

Value Creation Strategy

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Message from the CFO

Toward 2030

We will sustainably increase corporate value and achieve stable, consistent shareholder returns by pursuing capital cost management.



Tetsuya Takagi
Chief Financial Officer
Director,
Senior Executive Officer

Progress of the 2021 Medium-Term Business Plan (2021–2023)

Business growth in the focused domains defined in the 2030 Business Plan was a key driver in our record high net sales*. We are working to restore profitability to respond to changes in the business environment symbolized by soaring raw materials and energy prices.

Under the 2021 Medium-Term Business Plan (MTBP), the Group is working diligently to “Build a New Foundation for Dramatic Growth.” In FY2022, the second year of the plan, we achieved record high sales* for the second consecutive year, driven by business growth in the focused domains as defined in the 2030 Business Plan, our long-term management plan. Sales in the focused domains accounted for approximately 50% of total net sales, and the rapid growth of overseas businesses, mainly in the United States, helped push the overseas sales ratio to double digits for the first time. In terms of net sales, we expect to achieve the target set in the 2021 Medium-Term Business Plan.

While we have made steady progress with the transformation of our business portfolio, our current profitability has declined due to soaring prices of raw materials and others and increased investment burdens for future business growth. Raw materials prices are expected to remain elevated over the medium term, and based on

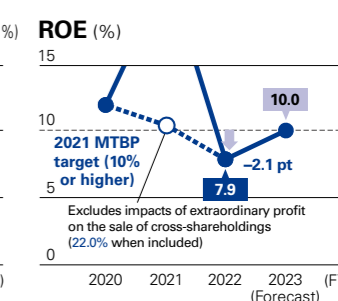
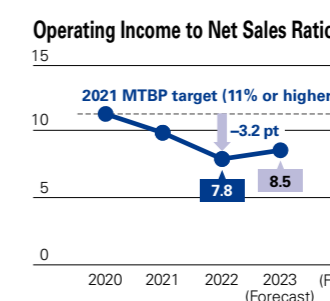
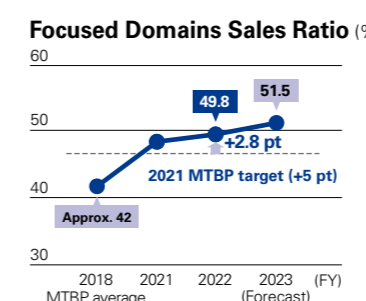
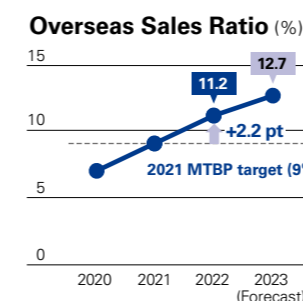
this assumption, we will implement flexible and appropriate price revisions and increase cost reductions, expense efficiency, and investment efficiency to improve profitability.

By steadily implementing these initiatives and various measures based on our financial strategy, we aim to restore ROE to 10%, which is a target for the final year of the 2021 Medium-Term Business Plan.

*Accounting Standard for Revenue Recognition applied retrospectively

KPIs in the 2021 Medium-Term Business Plan

	FY2022		FY2023	
	Results	Plan	Forecast	Forecast
Net sales	194.3 billion yen	190.0 billion yen	204.0 billion yen	
Operating income	15.2 billion yen	21.5 billion yen	17.3 billion yen	
Operating income to net sales ratio	7.8%	11% or higher	8.5%	
Overseas sales ratio	11.2%	9% or higher	12.7%	
Focused domains sales ratio	49.8%	47% or higher	51.5%	
ROE	7.9%	10% or higher	10.0%	



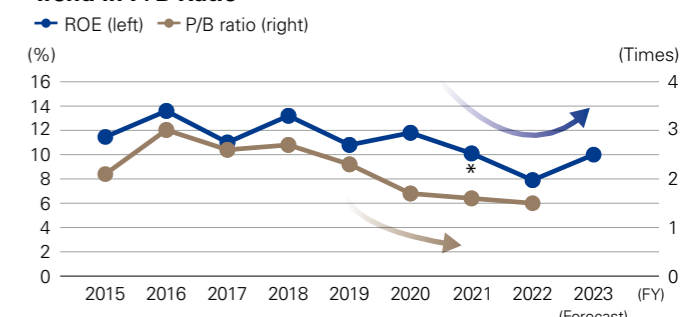
Morinaga Group’s Financial Challenges

We recognize that sustainably increasing corporate value is the most important challenge facing the Group financially.

Price-to-book ratio (P/B ratio) is one of the indicators used to evaluate corporate value from the perspective of the capital markets. Looking at the Group’s medium- to long-term trend, our P/B ratio has been on a downward trend since FY2018 and has been at a level of about 1.5 times as of the end of FY2022. We are aware that the Group’s growth potential has not been adequately evaluated by the capital markets.

On the other hand, return on equity (ROE), which is an indicator of return on capital, had been trending at 10% or more until FY2021, but it had been on a downward trend since FY2020 due to rapid changes in the external environment, such as the impact of the COVID-19 pandemic and soaring prices of raw materials. In the Group’s case,

Trend in P/B Ratio



*Excludes the impacts of extraordinary profit on the sale of cross-shareholdings

Financial Capital Strategy

the correlation between P/B ratio and ROE is relatively strong, and we believe that it is important to increase ROE to enhance corporate value in the future.

To increase corporate value, it is important to improve return on capital and optimize the cost of capital.

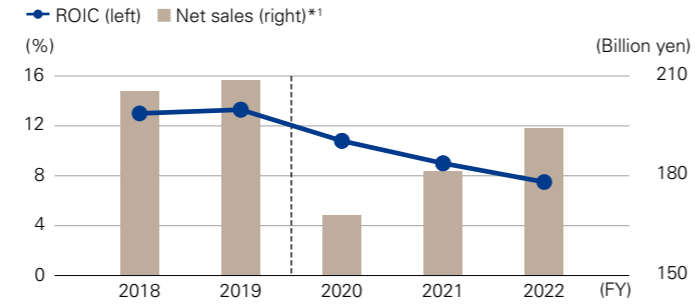
We believe that to improve ROE we need to pursue both 1) improvement return on capital and 2) optimization of the cost of capital. For the former, under ROIC management, the optimization of the business portfolio, the improvement of business profitability, and the efficiency of invested capital and similar factors, pose challenges. With regard to the latter, while ensuring financial security, we will adjust the weighted average cost of capital (WACC) to around 6% to attain an optimal capital structure by expanding the use of interest-bearing debt.

Through initiatives to resolve these challenges, we will strive to sustainably enhance corporate value and provide stable, consistent shareholder returns.

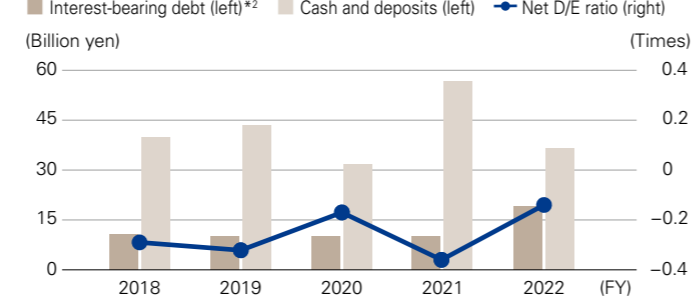
Financial Challenges

- Sustainably enhance corporate value by improving return on capital and optimizing the cost of capital
- Provide stable, consistent shareholder returns

Trend in Net Sales and Return on Invested Capital (ROIC)



Trend in Financial Leverage



*1 Since the Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021, the figures for results in FY2020 used for year-on-year comparisons have been calculated following retrospective application of said accounting standard.
 *2 Interest-bearing debt represents liabilities on the consolidated balance sheet, excluding lease obligations, for which the Company pays interest.

Framework of Financial Strategy

To realize the sustainable enhancement of corporate value, we will practice capital cost management.

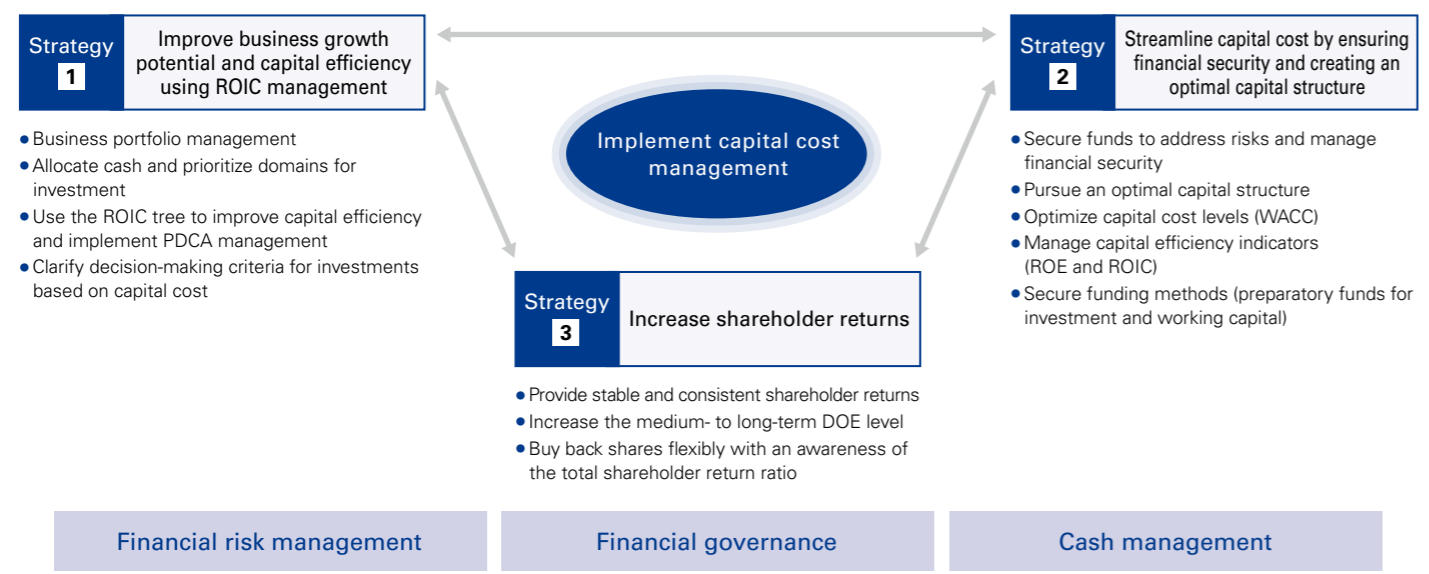
The Morinaga Group's basic policy is to increase corporate value sustainably and achieve stable and continuous shareholder returns using proactive investments in growth and by maintaining our stable financial base. Aimed at achieving the 2030 Business Plan, we will contribute to all stakeholders by implementing capital cost management and maximizing corporate value.

Toward this end, we will enhance our financial management following the three main financial strategies outlined below.

Strategy 1 Improve business growth potential and capital efficiency using ROIC management

Strategy 2 Streamline capital cost by ensuring financial security and creating an optimal capital structure

Strategy 3 Increase shareholder returns

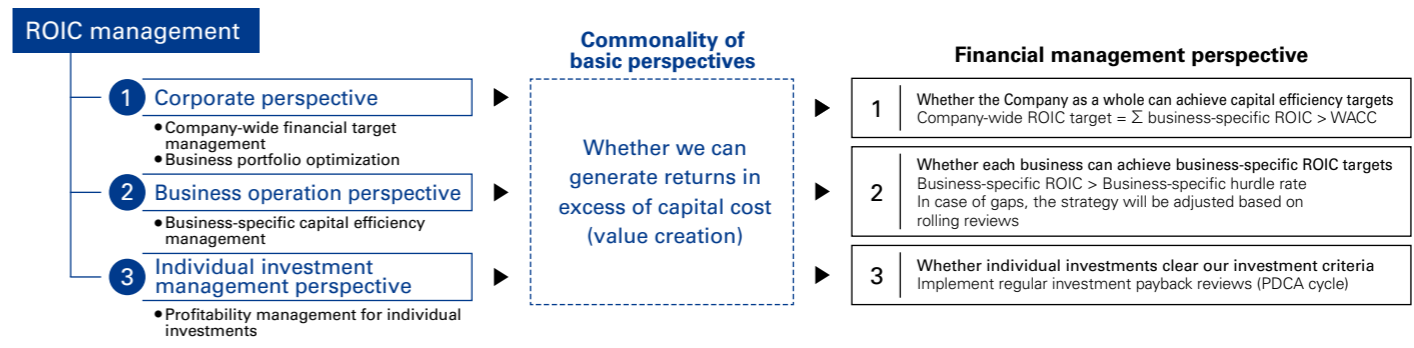


Strategy 1 Improve business growth potential and capital efficiency using ROIC management

We are strengthening the system of ROIC management from three perspectives.

The Morinaga Group is strengthening its system of implementing ROIC management according to the three perspectives of 1) corporate, 2) business operations, and 3) management of individual investments. The commonality of these three

perspectives is whether we can generate returns in excess of capital cost. We will make management-level decisions based on financial assessments, as well as non-financial elements, and implement the PDCA cycle to increase growth potential and capital efficiency.

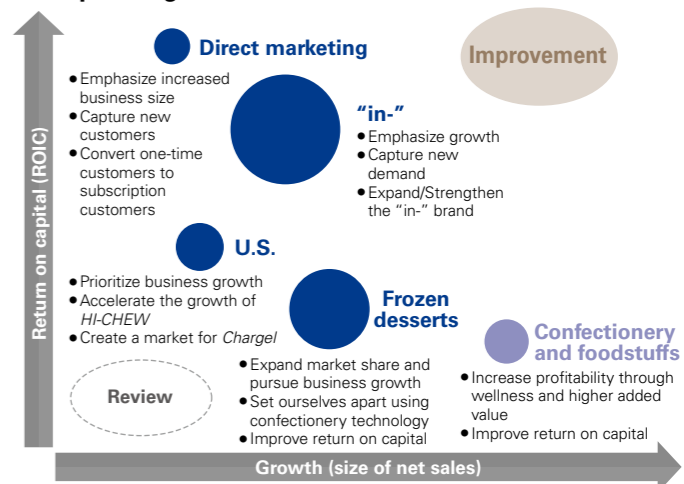


We will clarify our strategy according to the business and brand mission and aim to form an optimal business portfolio.

Regarding ROIC management from a corporate perspective, we analyze ROIC and its components for the entire company and each business, and check whether it exceeds the cost of capital (WACC). In addition, we will confirm the key points for strengthening the growth potential and return on capital of each business and each market category, and consider the mission, transformation, and optimal allocation of management resources in the business portfolio.

In FY2022, we proceeded with discussions on business strategies for growth, focused on the four businesses that were designated as focused domains in the 2030 Business Plan at the Business Execution Meeting. In the confectionery and foodstuffs business, which has a relatively large amount of invested capital, we are considering strategies and measures to improve the efficiency of this invested capital.

Direction of Business Portfolio Growth/Transformation (Sample Image)



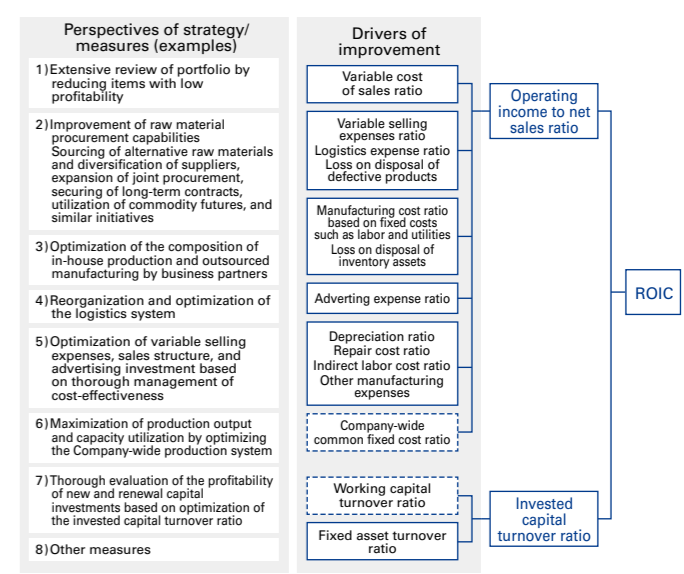
Note: The size of the circle indicates the scale of net operating profit after tax (NOPAT).

We will increase return on capital of our businesses utilizing the ROIC tree.

Regarding ROIC management from the perspective of business operations, management and the divisions in charge use the ROIC tree for each business to identify problem areas that will lead to improvements in return on capital, and they consider strategies and measures to solve these issues. From the formulation of the FY2023 budget, we have started to inspect the budget level based on the ROIC tree, which will lead to continuous improvement activities using the PDCA cycle in the future. In addition, to instill ROIC management down to the frontline level, we are promoting understanding of the concept of ROIC management and the relationship between frontline activities among all employees using our own video-based teaching materials.

Regarding the third perspective, individual investment management, in FY2022 we revamped our investment management system, including the investment evaluation method, decision-making process, and investment review process. We are now working to strengthen the foundation for capital cost management.

Reverse the ROIC Tree



Financial Capital Strategy

Strategy 2 Streamline capital cost by ensuring financial security and creating an optimal capital structure

On the premise of maintaining our financial security with our credit rating at “A”* or higher, we will optimize the cost of capital by utilizing financial leverage.

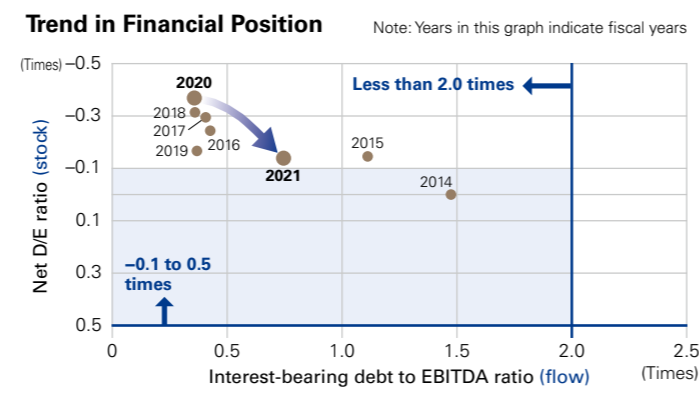
The Morinaga Group’s basic policy is to ensure a certain level of financial security in preparation for changes in the macroeconomic environment, uncertainty in the business environment, and increases in management risks. Furthermore, our basic rule is to maintain a Japan Credit Rating Agency, Ltd. (JCR), credit rating of “A” or above as a benchmark for financial security.

Moreover, referencing financial guidance for funding to satisfy demand, we will aim for an optimal capital structure holistically considering appropriate levels of cash on hand, capital cost, funding conditions, and other factors.

Financial Indicators	Guidance
Japan Credit Rating Agency, Ltd. (JCR), rating • Cash on hand • Net D/E ratio • Interest-bearing debt to EBITDA ratio	Maintain at “A” or above • 2 or more months’ sales • Between -0.1 and 0.5 times • Less than 2.0 times

In FY2022, excessive cash on hand was one of the factors behind the decline in return on capital. Therefore, we significantly reduced the net cash balance while taking financial security into consideration (from 46.6 billion yen at the end of FY2021 to 17.3 billion yen at the end of FY2022). We will continue to optimize capital costs by making adjustments to reach our optimal capital structure.

*Credit rating of Japan Credit Rating Agency (JCR)



Strategy 3 Increase shareholder returns

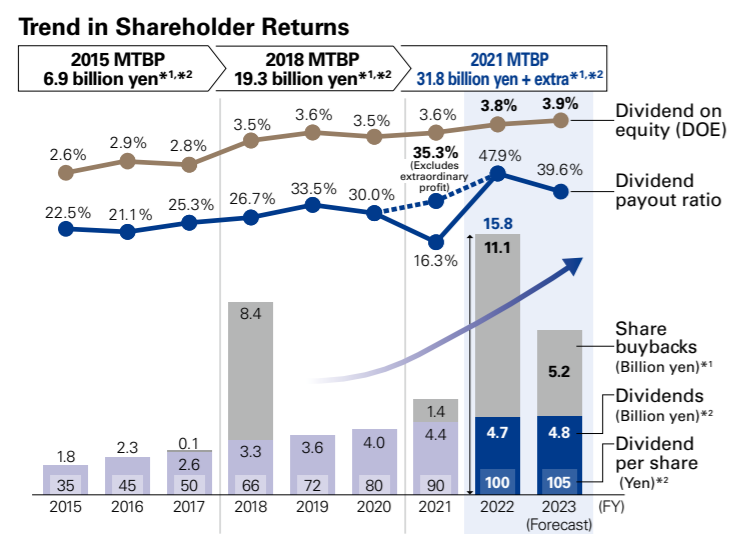
During the 2021 Medium-Term Business Plan, we significantly increased shareholder returns. We will continue to sustainably enhance corporate value and aim for stable, consistent shareholder returns.

The Morinaga Group’s basic policy is to offer stable and consistent shareholder returns backed by a solid business foundation.

As for shareholder returns, we will seek to raise the dividend on equity (DOE), an indicator of capital policy, over the medium to long term while considering a dividend payout ratio level and free cash flow and ensuring a healthy balance sheet.

In addition, we will consider prompt approaches to share buybacks as needed with an eye toward the total shareholder return ratio.

In FY2022, we provided our largest ever shareholder returns of 15.8 billion yen, comprising the year-end dividend of 4.7 billion yen and share buybacks of 11.1 billion yen. During the 2021 Medium-Term Business Plan (2021–2023), we expect to achieve shareholder returns of more than 31.8 billion yen, which is substantially higher than planned.



Financial Indicators	Guidance
Dividend on equity (DOE)	4.5% or more (target for FY2030)
Share buyback amount	Establish based on the investment and capital plan in the Medium- to Long-Term Business Plans

Share Buybacks Completed during the 2021 Medium-Term Business Plan*

Resolution date	Acquisition date	Amount	Method
February 28, 2022	October 25, 2022	9,999,887,500 yen	Market purchases
February 10, 2023	February 14, 2023	2,486,250,000 yen	ToSTNet-3
May 11, 2023	May 16, 2023	5,256,900,000 yen	ToSTNet-3

*1 Data covers the acquisition amount during the relevant accounting period (for FY2023, the amount acquired up until May 16, 2023).
 *2 Data indicates the amount of appropriation of surplus for the relevant accounting period.

*3 Data up to the share buybacks completed on May 16, 2023

Approach to Cash Creation and Cash Allocation Based on Financial Strategy

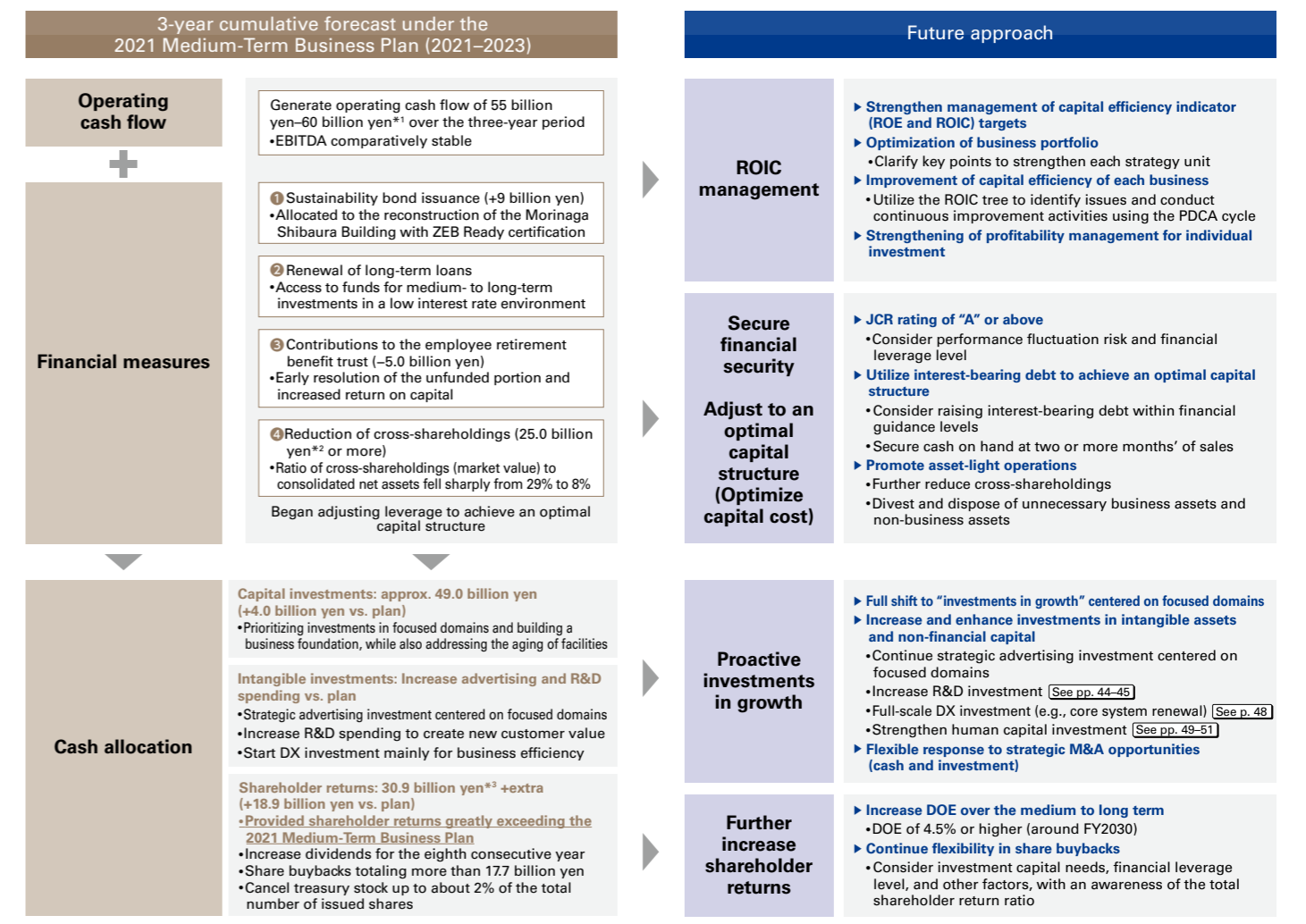
We will enhance our ability to generate cash through ROIC management and financial measures and strengthen growth investment and shareholder returns.

During the 2021 Medium-Term Business Plan (2021–2023), in addition to generating EBITDA in a relatively stable manner, we procured funds through various means, including the issuance of sustainability bonds and the significant reduction of cross-shareholdings.

At the same time, we revisited our cash allocation. This included the contribution of additional funds to our retirement benefit trust, capital investment that prioritizes investment in focused domains and building a

business foundation, investments in intangible assets, and shareholder returns that substantially exceeded our plan. As a result, we have significantly adjusted our net cash position to improve return on capital.

Looking ahead, during the 2024 Medium-Term Business Plan (2024–2026), we will promote ROIC management and optimize capital costs, while considering further increasing growth investment and shareholder returns.



*1 Amount after deducting the effects of contributions to the employee retirement benefit trust from operating cash flow
 *2 Total amount for FY2021 and FY2022
 *3 Total amount of dividend payments and share buybacks between April 2021 and March 2024 (shares bought back up to May 16, 2023)

Aiming to Increase Corporate Value Still Further

From FY2022 onward, we are focusing on “capital cost management” in order to realize the 2030 Business Plan, which is the Group’s long-term business plan.

To help investors understand these initiatives, we have been actively engaged in IR activities, such as enhancing segment information in disclosures, switching the timing of financial results briefings and provision of materials to a quarterly basis, holding

theme-specific IR Days, increasing the number of small meetings and individual IR interviews, and strengthening dialogue with overseas investors through overseas IR and conferences. We will utilize the valuable opinions received through these IR activities and dialogue with stakeholders in our management activities to continue to increase corporate value in a sustainable manner.

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused Domain "in-" Business



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

What we are aiming for in 2030

Aiming to become the No. 1 brand among foodstuffs supporting "health of mind and body" centering on sports

[Initiatives for target achievement]

We are expanding and strengthening the "in-" brand in response to health needs by extending the targets and growing awareness of drinking situations.



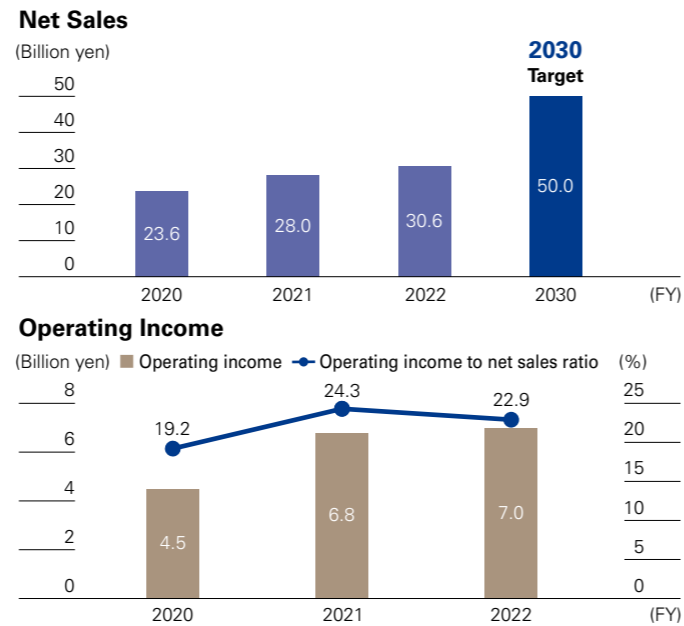
Awareness of the Business Environment and Business Overview

Since the launch of *in Jelly* in 1994, the Group has created a new food culture of replenishing nutrition easily on the go. Amid the changing social dynamics of women's greater participation in society, the aging society, and an increase in the number of people living alone, people's awareness and interest in health spiked during the COVID-19 pandemic, which is a trend that is expected to continue. Also, with the concept of a work-life balance penetrating society, people are spending more time on their hobbies and entertainment, and as a result, consumers are looking for ways to simplify food and prepare meals quicker.

Given this environment, demand is growing for jelly drink products and food products with balanced nutrition that provide or restrict nutritional elements related to health issues easily, and the jelly drink market in Japan is forecast to grow to 89.4 billion yen in 2025,* marking a 10% increase over FY2022.

In FY2022, net sales of the "in-" business totaled 30.6 billion yen, up 9% compared with FY2021. Operating income rose 200 million yen year on year to 7.0 billion yen amid strong sales, which helped to offset soaring raw materials prices and aggressive spending on advertising.

*Pouch-type Jelly Drink Market (2022 sales estimates and 2025 sales forecast) according to the 2023 Processed Foods Marketing Data Book No. 4 by Fuji Keizai



Medium- to Long-Term Strategy

There will be a greater necessity for exercise and adjusting nutrient intake to avoid malnutrition or overnutrition against the backdrop of an increased elderly population and concerns of future contagious diseases.

In the "in-" business, the Morinaga Group will utilize its know-how in nutrition and physique building cultivated through our knowledge of sports nutrition along with proprietary food processing technologies to respond to the needs of customers seeking delicious and healthy eating.

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

Brand Vision for "in-"

No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to improve their conditioning based on sports science

Growth of *in Jelly* Products

- Provide wellness value to diverse customers in various lifestyle scenarios
- Expand drinking situations of core products (e.g., *in Jelly Energy*)
- Respond to new needs and targets

Growth of "in-" Brands

- Provide new value to customers using *in Bar* and new "in-" products, following the success of *in Jelly*, and foster the brand so that it creates new markets

We have established a vision for the "in-" brand for 2030 (see figure at bottom left), under which we will continue to evolve the brand for the greater provision of health value.

Initiatives in the 2021 Medium-Term Business Plan

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

Basic Strategies for the "in-" Business in the 2021 Medium-Term Business Plan

Basic Strategies	Details
1 Growth of <i>in Jelly</i> Products	<ul style="list-style-type: none"> Encourage people to play sports to stay healthy and respond to convenience needs Cultivate needs by taking increased stay-at-home hours as an opportunity Expand the target age group (e.g., children, seniors) and drinking situations
2 Growth of <i>in Bar</i> Products	<ul style="list-style-type: none"> Address diversifying and growing needs for protein Address sports performance and muscle building (high protein) and health maintenance (replenish protein and manage carbohydrates)
3 Creation of New Brands	<ul style="list-style-type: none"> Begin initiatives to create future foods by taking advantage of the "in-" brand

Status of Efforts in FY2022

The jelly drink market continued to grow steadily in FY2022, up 16%* over the previous year. As a result, *in Jelly* continued to perform well even after the price revisions implemented in December 2022. In response to changes in lifestyles during the COVID-19 pandemic, we are continuing to address the need for nutritional replenishment and health maintenance when losing appetite, as well as for drinking situations such as snacking between meals, at work, or when studying. As a result, net sales in FY2022 reached a record high. We will continue to respond to changes in the environment and focus on initiatives to expand drinking situations and targets.

As for *in Bar*, we revised the product lineup, including the launch of new products, but the competitive environment continued to intensify amid the diversification of protein intake methods, resulting

in weaker performance year on year. The needs for protein intake and simplifying foods are expected to grow, and we will strengthen the communication of product value in both products and promotions to create demand. In particular, a commercial featuring Lars Nootbaar, who represented Japan at the World Baseball Classic in 2023, created a great deal of buzz, and we are working to grow sales of *in Bar* further capitalizing on this opportunity. We will continue to promote initiatives for the creation of new brands under such themes as developing products that can provide nutrition in new forms and creating the advanced food products of the future.

*INTAGE SRI+ Pouch-type Drink Market (estimated cumulative sales amount from April 2022 to March 2023)



TV commercial "A competitor's drive" for the "in-" brand



TV commercial "Eat, Nootbaar" for *in Bar Protein*

Becoming a Wellness Company

Through the "in-" business, we have been accumulating know-how of nutrition and physique building by supporting nutrition and training based on sports science, which forms the foundation of the "in-" brand. The Morinaga "in" Training Lab, a training facility exclusively for top athletes operated by Morinaga & Co., Ltd., explores cutting-edge sports science, nutrition, psychology, and other fields to study body mechanisms, training, and necessary nutrition. Utilizing the

know-how accumulated there and our unique food processing technology, we will meet the needs of customers looking for delicious and healthy eating habits, from top athletes to general consumers.

Furthermore, with the aim of providing health value to customers through the "in-" brand, we are working to further improve the nutritional aspects of existing products, such as fortifying *in Jelly Fruit Texture* products with one serving* of multivitamins (12 vitamins).



The Morinaga "in" Training Lab featuring training facilities exclusively for top athletes



in Jelly Fruit Texture Peach

in Jelly Fruit Texture Melon

*One serving is based on the nutrient labeling standard value.

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused Domain Direct Marketing Business



Koji Nagano
General Manager of Direct Marketing Division

What we are aiming for in 2030

We will evolve into a healthcare business supporting customers' wellness realization.

[Initiatives for target achievement]

We supply delicious functional foods directly and continuously to customers.

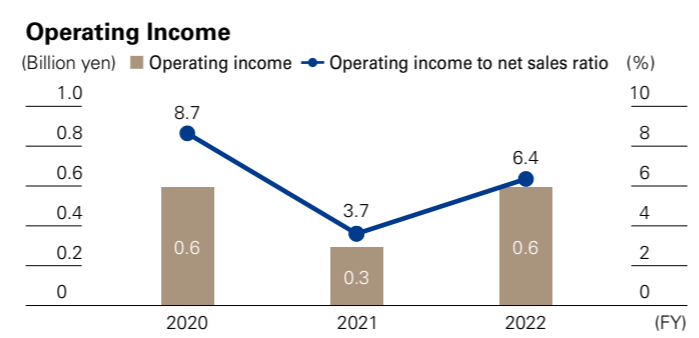
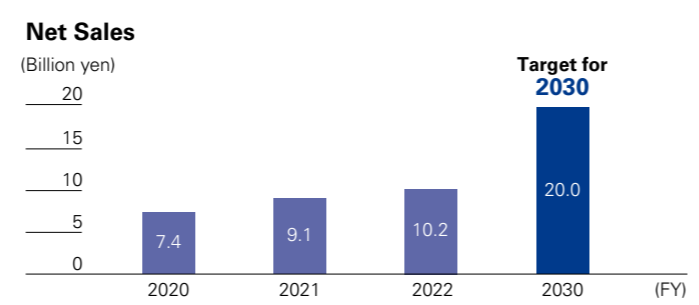


Morinaga Direct Store (Japanese only) ▶ <https://www.morinaga.co.jp/direct-store/>

Awareness of the Business Environment and Business Overview

The Morinaga Direct Store supports the wellness lifestyle of every customer through the direct delivery of foods for health and beauty such as collagen drinks. The size of the direct market for health products in FY2021 was 642.5 billion yen*1, reaching 119% growth over the past five years. The market is growing steadily following increased consumption through online direct sales and rising health awareness because of the COVID-19 pandemic.

Against this backdrop, sales of the direct marketing business in FY2022 totaled 10.2 billion yen, up 13% year on year, owing to strong sales at the Morinaga Direct Store, centered on *Oishii Collagen Drink*. Operating income increased by 300 million yen from the previous year to 600 million yen. The number of new subscription customers increased buoyed by proactive advertising, even though we revised the prices of five drinks*2, including *Oishii Collagen Drink*, in response to soaring raw materials prices and energy costs. Net sales of our direct marketing business have continued to grow for 18 consecutive years. For FY2022, we topped the market average*3 of 1% year-on-year decrease.



*1 Source: H.B. Foods Marketing Handbook 2023, Fuji Keizai *2 *Oishii Collagen Drink Peach*, *Oishii Collagen Drink Lemon*, *Oishii Collagen Drink Premio*, *Oishii Aojiru*, and *Passienol Drink*
*3 Japan Direct Marketing Association: Direct Marketing Sales of "Health Food Products"

Medium- to Long-Term Strategy

We provide products that are both functional and delicious at the Morinaga Direct Store to support our customers' "health of mind and body."

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

Initiatives in the 2021 Medium-Term Business Plan

In addition to establishing the Customer Experience Management (CXM) Promotion Office, we will utilize customer data to maximize the value we provide to customers. On top of that, we will promote the following basic strategies.

Basic Strategies for the Direct Marketing Business in the 2021 Medium-Term Business Plan

Basic Strategies	Details
1 Evolution of existing businesses	<ul style="list-style-type: none"> Expand business using a regular direct marketing sales model centered on <i>Oishii Collagen Drink</i> Develop new collagen products with functionality Maximize customer experience (CX) value through the provision of services tailored to individuals with digital marketing
2 Creation of new businesses	<ul style="list-style-type: none"> Create new businesses using the customer base cultivated in the direct marketing business

Status of Efforts in FY2022

Oishii Collagen Drink posted the top sales in the collagen drink market for the sixth consecutive year*1, and *Oishii Aojiru*, a candidate for the second pillar of sales after *Oishii Collagen Drink*, also performed well with sales growing at a CAGR*2 of 164% over the previous five years. Sales of *Hizakaru Collagen*, a food with functional claims that contains ingredients supporting the improvement of knee movement, have been steadily increasing, too, due to an increase in the number of new subscription customers. We are now working to further cultivate markets for this product.

Regarding product quality, based on our subscription customers' requests, we changed to a plant-based sweetener in two collagen drink products. For five drinks, we changed to straws made of environmentally friendly biomass plastic.

In addition, in the direct marketing business, we are working to improve CX by regularly surveying customers to gauge and deepen their understanding. In November 2022, we redesigned our website and IT systems to improve customer convenience. We changed the website to make it easier for customers to find the information they need and to carry out various procedures such as changing an order.

In addition, we value our connection with customers through meetings to interact with fans and other means. By regularly



Top screen of the redesigned website of the Morinaga Direct Store



Hizakaru Collagen



Fan meeting

listening to the real voices of customers and reflecting them in product development, we aim to further improve satisfaction.

*1 Source: H.B. Foods Marketing Handbook 2018–2023, Fuji Keizai (Category for beauty-oriented products and collagen products/2016–2021 results)
*2 Compound annual growth rate

Becoming a Wellness Company

Oishii Collagen Drink Peach and *Oishii Collagen Drink Lemon* were revamped in July 2023 as foods with functional claims that specifically market four functions* by adding "functions that maintain skin elasticity and improve skin health for those who are concerned about dry skin due to aging." We will continue with basic research of collagen ingredients and provide new value to customers in accordance with science-based evidence.

To make the Morinaga Direct Store more appealing, we will take on the challenge of expanding the range of products we sell in addition to health foods centered on collagen drinks. Specifically, we aim to contribute to the "health of mind and body" of our customers by developing and selling products in two domains: high-value-added products that make maximum use of the Group's brands and technologies, and foods good for the body that contribute to health and beauty in daily meals.



Oishii Collagen Drink Peach



Oishii Collagen Drink Lemon

*Collagen peptide functions:
1) Retains moisture and enhances the moisturizing ability of the skin for those concerned about dry skin (research report)
2) Supports daily activities limited by discomfort in the knee joint (research report)
3) Maintains the elasticity of the skin of those concerned about dryness due to aging, making it useful for skin health
4) Supports bone formation
Unlike Food for Specified Health Uses, this product has not undergone an individual review by the Commissioner of the Consumer Affairs Agency. This product is not intended to diagnose, treat, or prevent any medical conditions. People should eat a well-balanced diet based on staple foods, main dishes, and side dishes.



TAICHIRO MORINAGA *Caramel Baumkuchen* released exclusively at the Morinaga Direct Store as a high-value-added product

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused Domain U.S. Business



Masaki Matsumoto
Senior Executive Officer
General Manager of Overseas Business
Headquarters

What we are aiming for in 2030

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

[Initiatives for target achievement]

We will make progress by improving the loyalty of *HI-CHEW* customers, establishing a global supply system, and expanding the food experience and recognition of *Chargel*.



Awareness of the Business Environment and Business Overview

While the U.S. economy remains uncertain amid inflation caused by soaring raw materials and energy prices and labor shortages, the U.S. candy market is growing strongly. Both the distribution ratio and retail store turnover of *HI-CHEW* in the United States are performing well thanks to the expanded product lineup and various sales measures. Sales growth in the United States has made a significant contribution to earnings, and in FY2022, the overseas sales ratio reached 11.2% for the entire year, exceeding 10% for the first time. We are making steady progress toward the target of 15% or more in FY2030 in the 2030 Business Plan, and we recognize that achieving growth in the U.S. market is one of the most important issues for the Group in our future growth strategy.

Against this backdrop, in FY2022, net sales of the U.S. business totaled 14.6 billion yen, up 39% compared with FY2021. In the 2021 Medium-Term Business Plan, we achieved our FY2023 target of 10 billion yen in net sales two years ahead of schedule in FY2021, and we significantly exceeded the previous year's results in FY2022. On the other hand, operating income declined slightly by 3 million yen from FY2021 to 1.4 billion yen* due to soaring raw materials prices, higher labor costs, and up-front marketing investment in *Chargel*.

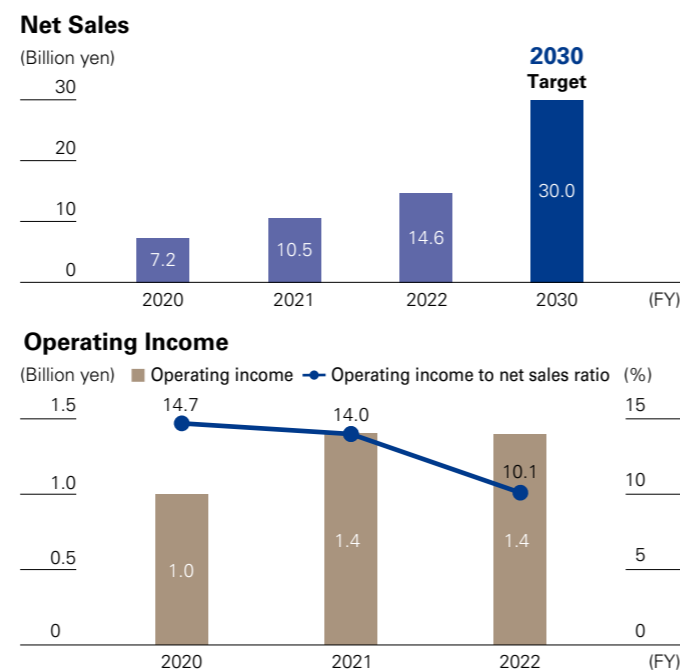
*Includes profits relating to exports bound for the United States from China and Taiwan

Medium- to Long-Term Strategy

We have increased the distribution ratio of *HI-CHEW* across the United States since its launch, and we continue to expand contact points with customers. We intend to promote brand extension products aimed at further increasing net sales. At the same time, we will establish a global supply system to match expanded sales, collaborate with manufacturing companies, and reestablish a logistics system to ensure the steady supply structure of products.

The United States has yet to see any product such as jelly drinks, which are quite popular in Japan, and we believe that demand potentially exists. As such, we will provide new value to customers and aim to create a market using jelly drinks developed specifically for the U.S. market.

With the wellness market forecast to continue growing, we have been searching for wellness products contributing to "health of mind and body" that could be the third earning pillar. We aim to change into a wellness company also in the United States by creating a new jelly



drinks market while leveraging the business foundation established with *HI-CHEW*.

Initiatives in the 2021 Medium-Term Business Plan

We have been promoting business growth based on the framework of the three basic strategies.

Basic Strategies for the U.S. Business in the 2021 Medium-Term Business Plan

Basic Strategies	Details
1 Further acceleration of <i>HI-CHEW</i>	<ul style="list-style-type: none"> Expand our lineup including extension products Formulate plans to increase manufacturing capacity in line with sales growth
2 Creation of the jelly drink market	<ul style="list-style-type: none"> Work to create markets using jelly drinks developed for the U.S. market Establish innovative marketing strategies
3 Exploration of third pillar of earnings	<ul style="list-style-type: none"> Explore the potential of differentiated products and wellness-oriented goods

Status of Efforts in FY2022

The retail store turnover of *HI-CHEW* has remained strong even after price revisions instituted in February and November 2022 amid proactive marketing activities including partnerships with professional sports teams and sampling events to increase brand awareness and loyalty. To expand the number of *HI-CHEW* fans, we launched products with non-fruit flavors, such as *HI-CHEW Fantasy Mix*, which were well received by customers, and newly developed and launched *HI-CHEW Bites* without individual candy packaging in consideration of "health of environment."

Furthermore, as the second pillar of the U.S. business, we launched full-scale initiatives for the jelly drink *Chargel*, which was developed for the U.S. market, in February 2022. These initiatives include



HI-CHEW Fantasy Mix
New flavors such as *Rainbow Sorbet*, *Blue Hawaii*, and *Blue Raspberry* have been a hit with customers.

sampling at sporting events and strengthening advertising and PR activities to expand contact points with targets aiming at enhancing brand awareness within the sports scene.

Looking at the current market share and brand recognition rate, we believe that *HI-CHEW* has the potential for even greater growth, and we will work to grow the U.S. business together with *Chargel*.

Establishing a stable supply system that can respond to the

rapid sales growth in the United States is an important management challenge. In addition to our existing production lines in the United States and Taiwan, we will continue to swiftly build a production system from the ground up.



Left: *HI-CHEW*
Right: *HI-CHEW Bites*
HI-CHEW Bites were released as an extension product of the *HI-CHEW* brand. The environmentally friendly design does not package each piece of candy individually.

Becoming a Wellness Company

Candy is deeply ingrained in the daily lives of U.S. consumers, but demand for health-conscious products such as sugar-free candy is growing, especially due to the need to control weight and cut down on sugar intake.

To increase the value expected of *HI-CHEW* by customers such as real fruit taste and texture, as well as to meet a wide range of customer needs, we are expanding the product lineup to include healthier options such as *HI-CHEW Infusions*, made only using natural flavors, and *HI-CHEW Reduced Sugar*, which contains 30% less sugar.

Chargel, which is caffeine free and provides a quick energy boost in the form of a jelly drink, is popular with customers who enjoy cycling and triathlons. We started with our own e-commerce website (<https://chargel.com>) and gradually began selling *Chargel* in retail stores. We will continue to actively carry out sampling events with the aim of increasing food experiences and recognition, and steadily advance toward delivering new value and creating new markets.



HI-CHEW Infusions



Chargel
Partnering with a cycling team



Free samples of *Chargel* were provided to a junior soccer team

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused Domain Frozen Desserts Business



Kiyoshi Kawagishi
General Manager of Frozen Desserts Marketing Division
Marketing Headquarters

What we are aiming for in 2030

We will stably expand the frozen desserts business by concentrating on differentiated products that exploit our confectionery technologies.

[Initiatives for target achievement]

While evolving the freshness marketing of *Jumbo*, we will also acquire customers in peripheral markets and create new markets with our technological advantages.

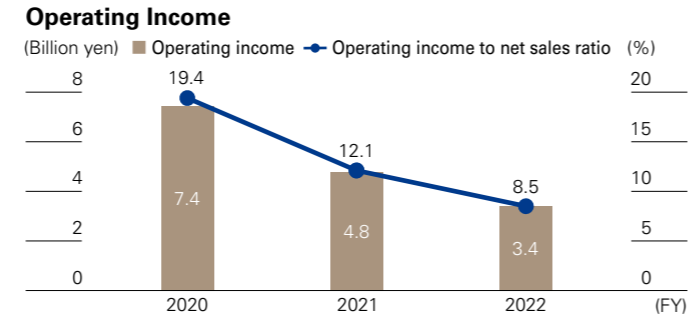
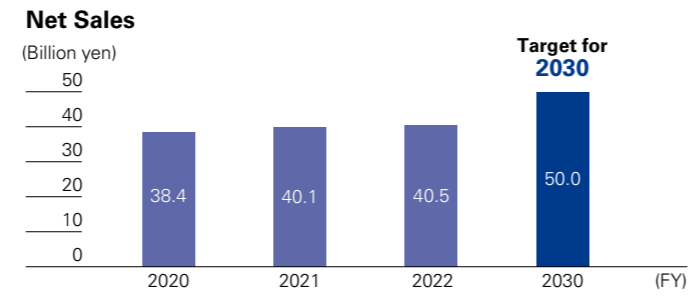


Awareness of the Business Environment and Business Overview

The frozen desserts business is expected to see market expansion due to increased opportunities for consumption by seniors, who are set to occupy a larger percentage of the population, along with rising temperatures due to global warming. Also, in addition to rising demand for convenience, consumption in the frozen foodstuffs category has been growing amid increased opportunities to eat at home owing to changes in people's lifestyles.

In Japan, with inflation remaining elevated against the backdrop of soaring raw materials prices, consumer inclination to save money and choose safer and more trustworthy brands is expected to increase further. In the frozen desserts business, we are concentrating management resources on our core high-quality brands and developing marketing centered on *Jumbo*, the top brand in the frozen desserts market, in an effort to efficiently generate profits.

As such, in FY2022, net sales of the frozen desserts business totaled 40.5 billion yen, a 1% increase over FY2021. However, operating income declined by 1.4 billion yen from FY2021 to 3.4 billion yen due to soaring raw materials prices and energy costs coupled with higher depreciation.



Medium- to Long-Term Strategy

We aim for stable business growth by concentrating on proprietary product development using our long-standing confectionery technologies in sub-zero temperatures. For our major brand *Jumbo*, we will further evolve the unique value of "freshness marketing." We will also develop and establish the next round of major brands that set us apart from competitors and that are more like desserts, such as *Ita Choco Ice* and *The Crepe*. We will tackle the challenge of value creation in line with customer needs by developing products with an eye toward such new markets as the frozen foodstuffs category aimed at sustainable growth over the medium to long term. Furthermore, we will invest in equipment for the necessary improvement in the production system to achieve this strategy.

Initiatives in the 2021 Medium-Term Business Plan

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

Basic Strategies for the Frozen Desserts Business in the 2021 Medium-Term Business Plan

Basic Strategies	Details
1 Evolving of "freshness marketing"	<ul style="list-style-type: none"> Evolve the "crisp texture" representing the value of the <i>Jumbo</i> brand Expand the target and situations for eating the product
2 Capturing customers from adjacent markets	<ul style="list-style-type: none"> Capture customers from adjacent markets with differentiated products that are more like desserts Develop new products more closely tailored to customer needs Meet the challenges of increasing the added value of products
3 Creating new markets using product development with technological advantages	<ul style="list-style-type: none"> Expand applications of Flavored Ice products for new market entry

Status of Efforts in FY2022

For the *Jumbo* group, we launched limited edition products for winter and revamped quality for *Choco Monaka Jumbo*, which celebrated its 50th anniversary, and *Vanilla Monaka Jumbo*, and sales increased year on year thanks to the success of promotions that marketed the crisp texture. In the spring of 2023, after five years of an improvement process, we improved the quality of *Choco Monaka Jumbo* by adding a "chocolate wall*" in its making to further expand sales.

Although sales of *Ita Choco Ice* fell below the previous year's results in FY2022, we will create consumption opportunities through promotions that capitalize on quality allowing customers to fully enjoy thick and crisp chocolate and establish consistent sales throughout the year. As for *The Crepe*, which was changed over to year-round sales in FY2022, we have further pursued appealing textures and developed promotions linked to web content. We will continue to create further demand by developing unique products more like desserts that utilize confectionery technology.

For *Ice Box*, we actively promoted the product according to each customer segment, that is, appealing to the consumption situations, and in addition to the peak demand season, it captured demand in the fall and winter, with sales performing well throughout the year. In the future, we will conduct test sales of *Ice Box Otsubu for Chuhai* and take on the challenge of mixers for alcoholic beverages, and work on the development of frozen foodstuffs such as frozen hotcakes to expand the business domain.

*A manufacturing technology that coats both sides of the ice cream with chocolate to block the gradual and small release of moisture from the ice cream, maintaining monaka wafer's crisp texture as long as possible.



Aired first-ever summer TV commercial "Ita Choco Ice" in 2022



Ice Box Otsubu for Chuhai (conducted test sales in some locations)

Becoming a Wellness Company

With the revamping of *Choco Monaka Jumbo* in the spring of 2023, we launched the *Jumbo Smile* Project with the aim of creating "ice cream that makes everyone smile." We actively disseminate information on production lines and the key points that developers focus on in pursuit of crisp texture. In addition, we started sensitivity research as a new approach to delve deeper into why the *Jumbo* crisp texture is popular and find ways to make further improvements. We will continue to promote research on the emotional value brought to our customers and to pursue the crisp texture that contributes to "health of mind."



Jumbo Smile Project launched in the spring of 2023

Ice Box is a product that efficiently and quickly hydrates and cools the body by using hypotonic quality* ice cubes, replenishing sodium lost in sweat. We will continue to appeal to consumption situations where the functions of *Ice Box* are useful.

In addition, *Ice Box* has supported the Heat Illness Prevention-Communication Project since 2019.



Joint research on emotional value with Professor Watanuki of Saitama University



Ice Box Support Team of STU48. (Setouchi 48, a Japanese idol group) Marketing the water replenishment and cool down functions

*Due to the low concentration of ingredients such as sugar and sodium, the body absorbs water and ingredients quickly when humans drink after sweating.

Improve Profitability through Business Portfolio Optimization and Structural Reforms

Basic Domain

Confectionery and Foodstuffs Business



Mitsutaka Murase
General Manager of Confectionery Marketing Division
Marketing Headquarters

Azusa Murata
General Manager of Foodstuff Marketing Division
Marketing Headquarters

What we are aiming for in 2030

Changing the category portfolio to build a high revenue base.

[Initiatives for target achievement]

We will add the value of wellness to existing brands and roll out high-value-added products such as food with functional claims.



HI-CHEW



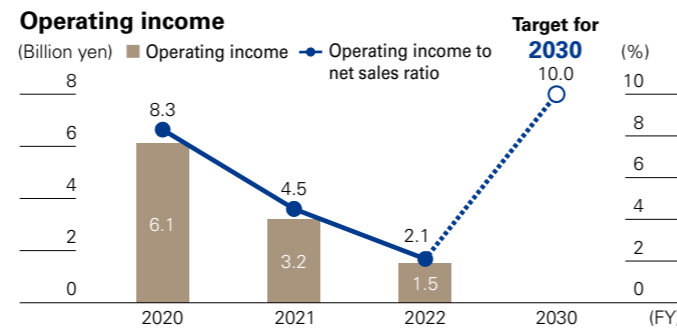
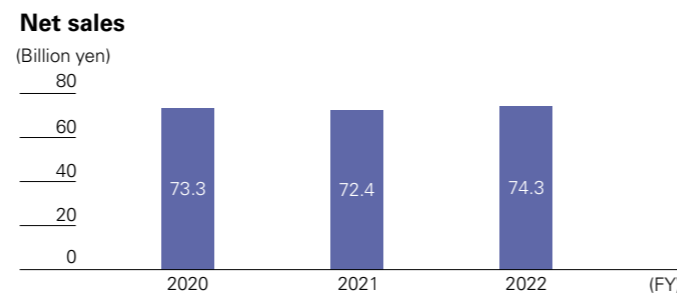
Morinaga Milk Cocoa

Awareness of the Business Environment and Business Overview

Our domestic confectionery business is a fundamental part of the Group that values the spirit of “Delicious, Fun, and Healthy” through contributions to “health of mind and body” of our customers through confectioneries. The health needs of consumers, which increased due to the COVID-19 pandemic, are expected to continue to grow, and demand for our products is expected to rise as people go out.

In the domestic foodstuffs business, we have driven the market with many long-selling brands such as *Morinaga Amazake*, *Morinaga Cocoa*, and *Morinaga Hotcake Mix*, each with a top market share*. Prolonged inflation resulting from soaring raw materials prices and other factors are causing more consumers to want to save money, and consumers are expected to look toward more reliable brands they see value in.

Against this backdrop, in FY2022, net sales of the confectionery and foodstuffs business amounted to 74.3 billion yen, up 3% compared with FY2021. Despite price revisions and efforts to increase profitability, operating income fell by 1.7 billion yen over FY2021 to 1.5 billion yen due to the impacts of soaring raw materials and energy prices.



*INTAGE Inc. SRI+ Amazake, Cocoa, Hotcakes Markets (April 2021 to March 2023; estimated cumulative sales amount)

Medium- to Long-Term Strategy

Domestic Confectionery Business

In the candy category, which generates excellent profitability, we will improve the net sales weighting and increase the operating income to net sales ratio for each number of items. We will increase the net sales weighting of our main brands *HI-CHEW* and *Morinaga Ramune* to improve the operating income to net sales ratio of the confectionery business.

Moreover, for the biscuits category, which has been growing, we will boost production capacity and introduce products with high added value.

In the chocolates category, we will strengthen brand power by promoting a communication strategy in line with new packaging formats and targets centered on *DARS* and *Carré de chocolat*.

Domestic Foodstuffs Business

For *Morinaga Amazake*, *Morinaga Cocoa*, and *Morinaga Hotcake Mix*, we will work on proposals to expand opportunities for easily enjoying products in day-to-day life. We will achieve net sales growth by expanding communication and sales promotion that help spark

demand for *Morinaga Amazake* as a product for replenishing water, glucose, and salt for daily health management and during increasingly hot summer temperatures; for *Morinaga Cocoa* as a product that provides not only physical but also emotional nourishment; and for *Morinaga Hotcake Mix* as a product with excellent cost performance and that captures demand among consumers for cost cutting.

2021 Medium-Term Business Plan

Candies	<ul style="list-style-type: none"> Strengthen sales promotion efforts for <i>HI-CHEW</i> and <i>Morinaga Ramune</i> Develop products to meet the needs of changed lifestyles and stress reduction due to the COVID-19 pandemic 	
Biscuits	<ul style="list-style-type: none"> Increase the production capacity of <i>Morinaga Biscuits</i> and develop new products 	
Chocolates	<ul style="list-style-type: none"> Improve the operating income to net sales ratio and secure sufficient sales scale by reviewing the product, sales channel, and communications strategies 	

Status of Efforts in FY2022

In FY2022, the candy category was in a recovery trend, with the overall market growing 9%* compared with FY2021. In this context, sales of *HI-CHEW*, which offers an appealing texture, continued to perform well even after two price revisions, far exceeding the previous year's results. *Morinaga Ramune* posted record high sales as we rolled out products for students preparing for entrance exams. In the biscuits category, while the overall market remained strong, up 3%* year on year in FY2022, *Morinaga Biscuits* posted record high sales thanks to proactive promotions centered on *Moonlight* and the success of *Marie's* 100th anniversary initiatives, despite temporary product supply constraints due to the planned shutdown of production to accommodate expansion work on production lines. In the chocolate category, where the overall market was sluggish, down 1%* compared with the previous year, sales of *Carré de chocolat* were below the previous year's results, and sales of *DARS* were on par with the previous year's results, as they could not escape the challenging environment. We will review our tactics to re-expand sales in the autumn of 2023. Sales of *Chocoball*, which was promoted to commemorate the 55th anniversary of its release, exceeded the previous year's results.

In the foodstuffs business, to strengthen both *Morinaga Amazake* and *Morinaga Cocoa* as health brands, we continued to promote their functional value, such as airing TV commercials for *Power of Cacao/Cocoa Powder*, which was renewed as a food with functional claims, but net sales fell below the previous year's results. In FY2023, we will stimulate demand through initiatives focused on the 50th anniversary of *Morinaga Amazake*.

*INTAGE Inc. SRI+ Candy/Caramel, Biscuit/Cracker, Chocolate Markets (April 2022 to March 2023; estimated cumulative sales amount)



First new commercial in the *Morinaga Biscuits* series in 13 years



TV commercial for *Power of Cacao/Cocoa Powder*, which was renewed as a food with functional claims

In the confectionery and foodstuffs business, we will roll out wellness products to meet a broad range of needs and improve business profit through high-value-added products.

Becoming a Wellness Company

For the domestic confectionery business, we will provide value to “health of mind and body” available only through product groups that are easily enjoyable. In the spring of 2023, we completed the nationwide release of two products. First was *Chocolate Chip Cookie 50% Less carbohydrates* and *Almond Cookie 50% Less carbohydrates*, which are made using half the carbohydrates of conventional products, while maintaining the deliciousness of *Morinaga Biscuits*, and second was *Power of Cacao/Chocolate*, a food with functional claims, containing cacao polyphenols (as flavanols), which have been reported to improve peripheral blood flow reduced due to cold conditions and keep the surface temperature of the hands warm. These releases allow us to focus on providing even greater health value.



Amazake 30% Less carbohydrates

*Unlike food for specified health uses, this product has not undergone an individual review by the Commissioner of the Consumer Affairs Agency. People should eat a well-balanced diet based on staple foods, main dishes, and side dishes. This product is not intended to diagnose, treat, or prevent any medical conditions.



Chocolate Chip Cookie 50% Less carbohydrates



Almond Cookie 50% Less carbohydrates

carbohydrates than the top brand *Morinaga Amazake*, along with *Hotcake Mix Plus*, a food with a nutrient function that contains Vitamin D in addition to calcium and iron.

To realize the 2030 Vision, we will continue to increase the health value of a wide range of products through the development of products unique to the Group that combine the results of research and technology on ingredients with deliciousness.

R&D Strategy



What we are aiming for in 2030

We will create new customer value for the future based on technology, enhance development from a medium- to long-term perspective, and support company-wide strategies and businesses in a cross-functional manner.

Shinya Mori
Director,
Managing Executive Officer
Responsible for R&D Center

[Initiatives for target achievement]
In addition to promoting “deepening of existing technologies” and “exploration of new technologies,” we will work to create and utilize intellectual properties to enhance corporate value.

R&D

R&D Strategy Aimed at Achieving the 2030 Vision

To realize the 2030 Vision, we will promote initiatives in line with the five strategies shown in the figure at right to create new value through linkages between management and business strategies. Of these five strategies, we will promote the following initiatives for Strategy 2: United States, Strategy 3: Wellness, and Strategy 4: New Value Creation.

Enhancing product development for the U.S. market

For *HI-CHEW* in the United States, we are expanding our product lineup around the keyword *healthy* by developing technologies that replicate the taste of real fruit with natural flavors and sugar substitute technologies to meet local needs. Against this backdrop, we established a laboratory in the United States in 2022 to further enhance our R&D capabilities locally. By linking local marketing and production systems to R&D functions in Japan, we will accelerate product development for the U.S. market. We will develop brand extensions and wellness products to grow sales of *HI-CHEW* and develop the jelly drink *Chargel* in the United States to provide new value to the U.S. market.

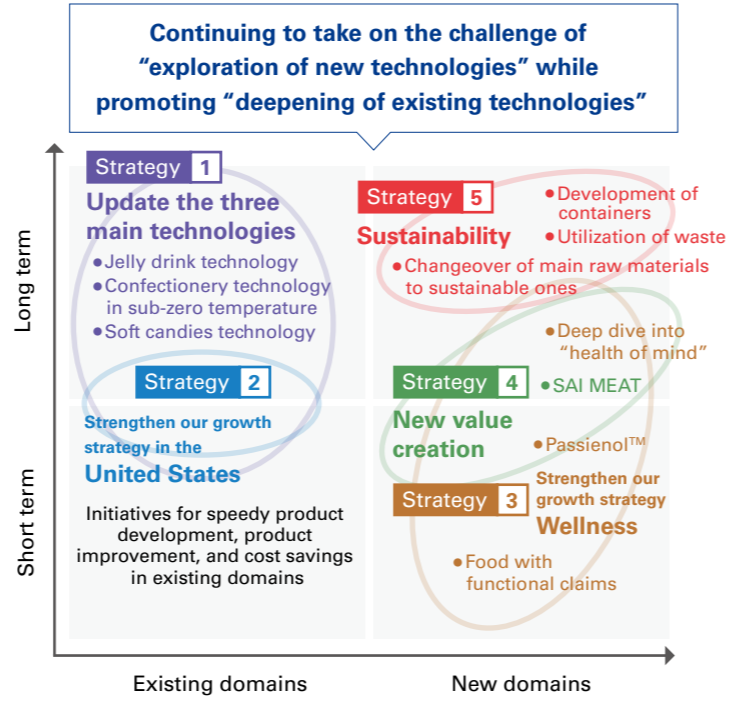
Enhancing development for the wellness domain

In the wellness domain, we are enhancing the development of products that contain proteins and lactic acid bacteria, products with reduced carbohydrates and calories, and foods with functional claims. In FY2022, we launched *Morinaga Biscuits* featuring 50% less carbohydrates and *in Jelly* with functional claims. We are also working to create new value by utilizing the food ingredients and food processing technology developed originally by the Group. *Passienol™*, a food ingredient developed in-house, is rich in piceatannol, which can activate longevity genes (sirtuins). We will expand research on sirtuins and contribute to more people who feel younger than their actual age.

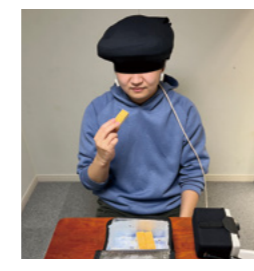
New value creation using new development methods

In collaboration with universities and other organizations, we conduct texture and sensibility research using biometric measurement and subjective evaluation data* at the time of eating to co-create new value. In 2023, these research results are being used to describe *HI-CHEW* in TV commercials (texture of happiness) and marketing measures for *Choco Monaka Jumbo* (Jumbo Smile Project).

*Data that measure emotions from eating by having subjects answer a mood survey containing words that express emotions (e.g., happy, refreshing, unpleasant)



U.S. laboratory conducting R&D



Measuring cerebral blood flow as part of sensitivity research

Intellectual Properties

Basic Policy

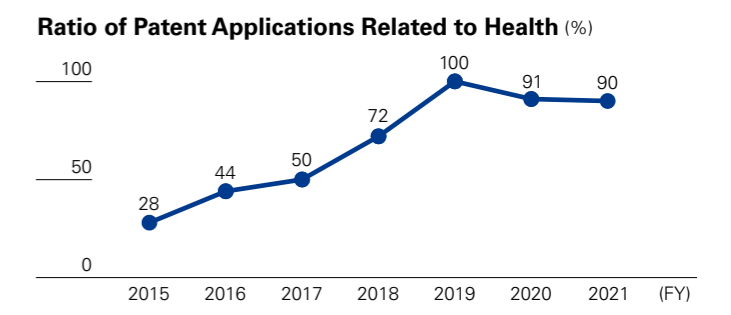
We have established the following basic policy on intellectual properties aimed at realization of the 2030 Vision.

- 1) Protection of the Intellectual Property Rights of Others
 - 2) Acquisition of New Intellectual Property through Intellectual Property Intelligence*
 - 3) Robust Management of the Intellectual Property Portfolio
- We will explain 2) and 3) in greater detail below.

*Activities to collect and analyze information on intellectual properties and use it for decision-making in business

Acquisition of New Intellectual Property through Intellectual Property Intelligence

We use information analysis tools to identify trends in technologies and intellectual properties inside and outside the Group, and actively invest in intellectual properties to build new business models. In terms of patents, we have increased the number of applications related to “health of mind, body, and environment” to grow the wellness domains (see the figure at right). We will continue to implement both proactive and defensive intellectual property strategies with *health* as the keyword and work to create value by utilizing this information in new ways of marketing.

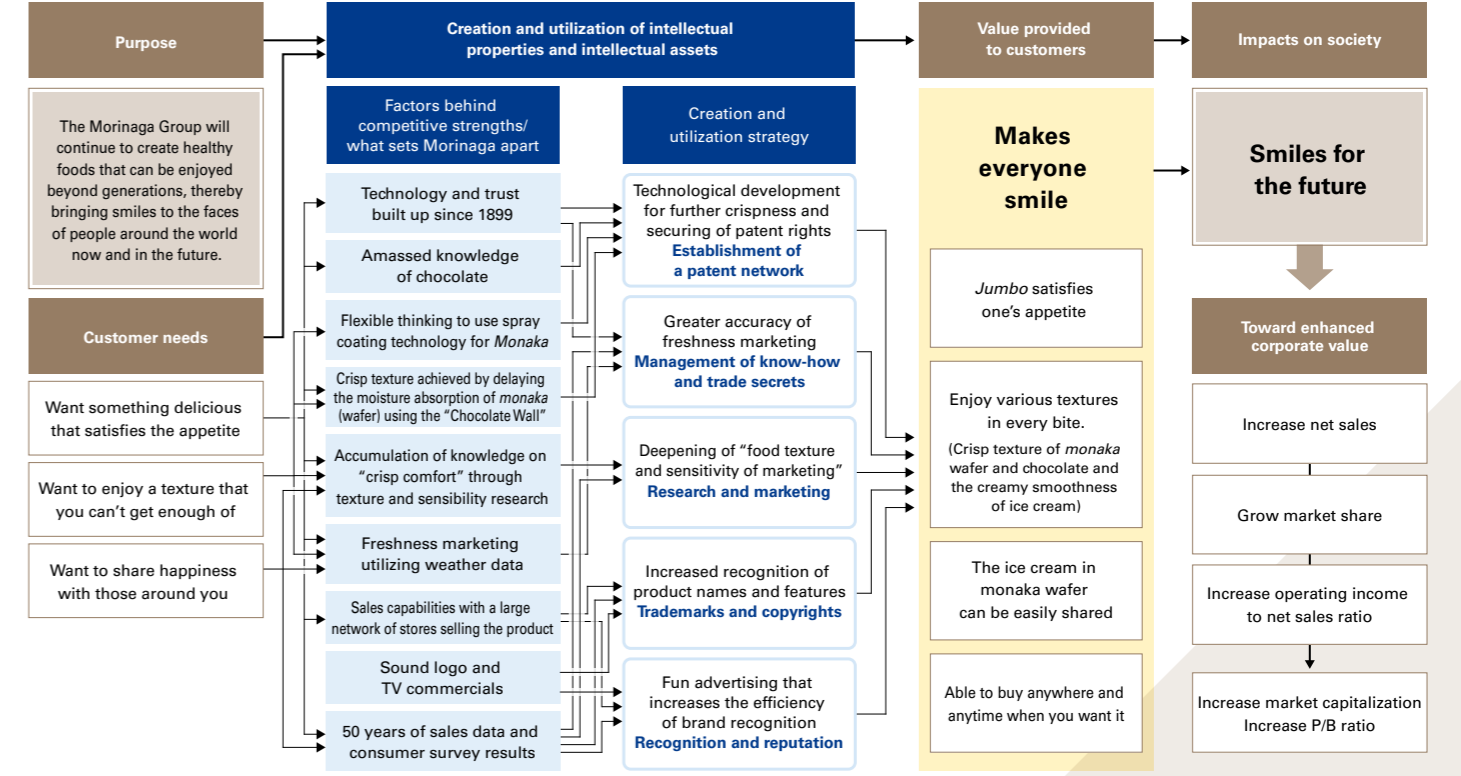


Robust Management of the Intellectual Property Portfolio

To realize the 2030 Vision, we will build a robust portfolio of intellectual properties combining multiple intellectual properties and intellectual assets. We formulate intellectual property strategies for each business domain and aim to create and utilize intellectual properties and intellectual assets in a multifaceted and strategic

manner. The figure below shows the causal path of the *Jumbo* group, the flagship brand of the frozen desserts business part of the focused domain category. It shows how the creation and utilization of intellectual properties and intellectual assets leads to the enhancement of corporate value.

Causal Path Example—Frozen Desserts Business: *Jumbo* Group



For many years, the Group has been working to maximize the brand value of the *Jumbo* group by creating and utilizing its intellectual properties and intellectual assets. We will continue to promote our creation and utilization strategies to generate value for society and enhance corporate value.

For more details, please refer to our corporate website “Intellectual Property.”
<https://www.morinaga.co.jp/company/english/rd/ip.html>

Structural Reforms of Production Functions



What we are aiming for in 2030

We will overcome labor shortages and establish a powerful profit structure to allow us to compete around the world.

Shuji Watanabe

Senior Executive Officer
General Manager of
Production Headquarters

[Initiatives for target achievement]

We will promote the changeover to smart factories under the keywords of *visible*, *connected*, and *resilient*, and establish a safe, reliable, and efficient production system.

External Environment Related to the Production Function

The external environment surrounding the Group has many factors that pose headwinds for production activities, such as labor shortages due to a decline in the domestic labor force and soaring costs, including raw materials and energy.

On the other hand, digital technologies such as IoT and AI are rapidly evolving around the world and in the process transforming society.

In response to the external environment, which is expected to remain severe, we must undertake structural reforms of production functions using technology, strengthen the business foundation, and establish a system for competitive advantages.

Changes in the External Environment Related to Production Functions

Headwinds Threats Risks	<ul style="list-style-type: none"> ● Decline in the domestic labor force ● Inflation and the rising cost of services (e.g., raw materials prices, energy prices, personnel cost) ● Difficulty procuring raw materials and fluctuating market prices due to climate change and geopolitical risks
Tailwinds Opportunities	<ul style="list-style-type: none"> ● Emergence of IoT and AI ● Evolution of robotics technology

Promoting Changeover to Smart Factories

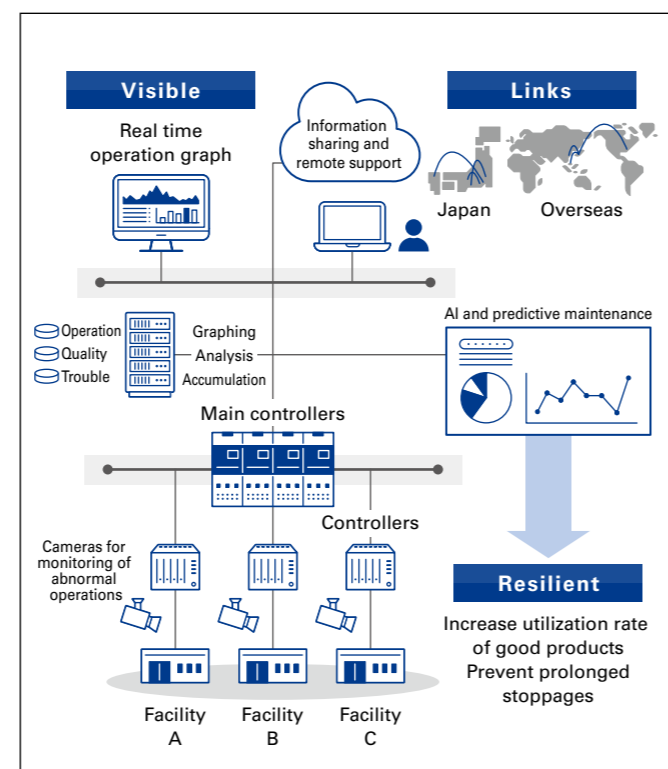
The Group has continued to manufacture products with top priority given to ensuring excellent quality, safety, and reliability. To realize the 2030 Vision, we will further evolve our safe, reliable, and efficient production system built as a food manufacturer for the next generation. One such initiative is the changeover to smart factories. We will combine our long-standing technologies with digital data from manufacturing facilities to increase the stability of operations and improve operational efficiency.

The keywords for smart factories are *visible*, *linked* and *resilient*.

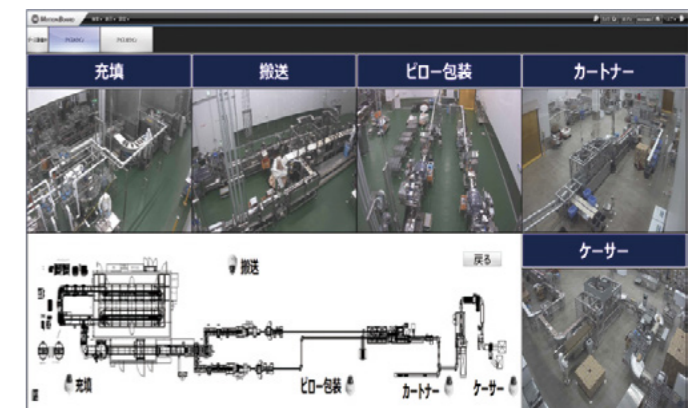
By automatically collecting data using IoT and sensing technology on the operation of manufacturing facilities, which was previously aggregated manually, we can visualize the status of operations in real time. In addition, by connecting to cameras installed on the manufacturing floor, managers and members of the Production Headquarters can connect to the manufacturing site anytime, anywhere, and check the operation status on video. Furthermore, we are working to develop a predictive maintenance system to prevent serious failures by incorporating special sensors into manufacturing facilities, and to build a system to deal with problems more quickly by recording the time before and after shutdown with a drive recorder and capturing the cause on video. Through these efforts, we will achieve stable operation of manufacturing facilities.

In addition, many people at Morinaga are working to ensure stable operation of manufacturing facilities, such as data aggregation, data analysis, and maintenance. We plan to further increase production

Overview of Changeover to Smart Factories



Real-time operation analysis



Able to monitor the manufacturing floor via the cloud

volume to achieve the 2030 Business Plan, which is expected to increase the operational burden as well. Smart factories will also contribute to the higher efficiency of these operations.

Through these efforts, we will achieve stable operation of manufacturing facilities; improve operational efficiency; and establish a safe, reliable, and efficient production system.

Looking Ahead

In FY2022, we repeated development and operation tests at Takasaki Morinaga's No. 3 Plant to create the optimal model in line with the actual conditions on the manufacturing floor. In FY2023, we will deploy this model to all production sites in Japan and build an environment connected to the cloud, including the administrative departments of the Head Office. We visualize the operating status of each manufacturing floor throughout the Production Headquarters to speed up daily production management and improvement activities and improve quality. We will also look to roll out this model to overseas production sites.

We will use IoT to automatically collect and amass a large amount of data such as on equipment operation status and worker information. By combining this data with AI technology, we will focus on enhancing the functions of smart factories for further stable operation and operational efficiency.

In addition to system development, it is important to shift from conventional business processes to operations that utilize smart



Discussing with operation supporting tools

factory systems. We will continuously conduct employee training so that the transition and establishment of new business processes proceed smoothly.

Rollout to Overseas Production Sites



DX Strategy



What we are aiming for in 2030

We will strategically introduce and utilize digital technologies to strengthen the business foundation and competitiveness aimed at achieving the 2030 Business Plan.

Takashi Hirakue

Director, Senior Executive Officer
Responsible for DX Promotion
Division

[Initiatives for target achievement]

To lay the foundation for data-driven management, we will promote the standardization, efficiency, and advancement of operations and IT systems through digitalization.

▶ Medium- to Long-Term Strategy and Promotion Structure

Medium- to Long-Term Strategy

There have been advancements in communication technology and dramatic changes in the business environment brought about by the digitalization of society, such as AI, big data, and IoT. Given this, the Group believes that it is essential to invest in digital technologies to increase productivity and strengthen its business foundation. In FY2021, we established the DX Promotion Division to advance our DX strategies.

We aim to build an IT system and data infrastructure as a robust and flexible business platform that supports sustainable growth by balancing the standardization of operations and strengthening governance at the global level with the advancement of operations. To support the growth of our overseas business centered on the United States using a digital platform, we will expand the reach of our core IT systems to include overseas businesses. At the same time, we will standardize the quality of various data generated from business

activities on a global level. This will enable timely and multifaceted analysis and support management's decision-making.

Strengthening the Promotion Structure

In April 2022, we introduced the recruitment-based DX Ambassador system to increase our employees' IT literacy. DX Ambassadors hold study sessions and other events according to the issues of their respective division to build a foundation for IT utilization. Furthermore, to enhance the development of human resources specializing in digital technology, we are working with the Human Resources Division to expand the options for self-led study related to digital utilization.

In February 2022, we were certified as a "DX Certified Business Operator" under the DX Certification System* established by the Ministry of Economy, Trade, and Industry.

*A system run by the national government that recognizes businesses preparing for the promotion of DX



▶ Results of Initiatives and Future Direction

Results of Initiatives

We conducted the following initiatives in FY2021 and FY2022.

Purpose	Initiative	Outcomes
• Reduction of work hours for updating procurement management tables	Streamlining of the update of raw materials procurement management tables in the Procurement Sectors with RPA*1	RPA implementation reduced processing time (approx. 500 hours/year) and human error
• Reduced input work for expense processing • Reduced work hours for expense approval operations	Process transformation by digitizing paper-based payment processing	Linked <i>Concur Invoice</i> *2 and <i>Remota</i> *3 to digitize expense processing operations and save labor in input and approval operations (approx. 6,300 hours per year)
• Initiated structural reform of production functions (ensuring safety and reliability, stable operation, and improving operational efficiency)	Start of changeover to smart factories*4. Introduction at Takasaki Morinaga and Mishima Factory	Visualized factory operation status using IoT for early detection of problems and remote tracking of work progress
• Operational transformation of the Accounting Sectors	Introduced various SaaS*5 in the Accounting Sectors	Visualized and standardized some accounting operations and ascertained the actual status of accounting treatment for the entire Group

*1 RPA: Robotic Process Automation. Technology for automating business processes and tasks performed on computers for humans
*2 Technology that automates business processes such as invoice payment requests and approvals
*3 Technology that automatically reads the contents of invoices and converts them into text using AI
*4 Using IoT and AI technologies to integrate technology and digital data of manufacturing facilities to ensure stable operations and increase production efficiency
*5 SaaS: Software as a Service. A service that allows users to utilize software on the cloud via a network

Looking Ahead

To realize the 2030 Vision, we must continue to develop high-value-added products globally. To improve the quality and speed of value creation and strengthen business competitiveness, we will work to standardize and improve the efficiency of each business operation, including product development, procurement, production, logistics, and sales. First, we are working to rebuild the product database system to increase the efficiency of product development operations and realize seamless information sharing and utilization of development data across businesses and countries. In Japan, the system is scheduled to begin operation in FY2023.

We will support the evolution of product development operations by utilizing digital technology and help to strengthen business competitiveness.

Human Resources Strategy



What we are aiming for in 2030

We are working to achieve employee happiness by encouraging their autonomous growth based on mutual relationships of trust with the Company and to continuously generate value for society, all in an effort to achieve the Group's sustainable growth.

Masaaki Takahashi

Senior Executive Officer
General Manager of Human
Resources Division

[Initiatives for target achievement]

We will advance the promotion of diversity, human resources development, and health management to maximize the value of human capital.

▶ Medium- to Long-Term Strategy

Based on our corporate philosophy, we have established the 2030 Vision with the aim of being a sustainable company that continues to grow. The driving force behind this aim is our people, and we will promote human capital management to maximize the power of our people, that is, the value of human capital. Specifically, we will promote a human resources strategy linked to the 2030 Business Plan and invest in human capital.

Diversity & Inclusion (D&I) is positioned as an essential initiative of the 2030 Business Plan. By leveraging the individuality of each employee and creating a diversity of knowledge from the diverse individuals working together, we will enhance our ability to respond to changes (resilience) and promote the creation of new value (innovation). At the same time, we will advance self-sustaining career development and promote the active participation of our diverse workforce.

In terms of human resources development, in the 2030 Business Plan, we intend to transform our business portfolio, implement

structural reforms to improve profitability, and strengthen the business management foundation, and we believe that it is necessary to develop human resources who can evolve and transform various operations. We will actively invest in human capital to develop leaders who will drive such evolution and transformation, as well as human resources who will execute each strategy. Furthermore, regarding the promotion of health management, we will advance various initiatives to maintain and improve employees' "health of mind and body" and realize a work environment where each employee can maximize their abilities.

Through the above, we will maximize the value of human capital, contribute to a sustainable society, and enhance the corporate value of the Group in a sustainable manner.

➡ For details on promotion of health management, see pages 56 and 57.

▶ Promotion of Diversity and Inclusion

For all employees to embody our Diversity and Inclusion Policy and the five guidelines, the Group is advancing initiatives to promote understanding and encourage concrete actions per the policy.

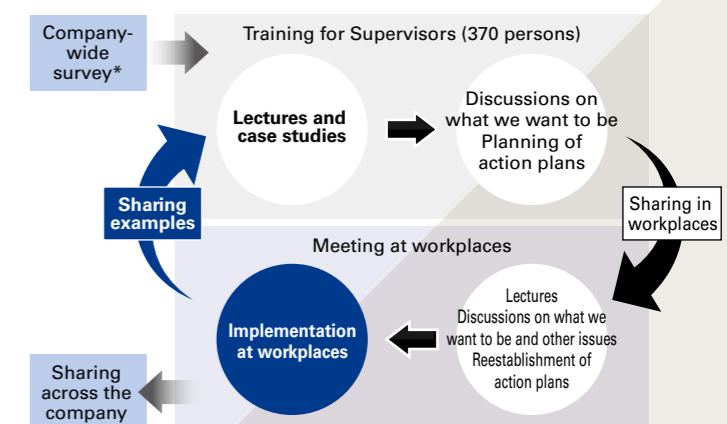
In FY2022, to promote understanding, we continued to conduct training to spread the Diversity and Inclusion Policy among supervisors, in addition to holding lectures on psychological safety, and organized training on unconscious bias for executives and all employees in an effort to improve basic skills and obtain knowledge useful for promoting D&I.

Regarding concrete actions, supervisors took the lead in confirming issues at each workplace and created action plans and put them into practice. Furthermore, to accelerate initiatives in the Production and Overseas Sectors, we conducted interviews with managers and followed up on the formulation of action plans.

In addition, as a prerequisite for promoting D&I, the Human Resources Division is focusing on various initiatives to advance self-sustaining career development and encourage the active participation of women and seniors to increase the momentum for all employees to play an active role.

The Diversity Promotion Office of the Corporate Strategy Division and the Human Resources Division will continue working together to advance D&I.

Program to Spread and Implement Diversity and Inclusion



Diversity and Inclusion Policy

▶ https://www.morinaga.co.jp/company/english/sustainability/policy/pdf/policy_diversity.pdf

*Survey on Corporate Philosophy and Diversity

Human Resources Strategy

Promotion of Self-Sustaining Career Development (Protean Career)

To promote self-sustaining career development among employees, we conducted e-learning on the protean career, to build career proactively and flexibly, for approximately 2,400 employees, including those from Group companies, in FY2022, focusing mainly on the concept behind the protean career. Ahead of e-learning, the President sends out a message on self-sustaining career development to raise awareness among employees. In October 2022, we established the Career Guidance Office, where staff from the Human Resources Division with career counseling qualifications provide career guidance to employees that request it. Prior consultation with superiors is not required for guidance, and we have put in place a system that allows guidance both face-to-face and online, making it easy to use. In FY2023, we intend to conduct new training aimed at improving supervisors' career support skills. By learning key points in dialogue with subordinates and methods for creating opportunities, we aim to educate supervisors on how to establish the knowledge and skills necessary for providing career support to their employees.



- Ideals for self-sustaining career development**
- ▶ Our ideal career development—the protean career—is characterized by the ability to flexibly transform oneself in the face of environmental changes and enhance one's skills and knowledge with the mindset that a career is individually driven.
 - ▶ We seek to integrate "Will, Can, and Must" by ensuring that employees know (identity) and change (adaptability) themselves.

Promoting the Active Participation of Senior Human Resources

With the decline in the domestic labor force, there is a growing need for seniors to play an active role at work. With this in mind, we began conducting training mainly for employees in their 50s in FY2022. Specifically, we conducted unlearning training that provided an opportunity to rethink "Will, Can, and Must" in line with the concept of self-sustaining career development. In FY2022, 43 people took the course, and in FY2023, 80 people are scheduled to participate. After

the training, individual interviews will be held to continuously follow up on behavioral changes. Furthermore, with the aim of grasping the current situation regarding the active participation of senior human resources, we surveyed the heads of each division about the degree of participation in the workplace by senior human resources ages 56 and older. In FY2023, we will implement initiatives to resolve problems based on the results.

Human Resources Development

We have identified an ideal employee profile and required skills and are advancing employee development and skill building initiatives accordingly. In addition to hierarchical training and selective training, we offer human resources development programs to improve the six

required skills, which enable us to enhance human resources development. Moreover, we will implement the various initiatives listed on the page at right, including succession planning.

Ideal profile of an employee	Employee who is capable of grasping and thinking through the essence of matters from a wide perspective	Employee who possesses an entrepreneurial mindset and looks outwardly, and can make decisions from a higher perspective	
	Employee who can act independently to embrace challenges without being content with the current situation	Employee who is capable of producing results by engaging others to achieve the Vision	
Required skills	Identifying challenges	Planning and development	Embracing challenges
	Execution	Nurturing and self-development	Developing efficient organizations

Succession Plan

We are implementing initiatives from a medium- to long-term perspective to continuously develop candidates at all levels.

For officer candidates, we offer one-on-one coaching with an outside professional. Through this one-on-one coaching, candidates are given opportunities to deepen self-understanding, such as how to be a leader. We continue to develop human resources who meet the Group's management personnel requirements, including leadership skills.

For general manager candidates, we conduct off-site training and Morinaga Recipe Training*1 that teaches the framework for problem-solving. In off-site training, discussions are held in a group setting with participants of the same rank from other companies on the theme of solving social issues, with the aim to broaden perspectives and understanding of society and to foster co-creation with outside parties. Morinaga Recipe Training was attended by 42 employees in FY2022.

For manager candidates, we conduct training for future leaders targeting select employees in their 30s to develop the eight requirements*2 of future leaders over a nine-month period. This training program has been held for four terms. In FY2022, 14 employees attended, bringing the cumulative total to 49. There are now cases where participants have gone on to become managers. We will continue to promote these initiatives.



Training for future leaders

*1 Training unique to the Group in which the steps for solving problems are summarized according to the Japanese characters for "mo," "ri," "na," and "ga"
 *2 Problem formation, problem solving, innovation and creation, risk-taking and growth potential, independence and pioneer spirit, persuasiveness and influence, listening and interpersonal relationships, guidance and development

Securing and Developing Human Resources with Advanced Expertise

Recognizing that they are indispensable in each business domain for the Group to achieve sustainable growth, we will work to secure human resources with advanced expertise and develop them over the medium to long term. In FY2022, we defined human resource requirements for DX, accounting, and global human resources as key areas. This definition spans several levels, from the development and growth phase to the advanced specialization phase. We have set the

required number of people every three years until 2030 and are working to develop and secure human resources following this plan.

In FY2023, we have begun providing expert-level training options based on the definition of human resource requirements. In addition to continuous learning centered on e-learning, the options consist of training that imparts a wide range of knowledge. Based on the concept of self-sustaining career development, we respect the independence of employees and openly recruit some participants.

Human Resources Requirements Definition Items and Details (Examples)

Area	Accounting	Budget management	Finance	Recommended qualifications
	Details	<ul style="list-style-type: none"> Knowledge and skills of accounting and tax matters 	<ul style="list-style-type: none"> Performance management skills from the perspective of management awareness of capital costs 	
Area	Language proficiency	Intercultural understanding	Global business experience	Recommended qualifications
	Details	<ul style="list-style-type: none"> Ability to perform work in English Mastery of a second language 	<ul style="list-style-type: none"> Understanding of other values such as customs, culture, political economics, and religion 	

Through the implementation of these human resources strategies, we will establish an environment where diverse human resources can maximize

their abilities, while building a relationship of mutual trust between the Company and employees and achieve sustainable growth for the Group.

Toward Achieving Our 2030 Vision

With an eye on becoming a Wellness Company as part of the 2030 Vision, employees from various divisions that support the Group sat down to discuss how they perceive and act on the Corporate Philosophy and the 2030 Vision, along with how they envision the future.

Q How do you understand the Corporate Philosophy and Purpose and go about achieving them in your daily work?

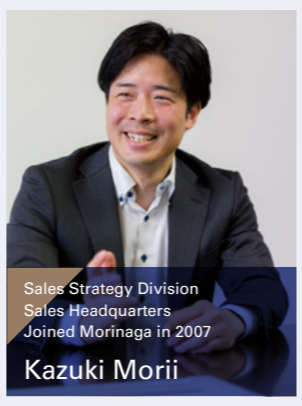
Morii: I work in sales, so the Corporate Philosophy, including our Purpose, represents our basic stance and foundation. Even in actual business negotiations, we cannot gain customer empathy unless we show an awareness of contributing to society. This is why I strongly feel the importance of understanding and personifying our Corporate Philosophy and Purpose. One of the values in our Corporate Philosophy is “value ties between people.” I feel that there is a limit to what one person can do in sales, so in practice I value the connections between people and between companies. This includes, for example, having researchers attend business negotiations and collaborating with other companies. In addition, I am conscious of formulating sales strategies that emphasize regional characteristics and issues, and I try to develop them in cooperation with the government and other partners in each region.



Shimizu: I work in production, where we take actions based on an awareness that the quality of our products forms the very relationship of trust with customers. I place great importance on “pursue quality with integrity,” which is part of the vision in the Corporate Philosophy. I’m always mindful of whether I can provide my family, friends, and loved ones with our products with confidence, including in terms of quality. Confectioneries tend to bring out a child-like grin in just about all people,

regardless of age, nationality, culture, or values. I hope to increase these nostalgic smiles, and I believe that this will lead to the realization of our Purpose. To do so, of course, we must be sincere so that we ourselves can continue to smile.

Iwahashi: The Group’s Corporate Philosophy and Purpose are not imposed by top management. They verbalize what has been handed down from generation to generation, during more than 120 years of history. I feel that they also put into words “Morinaga’s uniqueness.” From what Mr. Morii and Mr. Shimizu have just said, I’m convinced that employees have a common understanding of this and that each is taking their own specific actions. I work in corporate strategy with members to formulate strategies, while facing day-to-day concerns, but there is no single solution to realizing the position that Morinaga wants to be in. The Corporate Philosophy functions as a compass to confirm that our plans are taking us in the right direction.



Q How does your day-to-day work connect to Morinaga changing into a Wellness Company per the 2030 Vision?

Nakamura: I work in marketing. We are the flagbearers responsible for coordinating with all the relevant departments involved in our brands. In general, when we hear the term “wellness,” we tend to think only of foods with health functions, but the Wellness Company advocated by the Group has three perspectives: “health of mind, body, and environment.” In the spring of 2023, the *Jumbo* brand that I’m in charge of added a new technology that is a “chocolate wall” to encase the ice cream, locking in the “fresh crisp texture” for much longer thanks to the technological evolution that delays the transfer of

moisture to the wafer. Taking this opportunity, we redefined the value of *Jumbo* not only as “crisp texture” but also as “the smile created by this crisp texture (contribution to health of mind).” In turn, we started disseminating new information as part of the Jumbo Smile Project so that customers will know about our freshness and crispness marketing activities. I believe that connecting customers with people involved in *Jumbo* and connecting them to co-creation is an important job of marketing.

Ominato: As people’s health awareness has increased substantially in the United States due to the COVID-19 pandemic, the launch of *Chargel* in 2022 was of great significance for Morinaga. As a new category product that allows customers to easily and deliciously consume nutrients that form the basis of “health of body” and provides a sense of satisfaction after eating, we hope that many customers in the United States will try *Chargel*. There are a variety of functional beverages in the U.S. market, including energy drinks. As someone involved with R&D in the United States, I’m inspired to learn from the products already on the market, and I think about the elements that will lead to the business growth of *Chargel* every day. We are conducting R&D activities while imagining that in 2030, *Chargel* will be the drink closest to the “health of body” for customers in the United States.

Q How do you perceive your own future when Morinaga changes into a Wellness Company?

Iwahashi: Since joining the Company, I’ve always said that I want to do a job that my family can be proud of. Transformation of the Group into a Wellness Company also means that I will be able to embody this desire. With the support of my family, I can immerse myself in my work, and as a result, I can proudly tell them about my work, and my family—my closest customer—will say “great.” This is the future I’m aiming for. I believe that if everyone at Morinaga aims to be a Wellness Company, the Company will grow even faster.

Nakamura: As with the Company’s wellness, I want to engage customers with the state of mind of “realizing a rich and bright life based on a vibrant mind, body, and environment” and create products and services that are needed by the world. I’d like to work from a higher perspective so that I can identify changes in the external operating environment and be able to respond sensitively and flexibly to customer needs and issues. I’d also like to take the initiative in creating a work environment that creates positive synergies.



Shimizu: In production, many people with different employment types and nationalities are working side by side. While embracing diversity, I’d like to promote the Company’s policies and strategies flexibly and expansively. By providing products that are beloved by people around the world across generations and steadily passing the baton to the next generation, we aim to become a company that can increase the smiles of people around the world through food.

Shimizu: In production, we are promoting the changeover to smart factories that utilize digital technologies such as IoT to undertake safe, secure, and efficient production. This initiative is directly linked to “health of environment.” Realizing efficient production will lower CO₂ emissions by reducing the amount of electricity and city gas used. It will also lead to a reduction in food loss and waste caused by equipment troubles. The external operating environment is constantly changing, and I believe that it is important to take on challenges without fear of failure.

