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INTEGRATED REPORT

2023

[Year ended March 31, 2023]

VALUE CREATION *in Motion*





01 | Introduction

Everything “For Ever Brighter Smiles”

Our mission is to use food as the starting point for the creation of ever brighter smiles through good nutrition. Our corporate slogan and corporate philosophy provide the foundations for our group management and for the decisions and actions of every individual employee of the Morinaga Milk Group.

Corporate Slogan

“For Ever Brighter Smiles”

These words express the Morinaga Milk Group’s determination to bring ever brighter smiles to society by providing consumers with the values of health and happiness, and our commitment to creating ever brighter smiles inspired naturally by the enjoyment of life and fellowship with family and friends.

Corporate Philosophy

Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.

We will create ever brighter smiles by using the know-how and capabilities that we have been building throughout our history to supply not only milk, but also a wide range of unique products and services. We will continue our efforts to contribute to the creation of a society in which people can enjoy happiness and fulfillment by helping to bring more health and enjoyment into the lives of our customers.

Well-being Statement



The Well-being Statement is an action manifesto defining how we will achieve well-being for employees of the Morinaga Milk Group, while also contributing to the well-being of other people, including our customers, in Japan and overseas.

Guiding Principles

Our Eight Questions

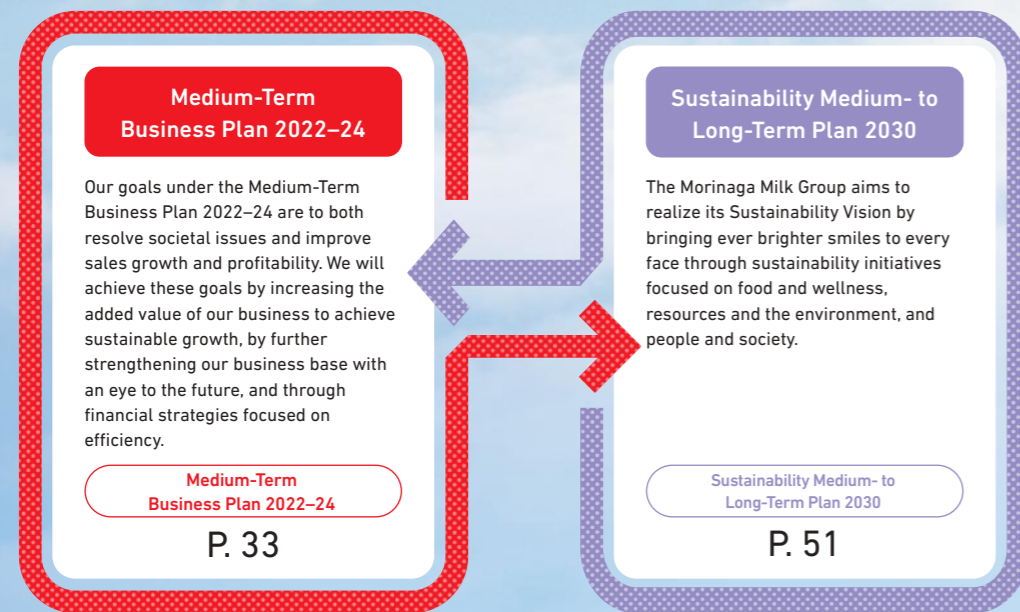
1. Do we share our passion with our customers?
2. Do we feel and express gratitude to all stakeholders?
3. Do we have confidence in our quality?
4. Do we always pursue safety and reliability?
5. Do we continue to challenge ourselves?
6. Do we contribute to building “Team Morinaga”?
7. Do we engage in and enjoy what we do?
8. Do we exchange our visions and progress toward them?

Our Eight Questions form a code of conduct to guide the actions of individual Morinaga Milk Group employees as they work to apply our Corporate Slogan and realize our Corporate Philosophy.



We are committed to sustainability management.

We aim to achieve rapid progress toward the realization of the Morinaga Milk Group 10-year Vision through the linkage of Medium-Term Business Plan 2022-24 with Sustainability Medium- to Long-Term Plan 2030. We are determined to deliver performance that will meet the expectations of all stakeholders.



Morinaga Milk Group 10-year Vision

VISION 1
 A company that balances "delicious and pleasurable food" with "health and nutrition"

VISION 2
 A global company that exerts a unique presence worldwide

VISION 3
 A company that persistently helps make social sustainability a reality

■ Numerical targets for the year ending March 31, 2029 ■

Ratio of operating profit to net sales
 At least **7%**

ROE
 At least **10%**

Global business sales ratio
 At least **15%**



CONTENTS

INTEGRATED REPORT

2023

[Year ended March 31, 2023]

Editorial Policy

Morinaga Milk Industry Co., Ltd. ("the Company") has evolved its traditional Annual Report format into the Integrated Report format, starting with the publication of Integrated Report 2019, with the aim of enhancing stakeholder communications. The content of Integrated Report 2023 focuses mainly on our medium- to long-term value creation processes toward the realization of the Morinaga Milk Group 10-year Vision, including our ideas, progress on various plans, and initiatives. Through these reports, we have also sought to portray the human qualities of the people who work for the Morinaga Milk Group.

Note: The "Accounting Standard for Revenue Recognition" has been applied since the beginning of the fiscal year ended March 31, 2022. In addition, during the first quarter of the fiscal year ended March 31, 2022, the provisional accounting treatments for business combinations were finalized. Accordingly, those contents are reflected in the figures on the consolidated balance sheet as of March 31, 2021.

Guidelines Referenced

- International Integrated Reporting Framework
- Guidance for Collaborative Value Creation

Forward-looking Statements in this Report

Forecasts and plans concerning the Company's business activities in the fiscal year ending March 31, 2024 and beyond are based on assumptions and economic forecasts as of May 15, 2023 and are not intended as a guarantee of the Company's future financial performance.

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WORDS AND SPEAKERS

We compiled Integrated Report 2023 as a frank and open portrayal of the current status of the Morinaga Milk Group. We have therefore included many articles containing input from Group employees.



However much the environment changes, the goals toward which we are working will always remain the same. Our management policies will continue to be guided by medium- to long-term perspectives.

A Message from the CEO P.07-12



Steady Investment in Medium- to Long-Term Growth. We will deepen our dialogue with capital markets and pursue effective initiatives.

A Message from the Officer in Charge of Finance P.33-36



We have adopted five challenges for our Global Business activities. We aim to evolve from a Japanese domestic milk manufacturer into a global manufacturer.

A Message from the General Manager of the International Division P.43-44



We aim to drive sustainable growth in the dairy and milk industry by establishing dairy farming and milk production as independent businesses and prioritizing the creation of a cooperative relationship between them.

A Message from the General Manager of the Procurement Division P.24



We want to build a future in which a variety of exciting challenges emerge within the Morinaga Milk Group, and in which we can join the dots to create a path to new success.

Special Feature: Initiatives by the Morinaga Milk Group P.29-30



There has been sustained improvement in the effectiveness of the Board of Directors and the level of discussions. Our priorities going forward are to bring in more diverse viewpoints and ensure the full utilization of our human capital.

Messages from External Directors P.72-74

Dramatic cost increases were a major challenge in the fiscal year ended March 31, 2023.

Despite signs of an economic recovery driven by the gradual resurgence of activity after the COVID-19 pandemic, we faced extremely challenging business conditions throughout the fiscal year ended March 31, 2023. Sharply higher prices for raw materials and energy had a particularly serious impact. Costs rose further following a decision in November 2022 to raise the price of raw milk used in the production of drinks and fermented products. We responded to this situation by adjusting our prices.

However, we were able to claw back only around 60% of the cost increases, in part because of the delay between the cost increases and the price changes. Nor were we able to offset the full impact of the cost increases through our other initiatives, including the expansion of sales promotion activities, rationalization, and efficiency improvements. As a result, profit was lower despite higher sales.

While our results for the fiscal year ended March 31, 2023 were disappointing, the fact that the growth of Global Business exceeded our targets can be seen as a major achievement. MILEI's performance surged thanks to higher market prices

for dairy product ingredients. This factor, together with increased exports of bacteria and infant and toddler milk, resulted in a substantial rise in operating profit. The Global Business sales ratio for the fiscal year ended March 31, 2023, reached 11.3%, while the ratio of operating profit to net sales exceeded 40%.

We also moved forward with our expansion strategy by turning into subsidiaries NutriCo Morinaga, which operates our infant and toddler milk business in Pakistan, Turtle Island Foods, which is mainly active in the United States as a manufacturer and supplier of plant-based foods made from soybeans and other ingredients,

and Morinaga Le May*, which imports and sells infant and toddler milk in Vietnam. Our goals going forward are to accelerate the development of our infant and toddler milk businesses in Pakistan and Vietnam, and to achieve synergies with the tofu business in the United States.

*The shares in Morinaga Le May were acquired in May 2023 (the year ending March 31, 2024).

Outlook for Medium-Term Business Plan 2022–24
—While maintaining a defensive stance, we will pursue future-oriented investment.

The fiscal year ended March 31, 2023

was the first year of Medium-Term Business Plan 2022–24. We will take the first steps toward a transition from defense to offense by building on the strengthened business foundations that we built under the previous Medium-Term Business Plan. However, the business environment continues to change dramatically, and we therefore intend to maintain a defensive stance under the current plan. In some senses, the next three years may be a time for patience and endurance. Even so, we do not intend to focus solely on our current situation. Instead, we are strongly committed to investment that will start to yield returns three or four years from now, and we will actively

invest in initiatives with future potential from a medium- to long-term perspective. Some of our specific initiatives are outlined below.

Costs have continued to follow a steep upward trend in the fiscal year ending March 2024, and we are responding to this situation by adjusting our prices. The relative attractiveness of our products becomes even more important when we raise prices, and the added value that we can provide determines whether or not consumers will continue to choose our products at higher prices. We see the consumer experience as one of the strengths that differentiate Morinaga Milk Group products. This focus is reflected in our

02 | Value Creation Story

A Message from the CEO

TOP MESSAGE

“For Ever Brighter Smiles”

The Morinaga Milk Group aims to contribute to the realization of a society overflowing with happiness by using know-how and capabilities developed through our milk business to help our customers to enjoy healthy and happy lives. By using our unique capabilities to combine health value with the value of tastiness and delightfulness, we will help to solve societal issues, while also achieving sustainable improvement in our corporate value.

Representative Director and President

Yohichi Ohnuki



A Message from the CEO

development of products that address consumers' health needs, such as *Bifidus Yogurt Improves Bowel Movement* and *Suimin Kaizen* sleep support drink. We have prioritized five domains of wellness, with a particular emphasis on Nutrition and Healthcare Foods Business which we have identified as an extremely important category. Our plan is to expand our lineup of high-added-value products with health benefits, especially yogurt.

Another urgent priority is to restore the performance of our Core Dairy Foods Business. In addition to price adjustments, we will also implement measures to boost the business. In February 2023, we undertook a major logo and packaging update for the *Mt. RAINIER* coffee brand to commemorate the 30th anniversary of its launch. Our aim is to return the brand to a growth trajectory by expanding the lineup to provide enjoyable coffee experiences matched to an even wider range of moods, scenes, and preferences. Ice cream is a highly competitive category. However, we will continue to target sales growth, led by our mainstay brands, such as *Pino*, *PARM*, and *MOW*.

Our Global Business operations continue to deliver steady growth. We will expand our existing businesses in anticipation of further growth over the medium- to long-term future. At the same time, we will pursue initiatives to transform our portfolio, including strategic M&A and the recruitment of more overseas personnel.

Realizing the Morinaga Milk Group 10-year Vision

The entire Morinaga Milk Group is working as a united team toward the realization of the Morinaga Milk Group 10-Year Vision. Our first priority is to achieve further growth in high-potential business areas, such as bacteria, functional ingredients, and overseas businesses. In Japan, we will target success in areas in which we have an advantage by pursuing a strategy of selection and concentration. Even if there are major changes in the business environment, our goals will remain the same. However, we have an important responsibility to maintain a flexible approach to management decision-making, including modification of the routes to our goals according to the situation.

We have three visions for the future of Morinaga Milk: 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. I sense that the 10-Year Vision has increasingly permeated our group companies in the time since it was formulated, and I believe that we are making tangible progress toward its realization.

I am also aware of issues. Specifically, we have not yet made sufficient progress on information sharing and dialogue within the company. The management team, including myself, needs to develop systems that will allow the continuous sharing of information about progress

on our 10-Year Vision and Medium-Term Business Plan, as a way of improving employee engagement. We must also ensure that the information is shared through two-way communication rather than a top-down process, and that it is presented in forms that are readily understandable by employees. I also believe that we need to create clear mechanisms through which employees can easily understand how their work is contributing to business performance and corporate value.

One area in which we are seeing gradual improvement within the company relates to occasions when I speak to employees. I often invite people to raise their hands if they wish to speak or invite particular individuals to share their views. Recently, however, more people are raising their hands without being asked. Historically, the Morinaga Milk Group had a strongly conservative culture in which people tended to play it safe. Today, I sense a shift to an environment in which people can speak and act more assertively. I am very encouraged by this change, because to realize our 10-Year Vision we need to build a corporate culture in which individual employees can think and act more independently and assertively.

The Morinaga Milk Group has a unique ability to balance delicious and pleasurable food with health and nutrition.

This is a time of uncertainty, and it is difficult to predict the type of world that will exist in the year ending March 2029, which will be the final year of our

10-Year Vision. Some changes are inevitable. Perhaps the most obvious example of this is the emergence of AI. I believe that the spread of AI is likely to usher in an era in which people will be more focused on authenticity. The Morinaga Milk Group's culture of seriousness and dependability, and our never-ending commitment to quality are likely to be strategic assets in that era. I am confident that the right strategic direction for us is to contribute to health and nutrition by providing products backed by solid evidence, so that we can bring ever brighter smiles into the world.

As far as food is concerned, I am sure that people will always want to experience delight through eating. Delicious flavors are just as important as nutritional and functional elements that contribute to health. People will not buy food unless it tastes good. Our ability to aim for a balance between delicious and pleasurable food and health and nutrition is backed by our advanced technology and original functional ingredients, as well as our ongoing commitment to the development of products that are delicious and pleasurable. I see this as a challenge that is worth pursuing.

Some people have expressed doubt about our Long-Term Vision and Medium-Term Business Plan because of the speed and intensity of change in

The environment is changing rapidly, but our goals will remain the same. I sense that we are making real progress toward the realization of the Morinaga Milk Group 10-year Vision as awareness of the Vision spreads through our group companies.

recent years. However, sustainable growth is not possible without a scenario that encompasses the long-term perspective. We cannot maintain a growth trajectory by going with the flow, and I am firmly convinced that the worst possible decision for a business manager is to postpone action to address issues because of preoccupation with short-term performance. I do not want to leave a negative legacy for future generations. That is why I will continue to steer a management course guided by medium- to long-term perspectives.

The key to sustainability management is the ownership of issues by every individual employee.

The Morinaga Milk Group commitment to sustainability management is



“ The strengths of individual employees are the source of corporate growth and the improvement of corporate value.

The realization of the Morinaga Milk Group 10-year Vision will require commitment and effort by every individual group employee.



contained in our Sustainability Vision, in which we pledge to contribute to the solution of societal issues through business, and to realize our goal of creating ever brighter smiles, as expressed in our corporate slogan. This vision is the basis for Sustainability Medium- to Long-Term Plan 2030, under which we will pursue a variety of initiatives interlinked with Medium-Term Business Plan 2022–24, and focused on the three themes of food and wellness, resources and the environment, and people and society.

The key to sustainability management is a sense of ownership by individual employees. In other words, we need every employee to think about sustainability as something that affects them personally. We hold forums and other events and encourage employees to pursue their own initiatives, and the benefits of this approach are starting to emerge. For example, our Sustainability Award program in FY2022 attracted numerous entries from a wide range of units and business sites, including group companies. This award is given in recognition of sustainable contributions to local communities. All of the entries featured extremely significant initiatives to support harmonious coexistence with local communities and help consumers to enjoy healthy and happy lives. Examples include the provision of

low-salt dairy-based recipes for the Miyagi Prefectural Government’s employee cafeteria. Our younger employees have been particularly active in this program, and I have been very encouraged to observe the enthusiasm with which they have taken up the challenge.

Another key factor is collaboration. We need to collaborate and cooperate with a variety of stakeholders, and we need to build collaboration across different segments within the company. I aim to build awareness of the importance of working together from a company-wide perspective.

Human capital is vitally important for the enhancement of corporate value.

Human capital management is increasingly seen as a vital aspect of management efforts to enhance corporate value. Evidence of the importance of human capital includes growing pressure for the disclosure of related information. In the Morinaga Milk Group, we have long regarded our people as human assets rather than human resources, and we have sought to provide motivating work and training for a diverse range of people. We plan to take our past initiatives a step further by identifying human capital as a vital form of capital for the improvement of corporate value through our medium- to long-term value creation processes. We believe that by increasing our investment in this area, we can create new value that will lead to sustainable growth.

Our goal is the formation of highly diverse and energetic human asset

groups with advanced specialist skills. We will work toward the realization of our vision by accelerating our medium- to long-term initiatives at both the individual and organizational levels, including increases in staffing levels for research and Global Business operations, the promotion of diversity and inclusion, and increased investment in human assets.

The power of every individual employee is a driving force for corporate growth and the improvement of corporate value. We cannot realize our plans and 10-Year Vision without the efforts of every employee in the Morinaga Milk Group. That is why I believe that we need to create an organizational culture in which diverse human assets can work energetically with a sense of engagement and pride. We will achieve that through policies that include the enhancement of health management, the development of safe working environments, the introduction of flexible workstyles, and support for career formation with multiple options.

In March 2023, we announced the Morinaga Milk Group Well-being Statement. I believe that the achievement of employee well-being leads to well-being for other people, including consumers, resulting in a virtual circle between us and others. Going forward, we will implement a variety of initiatives based on this Statement.

Stakeholder dialogue a key component of efforts to enhance corporate Value

Communication with stakeholders is a priority for the Morinaga Milk Group,

and we actively create opportunities for dialogue. When engaging in dialogue, we focus primarily on listening rather than speaking. Our aim is to raise the effectiveness of our strategies and enhance our corporate value over the medium- to long-term future by reflecting stakeholder input and expectations in our business activities. My own experience as head of the Public Relations Department (now the Investor & Public Relations Department) has left me with a strong awareness of the importance of communication.

In June 2023, we adopted a new structure for the Board of Directors. Consisting of eight internal and four external directors, the new Board also includes more directors with specialized knowledge of our Global Business. This reflects our commitment to the expansion of our Global Business activities as a step toward the realization of the Morinaga Milk Group 10-year Vision. All of our external directors have extensive experience of overseas business and will be able to contribute wide-ranging knowledge, while energizing discussions about the future of the Morinaga Milk Group.

While maintaining a balance between defense and offense in an environment characterized by relentless change, the entire Morinaga Milk Group is committed to acceleration of our initiatives toward the realization of Medium-Term Business Plan 2022–24 and the Morinaga Milk Group 10-year Vision, and to the achievement of sustainable growth. We look forward to the continuing support of our stakeholders.

Value Creation Process

As part of the formulation process for Medium-Term Business Plan 2022–24, we defined our approach to value creation toward the realization of the Morinaga Milk Group 10-year Vision and beyond. Our slogan is “For Ever Brighter Smiles,” and our Corporate Philosophy calls for contribution to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology. Our goal is to connect our activities to the practice and realization of these commitments, leading to the achievement of sustainable growth.

Corporate Mission

“For Ever Brighter Smiles”

Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.

Morinaga Milk Group 10-year Vision

VISION 1 A company that balances “delicious and pleasurable food” with “health and nutrition”

VISION 2 A global company that exerts a unique presence worldwide

VISION 3 A company that persistently helps make social sustainability a reality

[Policy for Strengthening Capital]

- Human Capital**
 - Expand workforce, especially for research activities and overseas operations
 - Promote diversity and inclusion
 - Increase investment in employee development
- Natural Capital**
 - Maximize usage ratios for energy and water resources
 - Maximize value of milk resources procured in Japan and overseas
 - Increase use of environment-friendly raw materials, promotion of the 3Rs
- Intellectual Capital**
 - Develop materials that help to solve food and health issues
 - Evolve and deepen taste technology
 - Globally enhance intellectual property and legal affairs capabilities
- Manufactured Capital**
 - Expand growth- and environment-related capex
 - Enhance quality assurance structures
- Social and Relationship Capital**
 - Build trust with stakeholders
 - Strengthen our corporate brand globally
- Financial Capital**
 - Improve capital efficiency
 - Sustainably generate and distribute cash

[Business Activities]



[Outcomes]

- Help grow healthy and extend the healthy expectancy of people
- Create the Everyday Life with shared happiness and favorite tastes
- Build an energetic team with professional skills and diversity
- Maintain sustainable inputs by reducing our environmental impact
- Develop financial foundation to support further challenges and contributions

[Increase the Value in Each Resource]

| | |
|--|-------------------------|
| Ratio of operating profit to net sales | At least 7% *1 |
| ROE | At least 10% *1 |
| Global business sales ratio | At least 15% *1 |
| Scope 1+2 CO ₂ emissions reduction rate (compared with FY2013) | 38% or higher *2 |
| Scope 3 GHG emissions reduction rate (compared with FY2020) | 10% or higher *2 |
| Water resource usage reduction rate (compared with FY2013) | 15% or higher *2 |
| Petroleum-derived virgin plastic usage reduction rate (compared with FY2013) | 25% or higher *2 |

*1 Target for FY2028
*2 Target for FY2030

Materiality for the Sustainability Medium- to Long-Term Plan 2030

- Contribution to wellness
- Food safety and reliability
- Mitigation of and adaptation to climate change
- Environmental consideration and resource recycling
- Sustainable raw material procurement
- Respect for human rights and diversity
- Coexistence with local communities

Value Creation History

The birth of our main products



Since our founding in 1917, we have steadily progressed along the path toward becoming a comprehensive dairy group by expanding our production facilities and diversifying our fields of business starting from the condensed milk business during our early years. Looking toward the next 100 years, we aim to supply value through the expertise gained from dairy technology we have cultivated in the dairy industry with the intention of creating "brighter smiles" as we strive for sustainable growth for Morinaga Milk.

1976

Launch of bite-sized Pino ice cream



Pino, which represented a new style of "bite-sized ice cream" in the ice cream market, is loved by all generations as a long standing favorite.

1978

Launch of Morinaga Bifidus Yogurt



Utilizing technology and knowledge cultivated through research, we have realized the first plain yogurt containing Bifidobacterium.

1993

Launch of Mt. RAINIER CAFFÈ LATTE



With total sales of over 9 billion bottles*, Mt. RAINIER CAFFÈ LATTE celebrated its 30th anniversary in 2023.

*As of November 2022

2005

Launch of PARM



Conceived with the notion of providing a high quality ice cream bar tailored for adults, PARM is a brand in which we focus deeply on both taste and texture.

2019-

Accelerated expansion of functional yogurt products - Triple Yogurt etc.



In 2019, we launched the Triple Yogurt series, which displays three functionalities for blood pressure, blood glucose, and triglycerides.

(Only Triple Yogurt package is as of August 2023.)

Net sales for the fiscal year ended March 2023
¥525.6 billion

*Accounting Standard for Revenue Recognition has been applied since the beginning of March, 2022.

Over 50 years of Bifidobacterium research

1969

Bifidobacterium Longum BB536 was discovered in a baby's intestines.

With more than 50 years of research, bifidobacteria is one of the growth drivers of the Morinaga Milk Group. We will leverage the power of raw materials to promote the development of products and services that support the health of people of all ages.



Path of Development

1917-
Founded to create the condensed milk business



1949

• Reorganized as Morinaga Milk Industry Co., Ltd.

1954

• Listed on the Tokyo Stock Exchange

1955

• The Morinaga Milk arsenic poisoning incident occurs. (The company has continued to implement long-term relief measures down to the present day.)

1961

• Launched Creap (creaming powder)

1966

• Opened Chukyo and Tama Plant

1949-

1970-

1972

• Established MILEI GmbH, a joint venture company

1974

• The Hikari Kyokai Foundation (now a public interest foundation) is founded.

1976

• Launched Pino

1978

• Launched Morinaga Bifidus Yogurt

1980-

1981

• Launched Picnic, a long-life handy-pack milk beverage

1985

• Established Morinaga Nutritional Foods, Inc. (USA) and began full-scale introduction of TOFU

• Concluded a licensing agreement for the production of formula milk in Indonesia

1989

• Established our Research and Information Center

1990-

1993

• Launched Mt. RAINIER CAFFÈ LATTE

• Low-phosphorus milk L.K.P. was approved by the Ministry of Health, Labour and Welfare as the first Food for Specified Health Use (currently for patients' dietary needs)

1996

• Morinaga Aloe Yogurt won the Gold Prize at SIAL ('96 Paris International Food Exhibition)
• Morinaga Bifidus Yogurt received approval as a Food for Specified Health Use

2001-

Striving for the balance of health value and tastiness and delightfulness

Against the backdrop of growing health consciousness, Morinaga Milk has been actively developing products that contribute to health and well-being since 2001. These products have been driven by years of milk research and Morinaga Milk's proprietary functional ingredients, such as bifidobacteria. Along with the pursuit of health functionality, we are also committed to "deliciousness and pleasurable," which are the core aspects of food, and we are pursuing a variety of initiatives in addition to product development. Morinaga Milk will continue to support both the physical and mental well-being of our customers and to contribute to their happy lives by creating a prosperous society overflowing with smiles.

2006

• Opened Kobe Plant

2012

• MILEI became a wholly owned subsidiary of Morinaga Milk

2014

• Start of production of bacteria at the Fukui Plant of Morinaga-Hokuriku Milk Industry Co., Ltd.

2017

• 100th anniversary

At a Glance


Pursuing "Health Value" and "Tastiness and Delightfulness"

| | | |
|---|---|--|
| <p>Foods with functional claims</p>  <p>Launched 43 foods with function claims*1</p> | <p>Chilled cup-type coffee</p>  <p>Leading market share in Japan 41%*2</p> | <p>Yogurt</p>  <p>Second biggest market share in Japan 13%*2</p> |
|---|---|--|

Key Functional Ingredients

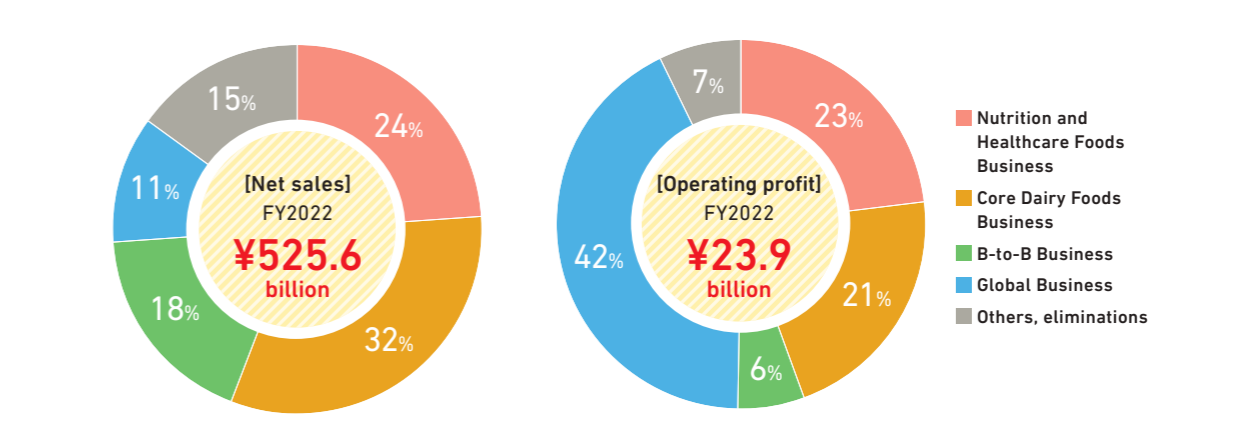
| | | |
|---|---|---|
| <p>Bifidobacterium longum BB536</p> <p>GRAS*3 certification obtained for general foods and infant milk.</p> <p>New food ingredients** registration achieved in China.</p> <p>In use in a cumulative total of over 30 countries.*1</p> | <p>LAC-Shield™</p> <p>Selected by over 500 companies.*1</p> | <p>MILEI's lactoferrin</p> <p>Manufacturing global share No.1*5</p> |
| <p>Bifidobacterium breve M-16V</p> <p>GRAS*3 certification obtained for general foods and infant milk.</p> <p>Supplied free of charge to over 150 NICUs and other facilities in Japan and overseas.*1</p> <p>Received the "Infant Nutrition Ingredient of the Year" award.*6</p> | <p>Bifidobacterium breve MCC1274</p> <p>GRAS*3 certification obtained for general foods.</p> <p>Received the Urakami Award.*7</p> | <ul style="list-style-type: none"> • Lactoferrin • Peptides • Lactulose • OrabARRIER® |

Main Ratings and Indices, Outside Evaluations

| | | |
|---|--|--|
|  | Rating and Investment Information, Inc. (R&I) | Long-Term A issuer rating, short-term a-1 issuer rating |
| | FTSE Blossom Japan Sector Relative Index | Selected for inclusion since 2022 |
| | MSCI Japan Empowering Women (WIN) Select Index | Selected for inclusion since 2020 |
| | SOMPO Sustainability Index | Selected for inclusion since 2018 |

Further information is available on the Morinaga Milk website > Investor Relations > Stock Information > Corporate Bonds, Ratings and Outside Evaluations <https://www.morinagamilk.co.jp/english/ir/stock/bond.php>

Overview of the Fiscal Year Ended March 31, 2023



| | | |
|---|--------------------|---|
| Ratio of operating profit to net sales 4.6% | ROE 7.9% | Global Business sales ratio 11.3% |
|---|--------------------|---|

| | |
|---|---|
| <p>Nutrition and Healthcare Foods Business</p>  <p>Yogurt, commercial milk (for home delivery, etc.), nutritional food products, CLINICO (liquid foods), etc.</p> | <p>Core Dairy Foods Business</p>  <p>Beverages, ice cream, cheese, milk, desserts</p> |
| <p>B-to-B Business</p>  <p>Commercial dairy products, bacteria, functional ingredients, PURESTER products, etc.</p> | <p>Global Business</p>  <p>MILEI products, infant and toddler milk, bacteria, U.S. business, Vietnam business</p> |

| | |
|---|---|
| Number of consolidated subsidiaries 32 <small>(as of March 31, 2023)</small> | Number of consolidated employees 7,040 <small>(as of March 31, 2023)</small> |
|---|---|

*1 As of July 31, 2023
 *2 Intage SRI+ (share of sales from April 2022 to March 2023)
 *3 In the United States, new food ingredients undergo expert assessments covering items that include the characteristics of the raw materials, manufacturing processes, quality control, product specifications, records of use, and clinical trial results to ensure that they are safe for use as food ingredients. The "Generally Recognized as Safe" (GRAS) designation has been a requirement for the all new food ingredients sold in the United States since 1958.
 *4 This registration is required when selling food ingredients that are not part of traditional food culture in China.
 *5 Absolute Reports, 2022 data
 *6 In 2019 and 2020, Morinaga Milk Industry received the "Infant Nutrition Ingredient of the Year" award in the infant nutrition section of Singapore's Nutra Ingredients-Asia Awards.
 *7 Presented as "Probiotic *Bifidobacterium breve* improves cognitive functions in healthy older adults with mild cognitive impairment" at the 10th Annual Meeting of the Japan Society for Dementia Research (2021).

Business Activities (Value Chain)

The pursuit of “health value” and “tastiness and delightfulness” is the core focus for the business activities of the Morinaga Milk Group. In all our value chain activities, we prioritize co-creation with our stakeholders. All our business activities are targeted toward the practice and realization of our Corporate Mission.

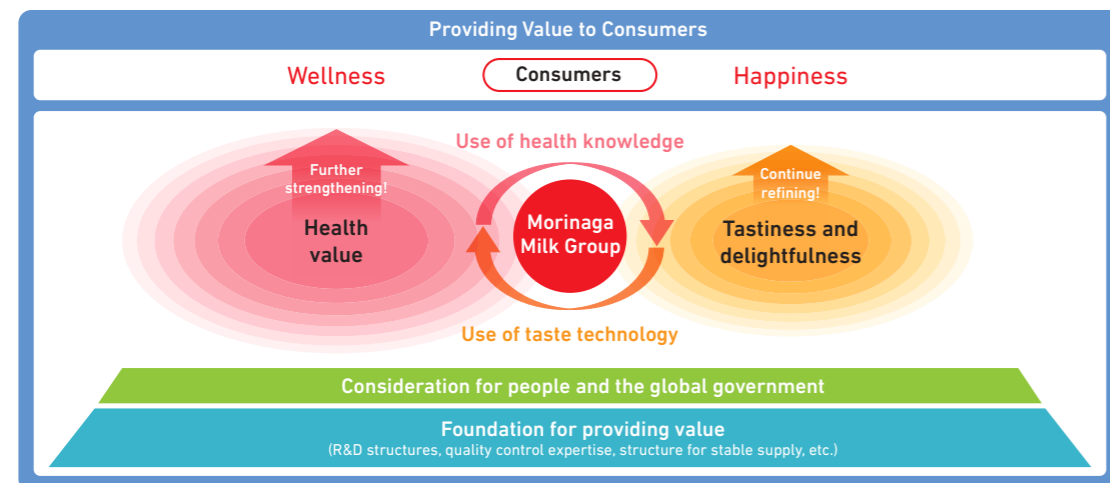


| 01 | 02 | 03 | 04 | 05 | 06 |
|---|--|--|---|---|--|
| R&D | Procurement | Manufacturing/Quality control | Logistics | Sales/Marketing | Communication |
| Our R&D mission is to contribute to the realization of a truly sustainable society that will create a world full of smiles through utilizing milk-based technology and research based on tastiness and delightfulness, health and nutrition, and safety and reliability. We have been conducting research into bifidobacteria and intestinal flora for over 50 years. | We prioritize testing, on-site inspections, and other processes based on stringent criteria to ensure the quality and safety of all raw materials that we procure. We are also committed to sustainable procurement. We strive to find solutions for environmental, social, and human rights issues affecting our supply chains, and we continually help our suppliers to resolve such issues. | We are committed to producing safe, reliable products and delivering safe, high-quality products and services. We are obtaining certification under FSSC 22000, the global food safety standard, at all group facilities. We also prioritize the environment in our production activities, including measures to prevent climate change and reduce water and resource use. | Our highly effective systems encompass all aspects of logistics, including temperature management, warehouse maintenance and management, storage and handling, and transportation and delivery management. Quality management officers are stationed at every product storage and logistics facility and commercial warehouse to ensure comprehensive quality control. Our logistics units recognize the importance of the last step in delivering our products to consumers and are continually working to optimize logistics quality. | Our consumer-focused approach to marketing leads to the creation of solutions. We use a wide variety of channels in Japan and overseas to market products and services that deliver health value and tastiness and delightfulness and help consumers to enjoy healthy and enjoyable live. | We believe that we need to gain an objective view of our status through dialogue with stakeholders using a variety of communication methods. We are determined to maintain our position in society as a trusted and preferred company by adapting to environmental change through the evolution and expansion of our existing initiatives, and the active development of new activities. |

Pursuing “Health Value” with “Tastiness and Delightfulness”

In relation to the means available to consumers to achieve health and happiness, food is where the Morinaga Milk Group can create value, and our existing business base is supported by tastiness and delightfulness. We aim to achieve rapid growth by further enhancing the brand power we have accumulated.

Our advantage is our ability to offer tasty products that also provide health benefits. We will further strengthen our profitability by accelerating the cross-utilization of our health knowledge with the technologies that we use to create tasty foods.



Co-creation with Stakeholders

For many years, the Morinaga Milk Group has based its approach to co-creation with stakeholders on active information sharing and dialogue. We are continually working to build a corporate organization that is open to society. We communicated with stakeholders using numerous venues in the fiscal year ended March 2023.

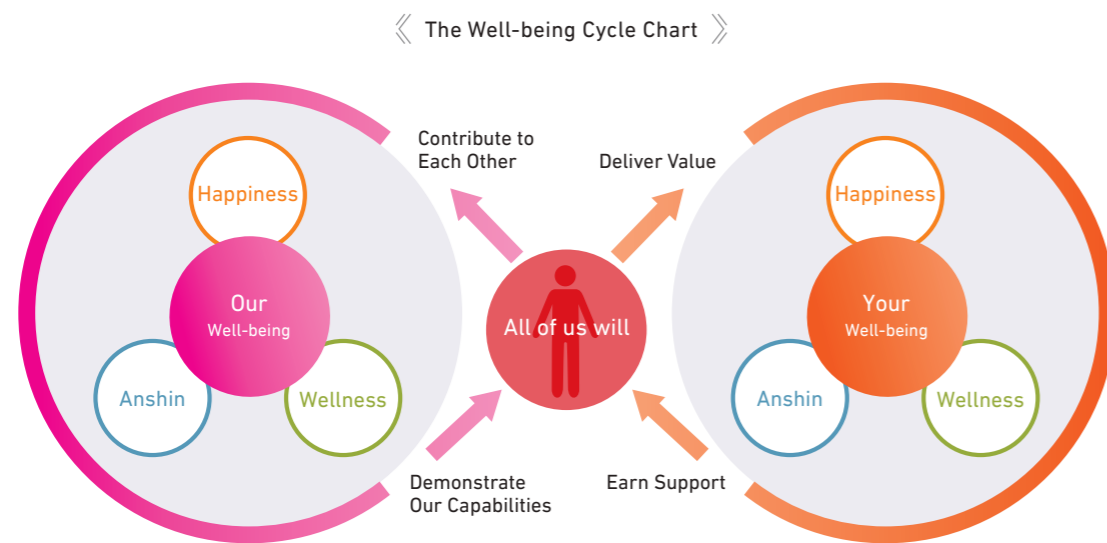
Communication Methods (Figures are for the Fiscal Year Ended March 31, 2023)

| | | |
|--|--|---|
| Consumers | <ul style="list-style-type: none"> Consumer Service Center (number of consultations: about 52,000) Customer satisfaction questionnaire surveys | <ul style="list-style-type: none"> Angel 110 hotline (number of consultations: 8,123) KidZania, visiting classes, and other next-generation support activities |
| Employees | <ul style="list-style-type: none"> Energy Survey (employee satisfaction survey) (1) Career survey (1) | <ul style="list-style-type: none"> Internal newsletter (4 issues) |
| Business partners and suppliers | <ul style="list-style-type: none"> Supplier audits CSR procurement questionnaire | <ul style="list-style-type: none"> Quality improvement seminars and distribution seminars Supplier briefings |
| Shareholders and investors | <ul style="list-style-type: none"> Annual General Meeting of Shareholders (June every year) (voting rights exercised: 380,632) Briefings for individual investors (1) Financial results briefings (4) Small meetings (3) | <ul style="list-style-type: none"> Meetings with institutional investors and analysts (409) Business activity briefing sessions for institutional investors and analysts and facility tours (2) |
| Local communities | <ul style="list-style-type: none"> Plant tours Participation in environmental conservation activities and special events | <ul style="list-style-type: none"> Provision of supplies during disasters Distribution of products to food banks and children's cafeterias |

Business Activities (Value Chain)

Formulating the Well-being Statement

The Morinaga Milk Group created its Well-being Statement as an expression of the corporate mission expressed in the words “for ever brighter smiles.” The statement puts into words our determination to act independently to ensure our own well-being as employees of the Morinaga Milk Group, and to contribute to the well-being of others, including our customers, in Japan and overseas.



Formulating the Well-being Statement



General Manager,
Sustainability Promotion Department,
Sustainability Division
Toshinori Inami

The Morinaga Milk Group decided to formulate its Well-being Statement in response to a shift in society as people became more focused on the pursuit of happiness after the unprecedented impact of the COVID-19 pandemic. The Statement is also designed to raise awareness of our commitment to fulfilling our corporate mission by bringing ever brighter smiles to the faces of our employees, and to inform the world more about the health value and delicious and pleasurable foods provided by the Morinaga Milk Group. A key feature of the Statement is its emphasis on the creation of a positive cycle that will contribute to the well-being of Morinaga Milk Group employees and those who support us.

Our aim in formulating and adopting the Well-being Statement is to raise employee satisfaction and motivation, leading to the improvement of productivity and the creation of an environment in which employees can work with confidence, and to the attraction of new talent to the Morinaga Milk Group.

The Well-being Statement is a new initiative launched in the spring of 2023. We hope that it will permeate through the company on various levels, and that it will contribute to the creation of new mechanisms in partnership with other companies that have joined the Japanese Well-being Initiative, which was launched by Nikkei Inc., the Well-being for PlanetEarth Foundation, business corporations, experts, and other organizations.

Basic Principles



- The Morinaga Milk Group defines well-being as “continuing to live well into the future and to lead healthy and enjoyable lifestyles.”
- We consolidate the elements that contribute to well-being under three headings: Anshin, Wellness, and Happiness. In order to “contribute to healthy and enjoyable lifestyles” for people (customers and others in Japan and overseas) as stated in our Corporate Philosophy, we believe that it is important that we ourselves (all members of the Morinaga Milk Group) continue to live a better life.
- We are able to deliver value unique to our company when all of us demonstrate our individual capabilities. At the same time, we maintain an awareness of the colleagues with whom we work.
- Our business grows when we earn the support of others. The results of this are returned to ourselves, making us more fulfilled and able to deliver even greater value.
- We seek to achieve this positive cycle of well-being.
- We position this statement as an action manifesto that embodies our Corporate Mission.



- For over a century since our founding, we have worked to contribute to healthy and enjoyable lifestyles.
- Through over 6,500 associates, we deliver over eight million products every day in Japan and contribute to the lives of people in over 60 countries.
- We will hold an even greater awareness of every one of us so that we can continue contributing to better lives for people.

Well-being Statement

〈Chapter1〉 For Our Well-being

For Our Anshin

We aim to create workplaces that are safe in both physical and non-physical aspects, and to be a company where we can work under a sense of fulfillment both on the job and in private life.

For Our Wellness

We will continue to support members and our families in valuing physical and mental health.

For Our Happiness

We aim to be a company in which all members can feel motivation and have pride in work.

〈Chapter2〉 For Your Well-being

For Your Anshin

We will continue our commitment to the stable supply of safe products and services and to delivering information in easy-to-understand manner.

For Your Wellness

We will further commit to the outstanding nutrition of milk and to unique functional ingredients and will contribute to the wellness of people worldwide.

For Your Happiness

We will continue to bring richness to everyday dining through a commitment to delicious and enjoyable food that can be shared with friends and families.

Business Activities (Value Chain)

Working toward the Sustainable Growth of the Dairy and Milk Industry

Dairy farming and the milk industry are two wheels on the same cart. We are working to achieve sustainability in the dairy and milk industry by accelerating our initiatives to expand the future potential of milk.

Partnership with Dairy Farmers

Our mission is to work with dairy farmers to ensure the reliable production of high-quality raw milk as the basis for delicious milk and dairy products.

We explore ways for the Morinaga Milk Group to support dairy farmers, and we engage in various initiatives with them to ensure reliable supplies of delicious, high-quality milk. The quantity and composition of milk vary with the seasons. Maintaining the health of dairy cattle through good herd management has a direct bearing on the flavor and quality of raw milk. Our staff visit dairy farmers directly to provide information and share views about the production of high-quality raw milk. We are continually working with farmers to achieve further improvement in the quality of raw milk, while also identifying environmental problems and other issues that directly affect dairy farming.

Morinaga Dairy Service Co., Ltd., a member of the Morinaga Milk Group, supplies dairy farmers with feed and also provides technical support relating to herd management. Its goal is the reliable production of safe milk from healthy cows.



Morinaga Milk website>Learn/experience
->Working with dairy farmers
https://www.morinagamilk.co.jp/learn_enjoy/dairy/support.html
(Japanese only)

Morinaga Dairy Service Co., Ltd.
<https://www.mo-rakunouhanbai.com/> (Japanese only)

The public interest incorporated foundation Morinaga Association for the Promotion of Dairy

Many factors threaten the sustainability of dairy farming, including the advancing age of farmers, a lack of successors, and soaring feed prices. The public interest incorporated foundation Morinaga Association for the Promotion of Dairy was established in 1968 as a public interest incorporated foundation dedicated to supporting the continuity and development of dairy farming. It disseminates good farm management methods through a competition for presentations about dairy farming. Its wide-ranging activities also include seminars on the sustainable development of dairy farming, and research projects in collaboration with universities.

Public interest incorporated foundation Morinaga Association for the Promotion of Dairy
<https://morinaga-shinko.com/>
(Japanese only)

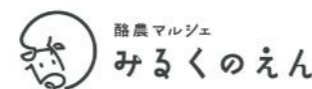
Co-creation Initiatives with Dairy Farmers to Expand Consumption of Raw Milk and Dairy Products

In May 2023 we launched the Milk Garden Dairy Market as a project to connect with dairy farmers and build a brighter future for dairy farming. Exciting products processed and supplied by dairy farmers as part of "sixth industrialization" initiatives are selected and marketed on behalf of farmers. We prioritize the development of links among producers, sellers, and buyers. Customers who visit the stalls to buy products also receive information designed to raise awareness about the dairy farms where the items were produced and add value to the products. The aim of this initiative is to work with farmers to build a brighter future for the dairy and milk industry.

In December 2022, a sample giveaway event for milk and other products was held in the Tamachi district of Tokyo with the aim of expanding consumption by informing consumers about the attractiveness of milk and dairy products and their excellent nutritional value. We post numerous recipes on our website for dishes made using milk and other dairy products. Other initiatives include the creation of a website page to support dairy farmers by introducing recipes based on milk and cheese made from raw milk produced in Japan. We will continue to support dairy farmers by working to expand consumption of milk and dairy products.



connect with 酪農
酪農の未来を、ともに。



Official Instagram site for Milk Garden Dairy Market:
https://www.instagram.com/milk_no_en/ (Japanese only)

Recipe page on the Morinaga Milk website:
<https://www.morinagamilk.co.jp/recipe/> (Japanese only)

Greek Yogurt PARTHENO was featured on the cover of the 2023 Integrated Report. Please visit the recipe site shown on the right, which features a variety of recipes for different products and themes.

Enhancing Raw Milk Production Infrastructure while Reducing Environmental Loads

We are currently developing MO-Lagoon® for Dairy, an effluent processing system that combines livestock biomass power generation with wastewater treatment. We see the full-scale implementation of this system on dairy farms as an important contribution to the reduction of environmental loads from raw milk production and the enhancement of raw milk production infrastructure. We will support sustainable dairy farming by marketing this system nationwide using data from effectiveness verification trials as part of our continuing efforts toward the development of a sustainable dairy and milk industry.



A Message from the General Manager of the Procurement Division

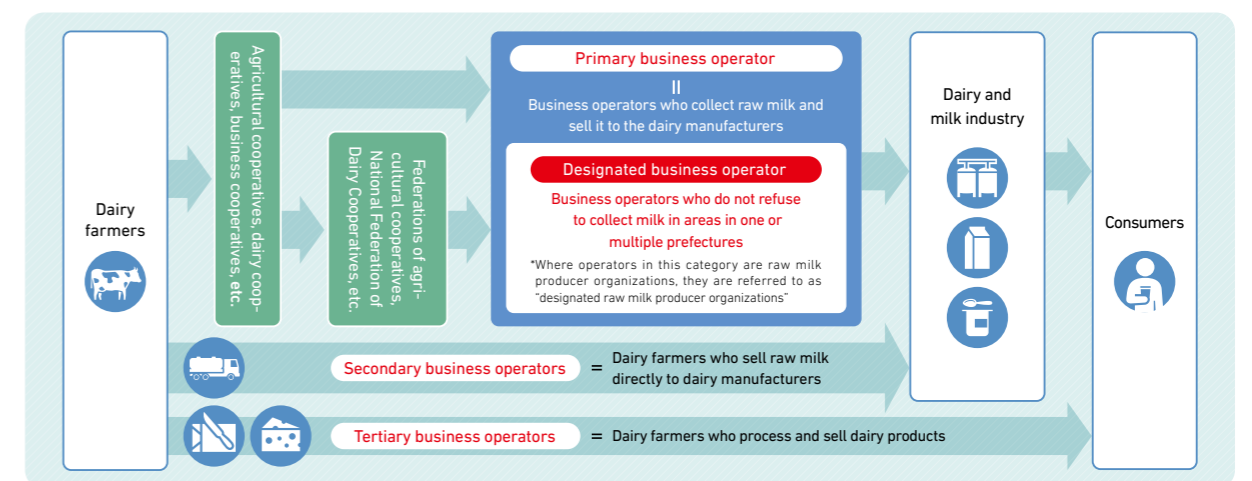


Executive Managing Officer
General Manager,
Procurement Division
Taketo Tohkura

Dairy farmers and the dairy and milk industry need to work together while also maintaining their independence, so that they can coexist and achieve sustainable prosperity. In addition, dairy farmers and the dairy and milk industry cannot achieve sustainable growth unless consumers understand their activities and continue to purchase and enjoy the milk and dairy products that they produce. We believe that close communication between dairy farmers and the dairy and milk industry, and activities that link dairy producers and consumers are both vital to the achievement of these goals.

We faced major challenges in the fiscal year ended March 31, 2023, including rapid increases in feed costs, and the revision of the milk price. We recognize the need for intensive, in-depth discussions with dairy farmers about not only economic factors, but also various other issues affecting the sustainability of dairy farming and the dairy and milk industry, such as methane emissions from dairy cows, and labor issues relating to farm workers. We will continue to address these issues. The Morinaga Milk Group communicates directly with dairy producers in various contexts, including the purchase of raw milk, the supply of feed, and the promotion of dairy farming. We have also started to assist with the marketing of dairy products manufactured and processed by dairy producers. Going forward, we aim to pursue activities that will help to create direct links between dairy farmers and consumers.

《 [Reference] Raw Milk Manufacturing and Distribution Structure in Japan 》 (Based on information from the website of the Ministry of Agriculture, Forestry and Fisheries)



Policies for Strengthening the Six Capitals

The Morinaga Milk Group has identified six types of capital that are essential to value creation and formulated policies to strengthen them. We are steadily implementing initiatives in accordance with our reinforcement policy.



Policy for strengthening human capital

- Expand workforce, especially for research activities and overseas operations
- Promote diversity and inclusion
- Increase investment in employee development

Key Initiatives and Progress in the Fiscal Year Ended March 2023

Under Medium-Term Business Plan 2022–24, we have steadily increased the number of people working in the R&D Division and Global Business. We have also implemented human rights due diligence processes to detect human rights risks, and to identify and assess issues requiring action. Other initiatives include on-site hearings at group companies, and impact assessments.

We have made significant progress toward the promotion of D&I and the expansion of educational opportunities, including the introduction of diversity training for executives. We aim to raise our corporate value through the continuing enhancement of our human capital value.

See Pages 27–30 for detailed information about human capital.

Policy for strengthening natural capital

- Maximize usage ratios for energy and water resources
- Maximize value of milk resources procured in Japan and overseas
- Increase use of environment-friendly raw materials, promotion of the 3Rs

Key Initiatives and Progress in the Fiscal Year Ended March 2023

We took a number of steps to reduce environmental impacts. For example, we reduced the weight of PET bottles used for yogurt drinks. We also started to recycle plastic logistics materials in-house and expanded the transition to biomass plastic straws. In the fiscal year ending March 2024, we are introducing internal carbon pricing. We will continue to engage in dialogue with dairy farmers about initiatives to maximize the value of dairy resources, while also stepping up efforts to expand consumption of milk and dairy products. (See Page 23.)

In July 2023, we declared our support for the TNFD and joined the TNFD Forum. The Morinaga Milk Group will continue to accelerate its efforts to maximize the value of milk and reduce environmental impacts in its supply chains.

Policy for strengthening intellectual capital

- Develop materials that help to solve food and health issues
- Evolve and deepen taste technology
- Globally enhance intellectual property and legal affairs capabilities

Key Initiatives and Progress in the Fiscal Year Ended March 2023

We steadily expanded research workforce through initiatives under various plans. R&D expenditure increased by about 10% over the previous year's level, and there was a 5% increase in the number of research personnel, especially in basic research areas. We will continue to prioritize research relating to health and nutrition.

The Morinaga Milk Group has gained an excellent reputation in Japan and internationally for its research achievements over many years. We have completed registration of *Bifidobacterium longum* BB536 as a new food ingredient in China. We will continue to pursue cross-organizational initiatives targeting the development of global markets for our intellectual capital and intellectual property, especially bacteria and functional ingredients. We will also step up the pace of efforts to strengthen our intellectual property and legal affairs capabilities.

See Pages 31–32 for detailed information about intellectual property.

Policy for strengthening manufactured capital

- Expand growth- and environment-related capex
- Enhance quality assurance structures

Key Initiatives and Progress in the Fiscal Year Ended March 2023

We started up a bottled yogurt drink production line at the Tone Plant in May 2022. At the Kobe Plant, we constructed a new production building scheduled to open in the spring of 2024. Other initiatives based on our plans included the installation of a MO-Lagoon® for Dairy system at a farm owned by a group company. The system, which is designed to reduce methane emissions, will become operational in 2023. In addition, MILEI plans to install energy conservation equipment and invest in product quality improvements. These projects will be implemented in stages, starting in January 2024, and will be completed by April 2025.

In June 2022, we established the Quality Assurance Committee to deliberate on quality-related matters, including actions to address important quality issues across our entire supply chain, the revision and amendment of our quality policies and standards and assessment of the ways in which they are being administered.

Policy for strengthening social and relationship capital

- Build trust with stakeholders
- Strengthen our corporate brand globally

Key Initiatives and Progress in the Fiscal Year Ended March 2023

We have long recognized the importance of obtaining objective assessments of our situation through dialogue with stakeholders, and we have employed a variety of communication methods to achieve this. In March 2023, we released our Well-being Statement as a blueprint for a virtuous circle of actions that contribute to our well-being and the well-being of others. We have decided to be an exhibitor at Expo 2025 in Osaka. Our exhibit, which will focus on the role of the intestines in the achievement of well-being, will provide visitors from around the world with information and experiences reflecting the unique capabilities of the Morinaga Milk Group.

For detailed information about the Well-being Statement, see "Formulating the Well-being Statement" on Pages 21–22. For detailed information about our plans for participation at Expo 2025 Osaka, Kansai, Japan, see "Special Feature: Initiatives by the Morinaga Milk Group" on Page 30.

Policy for strengthening financial capital

- Improve capital efficiency
- Sustainably generate and distribute cash

Key Initiatives and Progress in the Fiscal Year Ended March 2023

Medium-Term Business Plan 2022–24 calls for the achievement of inward cash flows of ¥140 billion, including proceeds from the sale of the Tokyo Plant. Our priorities for the use of this cash are strategic growth investment, shareholder returns, and the maintenance of a strong financial structure.

In the fiscal year ended March 2023, we announced three overseas M&A projects. See Page 42 for information about these growth investments. Within Japan, we plan to invest in ice cream and yogurt production facilities at the Kobe Plant in anticipation in growth in these markets. We are also pursuing initiatives focused on our total payout ratio. In May 2023, we announced the repurchase and cancellation of shares with a ceiling of ¥10 billion.

We have received an A (long-term) rating from Rating and Investment Information, Inc. (R&I).

Status of each type of capital^{*1}

| | |
|---|--|
| Employees | 7,040 |
| Investment in human resource development (training, etc.) | ¥31,000 per employee per year (non-consolidated) |

^{*1} Information about intellectual capital was current as of July 31, 2023. Information about other types of capital relates to the fiscal year ended March 31, 2023 and was current as of March 31, 2023.

^{*2} See Pages 63–64 for information about the scope of data.

| | |
|-----------------------------------|------------------------------|
| Energy consumption ^{*2} | 1,291,109MWh |
| Water usage ^{*2} | 16,169 thousand cubic meters |
| Milk collected (non-consolidated) | 688 thousand tons |

| | |
|---|----------------------|
| Papers published concerning bacteria and functional ingredients | 546 |
| Japanese and foreign patents held | 836 |
| Usage of <i>Bifidobacterium longum</i> BB536 | In over 30 countries |

| | |
|---------------------|---------------|
| Capital investment | ¥18.3 billion |
| Manufacturing sites | 30 |

| | |
|--|----------------------|
| Responses to customer inquiries | Approximately 52,000 |
| Briefings with investors and analysts | 409 |
| Energy Survey (employee satisfaction survey) | Implemented annually |

| | |
|----------------------------|---------------|
| Shareholders' equity ratio | 45.9% |
| ROE | 7.9% |
| Interest-bearing debt | ¥98.4 billion |

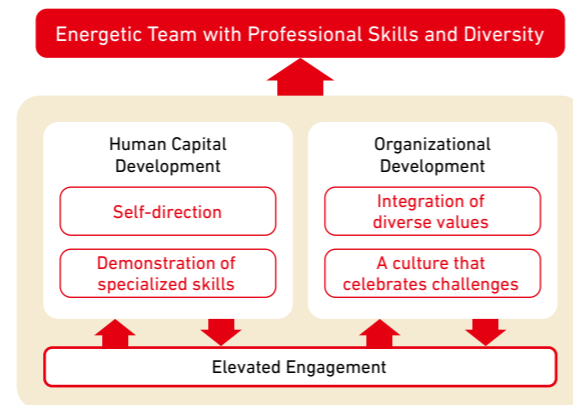
Human Capital

We aim to realize the Morinaga Milk Group 10-year Vision through continuing enhancement of the value of our human capital.

Basic Approach

We see human resources as our most vital driver for the improvement of our corporate value, and we have prioritized human capital development, organizational development, and the improvement of engagement as we work to build an energetic team with professional skills and diversity.

We will continue to make progress toward the realization of our strategies and the improvement of our corporate value by using KPIs and PDCA cycles to enhance the value of our human capital.



① Human Capital Development: Self-direction

The high value that we place on self-direction is reflected in various initiatives focused on the management skills of superiors, career self-direction, and health management. We continually implement performance review meetings, career development meetings, and in-house job advertising. In FY2023, we plan to establish a new health management organization.

② Human Capital Development: Demonstration of specialized skills

We are continually implementing measures to expand our pool of personnel with advanced specialized skills, including the expansion of mid-career recruitment, the creation of a grade system designed to facilitate the utilization of specialized skills, and the enhancement of training and education programs geared toward the development of global human resources.

③ Organizational Development: Integration of diverse values (diversity & inclusion)

We are promoting diversity and inclusion in order to create an environment in which diversity in terms of gender, age, nationality, and other attributes are mutually tolerated and valued, so that all employees can realize their full potential and create innovations. We are also pursuing human rights and LGBTQ initiatives, as well as measures in other areas, such as career advancement for women, support for people with childcare and family care responsibilities, and support for people with disabilities.

④ Organizational Development: A culture that celebrates challenge

We see a culture that celebrates challenge as vital to the continuing creation of new value. We created the Morinaga Milk Awards to recognize the achievements of employees who take up significant challenges. In FY2022, we launched the New Business Creation Program to accelerate the innovation process. There were over 140 applications in the first year of the program.

See "Special Feature: Initiatives by the Morinaga Milk Group" on Page 29–30.

⑤ Improvement of Engagement

Employee engagement forms a vital foundation for improving the value of our human capital. In FY2022, we updated our engagement survey, which we use to visualize and share the level of employee engagement with the company. We have also expanded our organizational improvement initiatives based on the results of the survey.

These concepts are reflected in the continuing enhancement and expansion of our initiatives to support individual and organizational growth and improve engagement. Detailed information about human rights, D&I, health management, and other aspects can be found on the following website.

Morinaga Milk website>Sustainability>People and Society
https://www.morinagamilk.co.jp/english/sustainability/people_and_society/

Realizing Management Strategies through Human Capital Enhancement Policies

Medium- to long-term measures to strengthen our human capital include expansion of the workforce, especially for research activities and overseas operations, promotion of diversity and inclusion, and increased investment in employee development. Under Medium-Term Business Plan 2022–24 and Sustainability Medium- to Long-Term Plan 2030, we plan to invest in human capital and steadily implement initiatives toward the realization of our management strategies. We will continue to link our management strategies and human resources strategies.

| Human Capital Enhancement Policies | Main foundational themes | Key initiatives and progress in FY2022 |
|--|--|--|
| Expand workforce, especially for research activities and overseas operations | Human resource development: Demonstration of specialized skills | <ul style="list-style-type: none"> Global human resource development based on continuous training 5% increase in research workforce (compared with FY2021) |
| Promote diversity and inclusion | Organizational Development: Integration of diverse values | <ul style="list-style-type: none"> Implementation of human rights due diligence, development of grievance processing mechanisms (introduction of the JaCER platform) Introduction of diversity management training for executives Seminar on D&I from a human capital management perspective at the Diversity Forums run jointly by food manufacturers since 2017 Ongoing provision of leadership training for women (since FY2012), and the power-up seminar for employees with childcare responsibilities (since FY2016) Postnatal leave for fathers: Introduction of 100% paid leave system surpassing the statutory entitlement |
| Increase investment in employee development | Human capital development: Self-direction Organizational development: A culture that celebrates challenge | <ul style="list-style-type: none"> Increased investment in training (non-consolidated): Approximately 5.7% (compared with FY2021) Expansion of training programs |

Key Data on Human Capital

| | FY2020 | FY2021 | FY2022 | Targets for FY2024 | Targets for FY2030 |
|---|--------|--------|--------|--------------------|--------------------|
| Ratio of female managers (non-consolidated) | 5.2% | 5.5% | 5.8% | 6.0% or higher | 10.0% or higher |

*Changes to disclosure since FY2023: (1) in all of the fiscal years referred to above, information is disclosed as of March 31. (Until FY2022, information was disclosed as of April 1 each year.) (2) In all of the above fiscal years, transferees are excluded from the scope of data. (In all fiscal years up to FY2022, transferees were included in the data disclosed.)

| | FY2020 | FY2021 | FY2022 | Targets for FY2030 |
|--|---------------------|---------------------|---------------------|---------------------|
| Training investment (non-consolidated) | ¥26,000/year/person | ¥26,000/year/person | ¥31,000/year/person | ¥40,000/year/person |

| | FY2020 | FY2021 | FY2022 | Plan for FY2022–24 |
|---|--------|--------|--------|--------------------|
| Number of mid-career specialists hired (non-consolidated) | 12 | 9 | 14 | 40 |

*Numbers of mid-career hires in the area of research, marketing, legal affairs, intellectual property, IT, and international divisions

| | FY2020 | FY2021 | FY2022 |
|--|--------|--------|--------|
| Number of applications under the Morinaga Milk Awards system | 77 | 109 | 113 |

《 Main External Assessments 》



MSCI Japan Empowering Women (WIN) Select Index
 iSTOXX MUTB Japan Platinum Career 150 Index



Members of the 2022 Mori "NEW" business proposal team, Corporate Strategic Planning Department Discontinuous Innovation Promotion Section

Special Feature Initiatives by the Morinaga Milk Group

We are working to realize our Corporate Mission and 10-year Vision by fostering a corporate culture in which every employee can think and act independently and proactively. This section describes initiatives by the Morinaga Milk Group in the words of the employees involved.

The Mori "NEW" Business Creation Program

Mori "NEW" is a new business creation program launched as part of Medium-Term Business Plan 2022–24. Employees are invited to submit suggestions for new businesses, and anyone can participate, regardless of their rank or the area in which they work. Four business concepts were selected in the first year of the program, and proposers of these concepts are now working toward the development of businesses based on their ideas.

One feature of the Mori "NEW" program is that the originators of ideas are able not to only present their proposals, but also to participate through to the business development stage. They can access outside advice and support as they work to realize and refine their ideas and achieve selection. Once a business concept has been selected, participants work

toward business development within a structure that includes support from and collaboration with related units within the Group, as well as external cooperation. Current initiatives also include collaboration with startups and new businesses in other industries.

Some of these projects may fail, but the proactive efforts of the concept originators can potentially lead to new breakthroughs. The enthusiasm of the participants is a source of inspiration for Secretariat staff supporting the program.

We have also been very encouraged by the willingness of staff in related units to provide friendly advice to the participants. The purpose of the Mori "NEW" program is to create new avenues of growth for the Morinaga Milk Group. A particular priority is the creation of a foundation for growth through the development of a corporate culture

in which employees can proactively take up new challenges. To achieve this, we have designed the program to facilitate input from as many people as possible, from the President to frontline workers. The aim is to contribute to the entire Morinaga Milk Group while avoiding conflicts between new and existing businesses. We will continue to encourage people to submit ideas for selection by promoting the program throughout the Morinaga Milk Group. The knowledge and networks created through this program will be used not only to develop new businesses, but also to support initiatives in other areas, such as existing businesses and sustainability activities. We hope that the program will be a trigger for the emergence of various initiatives within the Morinaga Milk Group, so that individual initiatives can be linked together to build a brighter future.

Exhibit at the Expo 2025 Osaka, Kansai, Japan

The Morinaga Milk Group will present an exhibit in the Osaka Healthcare Pavilion at Expo 2025 (the Expo 2025 Osaka, Kansai, Japan). The theme for this exhibit will be "Well-being from the Gut." We aim to inform the public that health and well-being begin in the gut by showcasing the benefits made possible by findings from our ongoing research efforts.

Our participation in the Expo resulted from an idea put forward by a young employee assigned to our Kansai Branch, who wanted to inform the public about the potential benefits of our efforts to create new value that will contribute to the solution of social issues. The employee also suggested that participation in Expo 2025 would contribute to the improvement of employee engagement as an opportunity for employees to gain a new awareness of the value of the Morinaga Milk Group and develop a sense of motivation and enjoyment toward their

day-to-day work activities. In short, the idea of participating in Expo 2025 was inspired by a desire to encourage activities that will create ever brighter smiles both in society and within the Morinaga Milk Group.

We are currently planning the content of the exhibit, which will be

designed to provide visitors with a fun way to learn about the importance of the gut through an exciting experience that will provide glimpses of the future through new forms of interaction. The entire Morinaga Milk Group will continue to work toward the creation of a brighter and more enjoyable future.



Kansai Team Members of EXPO 2025 Osaka, Kansai, Japan Project

30th Anniversary of the Mt. RAINIER Brand

Mt. RAINIER Brand Team Members



In February 2023, a cross-organizational team was formed to mark the 30th anniversary of the Mt. RAINIER brand by discussing the future positioning of the brand. Through this process, we identified the goal of promoting Mt. RAINIER as a brand that would be seen by everyone as a gentle, reassuring presence, like the mountain after which

it was named. To achieve this, we have redesigned the Mt. RAINIER logo to emphasize the presence of Mount Rainier as the symbol of the brand. In addition, we have revamped the brand's packaging to create modern designs that highlight the characteristics of each Mt. RAINIER product, while also emphasizing our commitment to

providing quality and a sense of luxury.

We are also enhancing communication with stakeholders, including the compilation of information about the Mt. RAINIER brand and the proactive distribution of that information to media organizations. We believe that by strengthening our relationships with the media, we will be able to provide consumers with continuous news about the Mt. RAINIER brand more effectively than would be possible just through news releases from the Morinaga Milk Group.

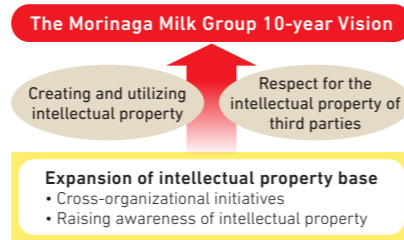
Starting in the fall of 2023, we also took on the additional challenge of developing a new manufacturing method for Mt. RAINIER products. We will continue to enhance the value of the Mt. RAINIER brand by informing consumers about our commitment to the quality of both ingredients and manufacturing methods, especially the development of new production techniques.

Intellectual Property

Intellectual property is a source of competitiveness and new value creation for the Morinaga Milk Group. We aim to strengthen our businesses and achieve sustainable growth by enhancing the value of this source.

Approach

The Morinaga Milk Group sees the process of value creation through the pursuit of health value and tastiness and delightfulness as the source of its intellectual property, including patents, brands, technologies, and expertise. We aim to realize the Morinaga Milk Group 10-year Vision by maximizing the value of this vital source and our intellectual property through the expansion of our intellectual property base, the creation and utilization of intellectual property, and respect for the intellectual property of third parties.



Organizational Structure

In 2018 we established the Intellectual Property Division as an organization combining strategic planning functions and intellectual property administration. This unit handles all matters relating to know-how and technology agreements relating to intellectual property, especially patents. In addition to the creation of this specialized unit, we have also established multiple committees, meeting groups, and other bodies with the task of maximizing the value of our intellectual property.

Strengthening the Intellectual Property Base

Cross-organizational Initiatives

The Intellectual Property Division participates in the activities of cross-organizational committees, meeting groups, and other bodies involved in our intellectual property activities. This approach strengthens collaboration between the Intellectual Property Division and other units and maximizes outcomes from the work of committees and meeting groups.

The Morinaga Milk Group is also actively engaged in joint research with universities and other organizations. The Intellectual Property Division facilitates this work by proposing ways to minimize future risk and maximize opportunities relating to intellectual property. It also provides strategic management of intellectual property and drafts contracts.

| Main organizations, etc., with cross-organizational membership | Functions and roles of organizations, etc. | Progress relating to intellectual property |
|--|---|--|
| Functional Ingredients Committee | Cross-organizational linkage functions, including the formulation of company-wide medium- to long-term strategies relating to functional ingredients, coordination between units, and facilitation of decision-making | Facilitation of value creation through the sharing of information about intellectual property relating to functional ingredients (bacteria, peptides, etc.), and proposal of formats for contracts with partners |
| Bacteria Strategy Meetings | Comprehensive assessment of research and development strategies relating to bacteria, maximization of the bacteria business across the entire Morinaga Milk Group | Strengthening of mechanisms to prevent violations of third parties' intellectual property through systematic checks of Japanese and foreign patents relating to bacteria and infant and toddler milk |
| Information Security Subcommittee Technology Information Working Group | Strengthening of management systems for the Morinaga Milk Group's important confidential information (The Information Security Subcommittee was established as a subordinate unit of the Internal Control Committee.) | Actions to strengthen technology information management systems, including reviews of confidentiality categories for technology information |
| Overseas Patent Selection Meeting | Optimization of intellectual property investment in step with the expansion of the Morinaga Milk Group's Global Business activities | Optimization of intellectual property investment through decision-making about overseas patent applications based on patent application standards formulated by the Intellectual Property Division, and taking into account the specific attributes of individual projects |

Fostering Awareness of Intellectual Property

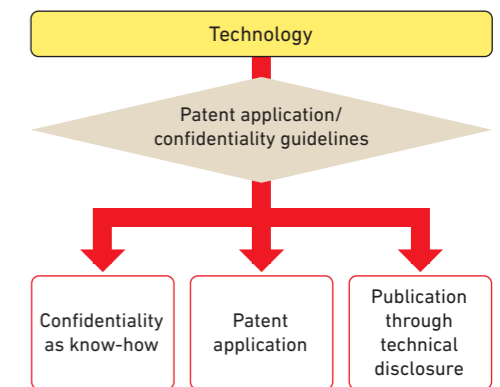
Improving the intellectual property skills of research and business staff: We are improving intellectual property skills in research units through seminars structured according to the knowledge levels of research staff and specific factors relating to food and bio products, including requirements under the Convention on Biological Diversity. Staff in business units also have opportunities to learn about the importance of intellectual property.

Training for intellectual property specialists: We are improving the specialized skills of staff in units that handle intellectual property by providing educational opportunities, including participation in courses run by specialist committees of the Japan Intellectual Property Association, overseas courses, and intellectual property analyst certification programs administered by the Association of Intellectual Property Education. We are also training people to make optimal use of our competitive advantage in the intellectual property business through staff rotation and participation in seminars relating to technology management and negotiating skills. Six employees working in intellectual property-related areas are registered patent attorneys (as of July 2023).

Creating and Using Intellectual Property

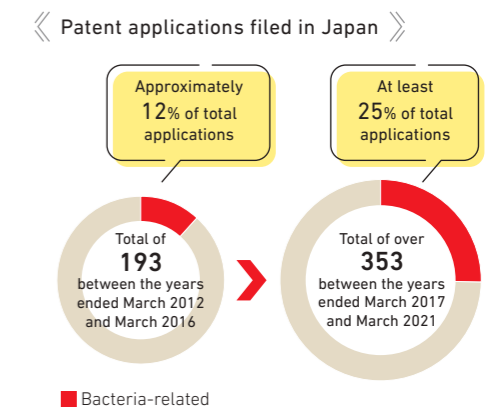
Strategic Management of Intellectual Property

In the case of technologies that could not easily be developed independently by other parties, it is sometimes preferable to keep know-how confidential and manage and protect it as trade secrets, rather than applying for patents. If a technology is unlikely to be patentable, it may be better to make it immediately available to stakeholders through technical disclosure. The Morinaga Milk Group has formulated patenting and confidentiality guidelines as the basis for strategic management of its intellectual property. We actively file patent applications, maintain confidentiality, and implement technical disclosure, especially for technologies relating to manufacturing processes and quality inspection. By appropriately protecting and managing our technologies in these ways, we are able to use our intellectual property to maintain our technological advantage.



Intensive Investment in Bacteria

We are intensively investing in R&D relating to bacteria, which we recognize as an important growth driver for the Morinaga Milk Group. We actively apply for patents covering bacteria-related technology created through our R&D investment, and we accounted for over 25% of bacteria-related inventions for which patent applications were filed in Japan between the years ended March 2017 and March 2021. The fact that our share of patent applications has more than doubled compared with the period between the years ended March 2012 and March 2016 is indicative of our intensive investment in the area of bacteria.



Using Intellectual Property as a Co-creation Tool

By making our intellectual property in areas of high social significance publicly available, we aim to contribute to the solution of social issues by using that intellectual property as a co-creation tool for the maintenance and evolution of social norms. One example of our initiatives in this area is our participation in Hokkaido University's COI and COI-NEXT programs. We have released three patents relating to distribution methods for health improvement advice based on health data. Our goal is to contribute to the realization of a society in which mothers and babies can enjoy healthy lives.

Respect for third parties' intellectual property

We respect the intellectual property of other parties and strive to avoid infringements through a continuous checking process. To avoid becoming embroiled in intellectual property disputes with third parties, we assess our position using a technology portfolio. We also seek to resolve issues through negotiation, including the protection of third parties' intellectual property where necessary.

A Message from the Officer in Charge of Finance



Our financial management is targeted toward value creation and the deepening of dialogue with capital markets.

Akihiro Nozaki

Director
Executive Managing Officer
General Manager of Corporate Strategic Planning Division

We will work to enhance shareholder returns, raise the value of our intangible assets, and maintain our status as the company of choice for our stakeholders by pursuing growth investment guided by financial strategies focused on efficiency, which is one of our core policies under Medium-Term Business Plan 2022–24.

Review of the Fiscal Year Ended March 2023

The fiscal year ended March 2023 was the first year of Medium-Term Business Plan 2022–24. Rising costs impacted our performance throughout the period, and while sales increased, profit was substantially lower. As I look back on this disappointing result, my first impression is that it was a year in which we were under continual pressure to adapt to environmental changes.

Even in this environment, the entire Morinaga Milk Group worked steadily to implement measures based on our plans, and I believe that we made real progress toward the realization of financial strategies focused on efficiency. Our indicators include ROE of 7.9%, a shareholders' equity ratio of 45.9%, and a debt-to-equity ratio of 0.44 times. Statistics relating shareholder returns include a dividend payout ratio of 24.1%, and the cancellation of 2 million shares of treasury stock. I see our initiatives to drive medium- to long-term growth as particularly significant. Our overseas M&A activities included investment in NutriCo Morinaga in Pakistan, Turtle Island Foods in the United States, and Morinaga Le May*1 in Vietnam. We also invested in research and development. In the past, the Morinaga Milk Group had a structural tendency to concentrate on the short-term future. However, I believe

that we have shifted to a PDCA approach geared toward sustainable growth.

We are also encouraging individual employees to contribute to the improvement of ROE by embracing our financial strategies as personal goals. We are achieving this by setting ROE targets for individual organizations and using videos to educate employees about financial management. We will continue to intensify these efforts until every individual group employee can experience a real sense of contribution to our achievements.

We also worked throughout the fiscal year ended March 2023 to enhance our non-financial value, which is a key component of corporate value. One important step in this direction was the adoption of a human capital philosophy and a clearly defined policy of enhancing our human capital*2. We also published a new Well-being Statement and joined the Japanese Well-being Initiative*3. We are determined to make progress through industry-academia-government collaboration toward the realization of well-being and its benefits.

In addition to my financial management role, as General Manager of Corporate Strategic Planning Division, I also have an important part to play in medium-term business plan toward the realization of the Morinaga Milk Group 10-year Vision. However, I feel that we have not made

sufficient progress in that area, in part because of obstacles created by environmental changes. My awareness of this failure has strengthened my belief that we need to focus more on formulating and implementing measures that will enable the entire Morinaga Milk Group to move forward by embracing changes as opportunities.

*1 We acquired shares in Morinaga Le May in May 2023 (in the fiscal year ending March 2024)

*2 See the section on "Human Capital" on Pages 27-30.

*3 In 2021 a business consortium was established with the aim of identifying approaches to the creation and assessment of the future long-term value of organizations in the economy, with the aim of increasing the number of Japanese companies that are adopting well-being management.

Adapting to Accelerating Change While Maintaining a Balance between Defense and Offense

Based on the transition in our profit structure resulting from our achievements under the previous Medium-Term Business Plan, we saw the three-year period of Medium-Term Business Plan 2022–24 as a time to shift from defense to offense. However, we now expect this to become a three-year period in which achieving a balance between defense and offense is important because of the urgent need to adapt to accelerating changes, including the rising cost of raw milk, raw materials, and energy, as well as currency fluctuations.

Examples of our defensive approach to financial management include the use of a certain level of currency hedging in accordance with rules set by the Morinaga Milk Group. However, I also sense that we need to enhance our

hedging methods, and to shift to a business structure that will give us greater resilience to currency fluctuations. From a cash management perspective, we are maintaining a PDCA cycle for production facilities, which have a major impact on our cash position, under the leadership of the Finance & Accounting Department and Engineering Department. We are also expanding the functionality of group-level cash management systems to support integrated cash management in order to achieve benefits through efficient procurement and payment processes. I also see the maintenance of our rating through the creation of corporate value commensurate with that rating as a core priority. We will continue to strengthen our defenses in order to create a financial structure capable of delivering the performance needed to maintain the "long-term A issuer" rating assigned by Rating and Investment Information Inc. (R&I).

Of course, we cannot remain entirely on the defensive, and we also need to pursue an offense. I see day-to-day operations in all of our workplaces as offensive initiatives that form the foundation for the reinforcement of our financial structure. We are focused on the improvement of the accuracy and reliability of the business processes handled by individual Morinaga Milk Group employees. Additionally, we will continue to strengthen our financial position, including our capacity to handle risks, so that we have the capacity for future-oriented offensive initiatives, including growth investment aligned with the strategic direction of Medium-Term Business Plan 2022–24, even in a challenging environment.

FYE Mar. 2023 in Hindsight

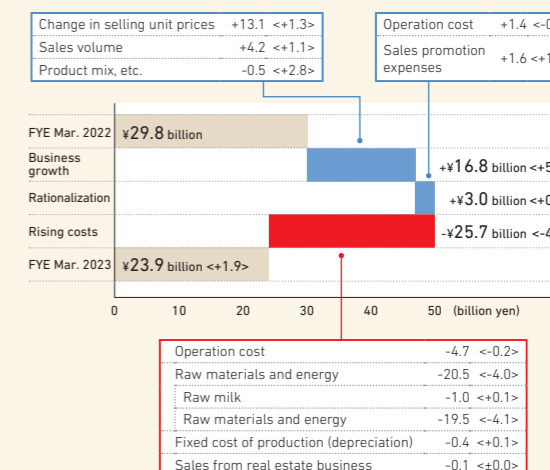
- The impact of high raw material prices was significant, and the rise in energy costs in particular was greater than anticipated.
- The sales volume decrease following price revisions had a significant impact, against which countermeasures were taken in the second half, including the use of sales promotion.
- Operating profit declined sharply but remained above the target. (Net sales, Global Business, and the optimization of sales promotion expenses were better than projected.)

Plan for FYE Mar. 2024

- Rising raw milk, raw material, and energy costs: Peaked in 1H
- Global Business slowdown after recent expansion: Mainly in 2H
- Increase in temporary tax burden associated with sales of fixed assets, amortization of goodwill, etc.
- High raw material costs offset by price revisions, implementation of various initiatives

Factors Attributable to Increases and Decreases in Operating Profit for FYE Mar. 2023

Figures in <> denote differences from targets.



A Message from the Officer in Charge of Finance

**Transforming Ourselves
The First Green Bond Issue by
the Morinaga Milk Group**

In October 2022, the Morinaga Milk Group implemented its first green bond issue (the 18th series of unsecured straight bonds), as an initiative for sustainability management. The funds raised will be allocated to initiatives that contribute to the mitigation of and adaptation to climate change, environmental consideration and resource recycling, and sustainable raw material procurement.

The green bond issue reflects our determination to contribute to the creation of a sustainable society while achieving business growth by linking Medium-Term Business Plan 2022–24 with Sustainability Medium- to Long-Term Plan 2030. It is also intended to support our efforts to implement sustainability management, and to inform people within and outside of the Morinaga Milk Group about the strategic direction of those efforts. In addition, I see the bond issue as an opportunity to drive organizational change, in the sense that we aim to add a new perspective to the Morinaga Milk Group’s corporate culture, which emphasizes soundness and conservatism, by initiating a change that, while small, is also the first action of its type by the Morinaga Milk Group. The bond issue attracted intense interest in the bond market, and many institutional investors signaled their intention to invest. We see this as indicative of the value placed on our past achievements, and expectations toward our future efforts to advance our sustainability management. I feel a sense of gratitude for the efforts of the many generations of people who have worked for the Morinaga Milk Group in a history spanning more than a century, as well as a strong sense of responsibility to strengthen the Morinaga Milk brand further.

**Effective Initiatives to Deepen Dialogue with
Capital Markets and Create Value**

One of the changes to affect our business environment in recent times is the deepening of our dialogue with capital markets about capital efficiency and profitability. We are also aware of expectations toward further improvements in these areas. We regard these vital priorities for the Morinaga Milk Group, and we intend to pursue effective initiatives.

Our capital policy calls for the execution of investment that will generate operating cash flows in the future. We aim to achieve sustained improvement in our returns through investments based on the strategic direction targeted by the Morinaga Milk Group. That strategic direction is centered on the pursuit of both health value and the value of tastiness and delightfulness, the expansion of our range of functional ingredients, the expansion of our Global Business, the acceleration of initiatives in these areas, and the achievement

of originality. At the same, we also need to deal effectively with short-term issues. While maintaining a balance between future-focused initiatives and short-term actions, we aim to improve our corporate value by enhancing medium-term returns.

The Morinaga Milk Group has always placed a high priority on opportunities for dialogue with investors. In the year ended March 2023, we created around 400 such opportunities. Input from investors is shared with our management team and applied to our management policies. This dialogue also provides insights into our positioning in capital markets and market expectations. In May 2023, we announced a share repurchase scheme, through which we will buy back shares worth up to ¥10 billion. We will continue to prioritize dialogue with capital markets.

My personal priority when engaging in dialogue is always to face facts head-on, and to indicate the outlook as accurately as possible based on our assessments. I also believe that it is essential to ensure the continuity of information, including not only our strategic direction and strategies, but also our priorities. We need to provide information in packages that encompass numbers, initiatives, and progress. There is still much room for improvement, and we will continue our efforts to engage in constructive dialogue, while also maintaining the Morinaga Milk Group’s commitment to good faith and using intelligent methods to present information.

**Using Numerical Targets in the 10-year Vision to
Foster Work Motivation and Interest**

The 10-year Vision sets targets for the fiscal year ending March 2029, including a ratio of operating profit to net sales of at least 7%, ROE of at least 10%, and a Global Business sales ratio of at least 15%. These figures represent the steps needed to ensure that the Morinaga Milk Group can remain the company of choice for our stakeholders. We also see them as indicators of progress toward our corporate mission of contributing to human health and happiness by providing value based on our commitment to health value and the value of tastiness and delightfulness.

As the names suggest, these indicators signify improvements in profitability, the efficient use of capital, and the expansion of our Global Business, all of which are vital to the sustainable growth of the Morinaga Milk Group. While the numbers are simple, they are based on extremely large collections of factors. That means that every person in the Morinaga Milk Group can participate in these efforts with a sense of motivation and interest. The targets are far from easy. However, we will work to achieve them by strengthening group-wide collaboration, and by accumulating the effects of activities and initiatives in individual areas of responsibility.

Around five years have passed since the Morinaga Milk

“ We are working to enhance our human capital, which we have identified as one of the key forms of capital supporting our efforts to enhance corporate value. We want the Morinaga Milk Group to be an energetic organization made up of highly diverse and energetic human assets ”



Group first launched its 10-year Vision. I sense that people are now more aware of the numbers and are increasingly adopting the philosophy of deciding what needs to be done based on an overview of the path ahead from various perspectives. It is precisely because we are in era of rapid change that we need to work toward the realization of the 10-year vision by focusing on an approach based on the steady implementation of strategies developed through backcasting.

**Emphasis on Non-Financial Indicators
Further Improvement in Corporate Value through
Investment in Intangible Assets**

Over the past few years, non-financial value, which is difficult to assess from financial indicators, has emerged alongside financial value as an increasingly important yardstick for measuring corporate value. The Morinaga Milk Group has long recognized the importance of improving non-financial value in ways that contribute to the enhancement of management capabilities. This is reflected in our initiatives to enhance the value of our human and intellectual capital.

Specifically, we are investing both financial and non-financial capital in the value creation process*4 that we announced last year as part of a value creation narrative based on the integration of both. Within this process, we have identified six types of capital: human capital, natural capital, intellectual capital, manufactured capital, social and relationship capital, and financial capital. We have adopted a policy of working toward the realization of our 10-year Vision by strengthening each of these types of capital. We regard human capital as especially important. To maintain our status as the company of choice for our stakeholders, we need to improve our corporate value by both contributing to the solution of societal issues and improving our profitability, while bringing together the knowledge of every individual to create

unique value. We see human capital as the source of our ability to achieve these things. Our goal is the formation of highly diverse and energetic human asset groups with advanced specialist skills. We will work to achieve this goal through human resource development and organizational development.

As part of this approach, we have included the allocation of funds for investment in intangible assets, such as human resource development and research and development, in Medium-Term Business Plan 2022–24. One of the measures that we are considering for this purpose is the introduction of a system that will encourage employees to develop management perspectives that align with the perspectives of shareholders and capital markets.

*4 See the “Value Creation Process” section on Pages 13-14.

**Future-Focused Progress Vital in
an Era of Unpredictability**

We anticipate continuing change in our business environment, especially in relation to costs, and we may need to take actions that were not initially anticipated during the period covered by Medium-Term Business Plan 2022–24. As the Officer in Charge of Finance, my role is to support the execution of growth investment and other measures with a clear focus on the strategic directions defined in the 10-year Vision. The Corporate Strategic Planning Division will work toward the growth and success of the Morinaga Milk Group and the improvement of corporate value in collaboration with our many trusted partners, while also fostering reciprocal collaboration and integrated efforts across corporate segments. In this time of unpredictability, it is especially important to move forward with long-term perspectives, to invest the necessary resources, and to fulfill our professional responsibilities without losing sight of our future focus and sense of challenge.

Overview of Operating Performance in the Year Ended March 31, 2023

* In the following analysis, the terms "current fiscal year" and "previous fiscal year" refer respectively to the years ended March 31, 2023 and March 31, 2022.
 * The Accounting Standard for Revenue Recognition has been applied since the fiscal year ended March 31, 2022.

Operating Performance

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.

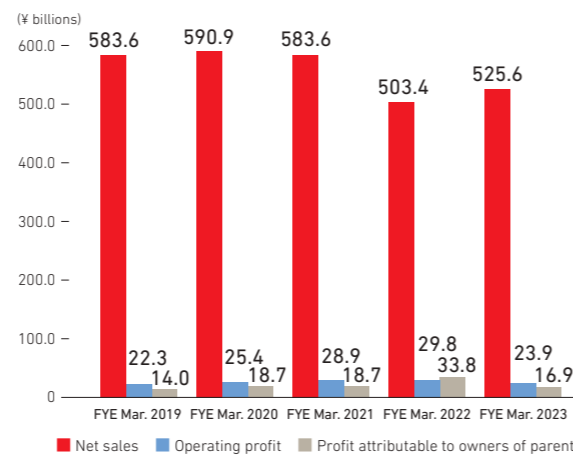
Under the Medium-Term Business Plan 2022-24, which began in the current fiscal year, the Morinaga Milk Group responded to this situation by working to provide health value and tastiness and delightfulness made possible by its unique capabilities. In particular, we further expanded our range of products in the "five domains of wellness." These products, which include yogurt and functional ingredients, were developed to meet increasing demand for health-related products in Japan and overseas. 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, these measures did not fully offset the cost increases, in part because of volume declines following the price changes, as well as changes in consumer purchasing behavior.

As a result, while consolidated net sales were 4.4% higher at ¥525.6 billion, consolidated operating profit declined by 19.6% to ¥23.9 billion. At ¥16.9 billion, profit attributable to owners of the parent was 50.0% below the result for the previous fiscal year.

Business Performance



Net Sales & Operating Profit by Business Segment in FYE Mar. 2023

| | Net sales | | | | Operating profit (operating profit to net sales) | | | |
|---|---------------|---------------------|--------------|--------------------------|--|--------------------|---------------------|--------------------|
| | FYE Mar. 2022 | FYE Mar. 2023 | Year on year | Rate of change vs target | FYE Mar. 2022 | FYE Mar. 2023 | Year-on-year change | Change from target |
| Nutrition and Healthcare Foods Business | 123.1 | 123.7 | +0.5% | -0.3% | 9.1 (7.4%) | 5.6 (4.5%) | -3.5 | +0.7 |
| Core Dairy Foods Business | 181.2 | 170.2 ^{*2} | -6.1% | +2.5% | 10.8 (5.9%) | 5.1 (3.0%) | -5.6 | +0.9 |
| B-to-B Business ^{*1} | 82.1 | 93.2 | +13.4% | +1.5% | 2.6 (3.2%) | 1.5 (1.6%) | -1.2 | +0.1 |
| Global Business ^{*1} | 43.9 | 59.4 | +35.3% | -4.7% | 6.3 (14.3%) | 10.1 (17.1%) | +3.9 | +0.4 |
| Other/Eliminated ^{*1} | 73.1 | 79.2 | +8.4% | +4.3% | 1.0 (1.4%) | 1.6 (2.0%) | +0.6 | -0.2 |
| Total | 503.4 | 525.6 | +4.4% | +1.1% | 29.8 (5.9%) | 23.9 (4.6%) | -5.9 | +1.9 |

*1 Operating profit of B-to-B Business, Global Business, and Other/Eliminated in FYE Mar. 2022 are adjusted to reflect the revised business segments under the Medium-Term Business Plan 2022-24.

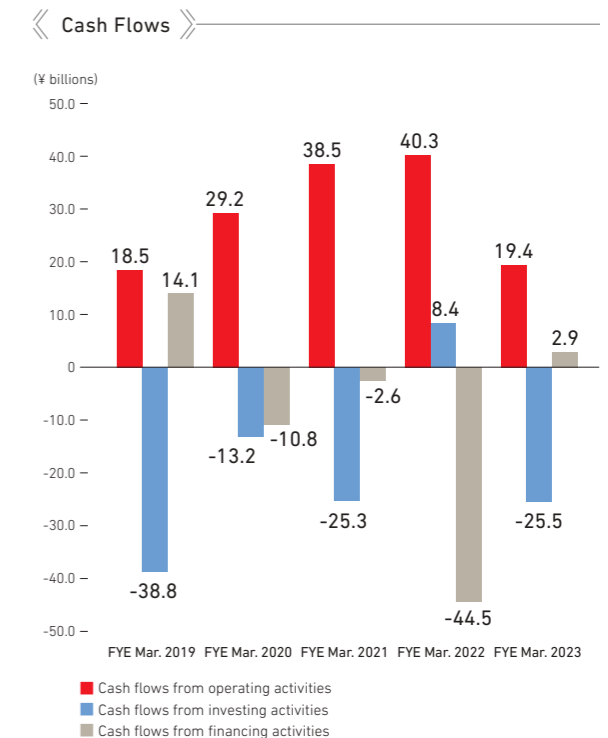
*2 Net sales in the Core Dairy Foods Business in FYE Mar. 2023 include impact of the transfer of shares in Tokyo Dairy (negative impact of approx. ¥7.5 billion for full year on the basis of simple deduction of net sales before intercompany elimination)

Financial Position

| | |
|--------------------|---|
| Assets | Total assets as of March 31, 2023 amounted to ¥485.1 billion, an increase of ¥26.3 billion from the position at the end of the previous fiscal year. Current assets rose by ¥15.1 billion to ¥179.2 billion, mainly because of increases in other current assets and stocks of raw materials and products in storage. Non-current assets increased by ¥11.3 billion to ¥305.9 billion, in part because of increases in intangible fixed assets. |
| Liabilities | Total liabilities amounted to ¥258.0 billion as of March 31, 2023, an increase of ¥7.2 billion. Despite a reduction in income taxes payable, current liabilities were ¥14.1 billion higher at ¥156.6 billion, mainly because of an increase in commercial paper. Non-current liabilities declined by ¥6.9 billion to ¥101.4 billion, in part because of a reduction in long-term borrowings. |
| Net Assets | Total net assets increased by ¥19.1 billion compared with the position at the end of the previous fiscal year to ¥227.1 billion. Contributing factors included increases in the capital surplus and the foreign currency translation adjustment. As a result, the shareholders' equity ratio reached 45.9%, compared with 44.9% at the end of the previous fiscal year, while net assets per share increased from ¥4,554.84 to ¥4,927.30. |

Cash Flows

| | |
|---|---|
| Cash Flows from Operating Activities | Net cash provided by operating activities was ¥20.9 billion lower than in the previous fiscal year at ¥19.4 billion. The main factors were net income before tax of ¥23.7 billion, and income tax payments of ¥17.2 billion. |
| Cash Flows from Investing Activities | Cash flows from investing activities resulted in a net cash outflow of ¥25.5 billion, an expenditure increase of ¥33.8 billion compared with the result for the previous fiscal year. The main factor was expenditure of ¥19.6 billion on asset acquisitions. As a result, the free cash flow, which is the sum of cash flows from operating activities and investing activities, amounted to a net cash outflow of ¥6.1 billion. |
| Cash Flows from Financing Activities | Cash used in financing activities was reduced by ¥47.4 billion compared with the figure for previous fiscal year, resulting in a net cash inflow of ¥2.9 billion. The main reason for this was a ¥10 billion inflow resulting from an increase in commercial paper, which offset expenditure of ¥8.1 billion on the repayment of long-term borrowings. |



Announced on
May 15, 2023

Notice on Acquisition and Cancellation of Treasury Shares

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

Method of acquisition: Market purchase on the Tokyo Stock Exchange

Details of acquisition: ¥10.0 billion (upper limit)/2,300,000 shares (upper limit)/5.08%

Details of cancellation: All treasury shares acquired in this acquisition are to be canceled.

Date of cancellation: November 17, 2023

Analysis of Domestic and Global Business Conditions, Strategic Directions

We are moving toward the realization of the Morinaga Milk Group 10-year Vision through initiatives under Medium-Term Business Plan 2022-24 (fiscal years ending March 31, 2023 through March 31, 2025). Our core policies under the plan 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." To continue to be the company of choice, we aim to resolve societal issues and improve sales growth and profitability.

1 Formulating Strategies Based on Analyses of the Domestic and International Environment

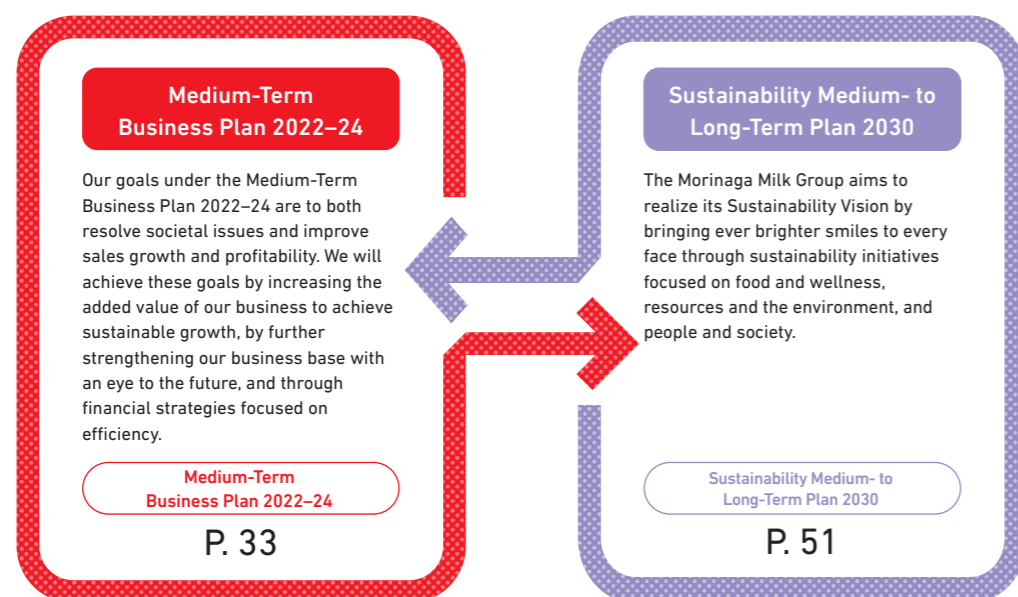
The process of creating Medium-Term Business Plan 2022-24 began with a review of achievements and issues under Medium-Term Business Plan 2019-21. We also carried out analyses of the domestic and international business environments and identified opportunities for and threats to the Morinaga Milk Group, as well as our strengths and weaknesses.

Based on these analyses, we concluded that in order to achieve further growth, the Morinaga Milk Group would need to combine contributions to the solution of social issues with efforts to improve profitability. We therefore adopted a policy of linking Medium-Term Business Plan 2022-24 with Sustainability Medium- to Long-Term Plan 2030.

We identified the following strengths (S), weaknesses (W), opportunities (O), and threats (T).



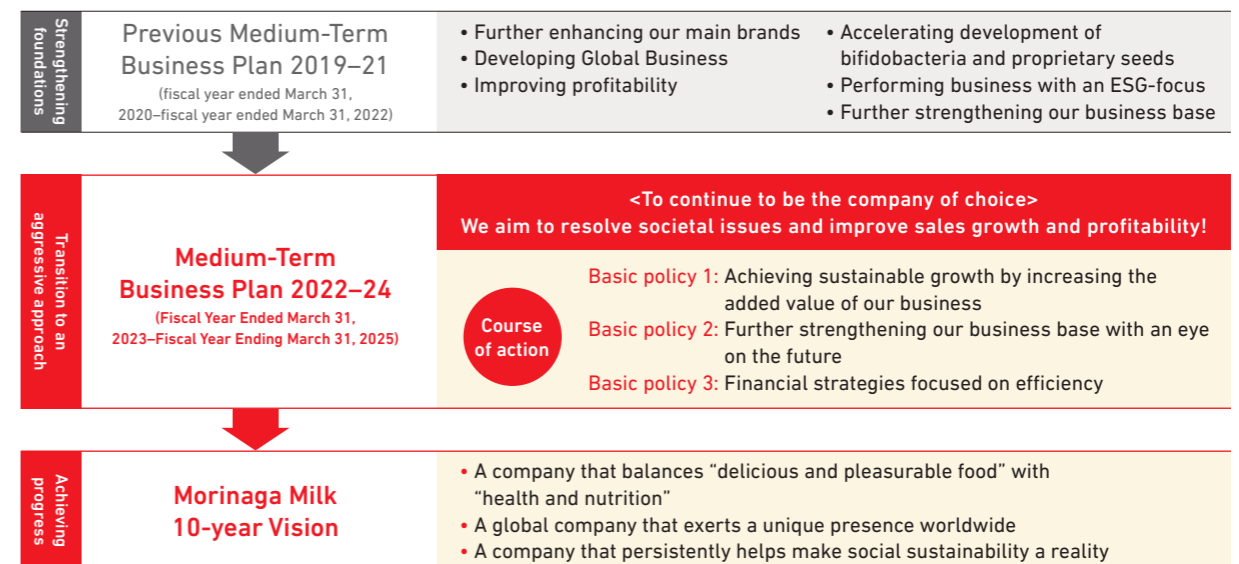
Initiatives based on the linkage of Medium-Term Business Plan 2022-24 and Sustainability Medium- to Long-Term Plan 2030.



2 Overview of the Medium-Term Business Plan 2022-24

The Morinaga Milk Group helps consumers to enjoy health and happiness through its unique role as a provider of "health value" and "tastiness and delightfulness." Our goal now is to achieve further growth and success toward the realization of our 10-year Vision by leveraging the robust base built under the previous Medium-Term Business Plan to strengthen our reputation as a provider of unique value. We aim to combine contribution to resolving societal issues with the improvement of our profitability through initiatives that link our Medium-Term Business Plan with the Sustainability Medium- to Long-Term Plan 2030.

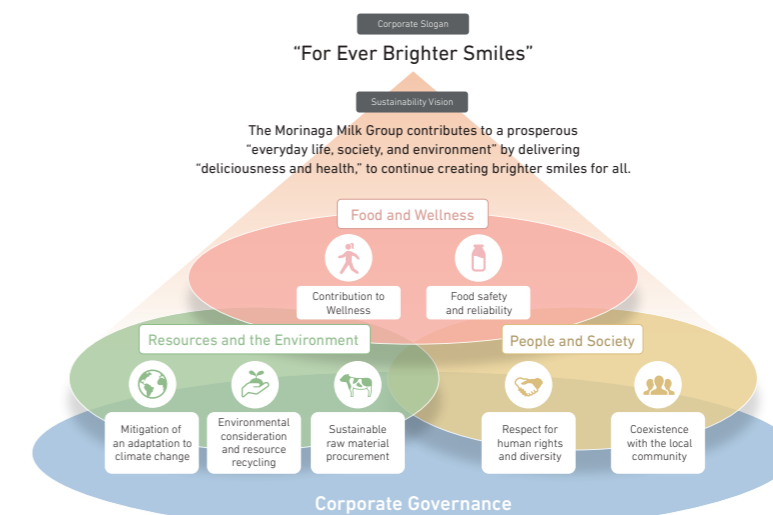
Course of Action for the Medium-Term Business Plan



Numerical targets for March 31, 2029



3 Overview of Sustainability Medium- to Long-Term Plan 2030

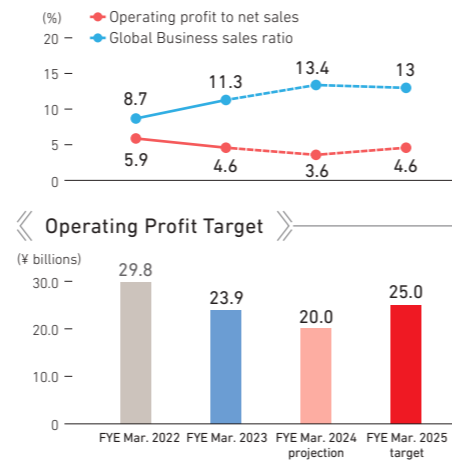


Progress in the Year Ended March 31, 2023

Progress toward numerical targets under Medium-Term Business Plan 2022–24

Our numerical targets under Medium-Term Business Plan 2022–24 are listed below, together with data detailing progress toward those targets.

| | FYE Mar. 2022* | FYE Mar. 2023 | FYE Mar. 2024 projection | FYE Mar. 2025 target | Vs FYE Mar. 2022 |
|---|----------------|---------------|--------------------------|----------------------|------------------|
| Net sales | 503.4 | 525.6 | 550.0 | 540.0 | +36.6 |
| Operating profit | 29.8 | 23.9 | 20.0 | 25.0 | -4.8 |
| Profit attributable to owners of parent | 33.8 | 16.9 | 57.7 | 16.0 | -17.8 |
| Operating profit to net sales | 5.9% | 4.6% | 3.6% | 4.6% | |
| ROE (Profit / equity capital) | 16.7% | 7.9% | 23.1% | 6% | |
| Global Business sales ratio | 8.7% | 11.3% | 13.4% | 13% | |



*FY2021 falls within the period covered by Medium-Term Business Plan 2019–21

Progress on each of our main themes for the fiscal year ended March 2023

We faced challenging business conditions in the year ended March 2023, including rising raw material and energy costs and the rapid weakening of the yen. As the opening year for the medium-term business plan, we saw it as an important period for the Morinaga Milk Group's transition to a new stage. Our priorities were to adapt to rapid change in the current environment while pursuing future-oriented policies, and to strengthen our financial structure and business operations.

| Basic Policy | Main themes | Main Initiative for FYE Mar. 2023 (Some initiatives are from FYE Mar. 2024) |
|--|---|---|
| Basic Policy 1 Achieving sustainable growth by increasing the added value of our business | Focus on the four businesses. In particular, seek substantial growth of the Nutrition and Healthcare Foods Business and the Global Business. Expand the "five domains of wellness." | <ul style="list-style-type: none"> Functional yogurt such as <i>Bifidus Yogurt Improves Bowel Movement</i> expanded. Ice cream expanded. Global Business: Business grew to account for over 40% of the Group's total operating profit. Executed three M&A projects Net sales of products constituting the "five domains of wellness": 1.1 times of the preceding year |
| | Return to progress for functional ingredients / bacteria | <ul style="list-style-type: none"> Bacteria In Japan (B-to-B Business): Net sales exceeded the previous year's level but were short of the target Global Business: Net sales increased by approx. 30%. Completed registration in China of <i>Bifidobacterium longum</i> BB536 as new food ingredients. |
| Basic Policy 2 Further strengthening our business base with an eye on the future | Reinforce resistance to changes in the external environment (cost structure reform) | <ul style="list-style-type: none"> Implemented measures by prioritizing based on feasibility and economic benefits FYE Mar. 2023 economic benefits: approx. ¥500 million. Implemented such measures as review of raw materials and use of unified packaging materials |
| | Strengthen research and development functions | <ul style="list-style-type: none"> Enhanced R&D structures and expenditure with focus on basic research R&D expenditure: approx. 10% increase, personnel: approx. 5% increase |
| Basic Policy 3 Financial strategies focused on efficiency | Growth investments/environment-related investments focused on the 10-year Vision | <ul style="list-style-type: none"> Projects announced at the start of FYE Mar. 2023, including manufacturing building extension at the Kobe Plant: approx. ¥20 billion Three overseas M&A projects: approx. ¥10 billion In addition, considered such other projects as capital investment at MILEI (€38 million), investment in growth areas including Kobe Plant production line (ice cream/yogurt), environment-related investments, and M&As. Meanwhile, construction costs soared. |
| | Strategically execute growth investments and utilize funds with a focus that includes shareholder returns and our financial standing | <ul style="list-style-type: none"> Steadily executed growth investments Payout ratio target of 30% 20.5% in FYE Mar. 2022*1 → 24.1% in FYE Mar. 2023 → 34.5% in FYE Mar. 2024 forecast*2 Actions taken with a mind to the total payout ratio: (1) cancellation of treasury shares (Aug. 2022) 2,000,000 shares/4.01% of the total, (2) Acquisition and cancellation of treasury shares (announced on May 15, 2023) 2,300,000 share (upper limit)/¥10 billion (upper limit)/5.08% of the total*3 |
| | Improve ROE with a focus on capital efficiency | <ul style="list-style-type: none"> Acquisition and cancellation of treasury shares (mentioned above) Investing in people: Considered introduction of schemes such as new retirement benefit trust and employee stock benefit plan (planned for FYE Mar. 2024 and beyond) |

*1 Figure after deducting impact of transfer of the former Kinki Plant and Morinaga Milk Konan Building. The ratio would be 11.6% if impact is not deducted.

*2 Figure after deducting impact of transfer of the former Tokyo Plant site. The ratio would be 7.1% if impact is not deducted.

*3 Ratio to the total number of outstanding shares (excluding treasury shares)

Basic Policy 1 Achieving sustainable growth by increasing the added value of our business

Global Business: Growth to over 40% of total group operating profit—three M&A projects

Main Initiatives

Pakistan

NutriCo Morinaga, a joint venture operating as a distributor, manufacturer, and supplier of infant and toddler milk, became a consolidated subsidiary in January 2023.

Key Points

With the world's fifth largest population*1, Pakistan is a growth market for infant and toddler milk. We will achieve further business development in Pakistan by building on the Morinaga Milk Group's track record and experience spanning over 40 years.

*1 Source: United Nations World Population Statistics, 2022



Vietnam

- In November 2022, Elovi commenced local manufacturing and sales of Morinaga Milk brand products, including yogurt and nutritional supplement drinks.
- We acquired shares in Morinaga Le May, which imports and sells infant and toddler milk, in May 2023 (in the fiscal year ending March 2024).

Key Points

We anticipate sustained business growth in Vietnam, which is expected to maintain a high economic growth rate. We aim to strengthen our business while contributing to health.



United States

In February 2023, Turtle Island Foods (TIF), which manufactures and sells plant-based foods (PBF) in the United States, became a wholly owned subsidiary of our U.S. consolidated subsidiary Morinaga Nutritional Foods.

Key Points

The Morinaga Milk Group has been exporting and selling tofu in the United States for over 40 years. TIF has a high profile and has developed a nationwide sales network in the United States. By adding it to the group as a subsidiary, we aim to generate synergy benefits and further expand our PBF business.



Bangladesh

We commenced sales of infant and toddler milk in December 2022.

Key Points

Bangladesh is a high-growth country with a population that reached approximately 165 million*2 in 2021 and a real GDP growth rate averaging over 6%*3. We aim to pursue new initiatives in this expanding market.

*2 Source: Population and Housing Census 2022

*3 Source: IMF, World Economic Outlook Databases (October 2022), average growth rates for 2010-2021

Realizing the 10-year Vision through the Development and Expansion of Our Global Business

Takahiro Yanagida

Director
Executive Managing Officer
General Manager of International Division



Japan is being impacted by a falling birthrate, demographic aging, and population decline. We see the expansion of our global business as an extremely important priority in this environment. Internal discussions about strategic directions for the Morinaga Milk Group and our business portfolio as we work toward this goal led to the conclusion that the MILEI business, the infant and toddler milk business, the bacteria business, the North America business, and the Vietnam business would play essential roles in the achievement of a Global Business sales ratio of at least 15%, which is one of the goals in the 10-year Vision, based on the effective utilization of our limited resources. We have identified the development of these businesses as the “Five Global Business Challenges.”

Our goal in the first phase of the Global Business Challenges is to concentrate resources for the five businesses*1 in the countries and regions concerned. Through this process, we will prioritize initiatives to build confidence and reciprocal motivation among the group employees involved. In the second phase, we will expand the scale of

the businesses and build trust with local partners in the host countries. Our goal for the third phase is to increase profit by improving efficiency through the maximization of synergy benefits among the five businesses.

We have already laid the foundations for these efforts. We aim to create synergies through vertical integration centering on the B-to-C business, which is focused on health and nutrition products, such as infant and toddler milk and clinical foods, and the B-to-B business, including bacteria and lactoferrin.

To ensure the success of these businesses, we will need to address geopolitical risks and environmental issues. While these issues cannot be resolved by any individual company, it is important to formulate countermeasures from a medium- to long-term perspective in order to achieve sustainable growth. We see technological innovation as an important solution in this context. For example, it will be necessary to respond to an anticipated global shortage of protein by developing new technologies, such as the development of alternative plant-based proteins or the use of microorganisms to synthesize protein.

Another pressing issue for the Morinaga Milk Group is a global shortage of human resources. This will require urgent action, including the internationalization of our corporate culture. We are currently identifying our requirements in each country and region in terms of abilities, skill sets and seniority levels and carrying out studies in preparation for the creation of mechanisms to support systematic training and development programs. When we create these programs, we will place particular emphasis on future career paths for our employees.

Stakeholders may find it difficult at present to see how we will develop our business portfolio and build efficient businesses while generating synergies with the overseas companies*2 in which we have invested recently. However, we are building expectations of future growth by achieving solid results through the linkage of individual businesses to create a major business area during the Medium-Term Business Plan 2022–24 period. We have already started to think about the next Medium-Term Business Plan, including the linkage with the final phase of the current plan. We are determined to form a business plan that is both achievable and aspirational. The goals in our 10-year Vision are just milestones leading to our next growth stage. While maintaining our role as a Japanese dairy manufacturer we aim to grow into a global manufacturer of health and nutrition foods. As part of that process, we are determined to expand dialogue with our stakeholders and enhance information disclosure. We look forward to your continuing support.

*1 The five businesses: (1) The MILEI business, which manufactures and sells raw materials for infant and toddler milk and other products, (2) the establishment of overseas markets for infant and toddler milk, especially in Asia, (3) export sales of bacteria, (4) the plant-based food business, including the tofu business in the United States, and (5) sales of healthcare foods and the manufacture and sale of milk drinks and yogurt, etc., in Vietnam.

*2 See Page 42 for details of recent investments in overseas companies.

Global Business Expansion by the Morinaga Milk Group

1 MILEI GmbH

MILEI was established in Germany in 1972 by multiple companies, including Morinaga Milk Industries. A wholly owned subsidiary since 2021, it manufactures and sells ingredients for infant and toddler milk, including whey, protein concentrates, lactose, and lactoferrin. It is the mainstay of the Morinaga Milk Group's global business in terms of both net sales and operating profit.

2 NutriCo Morinaga (Private) Limited

Established as a joint venture in Pakistan in 2017, this company imports and sells infant and toddler milk and also manufactures and sells its own products. It became a subsidiary following the acquisition of another 51% of its shares by Morinaga Milk Industry in January 2023.

3 Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd (MNF-AP)

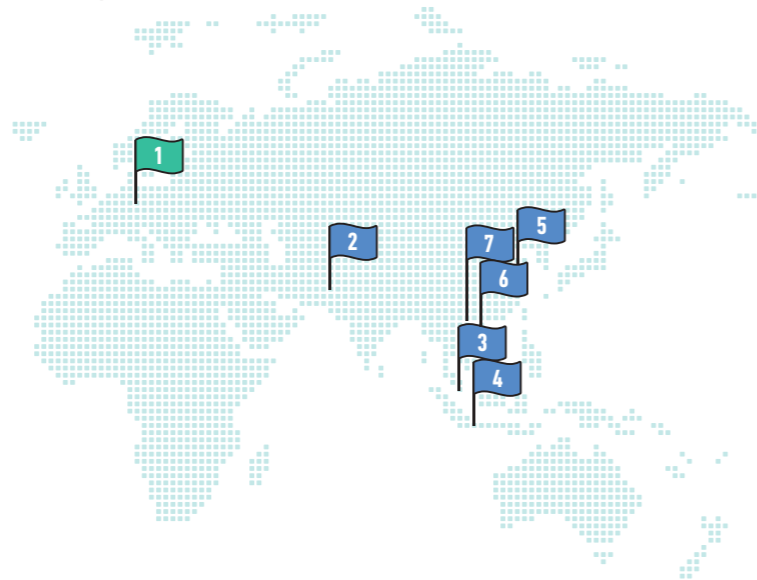
MNF-AP was established in Singapore in 2015. It supplies milk raw materials and powdered bifidobacteria to milk manufacturers and other users in Southeast Asia and the Pacific.

4 PT. Kalbe Morinaga Indonesia

Established in Indonesia in 2005, this company manufactures infant and toddler milk and other products through a joint venture with Kalbe, Indonesia's biggest pharmaceutical manufacturer.

5 Morinaga Milk Industry (Shanghai) Co., Ltd.

Established in Shanghai, China in 2011, this company is a wholly owned subsidiary of Morinaga Milk Industry.

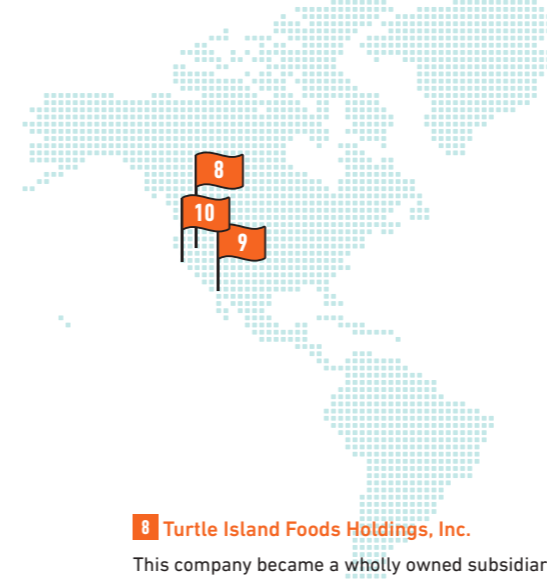


6 Morinaga Le May Vietnam Joint Stock Company

This company became a subsidiary in May 2023. It imports and sells infant and toddler milk as a joint venture with our Vietnamese distributor, Le May.

7 Elovi Vietnam Joint Stock Company

This dairy product manufacturer became a wholly owned subsidiary through an M&A initiative in 2021. Based in the suburbs of Hanoi, it manufactures and sells drinks and yogurt. It began to sell locally manufactured products under the Morinaga Milk brand in November 2022.



8 Turtle Island Foods Holdings, Inc.

This company became a wholly owned subsidiary as a result of an M&A initiative in February 2023. It manufactures and sells plant-based foods, including tofu-based products sold under the “Tofurky” brand, primarily in the United States.

9 Morinaga Nutritional Foods, Inc. (MNF)

MNF was established in Los Angeles in 1985. It supplies TOFU and other plant-based foods with long shelf lives made possible by Morinaga Milk Group technology.

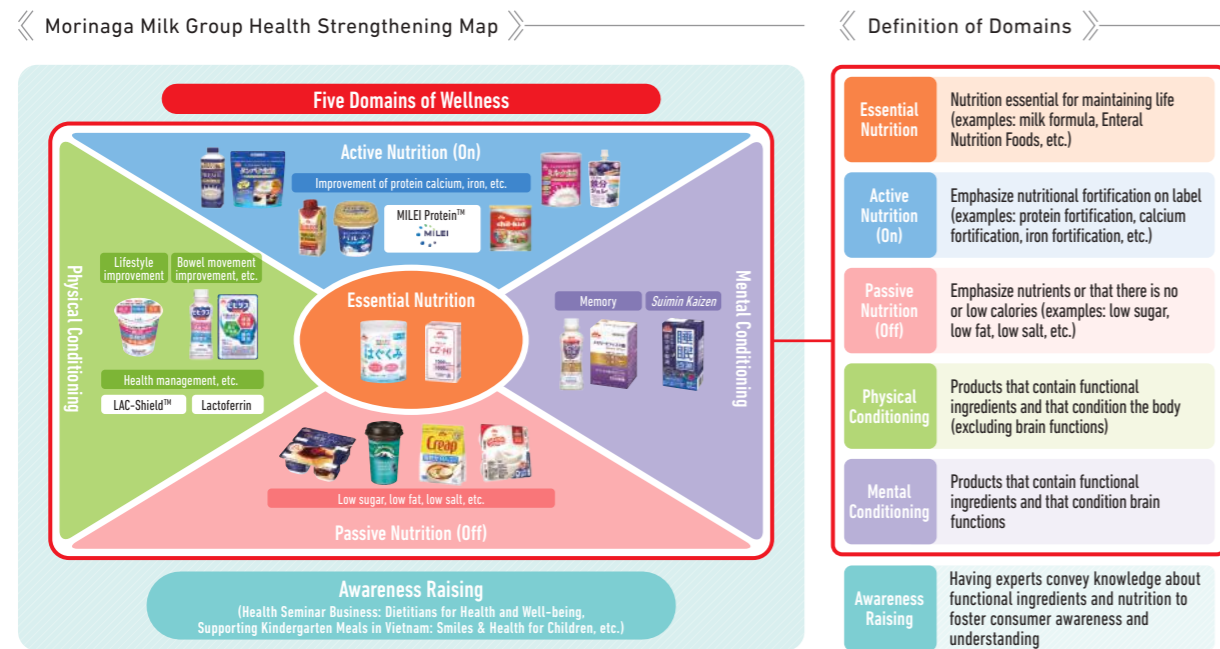
10 Pacific Nutritional Foods, Inc. (PNF)

Established in 1995, PNF is a wholly owned subsidiary of MNF and manufacturer of plant-based foods, mainly tofu.

Progress in the Year Ended March 31, 2023

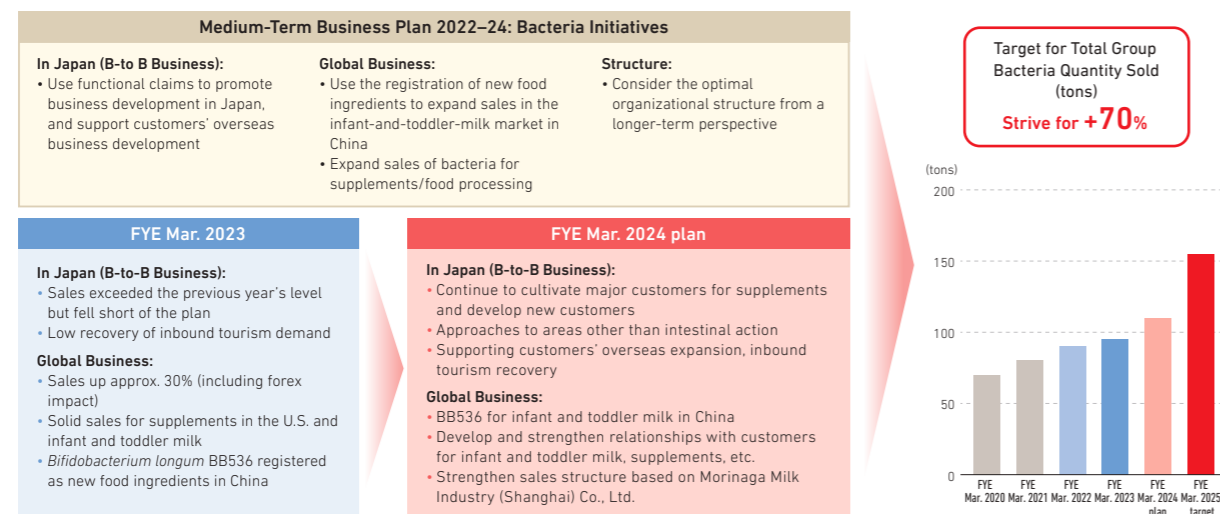
Expansion of the five domains of wellness—sales of related products up 1.1 times year on year

The Morinaga Milk Group is dedicated to the pursuit of health value. We have defined the “five domains of wellness” and created a “Health Strengthening Map.” We have also included a related KPI in Sustainability Medium- to Long-Term Plan 2030. We are working to expand our product ranges in the five domains of wellness under this plan and Medium-Term Business Plan 2022–24. In the year ended March 2023, sales of related products increased by a factor of 1.1 over the previous year’s total. Our target for the year ending March 2025, which will be the final year of the Medium-Term Business Plan, is a year-on-year increase of 1.2 times compared with the year ended March 2022.



Resurgence of growth in the areas of bacteria and functional ingredients—sales expansion led by Global Business, further acceleration toward the target in the Medium-Term Business Plan

There has been a resurgence of growth in the areas of bacteria and functional ingredients. The Morinaga Milk Group aims to establish a strong position in Japanese and overseas markets as a leader in these areas. We achieved further growth in the year ended March 2023, especially in overseas markets, and we prepared for further expansion by steadily strengthening our business structures.



Basic Policy 2 Further strengthening our business base with an eye on the future

We are rebuilding our production structures through active investment, including M&A. We are also investing in plant and equipment with the aim of reducing our environmental footprint.

In addition to our overseas M&A initiatives, we also decided to expand a manufacturing facility at the Kobe Plant. We are steadily planning and executing investments targeted toward future growth, including a decision to invest in energy-saving systems at MILEI.

Major investment projects during the three-year period of the Medium-Term Business Plan (excluding undisclosed projects)

| | Contents | Status | Investment amount | Environment |
|------------------------------------|---|---|---|---|
| Growth investment: ¥60.0 billion | Tone Plant | Bottled drink yogurt | Operating since May 2022 | — |
| | Morinaga-Hokuriku Milk Industry Fukui Plant | Bacteria facility (Phase II) | Completed | — |
| | Kobe Plant | Manufacturing building extension | Scheduled to start operation Apr. 2024 | — |
| | Kobe Plant | Ice cream and yogurt production lines | Under consideration | 10-billion-yen scale |
| | Global Business M&A: Pakistan | NutriCo Morinaga: Manufacture and sales of infant and toddler milk, etc. | Acquired shares in January 2023 | Total of 3 projects: Approx. 20 billion yen |
| | Global Business M&A: U.S. | Turtle Island Foods: Plant-based food business | Acquired shares in Feb. 2023 | — |
| | Global Business M&A: Vietnam | Morinaga Le May: Sales of infant and toddler milk | Acquired shares in May 2023 | Approx. 10 billion yen |
| | Environment: Plastic measures | Measures against plastics | Consider as appropriate | — |
| | Environment: Climate measures | Installation of biogas power generation equipment at Group company farm | Scheduled to start operation in 2023 | Several hundred-million-yen scale |
| | Global Business: MILEI | Energy-saving equipment and product quality improvement | Operation to start in sequence from Jan. 2024, scheduled to complete in Apr. 2025 | 38 million euro |
| Ordinary investment: ¥50.0 billion | Ordinary investment | Update and maintenance | Execute as appropriate | — |
| | Environment: Climate measures, etc. | Expansion of solar power generation facilities, updating of refrigeration equipment, etc. | Execute as appropriate | ○ |
| | | | | |

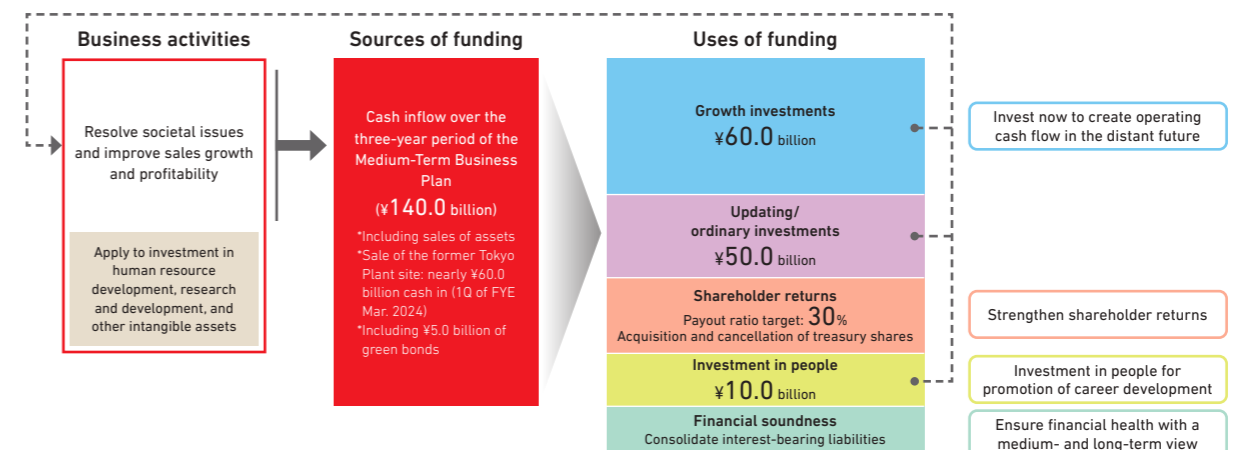
Of which, ¥10.0 billion level in environment-related investments

▶ Focus on other growth areas, including environment-related investments and M&A. On the other hand, construction costs are rising.

Basic Policy 3 Financial strategies focused on efficiency

Strategic execution of growth investment combined with a focus on cash allocations for shareholder returns and the maintenance of our financial base

We anticipate inward cash flows of ¥140 billion under the current Medium-Term Business Plan. Our cash allocation plans are as outlined below. Actions focused on shareholder returns include the announcement in May 2023 of a plan to acquire and cancel treasury stock up to a ceiling of ¥10 billion.



Trends by Business Sector

Nutrition and Healthcare Foods Business

What is the Nutrition and Healthcare Foods Business?

The Nutrition and Healthcare Foods Business is the key to our ability to provide health value and will be a major driving force for the growth of our health brand as a source of future success. We are using a variety of channels, including home delivery and online sales, to market products that address health issues affecting all generations, including yogurt products, such as *Bifidus Yogurt* and *Greek Yogurt PARTHENO*, and powdered milk products, such as *Hagukumi* and *Nutritional milk powder (Milk Life)*, as well as liquid foods and supplements.



Perception of the Business Environment, Risk Analysis

- The milk formula market is expected to shrink in step with the accelerating decline in Japan's birthrate. Safety, reliability, and the development and introduction of high-quality products will remain our first priorities as we formulate and implement business strategies that reflect not only the number of children born, but also changes in household expenditure per child.
- Our priority in relation to demographic aging is to help people to enjoy healthy longevity and improve their quality of life (QOL). We will expand the range of elderly care foods and liquid foods supplied by our subsidiary, CLINICO, as well as the *Nutritional milk powder (Milk Life)* series developed to support new healthy lifestyles for adults. At the same time, we will continue to contribute to the solution of societal issues through educational activities and the dissemination of knowledge about health and nutrition.
- The use of e-commerce sites has expanded in recent years. We anticipate significant growth in sales via this channel, including our own remote shopping business.

Opportunities

- Expanding demand for products and services that contribute to healthy longevity
- Diversification of sales channels, including the expansion of the drugstore business and the growth of e-commerce
- Diversification of needs with the shift from hospital care to home care for the elderly
- Heightened awareness of the need to manage health factors, such as immunity and stress, as a result of the COVID-19 pandemic

Strengths

- Milk formula manufacturing and research experience spanning more than a century
- An organizational culture that supports the development of new products with the potential to create new markets
- An extensive range of liquid foods and elderly care foods for use in hospitals, care facilities, and homes
- Original knowledge about functional ingredients

Strategic Directions

- Use of bacteria and functional ingredients to develop products that offer new health value
- Further expand of our range of functional yogurt products
- Increase promotion of the Morinaga Milk Group as a supplier of products that offer value for people at all stages of life, including expectant mothers, new-born infants, and the elderly
- Expand promotional activities focusing on the safety and reliability of our products, including their selection for use in medical facilities
- Expand e-commerce sites and enhance online communication through social media and other channels

Targets for the Year Ending March 2024

Net sales
¥127.0 billion
(2.7% year-on-year increase)

Operating profit
¥4.8 billion
(¥0.8 billion year-on-year decline)

Overview of the Year Ended March 2023

We implemented price adjustments to offset the impact of significant increases in raw material and energy costs. CLINICO achieved sales growth thanks to steady trends in demand for *Bifidus Yogurt Improves Bowel Movement* and liquid foods. Despite price adjustments, product mix improvements, and cost reduction initiatives, profit was lower because of higher raw material and energy costs.

Net sales by product category (non-consolidated, consolidated subsidiaries)

| | FYE Mar. 2023 | Increase (decrease) | FYE Mar. 2024 forecast | Increase (decrease) |
|---------------------------------------|---------------|---------------------|------------------------|---------------------|
| Yogurt | 53.2 | ±0% | 53.9 | +1% |
| Commercial milk (home delivery, etc.) | 19.0 | -1% | 18.7 | -1% |
| Nutritional foods | 12.6 | -2% | 12.7 | +1% |
| CLINICO | 25.3 | +3% | 26.3 | +4% |

Net Sales
¥123.7 billion
(0.5% year-on-year increase)

Operating profit
¥5.6 billion
(¥3.5 billion year-on-year decline)

Core Dairy Foods Business

What is the Core Dairy Foods Business?

The mission of the Core Dairy Foods Business is to establish upward trajectories for long-selling brands that drive our business growth by exploring the potential for enhanced "tastiness and delightfulness" value. We have been building a diverse range of popular products to meet changing consumer needs, including beverages, such as *Mt. RAINIER CAFFÈ LATTE*, and *Pino*, *PARM*, and *MOW* ice cream, as well as cheese, milk, and desserts.



Perception of the Business Environment, Risk Analysis

- Our main channels in this segment are supermarkets and convenience stores. Our priorities are to enhance our alignment with consumer perspectives, and to respond quickly to changing preferences and needs.
- Competition is intensifying in the market for products that contribute to health and nutrition. While achieving differentiation by pursuing nutritional functionality, we also need to step up our efforts to provide consumers with delicious and delightful experiences as the environment changes with the easing of COVID-related restrictions on activities.
- Japan's population is expected to decline in the future, and we also anticipate increased competition from imported products. Our priorities in this environment are to expand our market shares and improve profitability. We will expand our profit base by using Japanese dairy resources to manufacture products with high added value, by strengthening our flagship brands, and by using original ingredients to create new demand.

Opportunities

- Expanding health and nutrition needs
- Shift to at-home eating and accelerated growth of e-commerce during the COVID-19 pandemic
- Growing demand for food products suitable for long-term storage for use as disaster supplies, and to prevent food losses
- Rising consumer awareness of sustainability, expansion of consumer needs

Strengths

- Market-leading brands
- Products for a wide range of age groups
- Knowledge accumulated through over 50 years of bifidobacteria research
- Technology and quality management expertise for the production and supply of both chilled and long-life products

Strategic Directions

- Expand the profit base by maximizing profits from flagship brands
- Create price value that will be recognized by consumers
- Evolve and deepen the convergence of "health and nutrition value" with "tastiness and delightfulness"
- Respond to rising consumer awareness of sustainability by using the Morinaga Milk Group's technology to overcome environmental problems

Targets for the Year Ending March 2024

Net sales
¥173.6 billion
(2.0% year-on-year increase)

Operating profit
¥4.7 billion
(¥0.4 billion year-on-year decline)

Overview of the Year Ended March 2023

Rising raw material and energy costs had a major impact on our operations. We addressed this issue by adjusting the prices of our products, and by working to expand sales of high-added-value products, such as *Mt. RAINIER CAFFÈ LATTE*. However, both sales and profit were lower, especially in the first half of the fiscal year. This resulted in part from a volume decline following the price adjustments, and changes in consumer behavior in Japan.

Net sales by product category (non-consolidated)

| | FYE Mar. 2023 | Increase (decrease) | FYE Mar. 2024 forecast | Increase (decrease) |
|-----------|---------------|---------------------|------------------------|---------------------|
| Beverages | 50.3 | -8% | 51.9 | +3% |
| Ice cream | 42.0 | +6% | 43.8 | +4% |
| Cheese | 25.1 | -4% | 26.3 | +5% |
| Milk | 43.4 | -3% | 43.6 | ±0% |
| Desserts | 7.3 | -8% | 7.0 | -5% |

Net sales
¥170.2 billion
(6.1% year-on-year decline)

Operating profit
¥5.1 billion
(¥5.6 billion year-on-year decline)

Trends by Business Sector

B-to-B Business

What is the B-to-B Business?

The role of this business segment is to identify and anticipate the increasingly diverse problems experienced by consumers, and to work with a wide range of consumers to co-create solutions to those problems. We are developing a diverse range of products, including dairy products, such as cream and frozen whipped cream, bacteria and functional ingredients, such as bifidobacteria and lactoferrin, and PURESTER. We also offer an expanding range of services, including recipe development.



Perception of the Business Environment, Risk Analysis

- Across society as a whole, COVID-19 has brought structural changes in the ways that people consume food. Our business has been impacted by a slowdown in economic activity due to regulatory and self-imposed restrictions on tourism and other activities. These factors have caused a decline in demand for commercial dairy products for use in the restaurant and souvenir industries. Demand from inbound tourists also shrank. However, we expect demand to recover going forward, and we will intensify our efforts to generate new demand by rapidly concentrating our resources toward channels and products that require prioritization in this changing environment.
- The B-to-B Business is responsible for outside sales of bacteria and functional ingredients, such as bifidobacteria, LAC-Shield, lactoferrin, and peptides. These products were already attracting strong interest before the COVID-19 pandemic as ingredients that support health and nutrition, and further market expansion can be expected. We will continue our efforts to respond to growing demand for health and nutrition products.

Opportunities

- Growing interest in bacteria and functional ingredients with health and nutritional benefits
- A projected recovery in the restaurant industry, demand for souvenirs, and demand generated by inbound tourism
- A range of products that meet the operational simplification needs of our customers
- The potential to expand new sales channels for the B-to-B Business, including a shift to e-commerce

Strengths

- External sales of bacteria and functional ingredients with growth potential, including bifidobacteria, LAC-Shield™, lactoferrin, and peptides
- Human resources with expert knowledge of bacteria, functional ingredients, and commercial dairy products
- Our ability to develop products and offer solutions in response to changes in the market environment
- Contribution to the efficient utilization of domestically produced milk resources

Strategic Directions

- Improve the product mix by expanding sales of bacteria and functional ingredients
- Respond quickly to environmental changes as the COVID-19 pandemic comes to an end
- Strengthen solutions and approaches that lead to increased commercial use of our products
- Enhance training for personnel who can use their knowledge of bacteria and functional ingredients and commercial dairy products to achieve superior results

Targets for the Year Ending March 2024

| | |
|--|---|
| Net sales ¥96.5 billion (3.6% year-on-year increase) | Operating profit ¥1.3 billion (¥0.2 billion year-on-year decline) |
|--|---|

Overview of the Year Ended March 2023

In the area of commercial dairy products, price adjustments and other efforts to adapt to environmental change caused by the COVID-19 pandemic resulted in higher sales. Increased health-related needs were also reflected in a consistently strong interest in bacteria and other functional ingredients. Despite the growth of sales, profit was lower year on year due to impact of rising raw material and energy costs.

| | |
|---|---|
| Net sales ¥93.2 billion (13.4% year-on-year increase) | Operating profit ¥1.5 billion (¥1.2 billion year-on-year decline) |
|---|---|

Global Business

What is the Global Business?

The mission of the Global Business segment is to drive growth by responding to expanding health needs on a global scale. Our Global Business operations include MILEI, which manufactures and sells dairy product ingredients in Germany, our infant and toddler milk business in Asia, the bacteria business in overseas markets, the plant-based foods business in North America, and our B-to-C business in Vietnam, especially Elovi.



Perception of the Business Environment, Risk Analysis

- Uncertainty continues to affect the business environment because of supply chain disruptions and a global inflationary trend linked to the situation in Ukraine and other factors. We are concerned about the impact of increasing economic instability in Pakistan on the infant and toddler milk business. However, we anticipate high economic growth over the medium- to long-term future in the Asian countries and other markets where we are developing business operations.
- Growing demand for health and nutrition products can be expected to increase business opportunities relating to bacteria and functional ingredients on a global scale. Consumption of plant-based foods can also be expected to expand for sustainability-related reasons.
- We expect demand for dairy ingredients to increase faster than supply over the medium- to long-term future, in part because of expanding global demand. This situation is likely to drive a rising trend in prices for dairy ingredients in key countries and regions.

Opportunities

- Expanding health and nutrition needs
- Global population growth over the medium- to long-term future
- Global expansion of e-commerce
- Rising interest in plant-based foods

Strengths

- Global expansion of our bacteria and functional ingredients business in response to strong interest in these products
- Our reputation for quality and reliability
- A robust business base for the dairy product ingredient manufacturing business in Europe, which is the home of dairy farming
- Manufacturing expertise for tofu as a plant-based food

Strategic Directions

- Globally roll out and expand our range of bacteria and functional ingredients
- Develop a robust business base for MILEI, including further increases in the added value of products
- Build a presence in infant nutritional food product categories in Asia through the expansion of exports of milk formula
- Maximize synergies and expand business operations in Vietnam through the addition of Elovi to the consolidated group
- Respond to consumer needs and heightened consumer awareness of sustainability

Targets for the Year Ending March 2024

| | |
|---|---|
| Net sales ¥73.5 billion (23.8% year-on-year increase) | Operating profit ¥8.0 billion (¥2.1 billion year-on-year decline) |
|---|---|

Overview of the Year Ended March 2023

In addition to firm trends in exports of infant and toddler milk and bacteria, MILEI made progress with price increases to reflect higher raw material costs. A weaker yen also helped to boost sales across the entire business segment. Despite the effects of rising raw material and energy costs and investment in M&A, profit increased thanks to a higher sales result for MILEI, increased sales of infant and toddler milk, bacteria, and other products, and the weakening of the yen.

| | |
|---|---|
| Net sales ¥59.4 billion (35.3% year-on-year increase) | Operating profit ¥10.1 billion (¥3.9 billion year-on-year increase) |
|---|---|

Net Sales of Main Consolidated Subsidiaries

| | FYE Mar. 2023 | Increase (decrease) |
|---|---------------|---------------------|
| MILEI GmbH (billions of yen) | 41.5 | +39% |
| MILEI GmbH (millions of euros) | 295 | +29% |
| Morinaga Nutritional Food, Inc. (billions of yen) | 3.5 | +19% |
| Morinaga Nutritional Food, Inc. (millions of USD) | 26 | +4% |
| Elovi Vietnam Joint Stock Company (billions of yen) | 4.8 | +38% |
| Elovi Vietnam Joint Stock Company (billions of VND) | 858.4 | +25% |

Overview of Sustainability Medium- to Long-Term Plan 2030

We are working to achieve our goals for the period covered by the Morinaga Milk Group 10-year Vision and beyond through initiatives under Medium-Term Business Plan 2022–24 and Sustainability Medium- to Long-Term Plan 2030. We will pursue interlocking initiatives based on these plans with the aim of contributing to the solution of social issues while also enhancing our profitability and maintaining our position as a preferred manufacturer in an era of rapid change.

Overview of Sustainability Medium- to Long-Term Plan 2030

Our goal under Medium-Term Business Plan 2022–24 is to achieve future growth and success by realizing the Morinaga Milk Group 10-year Vision through the promotion of the Group as a provider of “health value” and “tastiness and delightfulness.” In order to deliver both “health value” and “tastiness and delightfulness,” which we value above everything else, in an effort to create ever brighter smiles through “Food and Wellness,” it is crucial that both the “Resources and the Environment” and “People and Society” that support us in this mission are maintained in an optimal state. The three themes identified in Sustainability Medium- to Long-Term Plan 2030 are “Food and Wellness,” “Resources and the Environment,” and “People and Society.” All three are closely linked to the Morinaga Milk Group’s seven material issues. By pursuing sustainability initiatives focused on these material issues, the Morinaga Milk Group aims to realize its sustainability vision by creating brighter smiles everywhere through activities centered on food and wellness, resources and the environment, and people and society.

Sustainability Vision

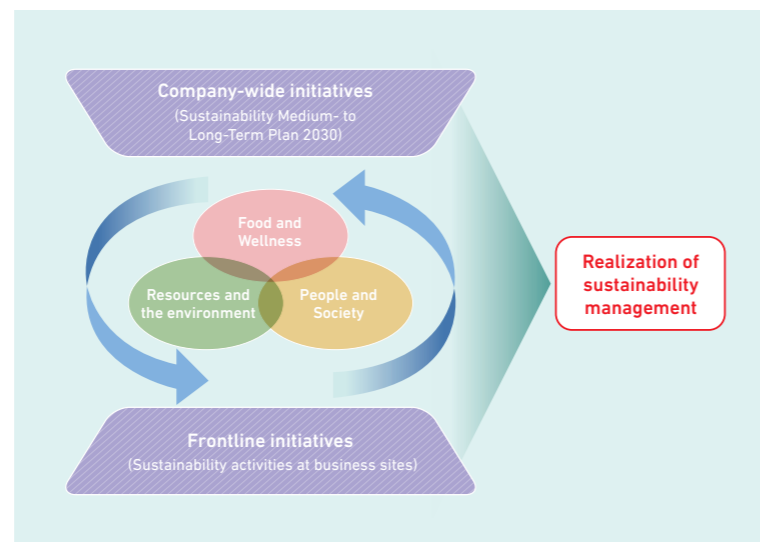
The Morinaga Milk Industry Group will contribute to a prosperous “every day, society, and environment” by delivering “deliciousness and health,” and continue to bring brighter smiles for all.

Sustainability Management Structure

POINT 1 Acceleration of Company-wide and Frontline Initiatives

The Morinaga Milk Group aims to contribute to the solution of social issues through business by pursuing company-wide and frontline initiatives. These initiatives are guided by our belief that sustainability management is only possible when individual employees take ownership of sustainability.

We are approaching sustainability activities on two levels. At the company-wide level, we are addressing priority issues from a long-term perspective through initiatives based on shared group-level targets defined in Sustainability Medium- to Long-Term Plan 2030. At the frontline level, individual employees take ownership of sustainability through local sustainability activities in frontline workplaces at our business sites throughout Japan.

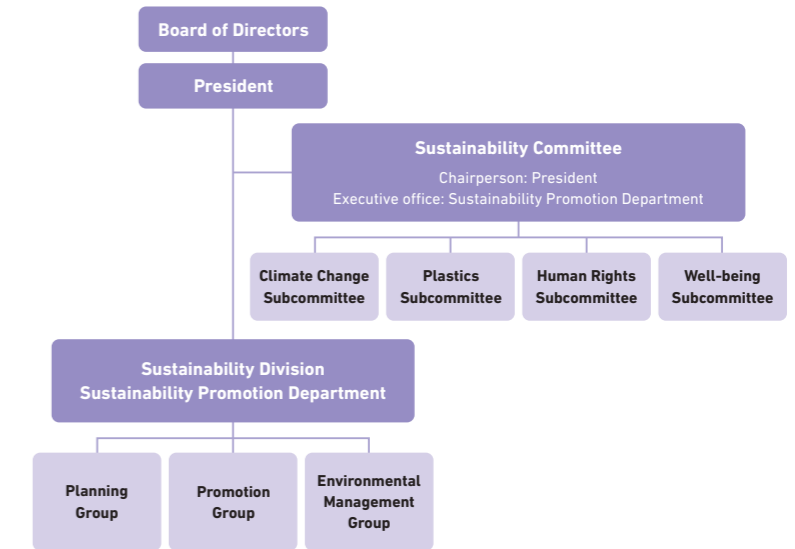


Visit the following websites for detailed information about the sustainability of Morinaga Milk.
 Morinaga Milk website: Sustainability of Morinaga Milk
<https://www.morinagamilk.co.jp/english/sustainability/>

POINT 2 Promotion System under Direct Control of the President

The Morinaga Milk Group is implementing sustainability management under the leadership of the Sustainability Committee, which is chaired by the President. The Sustainability Committee was established as a special committee organization to support the role of directors. It deliberates on actions and progress relating to our seven material issues and reports the content of those deliberations to the Board of Directors.

We have also established subcommittees made up of staff from related units to look at key sustainability issues, such as climate change, plastics, and human rights. In March 2023, we established the Well-being Subcommittee to consider matters relating to the well-being of Morinaga Milk Group employees and consumers.



POINT 3 Taking Ownership of Sustainability

The Morinaga Milk Group implements sustainability activities at business sites with the aim of encouraging individual employees to take ownership of sustainability. These activities focus on harmonious coexistence with local communities and communication with and contribution to stakeholders. In 2021, we appointed Sustainability Promotion Leaders at 80 group worksites in Japan. These people work under the leadership of site managers, who are responsible for sustainability initiatives. They play a central role in choosing themes and implementing activities.

Twice each year, Sustainability Promotion Leaders from throughout Japan attend Sustainability Forums. These provide opportunities for reciprocal learning about the promotion of sustainability activities, including the sharing of knowledge.



Participants at a Sustainability Forum

Examples of Initiatives to Build a Sense of Ownership








Learning opportunities

We provide video content and e-learning programs for employees throughout the Morinaga Milk Group. In FY2022, 96.4% of employees took e-learning courses. Business sites nationwide also run participatory workshops and seminars as opportunities for employees to improve their understanding about Sustainability Medium- to Long-Term Plan 2030. In FY2022, seminars were held at 58 of our 80 domestic business sites and two overseas sites.

Sustainability Awards

Sustainability Awards are presented as part of our annual in-house recognition system, the Morinaga Milk Awards. These awards are given for initiatives carried out independently at business sites, such as community contribution and environmental conservation activities. They are shared with all worksites and receive company-wide recognition as positive examples of sustainability activities.

Materiality Targets and Progress

| Priority Issues | | Monitoring Index | Results for FY2022 | FY2024 Intermediate Target | FY2030 Target |
|---|--|---|--|--|---|
| Theme 01 Food and Wellness |  Contribution to Wellness | Net sales of products with consideration for health issues (compared to FY2021)*1 | 1.1-fold | 1.2-fold | 1.7-fold |
| | | Increase in the number of published research papers on health and nutrition (including patent applications) | <ul style="list-style-type: none"> Number of published research papers: 47 Increased R&D Division personnel to enhance the R&D function. Promoted R&D related to health and nutrition | | |
| | | Participants in health promotion and nutrition education activities (FY2021 to FY2030) | FY2022: Approximately 106,000 Cumulative total: 165,000 | Total 350,000 | Total 1,000,000 |
| | | Increase our image as a company that contributes to health (Corporate brand image survey*2) | 17.9% | — | 25% |
| |  Food safety and reliability | Acquisition of FSSC22000 and other GFSI certification standards at all group manufacturing sites | 93% *Acquisition rate at the domestic manufacturing sites: 100% | Maintenance/strengthening of certification at all domestic manufacturing sites | Acquisition/maintenance of certification at all Group manufacturing sites |
| | | Enhancement of traceability mechanisms that ensure safety and reliability which customers expect | <ul style="list-style-type: none"> Promoted systematization of traceability | | |
| | | Continuation of zero quality-related incidents and initiatives to ensure compliance with laws and regulations | <ul style="list-style-type: none"> Implemented supplier audits Implemented quality audits when new suppliers were adopted | | |
| | | | | | |
| Theme 02 Resources and the environment |  Mitigation of and adaptation to climate change | Scope 1 + 2 CO ₂ emissions reduction rate (compared to FY2013) | 23.0% | 23% or higher | 38% or higher |
| | | Scope 3 GHG emissions reduction rate (compared to FY2020) | 10.0% | 3% or higher | 10% or higher |
| | | Percentage of sites formulating BCPs to address climate change | Scheduled to be disclosed in FY2023 | — | 100% |
| |  Environmental consideration and resource recycling | ISO14001 certification maintenance rate at domestic manufacturing sites | 96% certification ratio at domestic production sites | Completion of certification acquisition at domestic manufacturing sites | 100% |
| | | Petroleum-derived virgin plastic usage reduction rate (compared to FY2013) | 22.9% | 10% or higher | 25% or higher |
| | | Industrial waste recycling rate; Achievement of zero emissions | 99.3% | 99% | Achievement of zero emissions |
| | | Water resource usage reduction rate (compared to FY2013) | 14.1% | 11% or higher | 15% or higher |
| | | Maintain and improve water quality of wastewater | <ul style="list-style-type: none"> Conducted periodical inspections of wastewater treatment facilities at manufacturing sites to maintain appropriate wastewater treatment, and increased the capacity of facilities to address production increase | | |
| | | Rate of accommodation of environmentally friendly design in major brands | Scheduled to be disclosed in FY2023 | — | 100% |
| |  Sustainable raw material procurement | Rate of transition to RSPO mass balance certification | 22.8% | 80% (by FY2023) | 100% (by FY2028) |
| | | Usage ratio of FSC-certified or other environmentally friendly paper | 30.4% | 100% | — |
| | | Expansion of support for raw material suppliers | <ul style="list-style-type: none"> Introduced "MO-Lagoon for Dairy," a manure processing system for dairy at the Nasu Gakuroku Dairy Farm | | |
| Theme 03 People and Society |  Respect for human rights and diversity | Compliance with our Human Rights Policy throughout the supply chain | <ul style="list-style-type: none"> Implemented the human rights risk assessment and impact assessment in the process of human rights due diligence Became a member of Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) to build a grievance mechanism | Human rights due diligence execution and measures; construction of continuity system | Continuous compliance |
| | | Ratio of Female Managers | 5.8% | 6% or higher | 10% or higher |
| | | Childcare leave usage ratio (men) | 90.5% | — | 100% |
| | | Turnover for elderly care | 1 | 0 people | — |
| | | Number of major work-related accidents | 0 | 0 (continued) | 0 (continued) |
| | Amount of investment in human resource development | ¥31,000/person/year | — | ¥40,000/person/year | |
| |  Coexistence with local communities | Total number of participants in community activities at business sites (FY2021-FY2030) | FY2022: 5,927 Cumulative total: 9,559 | 37,000 | 100,000 |
| | | Ratio of Group business sites carrying out community activities | 100% (in Japan) | 100% in Japan | 100% in Group |

*1 Sales of products included in each area of the Health Improvement Roadmap (Page 45)
 *2 Morinaga Milk Industry's own consumer survey. "Health contribution image" is 15% in FY2021.

Theme **01** | Food and Wellness

Our Vision

By delivering high-quality value unique to Morinaga Milk Group, we contribute to the health of 300 million people.*

- We contribute to healthy and enjoyable lifestyles for customers through our business, including the development and sales of products that create “deliciousness and health,” promotion of services that improve lifestyles, provision of learning opportunities to support the growth of the next generation, and development of global business based on our unique seeds.
- We pledge to deliver safe products through a safe manufacturing system and through efforts to maintain and improve quality.

*Calculated as planned number, which include total planned number of sales of products with consideration for health from FY2021 to FY2030, and expected number of participants in our health promotion and nutrition education activities as number reached (persons).

Priority Issues



Contribution to Wellness

Through products and services that make use of advanced milk technology, our raw milk base in Japan, and ingredients unique to Morinaga Milk Group, we will contribute to “healthy growth” and “extending healthy longevity.”



Food Safety and Reliability

By guaranteeing the safety of the foods we provide to consumers and business partners and by ensuring the transparency and traceability of foods, we continue to supply products that people can enjoy with peace of mind.



Angel 110 Hotline Activities

Beginning with a wish to aid people raising children, we established the Angel 110 Hotline in May 1975 as a free childcare telephone consultation service. We have continued this project for almost half a century while adapting to the childrearing environment as it changes with the times. The total number of consultations reached one million in August 2022, and an online event was held in September for guardians with infants to commemorate this milestone.



A scene from the online event



Safety and Reliability Initiatives

We take our responsibilities as a food manufacturer very seriously, and we are continually working to ensure food safety. We have strengthened our corporate governance structure through the establishment of a company-wide basic policy on quality assurance. We have also created the Quality Assurance Committee to deliberate and make decisions on key policies. Chaired by the President, the Committee convenes twice each year to make strategic decisions on important quality issues, discuss quality policies and standards, and review operations. The content of deliberations by the Quality Assurance Committee is reported to the Board of Directors. Our basic policy on quality also forms the basis for quality rules for our supply chains. Systematic quality management under these quality rules ensures the safety and quality of all products handled.

In 2013, we began to obtain company-wide certification under FSSC22000, which is the international standard for food safety management systems. To date, we have achieved FSSC22000 or GFSI certification at 27 food production sites in Japan and overseas.



Expanding Our Product Lineup in the Five Domains of Wellness

We have defined the “five domains of wellness” and formulated the Morinaga Milk Group Health Strengthening Map (Page 45) as a framework for our efforts to contribute to help grow healthy and extend the healthy expectancy of people through the products and services that we provide. In FY2022, sales relating to the five domains of wellness, especially “Active Nutrition (On)” and “Physical Conditioning,” expanded to 1.1 times the previous year’s level, thanks to increased efforts to develop and introduce products that match consumer needs.

Notable Products Launched in the Five Domains of Wellness in FY2022

Essential Nutrition

- *Morinaga Hagukumi Liquid Infant Formula*

“Essential nutrition” is defined as nutritional elements that are essential for the maintenance of life. Examples include enteral nutrition foods and infant milk formula. In FY2022, we launched *Morinaga Hagukumi Liquid Infant Formula*, a premixed version of our popular powdered infant formula.



Active Nutrition (On)

- *Protein Powder (Tanpaku Life)*

Products in the “Active Nutrition (On)” have labels that highlight their nutritional enhancement benefits, such as protein or calcium fortification. In FY2022, we launched *Protein Powder (Tanpaku Life)* as a convenient way to increase protein intake.



Passive Nutrition (Off)

- *Mt. RAINIER CAFFÈ LATTE Non-Sweet*

The labeling of products in this category emphasizes that their nutritional or calorie content is low or zero. Examples include low-sugar, low-fat, and low-calorie products. In FY2022 we launched *Mt. RAINIER CAFFÈ LATTE Non-Sweet*.



Physical Conditioning

- *Bifidus Fat-free Yogurt Improves Bowel Movement*

The “Physical Conditioning” domain consists of products that include functional ingredients and provide physical conditioning benefits other than those relating to brain functions. Examples include products that address lifestyle issues and improve bowel functions. In FY2022 we launched *Bifidus Fat-free Yogurt Improves Bowel Movement*, which has been approved as a food with functional claims relating to the improvement of bowel functions for people prone to constipation.



Mental Conditioning

- *Suimin Kaizen*

This domain encompasses products with functional ingredients that provide brain conditioning benefits, such as memory enhancement. In FY2022 we launched *Suimin Kaizen*, a food with functional claims relating to the improvement of sleep quality.



Theme **02** | Resources and the Environment

Our Vision

We will contribute to a sustainable global environment in order to perpetually develop together with supply chain partners.

- In order to reduce environmental load across the supply chain, we will strive to minimize supply chain greenhouse gas emissions and otherwise resolve environmental and social issues that affect the supply chain, with the aim of carbon neutrality by 2050.
- By minimizing adverse effects on the environment in all processes, from raw material procurement to consumption and disposal, we will develop and manufacture environment-friendly products.

Priority Issues



Mitigation of and Adaptation to Climate Change

We will minimize greenhouse gas emissions that affect climate change from our company and from the supply chain, and will lessen the effects of climate change on our business.



Environmental Consideration and Resource Recycling

We minimize adverse impacts on the environment in all processes, from raw material procurement to consumption and disposal. We also mitigate impacts on the environment through environmental conservation initiatives.



Sustainable Raw Material Procurement

In addition to working to resolve environmental and social issues that affect the supply chain, we will achieve a sustainable supply chain through continuous support for the resolution of suppliers' issues.

Membership of TNFD Forum

In July 2023, the Morinaga Milk Group declared its support for the mission and vision of the Taskforce on Nature-related Financial Disclosures (TNFD) and began to support its activities as a member of the TNFD Forum.

We will analyze the relationships of dependence and influence between business and natural capital and identify risk and opportunities under the TNFD disclosure framework. We will actively disclose information from the four perspectives of governance, strategy, risk and impact management, and metrics and targets, as recommended by the TNFD.



Biodiversity Initiatives

Most of the raw materials used in the products of the Morinaga Milk Group are gifts from nature, including milk and other agricultural products, and useful microorganisms. We are grateful for these bounties of nature, and we see the protection of biodiversity as vital for the continuity of our business.

Under our Biodiversity Policy, we are working to maintain biodiversity through various initiatives across our supply chains, starting at the raw material stage. We aim to achieve harmonious coexistence with a rich natural environment.

Introduction of Internal Carbon Pricing System

We introduced internal carbon pricing (ICP) in FY2023. The system applies to various aspects of our activities, including investment in energy-saving equipment within the Morinaga Milk Group.

In FY2022, we participated in an investment decision modeling program run by the Ministry of the Environment. Our staff also engaged in internal discussions that resulted in the adoption of an internal carbon price of ¥6,800 per ton of CO₂. Going forward, we will use this price to calculate virtual costs as one of the factors to be considered when making decisions about plans for investment in facilities and equipment that will increase or decrease GHG emissions. The introduction of this system will allow us to measure the financial impact while working to reduce GHG emissions.

Reducing Plastic Use and Ensuring Effective Utilization

The Plastics Subcommittee of the Sustainability Committee is leading our efforts to reduce the quantities of oil-based virgin plastics used. As part of this work, we have switched to biomass plastic compound containers and straws for some of our drink products since March 2022. This has reduced the amount of oil-based plastic used by approximately 52 tons per year. Other initiatives to ensure the effective utilization of plastic resources include the recycling of degraded and damaged plastic materials used in logistics operations, and the reduction of the weight of PET bottles used for yogurt drinks.



Products with straws containing 5% biomass plastic

Water Risk Survey

Water is an essential resource for the Morinaga Milk Group because of the nature of our business activities. We are constantly working to conserve water resources and reduce the amount of water used.

In recent years, we have become concerned about water resource risks at our overseas business sites. We see this issue as significant business continuity risk, and in FY2022 we undertook a water risk survey to ascertain the current situation. In addition to results from a survey using Aqueeduct, a global water risk mapping tool released by the World Resources Institute (WRI), we also conducted a questionnaire survey of overseas business sites and carried out assessments based on their business characteristics. The findings showed that some overseas business sites faced significant water risks because of geographical factors. The sites concerned are already implementing or formulating water risk countermeasures and taking appropriate actions to conserve water resources. (Overseas sites affected by high water risks use a total of 1,705 thousand cubic meters of water.)

Using Sustainable Palm Oil

The Morinaga Milk Group joined RSPO* in March 2018 with the aim of using sustainable palm oil, and has been further increasing use of palm oil that has been verified for consideration of biodiversity and the livelihoods of local people. We also joined the Japan Sustainable Palm Oil Network (JaSPON) in 2019 and have since served on its Board of Directors.

We began to purchase palm oil under the book & claim system in 2018. This method was used for 100% of palm oil purchased between FY2019 and FY2021.

In FY2022, we increased the percentage of palm oil covered by mass balance certification. We have achieved supply chain certification for our head office and three plants, based on verification by an independent organization that RSPO requirements are being met.

*RSPO: Roundtable on Sustainable Palm Oil

TCFD-Related Initiatives by the Morinaga Milk Group

Our products are made from nature's rich bounty of agricultural products, such as milk, coffee beans, tea leaves, and aloe. We are grateful for these gifts of nature, and we are continually working to protect the environment through actions to address and mitigate climate change.

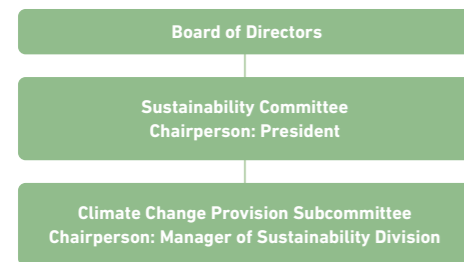
In 2020, as a preliminary step toward the disclosure of data under the TCFD framework, we established the TCFD Working Group under the CSR Committee for the purpose of assessing the impact of climate change on our business activities. A scenario analysis of business risks by the TCFD Working Group showed that climate change risks would have a serious impact on our business activities. In March 2021, we declared our support for the TCFD. Following deliberations by the Sustainability Committee (formerly the CSR Committee, renamed in June 2021), the TCFD Working Group was upgraded to the Climate Change Provision Subcommittee in October 2021.

 Detailed information about TCFD-related initiatives by the Morinaga Milk Group can be found on the following website.
 Morinaga Milk website>Sustainability/Resources and the Environment
https://www.morinagamilk.co.jp/english/sustainability/resources_and_the_environment/tcfd/

Governance

| Initiatives | Initiatives in FY2022 |
|--|--|
| <ul style="list-style-type: none"> Decisions on group-wide actions on climate change are based on deliberations by the Sustainability Committee, which is chaired by the President. The Climate Change Provision Subcommittee was established under the Sustainability Committee. Chaired by the Manager of the Sustainability Division, its task is to submit proposals to the Sustainability Committee concerning climate change action strategies linked to company-wide business strategies. Subcommittee members are also responsible for the promotion of ISO14001 activities at Morinaga Milk Industry worksites. They implement environmental initiatives in their respective units, after full consideration of group-wide strategies and risk management in relation to climate change responses. | <ul style="list-style-type: none"> The Sustainability Committee held two meetings and submitted a report on climate change. The Climate Change Provision Subcommittee met three times. We conducted an analysis based on the TCFD 1.5°C scenario. |

Climate Change Provision Promotion System



Topics covered in committee deliberations in FY2022

- Introduction of internal carbon pricing (ICP)
- Analysis of the TCFD 1.5°C scenario
- Progress toward the mitigation of and adaption to climate change, which is one of our material issues

Strategy

| Initiatives | Initiatives in FY2022 |
|--|--|
| <ul style="list-style-type: none"> We will conduct a medium- to long-term scenario analysis based on projections covering the period from 2030 to 2050 in order to explore the impact of climate change on society and the Morinaga Milk Group. We will formulate a strategy that focuses on contribution to the solution of social issues, especially through business activities. Business opportunities: We will carry out research and development and supply products in response to health issues, such as the spread of infectious diseases, linked to rising temperatures. If there are changes in consumer behavior, such as lifestyle changes leading to a preference for products with low GHG emissions, there will be an increase in demand for long-life products suitable for room temperature storage, which have the potential to reduce Scope 3 GHG emissions. | <ul style="list-style-type: none"> We carried out research relating to bifidobacteria and lactoferrin and launched products containing these ingredients. |

Risk Management

| Initiatives | Initiatives in FY2022 |
|--|--|
| <ul style="list-style-type: none"> The Sustainability Committee monitors measures to address sustainability issues, especially climate change, and progress on related initiatives. The Risk Management Subcommittee, a subsidiary organization of the Internal Control Committee, regularly identifies and reviews risks. It also analyzes and monitors the causes of and countermeasures for each type of risk. The Climate Change Provision Subcommittee regularly submits report to the Risk Management Subcommittee. | <ul style="list-style-type: none"> Raw material procurement (raw milk): An MO-Lagoon for Dairy effluent processing system was installed on a trial basis at Nasu-Gakuroku Farm to address the problem of methane emissions. Climate change: The Morinaga Milk Group implemented its first green bond issue (the 18th series of unsecured straight bonds) in October. (Some of the funds will be used for investment in the facilities and equipment, including MO-Lagoon for Dairy systems.) Raw material procurement (agricultural products): RSP0 supply chain certification was obtained for Morinaga Milk Industry Co., Ltd. and three directly operated plants. The Morinaga Milk Kobe Plant updated its Rainforest Alliance supply chain certification to Ver. 1.1. |

Potential Risks Affecting Business Activities

| Impact | Main risks | Risk category response strategy | Financial impact | Degree of impact | | | |
|--|--|--|---|------------------|----------------|--------------|----------------|
| | | | | Degree of impact | | Likelihood | |
| | | | | 4°C scenario | 1.5°C scenario | 4°C scenario | 1.5°C scenario |
| Climate disasters | Manufacturing sites and distribution networks suffer damage due to the increasing intensity and frequency of climate disasters (typhoons, storm surges). | Physical risk (acute) | Establish BCPs for manufacturing sites and logistics sites. | Medium | Medium | High | Medium |
| Raw material procurement (raw milk) | Rising temperatures cause a decline in domestic raw milk production. | Physical risk (chronic) | Mitigate climate change by supporting the efforts of the domestic dairy industry to reduce greenhouse gas emissions. | Large | Medium | High | Medium |
| Raw material procurement (dairy ingredients) | Production of dairy ingredients declines worldwide due to temperature rise. | Physical risk (chronic) | Leverage MILEI (Germany) to secure supplies of lactose, milk protein, and other dairy ingredients. | Medium | Medium | Medium | Medium |
| Raw material procurement (agricultural products) | There is a global decline in the area of land suitable for coffee cultivation due to rising temperatures. | Physical risk (chronic) | Strengthen BCPs for raw materials and support producers by considering sustainability when procuring raw materials. | Medium | Medium | High | Medium |
| Carbon taxes | Plant operation and logistics costs rise due to the introduction of carbon taxes to curb the use of fossil energy. | Transition risk (laws and regulations) | Mitigate financial impacts by working to reduce carbon dioxide and other greenhouse gas emission across entire supply chains. | Medium | Large | Medium | High |

Indicators and targets

| Initiatives |
|--|
| <ul style="list-style-type: none"> The Morinaga Milk Group will address climate change risks appropriately through mitigation and adaptation. Mitigation measures will include initiatives to reduce GHG emissions through energy conservation and the use of low-carbon energy. We will adapt to climate change by avoiding or mitigating the negative impacts on our business activities and social activities. |

| | Indicators | FY2022 result | FY2030 target |
|---|--|--|--|
| 1 | Energy-related CO ₂ emissions from plant operations (Scope 1 + 2) | 23.0% reduction (compared with FY2013) | Reduction of 38% or more (compared with FY2013) |
| 2 | GHG emissions (Scope 3) | 10.0% reduction (compared with FY2020) | Reduction of 10% or more (compared with FY2020) |
| 3 | Percentage of sustainability-friendly raw materials used | <ul style="list-style-type: none"> Transition to RSP0-MB certified materials: 22.8% Percentage of environment-friendly paper used (e.g., FSC-certified): 30.4% | <ul style="list-style-type: none"> Transition to RSP0-MB certified materials: 100% Percentage of environment-friendly paper used (e.g., FSC-certified): 100% |
| 4 | Sales of products that address health issues | 1.1 times (compared with FY2021) | 1.7 times compared with FY2021 |
| 5 | Percentage of sites covered by climate change BCPs | To be disclosed in FY2023 | Percentage of sites with BCPs: 100% |

Our Vision

We respect the human rights and diversity of all of our stakeholders, and will contribute to the creation of a sustainable society.

- We will achieve respect for human rights and diversity in order to realize a society in which all people can fully demonstrate their capabilities.
- We seek to partner with communities in order to realize a sustainable society.

Priority Issues

Respect for Human Rights and Diversity



We practice consideration for human rights and diversity for employees, suppliers, and all stakeholders with whom we are involved through our products and services. In addition, through the promotion of in-house D&I, the preparation of safe workplaces, the instilling of flexible working styles, and the provision of learning opportunities, we will achieve rewarding, humane work and will create diverse value and innovation for the company.

Coexistence with local communities



We will contribute to the creation of a sustainable society in collaboration with communities, through means including provision of learning opportunities to communities, regional environmental conservation, and regional partnership agreements.

Human Rights Initiatives

The Morinaga Milk Group respects international codes of business conduct relating to human rights, such as the International Bill of Human Rights and the United Nations Global Compact. We pursue human rights initiatives under the Morinaga Milk Group Human Rights Policy. Approved by our Board of Directors, this policy is based on the United Nations Guiding Principles on Business and Human Rights. In FY2022, we raised awareness of the policy through training for our 8,051 group employees*. Compliance with the Human Rights Policy is monitored by the Officer in Charge of Human Resources.

*The total number of people working for the Morinaga Milk Group, including employees, temporary staff, part-timers, and employees of partner companies

Our Human Rights Policy can be viewed via the following link.
 Morinaga Milk Group website>Morinaga Milk Group sustainability policy, etc.
<https://www.morinagamilk.co.jp/english/sustainability/policy/#humanrights>

Governance Structure

We have established a Human Rights Subcommittee within the Sustainability Committee and initiated human rights due diligence processes designed to identify, prevent, or mitigate human rights risks arising from our business activities. The Board of Directors of Morinaga Milk Industries receives regular reports about these activities and oversees the effectiveness of our activity processes and countermeasures.



Human Rights Due Diligence

We have been implementing human rights due diligence since FY2022. Between April and June 2022, we conducted a human rights risk assessment with the assistance of the Caux Round Table (CRT), a specialist human rights organization. Through this process, we compiled a list of human rights risks in the supply chains for all of our business segments and identified and assessed issues that require prioritized action by the Morinaga Milk Group.

One of the issues identified related to the human rights of foreign workers in Japan. In March 2023, we conducted a human rights impact assessment at the Kumamoto Plant of Furiijiport Co., Ltd., a member of the Morinaga Milk Group, in the presence of CRT representatives. A human rights impact assessment based on the Dhaka Principles for Migration with Dignity showed that the working environment was generally amenable for foreign nationals, and that there were no serious issues.

Introduction of a Complaint Handling Mechanism

In FY2022, we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which provides specialized grievance resolution support to member companies, including a non-judicial grievance resolution platform based on the UN Guiding Principles on Business & Human Rights. This platform supports anonymous whistleblowing by internal or external stakeholders who have been or could be impacted by human rights issues in the context of interactions with the Morinaga Milk Group.

Diversity and Inclusion Initiatives

We are continually promoting diversity with the aim of creating an environment in which all employees can achieve their full potential and drive innovation. We expanded these activities in FY2022 after conducting an analysis of the current issues.

We place a high priority on education about D&I basics and management, and we have introduced a diversity management training program for executives. We also participate in a joint diversity forum established by food manufacturers, which discusses themes based on changes in the current environment, such as diversity and inclusion from a human capital management perspective.

One of our indicators relating to career advancement for female employees is the percentage of management posts held by women. We invest in training activities, including a leadership training program for women that was first introduced in FY2012. This program has provided a powerful impetus for the advancement of female employees, including multiple promotions to management positions and significant achievements in the workplace.

The Morinaga Milk Group offers a wide range of childcare support systems. The percentage of employees taking childcare leave after the birth of a child (including leave for new fathers) has reached 100% and exceeds the regulatory requirement. We also partially subsidize child-raising costs through the Hagukumi Gift Money program at the time of birth and as children reach development milestones, such as entry into elementary and junior or senior high school. In addition, all employees who have children receive gifts of Morinaga Milk products, such as *Akachan no Bifidus (Bifidus for Babies)*. We see the creation of an environment in which employees can work with confidence while balancing their roles as employees and parents as vital for the sustainable growth of the Morinaga Milk Group.

We are comprehensively promoting diversity and inclusion from various perspectives, including LGBTQ people, people with disabilities, and people with childcare and family care responsibilities.

See Pages 27 and 28 for information about our basic philosophy on human capital.



Regional Partnership Agreements

As a business group with manufacturing and sales sites throughout Japan, the Morinaga Milk Group recognizes the extremely important role that local communities play in its business activities.

One of the ways in which we seek harmonious coexistence with communities is through the signing of regional partnership agreements. Under these agreements, we work with local governments to find solutions for social issues affecting local communities. We also contribute to the health of local people, including healthy longevity, through our products and services.

In addition to comprehensive partnership agreements, we also contribute to local communities through nationwide clean-up programs. In addition, we have concluded over 15 individual agreements concerning cooperation in times of emergency.

ESG Data (Non-financial Information)

Environmental Data

We have obtained third party verification of data relating to energy consumption and CO₂ emissions (Scope 1 and Scope 2) between FY2019 and FY2022.

Scope 1 and Scope 2 CO₂ Emissions†

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-----------------|--------------------------------|--------|--------|--------|----------|----------|
| Total | 1,000t-CO ₂ | 345 | 334 | 319 | 303 | 294 |
| Scope 1*2 | 1,000t-CO ₂ | 238 | 196 | 186 | 211 | 205**4 |
| Scope 2*3 | 1,000t-CO ₂ | 107 | 138 | 134 | 93 | 89**4 |
| Sales intensity | t-CO ₂ /million yen | 0.591 | 0.565 | 0.547 | 0.602**5 | 0.559**5 |

*1 Basis for calculation: The emission coefficient is based on Japan's Act on the Rational Use of Energy (Energy Efficiency Act) and Act on the Promotion of Global Warming Countermeasures (Temperature Control Act). Boundaries are based on the Act on the Rational Use of Energy (Energy Efficiency Act) up to FY2018, and on ISO 14064-1 from FY2019 onwards.

*2 Emissions resulting from fuel consumption

*3 Emissions resulting from purchased electricity and heat

*4 The figures verified by a third party are 205,345 tons-CO₂ (Scope 1) and 88,622 tons-CO₂ (Scope 2)

*5 Sales intensity in FY2021 and FY2022 was calculated by dividing Scope 1 and Scope 2 CO₂ emissions (t-CO₂) by net sales after the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised March 31, 2020).

Reduction Rate of Scope 1 and Scope 2 Emissions (Compared with FY2013)

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | Targets for FY2024 | Targets for FY2030 |
|---|------|--------|--------|--------|--------|--------|--------------------|--------------------|
| Reduction of Scope 1 and Scope 2 emissions (compared with FY2013) | % | 9.7% | 12.6% | 16.3% | 20.5% | 23.0% | 23% or higher | 38% or higher |

Scope 3 Emissions

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|--------------------------|--|---------|---------|---------|---------|
| Total | 1,000t-CO ₂ e | 2,415.5 | 2,357.0 | 2,319.3 | 2,153.1 | 2,088.1 |
| 1 Purchased goods and services | 1,000t-CO ₂ e | 1,222.9 | 1,176.0 | 1,193.0 | 1,183.2 | 1,132.5 |
| 2 Capital Goods | 1,000t-CO ₂ e | 123.6 | 105.9 | 74.1 | 56.5 | 57.5 |
| 3 Fuel and energy-related activities not included in Scope 1 or 2 | 1,000t-CO ₂ e | 60.5 | 63.1 | 58.5 | 55.2 | 53.3 |
| 4 Upstream transportation and delivery | 1,000t-CO ₂ e | 45.6 | 40.4 | 41.1 | 41.1 | 39.2 |
| 5 Waste generated in operations | 1,000t-CO ₂ e | 1.5 | 1.3 | 1.3 | 1.2 | 1.2 |
| 6 Business travel | 1,000t-CO ₂ e | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 |
| 7 Employee commuting | 1,000t-CO ₂ e | 1.8 | 1.9 | 2.1 | 2.0 | 2.0 |
| 8 Upstream leased assets | 1,000t-CO ₂ e | Calculated within Scope 1 and Scope 2 | | | | |
| 9 Downstream transportation and delivery | 1,000t-CO ₂ e | 940.5 | 949.6 | 929.4 | 794.1 | 784.1 |
| 10 Processing of sold products | 1,000t-CO ₂ e | Excluded from the calculation due to little relevance to business activities | | | | |
| 11 Use of sold products | 1,000t-CO ₂ e | 1.4 | 1.3 | 1.3 | 1.1 | 1.2 |
| 12 End-of-life treatment of sold products | 1,000t-CO ₂ e | 16.9 | 16.7 | 17.6 | 17.8 | 16.4 |
| 13 Downstream leased assets | 1,000t-CO ₂ e | Excluded from the calculation due to little relevance to business activities | | | | |
| 14 Franchises | 1,000t-CO ₂ e | Excluded from the calculation due to little relevance to business activities | | | | |
| 15 Investments | 1,000t-CO ₂ e | Excluded from the calculation due to little relevance to business activities | | | | |

Water Resources†

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | Targets for FY2024 | Targets for FY2030 |
|---|----------------------------------|--------|--------|----------|----------|----------|--------------------|--------------------|
| Total amount of water used (intake) | 1,000m ³ | 17,231 | 17,399 | 17,668*1 | 17,179*2 | 16,169*3 | — | — |
| Sales intensity | 1,000m ³ /million yen | 29.7 | 29.4 | 30.3 | 34.1**4 | 30.8**4 | — | — |
| Reduction of water use (compared with FY2013) | % | 8.5% | 7.6% | 6.1% | 8.7% | 14.1% | 11% or higher | 15% or higher |
| Water discharge | 1,000m ³ | 15,336 | 15,705 | 16,089 | 15,596 | 14,909 | — | — |

*1 Water used in FY2020 consisted of 476 thousand m³ of surface water (river water), 11,631 thousand m³ of groundwater (well water, spring water), and 5,561 thousand m³ of water purchased from local governments (city water, tap water, industrial water, public raw water).

*2 Water used in FY2021 consisted of 484 thousand m³ of surface water (river water), 11,916 thousand m³ of groundwater (well water, spring water), and 4,779 thousand m³ of water purchased from local governments (city water, tap water, industrial water, public raw water).

*3 Water used in FY2022 consisted of 482 thousand m³ of surface water (river water), 11,356 thousand m³ of groundwater (well water, spring water), and 4,331 thousand m³ of water purchased from local governments (city water, tap water, industrial water, public raw water).

*4 Since FY2021, sales intensity has been calculated by dividing the amount of water used (1,000m³) by net sales (million yen) after the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised March 31, 2020).

Energy Consumption†

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|-----------------|-----------|-----------|-----------|-----------|--------------|
| Energy consumption (fuels and secondary energy purchased) **1 *2 *3 | MWh | 1,414,115 | 1,343,231 | 1,291,134 | 1,332,157 | 1,291,109**4 |
| Energy consumption sales intensity | MWh/million yen | 2.423 | 2.273 | 2.213 | 2.647 | 2.456**5 |

*1 Basis for calculation: The fuel conversion factor of fuel and purchased secondary energy (electricity, steam, hot water) is based on Japan's Act on the Rational Use of Energy and the Transition to Non-fossil Energy (Energy Efficiency Act). Boundaries are based on Act on the Rational Use of Energy and the Transition to Non-fossil Energy (Energy Efficiency Act) up to FY2018, and on ISO 14064-1 from FY2019 onwards.

*2 Fuel use is expressed as the higher heating value of fossil fuels, calculated as 1,000kWh = 3.6GJ. The figures do not include renewable energy such as biomass.

*3 Purchased secondary energy consists of the aggregate of the total amounts of electric power, steam, and hot water purchased.

*4 Renewable energy consumption in FY2022 was 5,508 MWh. Total energy consumption, including renewable energy, was 1,296,617MWh. Third party verification was obtained for this figure†.

*5 Net sales in FY2021 and FY2022 were calculated after the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised March 31, 2020).

Waste Materials†

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Total amount of waste generated | 1,000t | 49.6 | 46.1 | 41.4 | 41.6 | 39.7 |

Note: Scope of aggregation up to FY2021 excluded the Okinawa Uruma Plant of Furijipport Co., Ltd. from †.

Petroleum-derived virgin plastic usage reduction rate

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | Targets for FY2024 | Targets for FY2030 |
|---|------|--------|--------|--------|--------|--------|--------------------|--------------------|
| Petroleum-derived virgin plastic usage reduction rate | % | 13.7% | 16.5% | 15.4% | 15.2% | 22.9% | 10% or higher | 25% or higher |

Notes: 1. Scope of aggregation: Products subject to the Containers and Packaging Recycling Law for which Morinaga Milk Industry Co., Ltd. is identified on labels as the responsible party
2. The quantities shown are used as the basis for recycling contracts with the Japan Containers and Packaging Recycling Association (JCPRA). Materials recovered independently are excluded.

The scope of aggregation for data marked with † is as follows:

Morinaga Milk Industry Co., Ltd. production sites (Kinki Plant excluded from data for FY2020 onwards due to its closure in March 2020, Tokyo Plant excluded from the data for FY2021 onward due to its closure in March 2021), Hokkaido Hoshio Milk Plant Co., Ltd., Tokachi Urahoro Milk Industry Co., Ltd., Nihon Seinyu, Yokohama Morinaga Milk Industry Co., Ltd., Fuji Morinaga Milk Industry Co., Ltd., Morinaga-Hokuriku Milk Industry Co., Ltd. (Fukui Plant, Toyama Plant), Hiroshima Morinaga Milk Industry Co., Ltd., Kumamoto Morinaga Milk Industry Co., Ltd., Okinawa Morinaga Milk Industry Co., Ltd., MK Cheese Co., Ltd., Tohoku Morinaga Milk Industry Co., Ltd. (Sendai Plant, Akita Plant), Furijipport Co., Ltd. (Kumamoto Plant, Okinawa Uruma Plant (Okinawa Uruma Plant operational since FY2020 and therefore not included in data for FY2019 and earlier), Chiba Plant (Chez Forêt Co., Ltd.), Toyo Fermented Milk Co., Ltd. (dissolved in May 2020, excluded from the data for FY2021 onwards).

Social Data

Employees

| | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---------------------------------|---------|--------|--------|--------|--------|--------|
| Total (consolidated) | Persons | 6,157 | 6,303 | 6,871 | 6,839 | 7,040 |
| Men | Persons | 4,743 | 4,834 | 5,152 | 5,091 | 5,286 |
| Women | Persons | 1,414 | 1,469 | 1,719 | 1,748 | 1,754 |
| Total (non-consolidated) | Persons | 3,247 | 3,340 | 3,377 | 3,349 | 3,325 |
| Men | Persons | 2,629 | 2,697 | 2,711 | 2,681 | 2,659 |
| Women | Persons | 618 | 643 | 666 | 668 | 666 |

Female managers (non-consolidated)

| | Unit | FY2020 | FY2021 | FY2022 | FY2024 Annual target | FY2030 Annual target |
|---------------------------|---------|--------|--------|--------|----------------------|----------------------|
| Number of female managers | Persons | 40 | 43 | 46 | — | — |
| Ratio of female managers | % | 5.2% | 5.5% | 5.8% | 6% or higher | 10% or higher |

Note: Excluding transferees, as of March 31 each year

Male-Female Ratio for Per Capita Remuneration (Non-consolidated)

| | FY2021 | FY2022 |
|--|--------|--------|
| Total remuneration (managers) (females/males) | 1:1.12 | 1:1.12 |
| Total remuneration (general employees) (females/males) | 1:1.20 | 1:1.19 |

Notes: 1. Male and female employees are treated equally. The differences reflect variations in the age and rank mix for each gender.
2. Total remuneration includes base salaries, allowances, and bonuses, etc., but excludes retirement allowances.

Employee Turnover (Non-consolidated)

| | Unit | FY2020 | FY2021 | FY2022 |
|--|------|--------|--------|--------|
| Employee turnover (excluding mandatory retirement) | % | 1.4% | 2.0% | 2.2% |
| Employee turnover (within three years of recruitment as new graduates) | % | 7.8% | 6.2% | 5.8% |

Childcare Leave (Non-consolidated)

| | Unit | FY2020 | FY2021 | FY2022 | Targets for FY2030 |
|---|---------|--------|--------|--------|--------------------|
| Number of male employees who took childcare leave | Persons | 52 | 58 | 86 | — |
| Ratio of male employees who took childcare leave | % | 47.3% | 58.6% | 90.5% | 100% |
| Number of female employees who took childcare leave | Persons | 41 | 42 | 25 | — |

Returning to Work from Childcare Leave (Non-consolidated)

| | Unit | FY2020 | FY2021 | FY2022 |
|---|------|--------|--------|--------|
| Rate of male employees returning to work after taking childcare leave | % | 100.0% | 100.0% | 100.0% |
| Rate of female employees returning to work after taking childcare leave | % | 100.0% | 95.1% | 95.0% |

Training Investment for Human Resource Development (Non-consolidated)

| | Unit | FY2019 | FY2020 | FY2021 | FY2022 | Targets for FY2030 |
|---------------------------|--------------|--------|--------|--------|--------|--------------------|
| Training costs per person | ¥10,000/year | 3.9 | 2.6 | 2.6 | 3.1 | 4.0 |

Governance Data

| | Unit | June 2019 | June 2020 | June 2021 | June 2022 | June 2023 |
|--|---------|-----------|-----------|-----------|-----------|-----------|
| Number of directors | Persons | 10 | 9 | 9 | 11 | 12 |
| Ratio of external directors | % | 20.0% | 33.3% | 33.3% | 36.4% | 33.3% |
| Number of directors and Audit & Supervisory Board members | Persons | 14 | 13 | 13 | 15 | 16 |
| Number of female directors and Audit & Supervisory Board members | Persons | 1 | 2 | 2 | 2 | 2 |
| Ratio of female directors and Audit & Supervisory Board members | % | 7.1% | 15.4% | 15.4% | 13.3% | 12.5% |

Note: Numbers and ratios as of the final day of the month indicated

Directors and Audit & Supervisory Board Members



Michio Miyahara

Representative Director and Chairman
(General Management)



Yohichi Ohnuki

Representative Director and President
(General Management, Sustainability)



Teiichiro Okawa

Representative Director and Executive Vice President
(General Management,
Assistant of President and R&D)



Yukari Tominaga

External Director



Hiroshi Nakamura

External Director



Takayuki Ikeda

External Director



Tsuyoshi Minato

Director
(Special Affairs, Dairy Farm Services and
Procurement)



Yasuhiko Yanagida

Director
(Quality Assurance, Manufacturing and
Distribution)



Yasuyuki Yoshinaga

External Director



Keiki Hirota

Full-time Audit & Supervisory Board Member



Mitsumasa Saito

Full-time Audit & Supervisory Board Member



Hitoshi Hyodo

Director
(Sales and Marketing)



Akihiro Nozaki

Director
(Strategic Planning, Finances, IT,
Human Resources and General Affairs)



Takahiro Yanagida

Director
(Overseas)



Masahiko Ikaga

External Audit & Supervisory Board Member



Mayumi Yamamoto

External Audit & Supervisory Board Member



See Pages 69-70 for detailed information about skills matrix and reasons for appointment and attendance Record.



Visit the following websites for detailed information about career summary of Board of Directors and Audit & Supervisory Board Members.

Morinaga Milk website > Investor Relations > Management Information > Board of Directors and Audit & Supervisory Board Members
<https://www.morinagamilk.co.jp/english/ir/management/member.php>

Corporate Governance

Basic Approach

The Morinaga Milk Group contributes to society through its business activities, based on its Corporate Mission, and continually works to develop and enhance a highly effective corporate governance system to achieve sustainable growth and increase corporate value, under the basic policies described below. In accordance with the Companies Act of Japan, the Company selected the framework of a company with an Audit & Supervisory Board to set up a double-checking structure, with the Board of Directors providing supervision and the Audit & Supervisory Board members performing audits of legality and appropriateness. The Board of Directors functions as the highest decision-making body for management and, through organic collaboration with all components of the corporate governance framework, strives to maintain and improve management transparency, fairness, and speed to ensure its effectiveness.

Basic Philosophy

- 1) Respect shareholders' rights, and ensure equal treatment.
- 2) Respect the perspectives and rights of various stakeholders including our shareholders, customers, business partners, local communities, employees, and build proper relationships with them.
- 3) Disclose corporate information appropriately, and ensure transparency.
- 4) Build structures to ensure organic collaboration among the bodies comprising the corporate governance system, and ensure that operations are effectively supervised by the Board of Directors.
- 5) Aim to achieve sustainable growth and improve corporate value, and have constructive dialogue with shareholders who expect these aims and medium- to long-term profits to be realized.

 <https://www.morinagamilk.co.jp/english/ir/management/governance.php>

Corporate Governance Changes

The Group is continually developing and enhancing its corporate governance structures with the aim of achieving sustainable growth and increasing corporate value. After Japan's Corporate Governance Code took effect in June 2015, Morinaga Milk Industry began to implement measures to develop structures with enhanced independence, transparency, and supervisory functions. Morinaga Milk Industry also defined its basic stance on corporate governance in the Morinaga Milk Group Corporate Governance Guidelines, which were adopted in October of the same year.

| | | |
|------|------|---|
| 2014 | June | Appointment of one external director |
| 2015 | June | Appointment of two external directors |
| | Oct. | Adoption of the Morinaga Milk Group Corporate Governance Guidelines |
| 2016 | Jan. | Start of Board of Directors' effectiveness evaluations |
| | Feb. | Assignment of staff to support the Audit & Supervisory Board |
| | June | Establishment of the CSR Committee (Present Sustainability Committee) Reduction of directors' term of office to one year |
| 2017 | Dec. | Abolition of the corporate counselor system |
| 2018 | June | Introduction of restricted stock-based compensation for internal directors Introduction of the divisional system (to improve the effectiveness of the supervisory and executive functions of management) |
| | Nov. | Appointment of a majority of external directors to the Personnel Remuneration Committee |
| 2019 | June | Abolition of takeover defense measures |
| | Apr. | Revision of the executive compensation scheme |
| 2020 | June | Number of external directors increased to three (Independent external directors now hold one-third of Board seats) |
| | June | Appointment of a majority of external directors to the Personnel Remuneration Committee |
| 2021 | June | Appointment of a majority of external directors to the Personnel Remuneration Committee |
| | June | Number of external directors increased to four Quality Assurance Committee established |
| 2022 | June | Quality Assurance Committee established |

1 Board of Directors

Approach to the Composition of the Board of Directors

Number of meetings held in fiscal year ended March 31, 2023:
13

As of June 29, 2023, the Board of Directors consists of 12 directors, of whom four, or at least one-third, are independent external directors, and four Audit & Supervisory Board members*.

The Company selects persons of excellent character and insight who have the professional expertise, extensive business and management experience necessary to maintain the Company's sustainable growth as officer candidates, with gender and nationality diversity taken into consideration. In addition, in regard to independent outside directors and independent outside corporate auditors, the Company invites the number necessary for the sustainable growth of the Company, with a minimum of two independent outside directors and a number of independent outside corporate auditors that is greater than or equal to half of the total number of corporate auditors. Furthermore, all outside officers shall meet the judgement standards for independence.

In addition, the Company takes into consideration the continuity and growth of the business, as well as the development of successors, and determines the balance between the current and newly appointed officers, operating executives, and non-operating executives.

*In accordance with the Articles of Incorporation, the Board of Directors consists of a maximum of 12 directors and four Audit & Supervisory Board members.

2 Audit & Supervisory Board Members

Number of meetings held in fiscal year ended March 31, 2023:
14

The Audit & Supervisory Board consists of four members, of whom two are full-time directors and two external directors. The Company has also selected one deputy member, who will join the Audit & Supervisory Board if the number of members falls below

the statutory requirement.

The Audit & Supervisory Board meets once a month ahead of meetings of the Board of Directors. It also holds special meetings as required. At these meetings, members pass resolutions on audit policies, plans, and methods, and related items, and discuss audit reports, survey results, and other matters relating to proposals to be submitted to the Board of Directors.

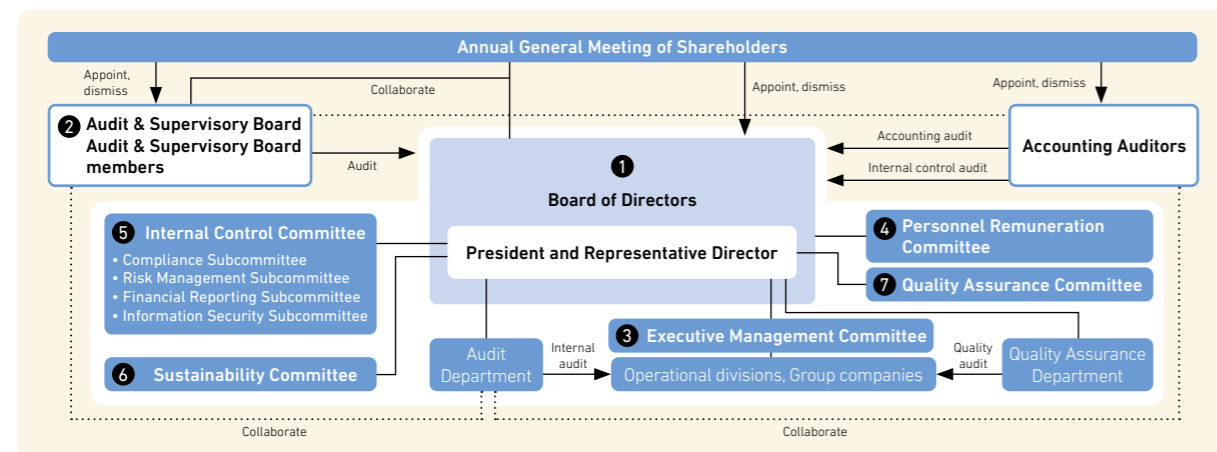
One way the Company ensures the effectiveness of Audit & Supervisory Board audits is by maintaining and strengthening the Group-wide internal reporting system, providing protection for people who report issues, and ensuring effective information management. Audit & Supervisory Board members attend important meetings and can receive briefings from various stakeholders. In addition to the development of these systems, the Company has assigned employees to assist Audit & Supervisory Board members in their duties.

Internal audits are the responsibility of the Audit Department, which regularly provides Audit & Supervisory Board members with briefings and reports regarding audit plans, the status of audit activities, and audit results. In addition to ensuring a constant flow of information through the exchange of data, the Company is also endeavoring to improve cooperation in order to improve the reliability and validity of audits.

Names, Roles, Responsibilities, and Composition of Committees Established by Morinaga Milk Industry

| Committee name | Roles and responsibilities | Composition |
|---|---|--|
| 3 Executive Management Committee Number of meetings held in fiscal year ended March 31, 2023: 18 | Ensures efficient and reliable execution of important management issues through decisions, discussions, and verification of business execution based on its delegated authority | Representative directors (chairperson: President and Representative Director), internal directors, general managers, full-time Audit & Supervisory Board members, and others |
| 4 Personnel Remuneration Committee Number of meetings held in fiscal year ended March 31, 2023: 8 | Enhances transparency and objectivity in relation to decisions on the appointment and dismissal of and remuneration for officers, when determining the following measures and submitting reports to the Board of Directors in response to inquiries from the Board. ▶ Proposals for appointment, reappointment, and dismissal of directors and Audit & Supervisory Board members ▶ Revision of the Independence Standards for external officers ▶ Proposals for appointment and removal of representative directors and directors with operational responsibilities ▶ Formulation and revision or repeal of succession plans for the President and Representative Director, selection and development of candidates under recent and future plans, and other matters related to plan implementation ▶ Matters related to executive directors' areas of responsibility ▶ Matters related to remuneration of directors, Audit & Supervisory Board members, and managing officers ▶ Proposals relating to the treatment of directors and Audit & Supervisory Board members after their retirement ▶ Other matters for which requests for advice are received from the Board of Directors | Representative directors (two internal directors, chairperson: President and Representative Director), external directors (four) |
| 5 Internal Control Committee Number of meetings held in fiscal year ended March 31, 2023: 2 | Establishment, maintenance, and improvement of internal control systems for the entire Group | Representative director (chairperson: President and Representative Director), internal directors, general managers, full-time Audit & Supervisory Board members, and others |
| 6 Sustainability Committee Number of meetings held in fiscal year ended March 31, 2023: 2 | The formulation of basic policies for the Group's sustainability activities, discussions regarding specific initiatives and the resolution of issues, and the implementation of various initiatives | Representative director (chairperson: President and Representative Director), internal directors, general managers, and others |
| 7 Quality Assurance Committee Number of meetings held in fiscal year ended March 31, 2023: 2 | Discussion and approval of Group-wide basic policies and important measures relating to quality assurance, as well as mitigation or elimination of business risks through oversight and verification of the administration of quality policies and quality standards for the Group's product supply chains | Representative director (chairperson: President and Representative Director), internal directors, general managers, and others |

Corporate Governance Organization



Corporate Governance

Skills Matrix

To realize the Morinaga Milk Group 10-year Vision, we have identified seven skills (see the table below) required by the Board of Directors, based on the medium- to long-term management direction and business strategies.

Appointment of External Executive Officers

As part of its efforts to enhance the fairness of its management structures, the Company has appointed four external members to its 12-member Board of Directors, and allocated half of the seats on its four-member Audit & Supervisory Board to external members.

The four external directors meet the definition of an "outside director" in Article 2 Item 15 of the Companies Act of Japan. There are no special conflicts of interest with the Company.

The two external members of the Audit & Supervisory Board meet the definition of an "outside company auditor" in Article 2 Item 16 of the Companies Act of Japan. There are no special conflicts of interest with the Company.

Independence Standards for External Officers

If external directors, external Audit & Supervisory Board members, and candidates thereof fulfill the following conditions, the Company will determine that they possess adequate independence from the Company.

- (1) The person is not currently an executive director, etc.*², of the Group*¹, and was not an executive director, etc., of the Group in the past. For external Audit & Supervisory Board members, in addition to the above, the person was not a non-executive director of the Group.
- (2) Within the present fiscal year and within the past three fiscal years, none of the following items applied.
 - 1) The person holds the Group as a major transaction partner*³ or is an executive director, etc., of said transaction partner.
 - 2) The person is a major transaction partner of the Group*⁴ or is an executive director, etc., of said transaction partner.
 - 3) The person is a consultant, accounting specialist or legal specialist that receives a significant amount of cash*⁵ or property other than executive remuneration. Additionally, if the party receiving said property is an

organization such as a corporation or association, then a person affiliated with said organization.

- 4) The person is a major shareholder of the Company*⁶ or is an executive director, etc., of said major shareholder.
- 5) The person is from an organization such as a corporation or association that receives donations or supports exceeding a certain amount*⁷ from the Group.
- (3) The person is not currently a spouse or relative to within the second degree of a person to which any of the following apply.
 - 1) An executive director, etc., or a non-executive director of the Group. However, for persons who are employees also serving as executive directors, etc., this is limited to significant employees*⁸.
 - 2) Significant persons*⁹ to which any of (2) 1) to 5) apply.
- (4) The person is not a director, Audit & Supervisory Board member, executive, managing officer, or employee of a company with which the Group has a mutual seconding of directors, Audit & Supervisory Board members, executives, or managing officers.
- (5) None of the following items apply to the person.

- 1) Persons with which there may be a conflict of interest with general shareholders.
- 2) Persons with a total term of office exceeding eight years.

Notes:

1. The Group refers to the Company and subsidiaries of the Company.
2. Executive directors, etc., refer to executive directors, executives, managing officers, managers, and other employees.
3. Persons who hold the Group as a major transaction partner are persons that receive payment from the Group of 2% or more of total annual consolidated net sales of said transaction partner.
4. Major transaction partners of the Group are persons to which any of the following apply.
 - 1) Persons whose payment to the Group is 2% or more of total annual consolidated net sales of the Group.
 - 2) A financial institution whose balance of loans to the Group as of the end of the fiscal year comprises 2% or more of total consolidated assets of the Group.
5. A significant amount of cash is 10 million yen per annum or 2% or more of consolidated net sales or total revenue for said corporation, whichever amount is greater, on average for the past three fiscal years.
6. Major shareholders are shareholders that hold stocks accounting for 10% or more of total voting rights.
7. A certain amount is 10 million yen per annum or 30% or more of total annual expenses for said corporation, whichever amount is greater, on average for the past three fiscal years.
8. Significant employees are employees that are in upper levels of management, such as general managers or above.
9. Significant persons are certified public accountants, attorneys (including so-called associates), corporate directors, and committee members, etc., or persons that can objectively and rationally be said to possess a similar level of significance.

Skills Matrix

| Name | Roles Area of responsibilities | Items | | | | | | | |
|-----------------------------------|--------------------------------|---|---------------------|---|------------------------|---|----|--------------|---|
| | | Management experience | Sales and marketing | Quality, production, procurement, and R&D | Finance and accounting | General affairs, human resources, and legal affairs | IT | Global & M&A | |
| Directors | Michio Miyahara | Representative Director and Chairman | ● | ● | ● | | | | |
| | Yohichi Ohnuki | Representative Director and President | ● | ● | | ● | | ● | |
| | Teiichiro Okawa | Representative Director and Executive Vice President | ● | | ● | | | | ● |
| | Tsuyoshi Minato | Director, Executive Managing Officer | ● | | ● | | ● | | |
| | Yasuhiko Yanagida | Director, Executive Managing Officer and General Manager of Manufacturing Division | ● | | ● | | | ● | |
| | Hitoshi Hyodo | Director, Executive Managing Officer and General Manager of Sales & Marketing Division | ● | ● | | | | | |
| | Akihiro Nozaki | Director, Executive Managing Officer and General Manager of Corporate Strategic Planning Division | ● | | ● | ● | ● | ● | |
| | Takahiro Yanagida | Executive Managing Officer and General Manager of International Division | | | | | | | ● |
| | Yukari Tominaga | External Director | ● | | ● | | | ● | |
| | Hiroshi Nakamura | External Director | ● | ● | | | | | ● |
| | Takayuki Ikeda | External Director | ● | | | | | ● | ● |
| | Yasuyuki Yoshinaga | External Director | ● | ● | | ● | ● | | |
| Audit & Supervisory Board members | Keiki Hirota | Full-time Audit & Supervisory Board Member | ● | ● | | | | | |
| | Mitsumasa Saito | Full-time Audit & Supervisory Board Member | ● | | ● | | ● | | |
| | Masahiko Ikaga | External Audit & Supervisory Board Member | ● | | | ● | ● | | ● |
| | Mayumi Yamamoto | External Audit & Supervisory Board Member | | | | | ● | | |

Reasons for Appointment and Attendance Record

| | Name | Independent officer | Reasons for appointment | Attendance record for the fiscal year ended March 31, 2023 | |
|--------------------|--|---------------------|--|--|--|
| External directors | Yukari Tominaga | ○ | Ms. Yukari Tominaga possesses extensive insight into corporate management and a wealth of experience, having served in key positions in various business fields at Hitachi Solutions, Ltd., where she served as Chief Diversity Officer, and she has contributed to the management of the Group as an external director from 2020. The Company expects that management will continue to receive advice and recommendations from her wide insights as well as effective supervision from an objective position that is independent from business execution. | Board of Directors' meetings 13/13 | |
| | Hiroshi Nakamura | ○ | At TOMEN Corporation, Mr. Hiroshi Nakamura served as President and Representative Director of Casio Germany, which was a joint venture with CASIO COMPUTER CO., LTD. After he transferred to CASIO COMPUTER CO., LTD., he served as President and Representative Director of CASIO Europe GmbH, and has been involved in global business as a manager of CASIO COMPUTER CO., LTD. for many years. Therefore, he possesses extensive insight into corporate management and a wealth of experience. The Company expects that management will continue to receive advice and recommendations based on his insights as well as effective supervision from an objective position that is independent from business execution. | Board of Directors' meetings 10/10 | |
| | Takayuki Ikeda | ○ | Mr. Takayuki Ikeda possesses extensive insight into corporate management and a wealth of experience, having served in key positions in various business fields including overseas business in the Toshiba Group, and served as President and Chief Executive Officer for many years at Toshiba Tec Corporation. The Company expects that management will continue to receive advice and recommendations based on his insights as well as effective supervision from an objective position that is independent from business execution. | Board of Directors' meetings 10/10 | |
| | Yasuyuki Yoshinaga | ○ | Mr. Yasuyuki Yoshinaga held important positions in various business segments at Subaru Corporation. He served for many years as Subaru's Representative Director of the Board and President and has knowledge and experience of corporate management. Mr. Yoshinaga was selected as a director at the 100th Annual General Meeting of Shareholders with the expectation that he would provide not only advice and recommendations based on his business experience, but also highly effective supervision of the Company's management team. | Appointed June 29, 2023 | |
| | External Audit & Supervisory Board members | Masahiko Ikaga | ○ | Mr. Masahiko Ikaga has financial and accounting knowledge as a certified public accountant, in addition to a wealth of experience and wide-ranging knowledge as a corporate manager. He has been providing effective advice concerning management of the Company as an external Audit & Supervisory Board member of the Company since 2016. | Board of Directors' meetings 13/13 Audit & Supervisory Board meetings 14/14 |
| | | Mayumi Yamamoto | ○ | Although Ms. Mayumi Yamamoto has no experience of direct involvement in corporate management, she possesses a high level of expertise as an attorney at law and has extensive experience in commercial matters. The Company expects that she will perform audits of the Company's management from an objective and expert viewpoint, and so appointed her as an external Audit & Supervisory Board member in 2019. | Board of Directors' meetings 13/13 Audit & Supervisory Board meetings 14/14 |

Corporate Governance

Management Executive Training Policy

The Company's policy is to provide corporate officers necessary training based on prior knowledge and experience, such as legal training on company management by attorneys, and briefings on the Company's management strategy, financial situation, and other important matters, etc. As a result, officers can appropriately perform their roles and responsibilities. It should be noted that, to foster officers' successors, the Company conducts education and training for acquiring necessary management knowledge depending on the relevant employee's position.

Support Systems for External Officers

The General Affairs Department regularly provides information to external directors and external Audit & Supervisory Board members, as well as advance briefings ahead of Board meetings.

The Company maintains a system that allows external directors and external Audit & Supervisory Board members to attend Executive Management Committee meetings as observers in order to identify issues and monitor discussions by the executive organization.

External directors, external Audit & Supervisory Board members, and full-time Audit & Supervisory Board members regularly hold meetings of the Non-executive Officers Liaison Committee to share information and exchange opinions.

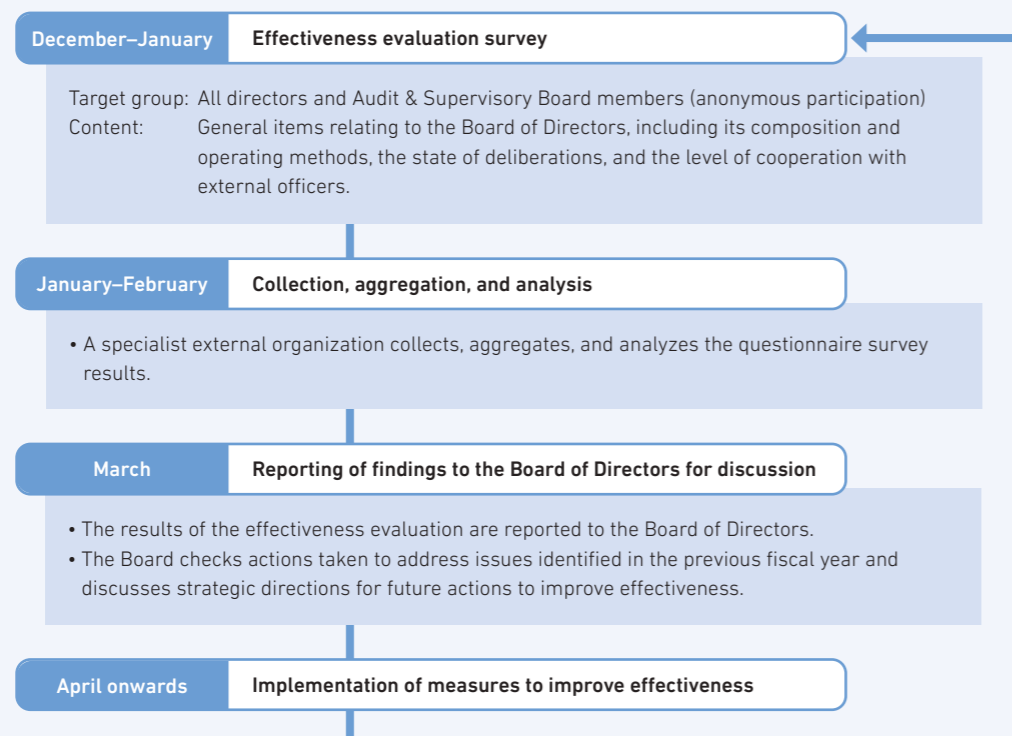
Evaluating the Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of its Board of Directors as the basis for improvements to its functionality. By addressing issues identified through these evaluations, we enhance corporate governance and better focus our management systems toward further sustainable improvement of corporate value.

1. Evaluation Process

The Company conducts an anonymous survey of its directors and Audit & Supervisory Board members and uses an external organization to collect, aggregate, and analyze the results. The results of this aggregation and analysis process are then shared with the Board of Directors for evaluation.

PDCA Cycle for the Analysis and Evaluation of the Effectiveness of the Board of Directors



2. Key Evaluation Items

| | |
|---|--|
| Composition of the Board of Directors | Operating method of the Board of Directors |
| Deliberations by the Board of Directors | Collaboration with outside officers |

3. Actions to Address Issues

Our conclusion based on this survey was that the Board of Directors generally operated effectively in the fiscal year ended March 31, 2023, and that there was improvement compared with the situation in March 31, 2022, thanks to actions that included the initiatives described below.

| Main Priorities Identified in the Fiscal Year Ended March 31, 2022 | Actions in the Fiscal Year Ended March 31, 2023 |
|--|---|
| • Enhancement and expansion of discussions regarding medium- to long-term strategies | • We increased the time available for discussions by transferring some agenda items from the Board of Directors to the Executive Management Committee. |
| • Enhancement and expansion of discussions about capital policies | • We deepened discussions about the utilization of funds and enhancement of shareholder returns in line with the basic policies in Medium-Term Business Plan 2022-24. |

4. Future Priorities and Initiatives

In the fiscal year ending March 31, 2024, we will address the following issues identified by the Board of Directors, while also further expanding and improving deliberations from a medium- to long-term perspective.

| Main Priorities Identified in a Review of the Fiscal Year Ended March 31, 2023 | Measures planned for the Fiscal Year Ending March 2024 |
|--|---|
| • Enhancement of Group-wide discussions of management strategies | • Further enhancement of the selection and management of agenda items • Business portfolio restructuring |

Message from a New External Director



External Director
Yasuyuki Yoshinaga

My management role at Subaru related to automobiles and aircraft. I look forward to working with all stakeholders following my recent appointment as an external director of the Morinaga Milk Group. In place of a self-introduction, I will offer a piece of advice. I believe that the achievement of corporate growth in an era of rapid change begins with the creation of a specific hypothesis. My approach was to think deeply about where to concentrate limited management sources in order to create opportunities, and then to define priorities and timelines. Once these decisions had been made, everyone in the organization could move forward at warp speed to put them into effect. At the same time, we monitored the reactions of customers in the frontline of sales. The results were reflected in the numbers. My impression of the Morinaga Milk Group was already very positive, and my participation in dialogue and meetings with officers and staff has reinforced my view that this is a really excellent company. For me the most important qualities for an excellent company are good faith and seriousness. I feel that the Morinaga Milk Group really embodies those qualities.

My aspirations as an external director are guided by my belief that excellent companies should be able to achieve growth. Of course, that is not always the case. We are told that one of the major issues confronting Japan today is a lack of "animal spirit," as evidenced by the feeble growth performance of our companies. However, as a human being, I want to see companies grow not only because they have "animal spirit," but also because of their excellence.

I look forward to helping the Morinaga Milk Group to contribute to human society as a bold and decisive organization, by enhancing its capacity to adapt to change, by pursuing bold initiatives and to achieve results, and by moving forward rapidly after careful thought.

Main Board Agenda Items in the Fiscal Year Ended March 2023

Management Strategies

The Board of Directors deliberated on priorities under Medium-Term Business Plan 2022–24, which was formulated as a step toward the realization of the Morinaga Milk Group 10-year Vision, and Sustainability Medium to Long-Term Plan 2030. There were also frequent discussions about priorities relating to the expansion of the Global Business as a core segment for the Morinaga Milk Group.

Financial Management

The Board of Directors deliberated on the utilization of funds in line with financial strategies focused on efficiency, which are identified as a core policy in Medium-Term Business Plan 2022–24, and the enhancement of shareholder returns.

Governance

The Board of Directors deliberated on matters relating to nominations and remuneration on the basis of reports submitted by the Personnel Remuneration Committee. There was also discussion about actions relating to the Corporate Governance Code that would contribute to the improvement of corporate value, and initiatives to improve the effectiveness of the Board of Directors.

Assessment of the Board of Directors in the Fiscal Year Ended March 2023

I was appointed to the Board of Directors during the COVID-19 pandemic in 2020, so this is my fourth year as a director. The Morinaga Milk Group had to adapt to major changes over the past three years, including rapid shifts in demand during the COVID-19 crisis, a global inflationary trend, and sharply higher prices for raw materials.

When I first joined the Board, external directors spoke actively at meetings, but there was little input from internal directors, and frequent comments from the perspective of the executive organization. More recently, there has been a rise in the frequency of comments from internal directors, and we are hearing more input about matters relating to the organization as a whole. I feel that this change has enlivened debate at Board meetings.

In FY2021, a dedicated organization was established to promote diversity and inclusion (D&I). I feel that this issue is now being approached with a sense of urgency through initiatives that include career support seminars and education programs for female employees, and systems to help employees achieve a better work-life balance. However, despite the fact that many talented women work for the Morinaga Milk Group, the percentages of female officers and managers have not yet reached satisfactory levels. To achieve further progress, I think that it will be necessary to set higher goals for the equity portion of DEI, and to formulate strategies through backcasting. There needs to be a mindset change leading to a shift from systems that provide equal support for all employees regardless of individual differences, to systems that ensure equity by providing support in ways that reflect differences.

As the pace of change accelerates, I believe that it will become increasingly important to reflect various perspectives in discussions at Board meetings. In my opinion, the quality and energy of debate at Board meetings could be further enhanced by increasing the frequency of input from internal directors, and by improving briefings about agenda items through the inclusion of company-wide perspectives as well as detailed explanations.



External Director
Yukari Tominaga

Comments are welcomed at Board meetings, and we are also free to make comments or seek clarification during discussions in other forums. I also see the fact that internal directors can speak freely and openly as evidence that the Board of Directors has achieved a very high level of effectiveness. There is a need for further clarification of the roles of the Board of Directors and the Executive Management Committee around the extent to which resolutions should be deferred to the Executive Management Committee. Depending on the outcome of that clarification, we may need to consider whether external directors should be given opportunities to offer input at Executive Management Committee meetings, which we currently attend as observers.

I believe that four key factors will need to be considered in relation to the development and expansion of overseas business. They are first, the effective utilization of MILEI to expand business in Europe, second, the promotion of the bacteria business through the strategic integration of domestic and overseas business, third, the achievement of an early turnaround following the acquisition of Turtle Island Foods, and the restructuring of business in the United States, and fourth a focus on Indonesia as the biggest market in Southeast Asia. Since it is difficult to move into regions and countries where the Morinaga Milk Group currently has no presence, I hope that immediate steps will be taken to transform relationships with existing partners in the Indonesian market.

In the fiscal year ended March 2023, management struggled to ascertain the extent to which the prices of individual products would rise due to rapid increases in raw material and logistics costs in the environment created by the Ukraine problem and the dramatic weakening of the yen. This resulted in delays in price adjustments. Management needs to reflect on this issue and take urgent steps to improve its infrastructure in this area.

I intend to make overseas business development and marketing strategies the main focus of my efforts to contribute to the enhancement of corporate value through my role as an external director. In relation to brand strategies, I feel that there is a particular need to restructure the strategy for bifidobacteria as an area in which the Morinaga Milk Group has a key advantage.



External Director
Hiroshi Nakamura

I feel that the Board of Directors of Morinaga Milk Industry is properly briefed about upcoming agenda items, and that we are able to engage in frank and lively discussions.

The main focus of discussion in the fiscal year ended March 2023 was the rapid rise in the cost of raw materials and energy. There was lively debate about short-term actions, such as product price adjustment, improvement of the product mix, and the reduction of fixed costs, and medium- to long-term responses. Discussion inevitably tended to center on short-term actions, with the result that less time was devoted to deliberations about medium- to long-term measures toward the realization of the 10-year Vision. However, there was continuing discussion about the restructuring and strengthening of the four core business areas of Nutrition and Healthcare Foods, Core Dairy Foods, B-to-B, and Global Business.

This is an era of dramatic change in the external environment, including the impact of population decline on domestic markets. The Morinaga Milk Group aims to improve profitability and achieve sustainable growth in this environment by focusing on its four core areas, while introducing new technology and innovations in order to deliver value that matches the real needs of consumers. From my perspective as an external director, I will help the management team to formulate strategies by providing neutral and fair input based on an understanding of the opportunities and risks in new market areas.

Management also needs a rich talent pool to implement the business strategies that it formulates. The Morinaga Milk Group has devoted considerable effort to human resource development initiatives, including the improvement of mobility within the Group, the promotion of diversity and inclusion, and the formulation of the Well-being Statement. However, I feel that more work is needed in these areas to ensure that human capital can be utilized to its full potential. The Morinaga Milk Group is intensely aware of its social responsibilities. It is working to reflect environmental, social, and governance (ESG) perspectives in its management policies and support social contribution initiatives with the aim of achieving growth in ways that will be socially significant.



External Director
Takayuki Ikeda

Corporate Governance

Remuneration for Officers

The total amount and types of remuneration, etc., for officers in each category, and the number of eligible officers in the fiscal year ended March 31, 2023 are as follows.

Total Remuneration for Directors and Corporate Audit & Supervisory Board Members

| Category | Number of officers | Basic remuneration | | Restricted stock-based compensation | Total remuneration amount |
|--|--------------------|---------------------|---------------------------------|-------------------------------------|---------------------------|
| | | Fixed remuneration | Performance-linked remuneration | | |
| Directors (excluding external directors) | 7 | ¥151 million | ¥152 million | ¥64 million | ¥368 million |
| External directors | 4 | ¥38 million | — | — | ¥38 million |
| Audit & Supervisory Board members (excluding external Audit & Supervisory Board members) | 2 | ¥48 million | — | — | ¥48 million |
| External Audit & Supervisory Board members | 2 | ¥19 million | — | — | ¥19 million |
| Total | 15 | ¥257 million | ¥152 million | ¥64 million | ¥473 million |

Notes: 1. The above figures do not include basic remuneration of ¥2 million paid to a member of the Board of Directors who retired effective June 29, 2022.
 2. As restricted stock-based compensation, 12,600 shares of common stock of the Company were allocated to seven directors, in accordance with the resolution of the Board of Directors passed at its meeting held on July 14, 2022.
 3. There are no amounts representing compensation payable to important employees.

Matters Relating to the Policy for Determining Remuneration Details, etc., for Individual Directors and Audit & Supervisory Board Members

The policy for setting remuneration details, etc., for individual directors and Audit & Supervisory Board members is determined by resolution of the Board of Directors. The main details are described below.

Basic Policy

The Company recognizes that executive remuneration is an important factor in achieving the goals of its corporate philosophy and has therefore adopted the following basic policy.

- Remuneration will be used to provide strong incentives to contribute to sustainable growth and the enhancement of corporate value through the realization of the Company's medium- to long-term management strategies.
- Remuneration will be provided at a level that allows the Company to recruit and retain human resources capable of realizing its corporate philosophy.
- Remuneration will be used to build shared interests with shareholders and heighten management awareness regarding shareholder perspectives.
- The functionality of the Personnel Remuneration Committee will be enhanced to ensure the objectivity and transparency of processes relating to the determination of remuneration.

Composition of Remuneration

- Remuneration for directors (excluding external directors) consists of basic remuneration, comprising fixed remuneration and performance-linked remuneration, together with stock-based compensation (restricted stock-based compensation) provided as medium- and long-term incentives.
- The relative amounts of each type of remuneration if basic remuneration includes performance-linked remuneration will be approximately 40% fixed remuneration, 40% performance-linked remuneration, and 20% stock-based compensation.
- Basic remuneration is determined according to rank and is paid on a specific date each month. Stock-based compensation is allocated according to rank on an allocation date determined by resolution of the Board of Directors.

- Remuneration for external directors and Audit & Supervisory Board members consists solely of fixed remuneration and does not include stock-based compensation or other performance-linked remuneration.
- The Personnel Remuneration Committee determines basic compensation for each director (excluding external directors), while individual stock-based compensation decisions are made by the Board of Directors after fair consideration and advice from the Personnel Remuneration Committee.

Matters Relating to Performance-Linked Remuneration, etc.

Performance-linked remuneration is determined using evaluation indicators based on progress toward the achievement of Group-wide performance targets (consolidated net sales, consolidated operating income, ROE). Its purpose is to ensure that the Company can achieve sustainable growth and expand the business base of the entire Group. The amount of remuneration paid to each director is determined by the Personnel and Remuneration Committee based on evaluations of the performance of individual directors, as well as levels of contribution to the Group's non-financial performance, such as sustainability initiatives. These individual performance evaluations are carried out by the Personnel and Remuneration Committee, which makes decisions after deliberations from various perspectives, such as the performance of the divisions for which each director is responsible, as well as their individual contributions. The Personnel and Remuneration Committee is also responsible for evaluating the Chairman and the President of the Company solely on the basis of progress toward the achievement of Group-wide performance targets.

Targets and Results for Indicators Related to Performance-linked Remuneration

- Performance-linked remuneration targets: Consolidated net sales of ¥502.0 billion, consolidated operating profit of ¥31 billion, ROE of 16.4% (targets for the fiscal year ended March 31, 2022)
- Performance-linked remuneration results: Consolidated net sales of ¥503.4 billion, consolidated operating profit of ¥29.8 billion, ROE of 16.7% (results for the fiscal year ended March 31, 2022)

Non-monetary Remuneration, etc.

The Company introduced restricted stock-based compensation for directors (excluding external directors) in order to promote sharing of the merits and risks of stock price fluctuations between the directors and shareholders and provide the directors with greater incentives to contribute to increasing the Company's stock price and enhancing corporate value.

Matters Relating to the Delegation of Authority to Determine Remuneration Details, etc., for Individual Directors

To ensure transparency and objectivity in the processes used to determine basic remuneration of individual directors, authority is delegated to the Personnel Remuneration Committee in accordance with a resolution of the Board of Directors. In

addition, the Personnel Remuneration Committee is required to submit a report to the Board of Directors affirming that remuneration details were determined in accordance with the policy. The Board of Directors regards the completion of this process as evidence that remuneration details have been determined in compliance with the policy. The five members of the Personnel Remuneration Committee at the time of determining remuneration for the current fiscal year were Representative Director and President Yohichi Ohnuki, Representative Director and Executive Vice President Teiichiro Okawa, External Director Shoji Kawakami*1, External Director Takatomo Yoneda*2, and External Director Yukari Tominaga.

Notes: 1. Stock-based compensation (restricted stock-based compensation) for individual directors is determined by resolution of the Board of Directors.
 2. Remuneration for Audit & Supervisory Board members is determined through consultation among Audit & Supervisory Board members.
 *1 Retired on June 29, 2022
 *2 Retired on June 29, 2023

Matters Relating to Resolutions at the Annual General Meeting of Shareholders Concerning Remuneration, etc. for Directors and Audit & Supervisory Board Members

| | Type of remuneration | Maximum remuneration | Date of resolution at the Annual General Meeting of Shareholders | Number of officers as of the end of the Annual General Meeting of Shareholders |
|-----------------------------------|-------------------------------------|---|--|---|
| Directors | Basic remuneration | Maximum of ¥36 million per month | 80th Annual General Meeting of Shareholders (June 27, 2003) | Eight directors |
| | Restricted stock-based compensation | Maximum of ¥120 million per year (or up to 15,000 shares) | 95th Annual General Meeting of Shareholders (June 28, 2018) | Nine directors (excluding two external directors) |
| Audit & Supervisory Board members | Fixed remuneration | Maximum of ¥6 million per month | 92nd Annual General Meeting of Shareholders (June 26, 2015) | Four Audit & Supervisory Board members (including two external Audit & Supervisory Board members) |

Cross-Shareholdings

The Company holds cross-shareholdings only in cases where this is deemed likely to contribute to the improvement of medium- to long-term corporate value, based on comprehensive assessments of the economic rationale and the necessity of such shareholdings in relation to business operations. The Board of Directors verifies the justification for important policy shareholdings on an individual basis each year. If it is found that there is little justification for a shareholding, the shares will be sold after considering market conditions and other factors.

Based on this verification process, the Company sold part of its policy shareholdings in the fiscal year ended March 31, 2023. Verification involves an assessment of investment profit and loss based on trading gains, dividend yields, the risk of market value fluctuations, capital costs, and other specific criteria. Decisions on whether or not to retain shareholdings also take into consideration the economic merits and the necessity of each shareholding.

The Company appropriately exercises its voting rights for cross-shareholdings after carefully examining whether each proposal could impair the Company's corporate value, and whether it would contribute to the sound management of the issuing company and increase its corporate value.

Policy on Constructive Dialogue with Shareholders

The Company regards the establishment of relationships of mutual trust with shareholders through constructive

dialogue as a management priority. We actively monitor the shareholder structure, while also working to expand dialogue with shareholders through various events, such as the Annual General Meeting of Shareholders, financial results briefings, and individual visits and meetings.

Matters concerning constructive dialogue with shareholders are supervised by the director in charge of general affairs and the director in charge of public relations and IR. The contact points for shareholders are the General Affairs Department and the Investor & Public Relations Department, which are working together to expand and enhance communications with shareholders, including collaborative initiatives to share information whenever required. We determine the appropriate structure for dialogue events, including face-to-face meetings, according to the purpose and content of each event, as well as the attributes of the other party. Opinions and other information obtained through dialogue are reported to senior management immediately, and to the Board of Directors on a quarterly basis.

We strive to ensure fairness in our dialogue with shareholders by stringently controlling insider information, including the establishment of a silent period for financial results.

The officers primarily responsible for dialogue with individual shareholders and investors are the President and Representative Director, the Officer in Charge of Finance, the General Manager of the Sustainability Division, the General Manager of the Investor & Public Relations Department, the Sustainability Division, and the General Manager of the IR Group of the Investor & Public Relations Department.

Corporate Governance

We actively engage in dialogue with all stakeholders, regardless of their attributes, investment style, or size, including individual visits to overseas investors, and attendance at conferences hosted by securities companies. The number of private meetings each year has increased by more than five-fold over the past 10 years, reaching approximately 400 in the fiscal year ended March 2023.

Another priority is the expansion and enhancement of the disclosure of information that is the focus of strong interest in capital markets. Disclosure initiatives in the fiscal year ended March 31, 2023 included briefings about sustainability, and tours of bacterial cell facilities. We also disclose quantitative data about overseas subsidiaries, which are making increasingly important contributions to our earnings because of business expansion, although the scope of the data released is limited by the need to avoid impacts on business strategies.

Maintaining Appropriate Internal Control Systems and Risk Management Systems, Ensuring the Appropriateness of Subsidiaries' Business Operations

The Morinaga Milk Group has established an Internal Control

Committee tasked with the development of internal control systems. The Committee is administered by the General Affairs Department. The supervising officers for Group companies are responsible for the oversight of internal control systems in each Group company. The Internal Control Committee regularly receives and verifies reports about the internal control status of Group companies, and issues directives as necessary.

Compliance

In accordance with behavior norms by all directors and employees, compliance with laws and regulations, the Articles of Association, company rules, and social ethics by all directors and employees is a fundamental requirement for all corporate activities. All directors and employees are required to perform their duties in ways that contribute to the realization of the corporate philosophy. The Company has established the Compliance Subcommittee of the Internal Control Committee to raise, foster, and consolidate compliance awareness by promoting compliance initiatives throughout the Group. It has also established the "Morinaga Milk Helpline," an internal reporting system through which people wishing to report issues can directly contact an internal consultation help

desk or an external attorney.

Risk Management

The Group is working to establish a risk management system by identifying individual risks and determining a person responsible for managing each risk. To do so, the Group has established the Risk Management Subcommittee under the Internal Control Committee which is developing a reporting system as well as a cooperation structure. In the event of unforeseen circumstances, the Group will respond to them promptly in accordance with the crisis management regulations to prevent and minimize any further damage.

Information Security

The Group manages information appropriately and maintains and improves its information security by controlling, managing, and guiding the information security organization responsible for the management of information assets. The Information Security Subcommittee of the Internal Control Committee was established for this purpose. In addition to providing clarification regarding Group-wide information security issues, the Information Security Subcommittee is also working to develop structures to provide

guidance on the proposal and implementation of information security countermeasures and audits.

Ensuring Reliability of Financial Reporting

Morinaga Milk Industry ensures the reliability of its financial reporting by thoroughly managing the business processes required for the compilation of financial reports. To achieve this, the Company has established the Financial Reporting Subcommittee within the Internal Control Committee and is also working closely with the accounting auditors to develop a system that will ensure accurate financial reporting across the entire Morinaga Milk Group.

Ensuring Effectiveness of Audit & Supervisory Board Members

The Morinaga Milk Group maintains and strengthens the Group-wide internal reporting system, provides protection for people who report issues, and ensures effective information management. In addition, Audit & Supervisory Board members attend important meetings and can receive briefings from various stakeholders. The Company also assigns employees to assist Audit & Supervisory Board members in the performance of their duties.

Business and Other Risks

The following section describes primary risks in terms of those that our management has recognized as potentially affecting the Morinaga Milk Group's operating results and financial position. Forward-looking statements contained herein are based on conclusions reached by the Group as of the filing date of the Securities Report. (As of June 30, 2023)

(1) Dairy and Milk Industry

When engaging in business transactions involving raw milk used as a raw material for dairy products manufactured by the Morinaga Milk Group, subsidies are paid to producers under the system for subsidizing producers of milk for manufacturing use, pursuant to the Livestock Stabilization Act. Accordingly, the Group's operating results and financial position could be affected by possible future changes in subsidy levels upon substantial modification or abolishment of the Livestock Stabilization Act. Moreover, whereas a tariff system protects the domestic agricultural industry with respect to dairy products produced by the Group, its operating results and financial position could be affected if the government were to substantially overhaul said system.

The Group accordingly strives to achieve solutions in a manner that involves coordinating efforts with relevant ministries and agencies, as well as other relevant organizations, in order to facilitate timely and appropriate action in addressing issues and other matters pertaining to the dairy and milk industry. We also visit dairy farmers and dairy farming organizations on a daily basis and engage in activities to promote dairy production, such that involve providing them with information on techniques for managing the health of dairy cattle as well as raw milk supply and demand.

(2) Risk Involving Procurement of Raw Materials

The primary raw materials used by the Group are subject to factors that may affect pricing, such that include changes in the balance of supply and demand domestically and overseas, modifications to tariff systems, raw materials markets and currency exchange rates. Accordingly, raw material procurement and production costs could be affected by price changes due to such factors.

To provide for the possibility of substantial changes in the supply-demand balance, the Group closely monitors trends in the raw materials market and has otherwise established the Morinaga Milk Group Procurement Policy, under which it places top priority on safety and reliability with respect to taking various measures, such that include purchasing from multiple regions and suppliers as well as

providing allowances for substitute raw materials.

(3) Safety of Food Products

Although the Group takes an approach to manufacturing that involves making every effort to ensure the safety and quality of food products, its operating results and financial position could be affected should an unforeseen product-related contingency arise that would result in a large-scale product recall and product liability claims.

As such, the Group remains committed to ensuring product safety and quality, and has accordingly established a Quality Policy premised on the concept of ensuring quality throughout the supply chain extending beyond manufacturing sites.

(4) Effects of Foreign Exchange Rates

Given that the Group procures some of its raw materials and other items from overseas, such purchase prices are subject to effects of market price and exchange rate fluctuations. As such, the Group's operating results and financial position could be affected by factors resulting in such higher costs as a depreciating yen and surging market prices.

The Group accordingly strives to curtail foreign exchange risk by arranging foreign exchange contracts and settling payments in foreign currencies, while gathering intelligence from financial institutions and other such entities.

(5) Effects of Weather

Net sales of the Group's respective business segments are subject to the effects of weather. The Group's operating results and financial position could be especially affected by decreases in sales of ice cream, beverages and other similar products in the event of unseasonably low summer temperatures.

As such, the Group flexibly addresses effects of weather by striving to optimize its overall operations, which involves facilitating close coordination among each of its divisions engaged in everything from production to sales, and making adjustments to production in a timely manner in accordance with developments in sales.

(6) Effects of Natural Disaster, Catastrophe, Epidemic and Other Such Events

The Group's operating results and financial position could be affected under scenarios that include potential long-term work stoppage, suspension of product supply amid disruption of logistics channels, and changes in markets and lifestyles, should a sudden and substantial disaster strike. Such potential scenarios include natural disasters such as earthquakes and storms, incidents and accidents such as fire and terrorism, and proliferation of infectious disease affecting the Group's business sites.

The Group accordingly maintains business continuity plans and other such guidelines and places top priority on protecting the lives of its employees and their families, as well as those of its customers, clients, community members and affiliates. The Group also strives to build frameworks that appropriately facilitate efforts to supply products and promptly restore business activities.

(7) Divulgence of Information

The Group has drawn up and accordingly implements information security countermeasures for preventing unauthorized access to its information systems, and for protecting and managing the personal information and trade secrets held by the respective Group companies. Nevertheless, the Group's operating results and financial position could be affected if, for example, it were to encounter deteriorating public confidence amid a scenario wherein information had been inadvertently divulged due to unforeseen circumstances.

The Group has accordingly established an Information Security Subcommittee under its Internal Control System Committee in order to take various actions that include enhancing measures to guard against unauthorized access and efforts to address vulnerabilities, properly managing technological data, and reviewing security rules. The subcommittee also takes steps to heighten knowledge and awareness involving information security in part through employee education, and training on addressing targeted e-mail cyberattacks.

(8) Information Systems

The Group maintains regulations, enhances its support systems and implements security measures with respect to its use of information systems throughout its businesses overall in carrying out tasks that include accepting product orders, placing raw material orders, furnishing instructions on product manufacturing, and undertaking

accounting. Nevertheless, we are exposed to risks particularly in terms of stoppage or loss of systems due to contingencies that include disaster, power outage, computer virus, and unauthorized system access. As such, the Group's operating results and financial position could be affected if, for example, it were to become involved with a stagnating business and the resulting deteriorating public confidence.

The Group accordingly maintains business continuity plans and other such guidance, backs up important data, and addresses system vulnerabilities. It also works to ensure system security by educating its employees about such risk.

(9) Intellectual Property

The Group utilizes various forms of intellectual property throughout its business activities, including intellectual property owned by the Group and that legally subject to user licensing of a third party. As such, the Group's operating results and financial position could be affected as the result of a third party unexpectedly filing a lawsuit against the Group for having violated intellectual property rights.

The Group accordingly takes action that involves showing deference toward intellectual property rights, filing and maintaining intellectual property applications that enable it to appropriately perform business activities, and consistently maintaining divisions dedicated to such matters ensure that the Group is not violating rights of third parties.

(10) Environmental Impact

Amid intensifying global environmental concerns as represented by climate change, the Group's operating results and financial position could be affected if it became subject to regulations or hearsay regarding the use of fossil-fuel energy or plastics, water risks, and other issues that could call for review of its product strategy, capital investment, or responses to surging energy and raw materials procurement costs. For this reason, the Group is taking action using information it collects through various stakeholders.

The Group has identified "Resources and the Environment" as one of the material issues in its Sustainability Medium- to Long-Term Plan 2030, and appropriately sets and manages goals based on the ISO 14001 standard for environmental management systems, as stipulated in the Morinaga Milk Group Environmental Policy. The Group's initiatives for climate change are reviewed periodically by the Climate Change Measures Subcommittee and the Sustainability Committee. For details, please refer to "Initiatives Related to TCFD" on the Company's website.

11-year Financial Summary

| | | Mar./2013 | Mar./2014 | Mar./2015 | Mar./2016 | Mar./2017 | Mar./2018 | Mar./2019 | Mar./2020 | Mar./2021 | Mar./2022 | Mar./2023 |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------|
| Net sales | (¥ millions) | 591,197 | 599,273 | 594,834 | 601,499 | 592,617 | 592,087 | 583,582 | 590,892 | 583,550 | 503,354 | 525,603 |
| Operating profit | (¥ millions) | 10,166 | 11,982 | 6,805 | 14,317 | 21,099 | 21,684 | 22,331 | 25,359 | 28,867 | 29,792 | 23,939 |
| Ordinary profit | (¥ millions) | 10,551 | 12,395 | 8,232 | 14,959 | 21,960 | 22,355 | 23,174 | 25,867 | 30,109 | 31,127 | 25,218 |
| Profit attributable to owners of parent | (¥ millions) | 5,016 | 4,839 | 4,164 | 10,576 | 13,202 | 15,781 | 14,017 | 18,656 | 18,741 | 33,782 | 16,875 |
| Comprehensive income | (¥ millions) | 6,133 | 6,899 | 7,416 | 5,794 | 15,240 | 17,788 | 12,600 | 16,659 | 21,240 | 34,792 | 20,220 |
| Net assets | (¥ millions) | 116,750 | 120,959 | 125,286 | 129,370 | 142,846 | 159,102 | 169,167 | 183,142 | 202,503 | 208,026 | 227,124 |
| Total assets | (¥ millions) | 368,498 | 360,578 | 383,357 | 378,852 | 385,366 | 414,823 | 432,256 | 436,061 | 453,646 | 458,788 | 485,116 |
| BPS (Net assets per share) | (¥) | 469.07 | 486.84 | 502.36 | 518.61 | 2,870.80 | 3,184.08 | 3,384.81 | 3,663.73 | 4,028.36 | 4,554.84 | 4,927.30 |
| EPS (Net income per share) | (¥) | 20.04 | 19.60 | 16.86 | 42.80 | 267.02 | 319.01 | 283.35 | 377.11 | 378.73 | 687.45 | 373.15 |
| EPS (Net income per share)—diluted | (¥) | 19.98 | 19.54 | 16.81 | 42.67 | 266.27 | 318.27 | 282.70 | 376.36 | 378.01 | 686.33 | 372.61 |
| Shareholders' equity ratio | (%) | 31.4 | 33.3 | 32.4 | 33.8 | 36.9 | 38.0 | 38.7 | 41.6 | 43.9 | 44.9 | 45.9 |
| ROE | (%) | 4.4 | 4.1 | 3.4 | 8.4 | 9.8 | 10.5 | 8.6 | 10.7 | 9.8 | 16.7 | 7.9 |
| PER | (Times) | 14.3 | 16.9 | 27.0 | 14.1 | 15.5 | 13.6 | 13.3 | 11.1 | 15.4 | 7.6 | 12.8 |
| Cash flows from operating activities | (¥ millions) | 21,055 | 21,946 | 8,543 | 28,223 | 37,350 | 25,110 | 18,506 | 29,209 | 38,544 | 40,268 | 19,382 |
| Cash flows from investing activities | (¥ millions) | (13,312) | (15,930) | (17,642) | (22,234) | (21,233) | (16,921) | (38,817) | (13,193) | (25,305) | 8,371 | (25,463) |
| Cash flows from financing activities | (¥ millions) | (6,859) | (18,211) | 12,887 | (10,449) | (15,243) | (5,774) | 14,112 | (10,843) | (2,627) | (44,522) | 2,925 |
| Cash and cash equivalents at end of period | (¥ millions) | 17,305 | 7,080 | 11,105 | 6,203 | 7,077 | 9,838 | 3,384 | 8,505 | 19,138 | 23,486 | 20,976 |
| Employees | | 5,712 | 5,664 | 5,649 | 5,602 | 5,771 | 5,987 | 6,157 | 6,303 | 6,871 | 6,839 | 7,040 |
| [Temporary employees—average] | | [2,617] | [2,435] | [2,244] | [2,266] | [2,285] | [2,364] | [2,339] | [2,298] | [2,377] | [2,302] | [2,208] |

Notes:

1. We carried out a reverse stock split at a ratio of one share for every five shares of common stock, with an effective date of October 1, 2017. Net assets per share, net income per share, and diluted net income per share are calculated on the assumption that this reverse stock split was carried out at the start of the fiscal year ended March 31, 2017.
2. The partially revised "Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) is applied from the start of the fiscal year ended March 31, 2019. The main financial data for the fiscal year ended March 31, 2018 is calculated using this accounting standard applied retroactively.

3. From the beginning of the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" is applied.

4. During the first quarter of the fiscal year ended March 31, 2022, the provisional accounting treatments for business combinations were finalized. Accordingly, those contents are reflected in the figures on the consolidated balance sheet as of March 31, 2021.

Consolidated Balance Sheets

(\$ millions)

(\$ millions)

| | 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 |

| | 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 |

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated statements of income

¥ millions)

| | 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 Hikari Kyokai | 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)

| | 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 |

Consolidated Statement of Changes in Shareholders' Equity

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

¥ millions

| | 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 | | | | | | | 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 | Subscription rights to shares | Minority interests | |
| 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

| | 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 | | | | | | | 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 | Subscription rights to shares | Minority interests | |
| 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 |

Consolidated Statement of Cash Flows

(¥ millions)

| | 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)

| | 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 |

Consolidated Subsidiary Companies (As of March 31, 2023: 32 Companies)

| Name | Location | Capital | Voting rights held | Main business area |
|---|---|-------------------|--------------------|---|
| MORINAGA MILK INDUSTRY SALES CO., LTD. | Minato-ku, Tokyo | ¥497 million | 100.0% | Seller of dairy products, etc. |
| TOHOKU MORINAGA MILK INDUSTRY CO., LTD. | Sendai City, Miyagi | ¥470 million | 100.0% | Manufacturer and seller of dairy products, etc. |
| FURIJIPORT CO., LTD.*1 | Chiyoda-ku, Tokyo | ¥310 million | 100.0% | Seller of dairy products, etc., and manufacturer of handmade desserts |
| HIROSHIMA MORINAGA MILK INDUSTRY CO., LTD. | Hiroshima City, Hiroshima | ¥215 million | 100.0% | Manufacturer and seller of dairy products, etc. |
| MK CHEESE CO., LTD. | Ayase City, Kanagawa | ¥200 million | 100.0% | Manufacturer and seller of dairy products, etc. |
| CLINICO Co., Ltd. | Meguro-ku, Tokyo | ¥200 million | 100.0% | Seller of nutritional products, pharmaceuticals, etc. |
| MORINAGA MILK INDUSTRY BUSINESS SERVICE CO., LTD. | Meguro-ku, Tokyo | ¥100 million | 100.0% | Real estate, all varieties of leasing, etc. |
| Morinaga-Hokuriku Milk Industry Co., Ltd. | Fukui City, Fukui | ¥90 million | 100.0% | Manufacturer and seller of dairy products, etc. |
| TOWA TECHNO CO., LTD. | Hiroshima City, Hiroshima | ¥90 million | 100.0% | Manufacturer and seller of food-related machinery |
| MORINYU SUNWORLD CO., LTD. | Minato-ku, Tokyo | ¥61 million | 100.0% | Seller of feed, etc. |
| Morinaga Dairy Service Co., Ltd. | Minato-ku, Tokyo | ¥42 million | 100.0% | Seller of feed, etc. |
| Morinaga Milk Industry Hokkaido Co., Ltd. | Sapporo City, Hokkaido | ¥30 million | 100.0% | Seller of dairy products, etc. |
| Morinaga Milk Industry Kyushu Co., Ltd. | Fukuoka City, Fukuoka | ¥30 million | 100.0% | Seller of dairy products, etc. |
| Napoli Ice Cream Co., Ltd. | Minato-ku, Tokyo | ¥20 million | 100.0% | Manufacturer and seller of ice cream |
| TOKACHI URAHORO MORINAGA MILK INDUSTRY CO., LTD. | Tokachi-gun, Hokkaido | ¥20 million | 100.0% | Manufacturer and seller of dairy products, etc. |
| MILEI GmbH | Leutkirch, Germany | €90 million | 100.0% | Seller of raw milk product |
| MILEI Plus GmbH | Leutkirch, Germany | €0 million | 100.0% | Holding company of MILEI Protein GmbH & Co. KG |
| MILEI Protein GmbH&Co. KG | Leutkirch, Germany | €5 million | 100.0% | Manufacturer of raw milk products |
| Morinaga Nutritional Foods, Inc. | Torrance, California, U.S.A. | \$31 million | 100.0% | Seller of tofu and other processed soybean products |
| Pacific Nutritional Foods, Inc. | Tualatin, Oregon, U.S.A. | \$21 million | 100.0% | Manufacturer of tofu and other processed soybean products |
| Elovi Vietnam Joint Stock Company | Pho Yen District, Thai Nguyen Province, Vietnam | VND200 billion | 100.0% | Manufacturer and seller of dairy products, etc. |
| Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd.*2 | Singapore | ¥318 million | 100.0% | Seller of raw milk products |
| NIHON SEINYU | Higashiokitama-gun, Yamagata | ¥140 million | 99.3% | Manufacturer and seller of dairy products, etc. |
| FUJI MORINAGA MILK INDUSTRY CO., LTD. | Sunto-gun, Shizuoka | ¥50 million | 99.1% | Manufacturer and seller of ice cream |
| OKINAWA MORINAGA MILK INDUSTRY CO., LTD. | Nakagami-gun, Okinawa | ¥305 million | 97.3% | Manufacturer and seller of dairy products, etc. |
| KUMAMOTO MORINAGA MILK INDUSTRY CO., LTD. | Kumamoto City, Kumamoto | ¥50 million | 97.1% | Manufacturer and seller of dairy products, etc. |
| YOKOHAMA MORINAGA MILK INDUSTRY CO., LTD. | Ayase City, Kanagawa | ¥60 million | 96.5% | Manufacturer and seller of dairy products, etc. |
| MORINAGA ENGINEERING CO., LTD. | Minato-ku, Tokyo | ¥200 million | 90.0% | Plant design, engineering, and equipment sales |
| HOKKAIDO HOSHIO MILK PLANT Co., Ltd. | Otaru City, Hokkaido | ¥97 million | 87.2% | Manufacturer and seller of dairy products, etc. |
| NutriCo Morinaga (Pvt.) LTD.*3 | Karachi, Sindh, Pakistan | PKR 8,212 million | 51.0% | Manufacturing and sales of dairy products, etc. |
| SUNFCO CO., LTD. | Chiyoda-ku, Tokyo | ¥50 million | 45.0% | Seller of dairy products, etc. |
| MM Property Funding Corp. | Minato-ku, Tokyo | ¥10 million | — | Leasing of real estate |

Turtle Islands Foods Holdings, Inc., Turtle Island Foods, SPC., and Morinaga Le May Vietnam Joint Stock Company became consolidated subsidiaries in FY2023.

- Notes:
1. The percentage of voting rights listed includes indirect holdings.
2. In addition to this list:
Equity method affiliated subsidiary: 1
Equity method affiliated company: 1

- *1 Chez Foret Co., Ltd. was merged into FURIJIPORT CO., LTD. in October 2022
*2 Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd.: Became a consolidated subsidiary in April 2022
*3 NutriCo Morinaga (Pvt.) LTD.: Became a consolidated subsidiary in January 2023


Business Sites (As of March 31, 2023)

| Name | Location (in Japan) | Main products manufactured |
|---|---------------------------|--|
| Head Office | Minato-ku, Tokyo | — |
| Food Research & Development Institute | Zama City, Kanagawa | — |
| Wellness & Nutrition Science Institute | Zama City, Kanagawa | — |
| Food Ingredients & Technology Institute | Zama City, Kanagawa | — |
| Next Generation Science Institute | Zama City, Kanagawa | — |
| Food Solution Institute | Zama City, Kanagawa | — |
| Tohoku Branch*1 | Sendai City, Miyagi | — |
| Metropolitan Regional Office *1 | Minato-ku, Tokyo | — |
| Kanto Branch*1 | Takasaki City, Gunma | — |
| Tokyo Branch*1 | Minato-ku, Tokyo | — |
| Central Japan Regional Office *1 | Nagoya City, Aichi | — |
| Tokai Branch *1 | Nagoya City, Aichi | — |
| Hokuriku Branch*1 | Nonoichi City, Ishikawa | — |
| West Japan Regional Office *1 | Osaka City, Osaka | — |
| Osaka Branch*1 | Osaka City, Osaka | — |
| Chushikoku Branch*1 | Hiroshima City, Hiroshima | — |
| Saroma Plant | Tokoro-gun, Hokkaido | Powdered milk, concentrated milk, butter, and cream |
| Betsukai Plant | Notsuke-gun, Hokkaido | Cheese, powdered milk, whey powder, and butter |
| Morioka Plant | Morioka City, Iwate | Liquid foods |
| Fukushima Plant | Fukushima City, Fukushima | Powdered milk, butter, decorating whipped cream, and ice cream |
| Tone Plant | Joso City, Ibaraki | Dessert, LL soft mix, LL tofu, probiotic products, and yogurt |
| Tokyo Tama Plant | Higashiyamato City, Tokyo | Milk, milk-based drinks, tea drinks, yogurt, and cream |
| Yamato Plant | Higashiyamato City, Tokyo | Powdered milk |
| Matsumoto Plant | Matsumoto City, Nagano | Powdered milk, peptides, and medical food supplements |
| Fuji Plant | Fujinomiya City, Shizuoka | Lactulose (syrup, powder) |
| Chukyo Plant | Konan City, Aichi | Milk, milk-based drinks, lactobacillus drinks, tea drinks, and ice cream |
| Kobe Plant | Kobe City, Hyogo | Milk, milk-based drinks, tea drinks, yogurt, and liquid foods |
| Administration Support Center | Meguro-ku, Tokyo | — |
| Information System Center | Zama City, Kanagawa | — |
| Manufacturing Technology Center*2 | Higashiyamato City, Tokyo | — |
| Chilled Products Coordination Center-East Japan | Higashiyamato City, Tokyo | — |
| Chilled Products Coordination Center-West Japan | Kobe City, Hyogo | — |
| Order Control Center | Yokohama City, Kanagawa | — |

*1 Due to sales organization reorganization, some locations were renamed in April 2023 (reorganized and renamed to Tohoku Branch, Kanto Branch, Tokyo Branch, Tokai Branch, Hokuriku Branch, West Japan Regional Office, and Chushikoku Branch)

*2 Manufacturing Technology Center: Organized into headquarters as "Technology Development Department" in April 2023

Overseas Subsidiaries and Joint Ventures

 See pages 43–44 for details of overseas business expansion by the Morinaga Milk Group

 The websites of each overseas affiliates and joint venture companies are summarized at the URL below.
Morinaga Milk website > About Morinaga Milk > Locations
<https://www.morinagamilk.co.jp/english/about/oversea/>

Corporate Data (As of March 31, 2023)

Stock Information

| | |
|---|--|
| Securities code | 2264 |
| Business year | From April 1 to March 31 in the following year |
| Annual General Meeting of Shareholders | June |
| Date of record for shareholders eligible to receive dividends | March 31 (The Company does not pay an interim dividend.) |
| Listed stock exchange | Tokyo (Prime Market) |
| Authorized shares | 144,000,000 shares |
| Shares issued and outstanding | 45,238,225 shares (excluding 2,607,118 shares of treasury stock) |
| Shareholders | 23,826 |
| Shareholders' registry manager, management institution for special accounts | Mitsubishi UFJ Trust and Banking Corporation |

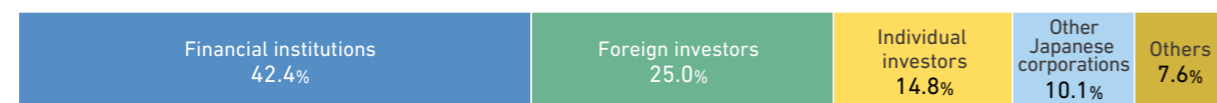
*Notice Concerning Decision on Matters Relating to Acquisition and Cancellation of Treasury Shares was released on May 15, 2023.

Major Shareholders

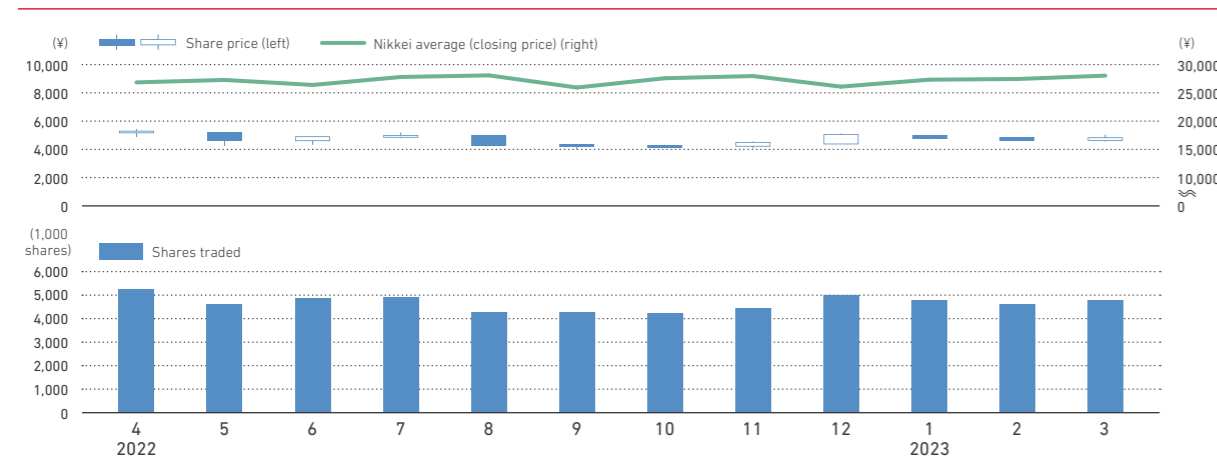
| Shareholder | Number of shares held | % of total |
|---|-----------------------|------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7,648 | 16.91 |
| Custody Bank of Japan, Ltd. (Trust Account) | 3,668 | 8.11 |
| SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account) | 1,328 | 2.94 |
| Mizuho Bank, Ltd. | 1,222 | 2.70 |
| Morinaga Milk Employees' Shareholding Association | 1,043 | 2.31 |
| Morinaga & Co., Ltd. | 949 | 2.10 |
| DBS BANK LTD 700170 | 898 | 1.99 |
| JP MORGAN CHASE BANK 385839 | 793 | 1.75 |
| The Norinchukin Bank | 767 | 1.70 |
| MUFG Bank, Ltd. | 694 | 1.53 |

*Percentages of shares held are calculated based on the number of shares issued and outstanding after the subtraction of shares of treasury stock.
*The Company owns 2,607,118 shares of treasury stock but is excluded from the list of major shareholders above (as of March 31, 2023).

Distribution Ownership Among Shareholders



Share Price/Turnover



Corporate Profile

| | |
|--------------|--|
| Company name | Morinaga Milk Industry Co., Ltd. |
| Head office | 33-1, Shiba 5-chome, Minato-ku, Tokyo |
| Founded | September 1, 1917 |
| Established | April 13, 1949 |
| Capital | ¥21,821 million |
| Employees | Non-consolidated: 3,325 (male: 2,659/female: 666) Consolidated: 7,040 (male: 5,286/female: 1,754) |
| URL | https://www.morinagamilk.co.jp/english/ |

Information Disclosure Tools

For more detailed investor relations information and sustainability information, please see the corporate website.

Investor Relations

<https://www.morinagamilk.co.jp/english/ir/>

Sustainability of Morinaga Milk

<https://www.morinagamilk.co.jp/english/sustainability/>

Editorial Postscript



General Manager
Investor & Public Relations
Department Sustainability Division
Taku Yamada

Thank you for reading to the end of Integrated Report 2023. Over the past few years, I have worked with my team in the Investor & Public Relations Department to foster active dialogue with stakeholders with the aim of seeking feedback for management and enhancing our information disclosure.

When compiling the Integrated Report, we do our best to meet the expectations of all stakeholders. I am sure that there is still considerable room for improvement, but I hope that readers can perceive the changes that we have already made.

One of our priorities for this report was to convey the personal qualities of President Ohnuki and other officers by including messages in their own words and exactly as they were written by the individuals concerned. I see the Integrated Report as an ideal medium to learn about the characteristics of Morinaga Milk Industry and the personal qualities of its officers.

I believe that the future growth of the Morinaga Milk Group will require further enhancement of dialogue. We look forward to receiving frank comments and input from readers.