–	1,226
Amortization of goodwill	243	255
Amortization of negative goodwill	(83)	(67)
Loss (gain) on step acquisitions	–	(2,653)
Increase (decrease) in net defined benefit liability	154	372
Increase (decrease) in allowance for doubtful accounts	(52)	60
Loss (gain) on valuation of investment securities	14	68
Interest and dividend income	(866)	(767)
Interest expenses	747	710
Foreign exchange losses (gains)	(346)	(452)
Share of loss (profit) of entities accounted for using equity method	19	53
Loss (gain) on sales of non-current assets	(21,214)	(814)
Loss (gain) on disposal of non-current assets	656	592
Loss (gain) on sales of investment securities	(4)	221
Decrease (increase) in trade receivables	(1,423)	(433)
Decrease (increase) in inventories	(3,833)	(1,966)
Decrease (increase) in trade payables	3,272	93
Increase (decrease) in accrued expenses	1,058	977
Increase (decrease) in deposits received	103	(552)
Other, net	1,057	(5,390)
Subtotal	48,900	36,486
Interest and dividend income received	867	768
Interest expenses paid	(754)	(709)
Income taxes refund (paid)	(8,745)	(17,162)
Net cash provided by (used in) operating activities	40,268	19,382
Cash flows from investing activities		
Purchase of non-current assets	(18,878)	(19,587)
Proceeds from sale of non-current assets	30,926	1,157
Purchase of investment securities	(376)	(31)
Proceeds from sales of investment securities	27	171
Loan advances	(3,227)	(3,832)
Proceeds from collection of loans receivable	3,257	3,821
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,269)	(7,248)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	85
Other, net	(86)	(0)
Net cash provided by (used in) investing activities	8,371	(25,463)

(Millions of yen)

	For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(298)	193
Net increase (decrease) in commercial papers	(10,000)	10,000
Proceeds from long-term borrowings	3,235	442
Repayments of long-term borrowings	(8,165)	(8,106)
Proceeds from issuance of bonds	–	4,972
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(24,783)	(8)
Dividends paid	(3,464)	(3,616)
Dividends paid to non-controlling interests	(22)	(16)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	(0)
Repayments of finance lease obligations	(1,024)	(934)
Net cash provided by (used in) financing activities	(44,522)	2,925
Effect of exchange rate change on cash and cash equivalents	169	223
Net increase (decrease) in cash and cash equivalents	4,286	(2,931)
Cash and cash equivalents at beginning of period	19,138	23,486
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	61	–
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	421
Cash and cash equivalents at end of period	23,486	20,976

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

(Application of implementation guidance on accounting standard for fair value measurement)

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Implementation Guidance”) from the beginning of the consolidated fiscal year ended March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Group has decided to apply the new accounting policies set forth by the Fair Value Measurement Implementation Guidance going forward. This will have no impact on the consolidated financial statements.

(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 profit.

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, 2021 to March 31, 2022)

(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

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(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	502,083	23,520	525,603	—	525,603
Intra-segment internal sales and transfer amount	223	6,710	6,933	(6,933)	—
Total	502,306	30,230	532,537	(6,933)	525,603
Segment income (loss)	33,415	2,129	35,544	(11,604)	23,939
Segment assets	418,390	36,680	455,071	30,044	485,116
Other items					
Depreciation	20,439	484	20,923	308	21,231
Amortization of goodwill	255	—	255	—	255
Investment in entities accounted for using equity method	—	—	—	—	—
Increases in property, plant and equipment, and intangible assets	28,271	266	28,538	371	28,910

(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)

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of inter-segment transactions	(652)	(889)
Company-wide costs*	(10,600)	(10,715)
Total	(11,252)	(11,604)

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

(2) Segment assets

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of inter-segment transactions	(3,703)	(4,015)
Company-wide costs*	41,881	34,060
Total	38,177	30,044

* 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 profit in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net assets per share	¥4,554.84	¥4,927.30
Basic earnings per share	¥687.45	¥373.15
Diluted earnings per share	¥686.33	¥372.61

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

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to the parent company (millions of yen)	33,782	16,875
Profit attributable to the parent company and available to common shareholders (millions of yen)	33,782	16,875
Average number of shares in period (thousands of shares)	49,141	45,224
Diluted earnings per share		
Adjustment on profit attributable to owners of parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	80	64
Overview of potential stock not included in calculations of diluted earnings per share because the stocks have no dilutive effect	----------------------	

(Significant subsequent events)

(Business combination by acquisition)

At the meeting of the Board of Directors held on February 10, 2023, the Company resolved that the Company's consolidated subsidiary Morinaga Nutritional Foods, Inc. acquires all of the shares of Turtle Island Foods Holdings, Inc. (hereinafter, "Turtle Island Foods"), a holding company that holds 100% of Turtle Island Foods, SPC, thereby making Turtle Island Foods a wholly owned subsidiary. The Share Transfer Agreement was executed on February 10, 2023, and on the same day, the shares of the target company were acquired to make it a subsidiary. Details are as follows.

1. Overview of the business combination

(1) Name and business of the acquired company

Company name: Turtle Island Foods Holdings, Inc.

Business: Holding company for a company engaged in the manufacture and sale of plant-sourced meat, chicken, etc.

(2) Main reason for the business combination

As part of the Morinaga Milk Group 10-year Vision, the Company aims to become a global company that exerts a unique presence worldwide (with Global Business sales ratio of at least 15% by the fiscal year ending March 31, 2029.) In addition, one of the Company's global business policies is to expand the PBF business in North America. Since 1978 when export from Japan to the United States was started, the Company has been selling in the U.S. market shelf-stable tofu manufactured using its unique long-life production method. As the sales volume grew, it established its United States sales subsidiary Morinaga Nutritional Foods, Inc. in 1985, and commenced local production. It has continued to engage in the tofu business in the United States for over 40 years.

Turtle Island Foods is engaged in the business of manufacturing and selling PBF using ingredients sourced from soybeans, centered in the United States. As a company that balances "delicious and pleasurable food" with "health and nutrition," its aims correspond to the future direction of the Morinaga Milk Group. With the Tofurky brand, which is well-recognized across the United States, and a nationwide sales network, the Company believes that Turtle Island Foods is a promising company that will add great synergy to its future growth. The United States has an enormous population, currently numbering 330 million people, and is expected to continue to experience economic growth in the future. The United States PBF market in particular, including tofu, is anticipated to continue to see sustained growth. By making Turtle Island Foods a subsidiary, the Group will leverage the expertise it has cultivated to date and aim for further expansion of the Group's PBF business in the U.S. market.

(3) Date of the business combination

February 10, 2023

(4) Legal form of the business combination

Acquisition of shares for cash consideration

(5) Name of the company after combination

There is no change in the name of the company after combination.

(6) Proportion of voting rights acquired

Proportion of voting rights before the acquisition: 0.00%

Proportion of voting rights after the acquisition: 100.00%

2. Acquisition cost of the acquired company and breakdown by type of consideration

Number of shares owned by the Company before the change: 0 share

(Number of voting rights: 0, proportion of voting rights held: 0.00%)

Number of shares acquired: 4,300 shares

(Number of voting rights: 4,300)

Consideration: Cash

Acquisition cost: USD 12.6 million

Number of shares owned by the Company after the change: 4,300 shares

(Number of voting rights: 4,300, proportion of voting rights held: 100.0%)

3. Details and amount of acquisition-related expenses

Compensation for external advisers and others, fees, etc.: USD 3.9 million

4. Amount, cause, amortization method, and amortization period of goodwill arising from the business combination
   Yet to be determined.

5. Amount and main components of assets and liabilities assumed on the date of the business combination
   Yet to be determined.

4. Other

(Acquisition and cancellation of Treasury Shares)

The Company, at the meeting of its Board of Directors held on May 15, 2023, made a resolution on acquisition of its treasury shares and the specific method thereof, pursuant to the provisions of Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the Companies Act of Japan. The Company further announces that, on the same day, a decision was made to cancel the treasury shares pursuant to the provisions of Article 178 of the Companies Act of Japan, as follows.

1. Reasons for acquisition and cancellation of treasury shares

In its Medium-term Business Plan, which concludes in the fiscal year ending March 31, 2025, the Group has raised the payout ratio target and set forth a shareholder return policy that focuses on the total payout ratio. Through the acquisition of the treasury shares, the Company will carry out shareholder returns and, at the same time, seek to optimize capital efficiency.

In order to increase shareholder value over the medium to long term, all treasury shares acquired will be canceled.

2. Period of acquisition: May 16, 2023 to October 31, 2023

3. Method of acquisition

Market purchase on the Tokyo Stock Exchange

Note that all or a part of buy orders may not be executed due to market trends or other factors.

4. Details of acquisition

(1) Class of shares to be acquired	Common shares of the Company *Ratio to the total number of outstanding shares stated below (excluding treasury shares) 5.08% (upper limit)
(2) Total number of shares to be acquired	2,300,000 shares (upper limit)
(3) Total acquisition cost	10,000 million yen (upper limit)
(4) Announcement of acquisition result	Acquisition result will be announced

5. Details of cancellation

(1) Class of shares to be canceled	Common shares of the Company
(2) Total number of shares to be canceled	All treasury shares acquired as described in 4. above
(3) Scheduled date of cancellation	November 17, 2023

(Reference) Treasury shares holding as of April 30, 2023

Total number of outstanding shares (excluding treasury shares)	45,237,847 shares
Number of treasury shares	2,607,496 shares

(Changes to officers (scheduled for June 29, 2023))

The following changes to officers were tentatively decided upon at the Board of Directors held on May 15, 2023. Note that the changes to officers will be determined at the General Meeting of Shareholders scheduled for June 29, 2023, 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) Changes in executive positions

With the aim of flattening the positions of directors, all directors other than representative directors will be designated as "Director" and the names of executive officers who concurrently serve will be given to change the positions name.

・Director (Current Managing Director)	Tsuyoshi Minato
・Director, Executive Managing Officer, General Manager of Manufacturing Division (Current Managing Director, Executive Managing Officer, General Manager of Manufacturing Division)	Yasuhiko Yanagida
・Director, Executive Managing Officer, General Manager of Sales & Marketing Division (Current Managing Director, Executive Managing Officer, General Manager of Sales & Marketing Division)	Hitoshi Hyodo
・Director, Executive Managing Officer, General Manager of Corporate Strategic Planning Division (Current Managing Director, Executive Managing Officer, General Manager of Corporate Strategic Planning Division)	Akihiro Nozaki

(2) New candidate for Director

・Director, Executive Managing Officer, General Manager of International Division (Current Executive Managing Officer, General Manager of International Division)	Takahiro Yanagida
・External Director	Yasuyuki Yoshinaga

He is 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　　　　　　　　　Takatomo Yoneda

[Reference]

1. Career history of new candidates for Director

Name (Date of birth)	Career summary	
Takahiro Yanagida (August 8, 1961)	April 1985	Joined the Company
	June 2017	President and Representative Director of MILEI GmbH
	January 2020	Managing Officer and President and Representative Director of MILEI GmbH
	June 2020	Managing Officer and Deputy General Manager of International Division, President and Representative Director of MILEI GmbH
	November 2020	Managing Officer and Deputy General Manager of International Division
	June 2021	Executive Managing Officer, General Manager of International Division (present) to present

Name (Date of birth)	Career summary	
Yasuyuki Yoshinaga (March 5, 1954)	April 1977	Joined Fuji Heavy Industries Ltd.
		(current SUBARU CORPORATION)
	October 1999	General Manager of Sales Planning Department, Domestic Sales
		Division of SUBARU CORPORATION
	April 2005	Corporate Vice President, Senior General Manager of Strategy
		Development Division and General Manager of Corporate
		Planning Department of SUBARU CORPORATION
	June 2006	Corporate Vice President, Chief General Manager of Strategy
		Development Division of SUBARU CORPORATION
	April 2007	Corporate Vice President, Chief General Manager of Subaru
		Japan Sales & Marketing Division and General Manager of Sales
		Promotion Department of SUBARU CORPORATION
	June 2007	Corporate Senior Vice President, Chief General Manager of
		Subaru Japan Sales & Marketing Division of SUBARU
	June 2009	CORPORATION
		Director of the Board and Corporate Executive Vice President,
		Chief General Manager of Subaru Japan Sales & Marketing
	June 2011	Division of SUBARU CORPORATION
		Representative Director of the Board, President and COO of
	June 2018	SUBARU CORPORATION
	June 2021	Executive Chairman of SUBARU CORPORATION
		Special Advisor (present)
		to present