



INTEGRATED REPORT

2022

[Year ended March 31, 2022]



VALUE CREATION



Our Next Step toward the Realization of the Morinaga Milk Group 10-year Vision

FORWARD 20

In addition to the new Medium-term Business Plan 2022–24 covering the three-year period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, the Morinaga Milk Group has also formulated the Sustainability Medium- to Long-term Plan 2030 with 2030 as the target year.

We have designated the fiscal year ending March 31, 2023 as the starting point for striving to realize sustainability management. Our challenge for the year is to take the next steps toward achieving sustainable growth.

Our Evolving Medium-term Business Plans

Fiscal Years Ended
March 31, 2016–March 31, 2019

Under this plan, we redefined our business domains and worked to correct structural factors that result in lower profits. We also took steps to improve management efficiency, including a transition to an organizational structure optimized for the realization of our strategies, and the centralization of indirect operations. As a result of these measures, we reached our targets and ended the plan a year ahead of schedule.

Fiscal Years Ended
March 31, 2020–March 31, 2022

We saw the period covered by this plan as a time for building a robust base to support the realization of our goals under the Morinaga Milk Group 10-year Vision. Despite the impact of the COVID-19 pandemic, we succeeded in bringing operating profit close to the target level.

Fiscal Year Ending
March 31, 2023 and Beyond

**New Medium-term
Business Plan 2022–24**
(fiscal year ending
March 31, 2023–fiscal year
ending March 31, 2025)

**Sustainability Medium- to
Long-term Plan 2030**

CONTENTS

SECTION

Value Creation Story

01

History of the Morinaga Milk Group07

At a Glance09

A Message from the CEO11

Value Creation Process15

Policies for Strengthening the Six Capitals17

Business Activities19

Special Feature:
Our Commitment to Sustainability for the Dairy
and Milk Industry and the Morinaga Milk Group25

New Medium-term Business Plan 2022–2429

Our Human Capital39

Sustainability Medium- to Long-term Plan 203041

ESG Data (Non-financial Information)51

A Message from the Officer in Charge of Finance53

SECTION

Foundation for Value Creation

02

Directors and Audit & Supervisory Board Members55

Messages from External Directors57

Corporate Governance59

Business and Other Risks67

SECTION

Data and Information

03

11-year Financial Summary69

Management’s Discussion and Analysis71

Financial Statements75

Consolidated Subsidiary Companies83

Business Sites84

Corporate Data85

Editorial Policy

To further strengthen communication with all stakeholders, Morinaga Milk Industry Co., Ltd. ("the Company") evolved the Annual Report it has published until now into the Integrated Report 2019. The fourth report of its kind, Integrated Report 2022, is designed to inform readers about our ideas and initiatives toward the realization of the Morinaga Milk Group 10-year Vision, with a particular focus on Medium-term Business Plan 2022–24 and Sustainability Medium- to Long-term Plan 2030. In addition, in editing this report we aimed for a simple and easily understandable structure by focusing only on matters of importance. Further information on IR and sustainability is available on our website.

Note: From the beginning of the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" is applied. 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, 2023 and beyond are based on assumptions and economic forecasts as of May 17, 2022 and are not intended as a guarantee of the Company's future financial performance.

Our Value Creation Goals

Morinaga Milk Group is to "contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology." For decades, we have worked to realize this philosophy by providing products and services that address health issues and enable people of all generations, from infants to seniors, to enjoy tasty and delightful food. We have prioritized research and development leading to the creation of products containing functional ingredients that help to overcome health problems. A notable example of this work is our range of *Bifidus* Yogurt products containing bifidobacteria and *Bifidobacterium longum* BB536. We are also continuously enhancing our delicious and delightful long-selling products, such as Mt. RAINIER CAFFÈ LATTE and Pino.

We want Morinaga Milk to be a company that creates value by continuously enhancing its capacity to create highly original products and services that inspire ever brighter smiles.



Creating New Value by Pursuing “Health Value” and “Tastiness and Delightfulness”

The Morinaga Milk Group is dedicated to providing “health value” and “tastiness and delightfulness.” We develop products that help consumers to achieve good health and happiness while also providing food that is tasty and delightful. The driving force for the creation of these products is our unique functional ingredients based on milk technologies and research spanning many years.

Unremitting Pursuit of
Health Value

HEALTH VALUE



Tastiness and Delightfulness in
Everyday Life

TASTINESS AND DELIGHTFULNESS

“FOR EVER BRIGHTER SMILES”

To Continue Being the Company of Choice and Achieve Ever Brighter Smiles Everywhere

We formulated the new Medium-term Business Plan 2022–24 and Sustainability Medium- to Long-term Plan 2030 by backcasting from the Morinaga Milk Group 10-year Vision, which we announced in 2019. These plans represent our pledge to work steadily toward the realization of our strategies and the fulfillment of our corporate mission to achieve ever brighter smiles, so that we can continue to be the company of choice for all of our stakeholders.



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

(Fiscal year ending March 31, 2029)

1. A company that balances “delicious and pleasurable food” with “health and nutrition”
2. A global company that exerts a unique presence worldwide
3. A company that persistently helps make social sustainability a reality

The Morinaga Milk Group 10-year Vision was announced in 2019 as a clear statement of our vision for the Morinaga Milk Group to take steps toward our next hundred years of success. It is also a statement of our determination to maintain stakeholder expectations of growth.

New Medium-term Business Plan 2022–24

(fiscal year ending March 31, 2023–fiscal year ending March 31, 2025)

Sustainability Medium- to Long-term Plan 2030

Our goals under the new Medium-term Business Plan 2022–24 are to both resolve societal issues and improve sales growth and profitability. We will achieve these goals by achieving sustainable growth by increasing the added value of our business, by further strengthening our business base with an eye on the future, and through financial strategies focused on efficiency. Sustainability Medium- to Long-term Plan 2030, which we formulated at the same time, calls for the connection between our sustainability goals and our Medium-term Business Plan through the establishment of KPIs focusing on three themes: “Food and Wellness,” “Resources and the Environment,” and “People and Society.”



History of the Morinaga Milk Group

Since its founding in 1917, the Morinaga Milk Group has steadily expanded its business and production base from its beginnings in condensed milk products into a comprehensive milk group. With our focus on the next hundred years and ever brighter smiles, we will keep providing value through our advanced milk technology and maintain our sustainable Group growth.

1917-1949

Beginnings in Condensed Milk

Morinaga Milk Industry Co., Ltd. began as Nippon Rennyu Co., Ltd. manufacturing condensed milk, an ingredient of caramel. On its way to expanding its production base throughout Japan, Morinaga Milk went through two mergers due to changing operating environments. We grew through three areas of business: condensed milk, powdered milk, and commercial milk by selling bottled milk and installing evaporating equipment for powdered milk. While overcoming many challenges during the Second World War, in 1947 we started sales of Morinaga ice cream, with milk and starch as its main ingredients, which became the origin of our current ice cream business. This early period paved the foundations of our present status as a comprehensive milk group.



Dried milk

1949-1967

Expansion in Step with Japan's Post-war Economic Growth

In 1949, as wartime restrictions were being loosened, the second iteration of Morinaga Milk was established with the Meguro production facility as its core. From the 1950s, Morinaga Milk aggressively introduced the latest technology, expanded its facilities by building advanced manufacturing plants, and developed innovative products in various fields, such as homogenized milk and coffee creaming powder, Creap. With strong market demand for milk and dairy products in Japan, Morinaga Milk was listed on the Tokyo Stock Exchange in 1954. In 1955, the Morinaga Milk arsenic poisoning incident occurred and the Morinaga Milk Group continues to provide long-term support to the victims.



Homogenized milk and creaming powder for coffee



1967-1988

Expansion of Operations as "Innovative Morinaga"

As Japan's economy shifted from its period of high growth to stable growth, Morinaga Milk—coming to be known as "Innovative Morinaga"—kept developing new and innovative products to meet increasingly diverse consumer tastes, such as infant follow-up formula, chilled cup pudding using long-life technology, and beverages containing bifidobacteria. We also diversified our business by expanding into new fields such as liquid foods. This is also when we opened our free counselling service on childcare, the Angel 110 hotline, to communicate with customers, to build a socially transparent company, and to collect and disseminate information.



Plain yogurt containing bifidobacteria
Morinaga Bifidus Yogurt
(launched in 1978)



Establishment

Market expansion

Category expansion

1988-

Global Expansion

Morinaga Milk Group accelerated its global expansion starting in the mid-1970s, establishing subsidiaries and alliances with local companies, first in Europe (Belgium, France, and Germany), and then in the U.S. and Asia (Taiwan and China). The recognition that global expansion is vital to the growth of the Group remains evident in various aspects of our business. We aim to achieve ratio of overseas sales of at least 15%, as of fiscal year ending March 31, 2029; it inspires the expansion of production capacity at one of our bases for global business expansion, MILEI GmbH in Germany; and it drives the focus on increasing sales of milk formula, primarily in Asian countries with rapid economic growth.



Long-life TOFU launched in the U.S.

2001-

Pursuing "Health Value" and "Tastiness and Delightfulness"

Against a backdrop of increasing health consciousness, Morinaga Milk Group has been proactively developing foods that contribute to consumers' health since 2001. The Group's many decades of milk-related research and the proprietary functional ingredients that have resulted from it—bifidobacteria has been major growth drivers. In the development of new products and the implementation of various initiatives, we pursue health functionality while maintaining a focus on ensuring food's essential deliciousness and pleasure. The Group will continue to support the physical and emotional health of our consumers, and contribute to happiness in their daily lives, thereby furthering the creation of an enriched social environment that inspires smiles everywhere.



Corporate movie expressing the meaning behind our slogan "For Ever Brighter Smiles" (December 2020-)



Advertisement for Bifidus Yogurt series "Selected Bifidobacteria that Delivers to Your Large Intestine" launched in 2021



Nutritional milk powder (Milk Life) series products for adults is proposing new healthy lifestyle habits



Functional Yogurts have gained attention

Left: Triple Yogurt

Right: Bifidus Yogurt Improves Bowel Movement

1980

1990

2000

2010

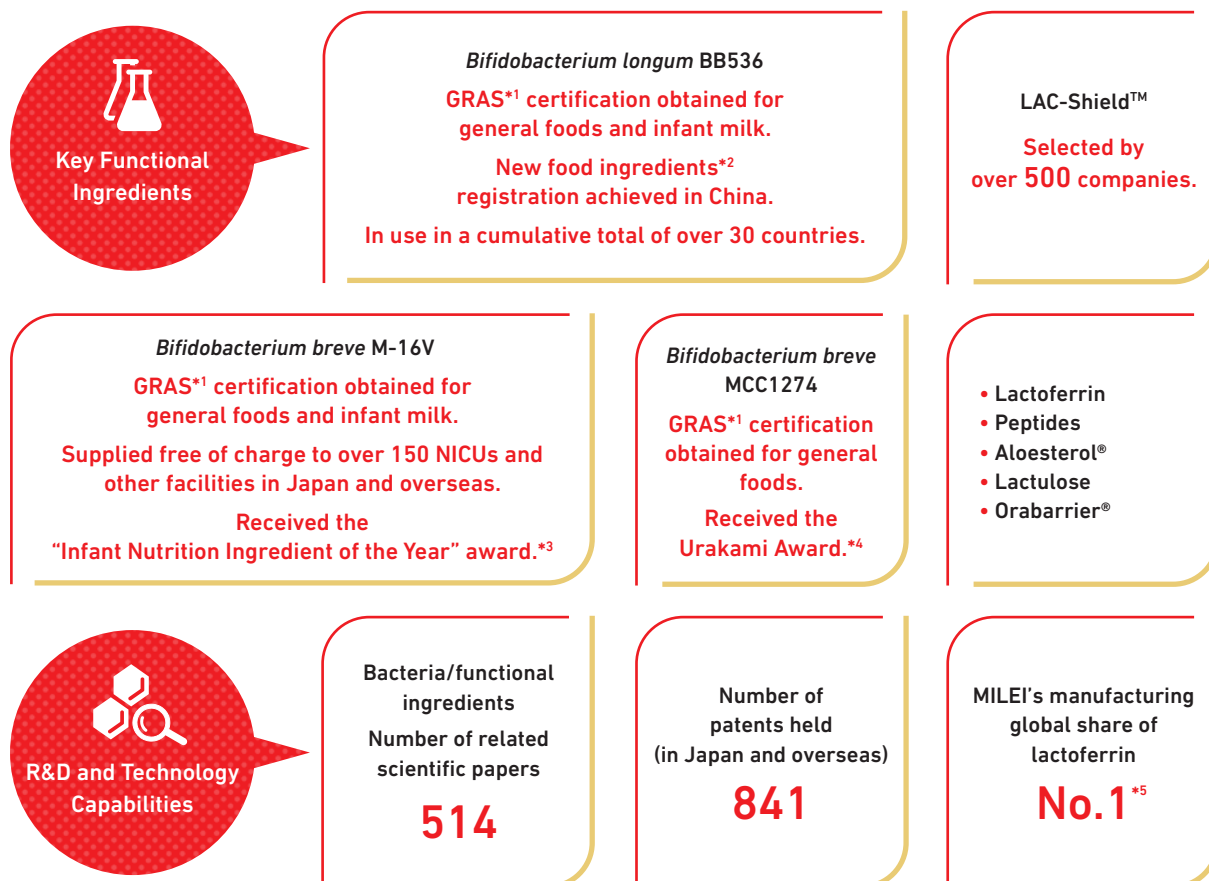
2022

Promoting globalization

Pursuing "health value" and "tastiness and delightfulness"

At a Glance

Sources of Value Creation



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 Sector Relative Japan Index	Selected for inclusion since 2022
	MSCI Japan Empowering Women (WIN) Select Index	Selected for inclusion for three consecutive years since 2020
	SOMPO Sustainability Index	Selected for inclusion for five consecutive years since 2018
	The All-Japan Executive Team 2022 Ranking (Beverages, Food & Tobacco)	Ranked 3rd place in Best IR Program

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>

Note: The information provided above was current as of July 31, 2022.

*1 A Generally Recognized as Safe (GRAS) designation has been a requirement for the all new food ingredients sold in the United States since 1958. To ensure that raw materials are safe for use as food ingredients, they undergo expert assessments covering items that include the characteristics of raw materials, manufacturing processes, quality control, product specifications, records of use, and clinical trial results.

*2 This registration is required when selling food ingredients that are not part of China's traditional food culture in China.

*3 In 2019 and 2020, Morinaga Milk Industry received the "Infant Nutrition Ingredient of the Year" award in the infant nutrition section of Singapore's NutraIngredients-Asia Awards.

*4 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.

*5 Absolute Reports, 2021 data

*6 INTAGE SRI (share of sales from April 2021 to March 2022)

Pursuing “Health Value” and “Tastiness and Delightfulness”



Chilled cup-type
coffee

Leading market
share in Japan

42%*6



Yogurt

Second biggest
market share
in Japan

13%*6

Ever-evolving
bite-sized
ice cream Pino

Launched in 1976



Bifidus Yogurt

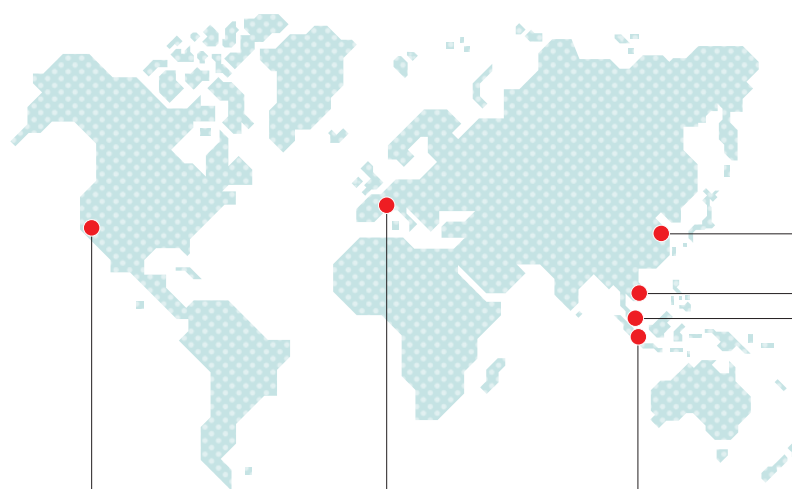
Over 50 years of
bifidobacteria research



Launched 35 foods
with function claims



Global Expansion: Overseas Subsidiaries and Joint Ventures



Morinaga
Nutritional Foods,
Inc.

Established in Los Angeles in
1985, to sell Long-life TOFU in
the United States



Established in Germany in
1972 to manufacture and sell
whey protein concentrate,
lactose, lactoferrin, etc.



PT.Kalbe Morinaga
Indonesia

Established in Indonesia in
2005 as a joint venture with
Kalbe, Indonesia's largest
pharmaceutical manufacturer,
to manufacture milk formula



Morinaga Milk
Industry (Shanghai)
Co., Ltd.

Established in Shanghai in
2011



Elovi Vietnam
Joint Stock
Company

A wholly owned subsidiary of
Morinaga Milk since 2021, the
company manufactures and
sells dairy products that
include milk-based beverage
and yogurt in Vietnam



Morinaga Nutritional
Foods (Asia Pacific)
Pte. Ltd.

Established in Singapore in
2015 to sell raw materials to
milk formula manufacturers in
Southeast Asia and the Pacific
region. Became a consolidated
subsidiary in April 2022

“For Ever Brighter Smiles”

We believe the Morinaga Milk Group has a mission to contribute widely to society by providing unique value through food, and contribute to healthy and enjoyable lifestyles of people everywhere, while also achieving sustainable growth in its corporate value. We look to the future to both resolve societal issues and improve sales growth and profitability by pursuing “health value” and “tastiness and delightfulness.”

Clear Signs of a Stronger Business Base Following the Completion of Medium-term Business Plan 2019–21

The fiscal year ended March 31, 2022 was the final year of Medium-term Business Plan 2019–21, a period in which we built strong foundations for the realization of the Morinaga Milk Group 10-year Vision. One of the achievements from this three-year period was steady growth across all four of our business segments: B-to-C Business, Wellness Business, B-to-B Business, and Global Business. Our progress was especially pleasing in Global Business with our German subsidiary MILEI achieving substantial growth and further expanding its global presence.

One of the key strengths of the Morinaga Milk Group is the development of proprietary seeds. Active capital investment has enabled us to achieve steady expansion by responding to global growth in health awareness and needs. We have also pursued initiatives to strengthen our financial structure, including continuous sales of fixed assets.

Our target for net sales was ¥630 billion. While this goal was not reached, in part because of the impact of the COVID-19 pandemic, our operating profit came very close to our target of ¥30 billion*. There are some remaining challenges, including the enhancement of our main brands and turning our milk business into profitability. However, we made good progress with ongoing initiatives, including the improvement of the product mix and changes to the

cost structure, and there is real evidence of a turnaround toward structural profitability.

*Before the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 March 31, 2020)

Maintaining Our Status as a Manufacturer of Choice

In the fiscal year ending March 31, 2023, we launched our new Medium-term Business Plan covering the period from 2022 to 2024. Our next goal is to use the strengthened business base built under the previous Medium-term Business Plan to both resolve societal issues and improve sales growth and profitability. We believe that the key to achieving this goal is the Morinaga Milk Group’s commitment to the pursuit of “health value” and “tastiness and delightfulness,” and that our most important asset will be our ability to maintain competitiveness as a manufacturer of choice.

More than a century has passed since the founding of the Morinaga Milk Group. Through our research activities during that time, we have accumulated a rich resource of knowledge that we use to address a variety of health-related needs. Our leadership and originality have enabled us to develop countless products that have earned the support of consumers across multiple generations. As a food manufacturer, we also place great importance on the enjoyment of delicious foods and the happiness that comes from food. Our long-selling products, such as *Mt. RAINIER CAFFÈ LATTE*

President and
Representative Director
Yohichi Ohnuki



A Message from the CEO

and *Pino* bite-sized ice cream, remain consumer favorites and continue to make major contributions to our earnings.

The quality that makes the Morinaga Milk Group unique is our ability to focus equally on health and the creation of tasty, delightful foods. In addition to further enhancing the appeal of products that offer a real sense of health value, such as functional yogurts, we also contribute to resolving societal issues by creating delicious flavors that encourage people to continue eating health foods and nutritional food products. Our aim is to bring ever brighter smiles to more and more people, while also achieving growth through the expanded development of products and services that meet the desire for “health value” and “tastiness and delightfulness.”

From here, I will outline Medium-term Business Plan 2022–24. The three basic 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.” We have also restructured our business segments into four areas: the Nutrition and Healthcare Foods Business, the Core Dairy Foods Business, the B-to-B Business, and the Global Business. The purpose of this change is to facilitate the implementation of cross-organizational strategies toward the achievement of the targets in the plan.

While steadily expanding the Core Dairy Foods Business and the B-to-B Business as our mainstay segments, we plan to concentrate our investment of management resources toward the Nutrition and Healthcare Foods Business and the Global Business, which we have positioned as growth drivers. The Nutrition and Healthcare Foods Business will be the driving force behind efforts to provide health value. In the Global Business segment, we will implement portfolio restructuring measures, including the possibility of new overseas initiatives and M&A activities toward the achievement of an Global Business sales ratio of 15% or higher, which is a target in the Morinaga Milk Group 10-year Vision. We see R&D as the key to sustainable growth in all of our business segments, and we plan to increase R&D spending and the number of personnel in our R&D Division by 15% compared with the levels in the fiscal year ended March 31, 2022. In addition to this strategic investment, we will also further strengthen our business base by reforming our cost structures to reinforce resistance to changes in the external environment.

Our financial strategy calls for the steady implementation of strategic growth investment. We also aim to utilize funds with a commitment that includes shareholder returns and our financial standing.

Concerning our numerical targets for the final fiscal year of the plan, we have concluded that it is not currently possible to calculate medium- to long-term costs accurately due to rapid changes in the external environment. We have, therefore, deferred the release of target figures for the plan. We are aware there is intense interest in this information, and we intend to disclose realistic figures after thoroughly analyzing the situation. We promise to publish the figures as soon as it is possible to carry out accurate calculations.

Linking the Sustainability Medium- to Long-term Plan 2030 to the Medium-term Business Plan 2022–24

One of the goals in the Morinaga Milk Group 10-year Vision is to become a company that persistently helps to make social sustainability a reality. In addition to Medium-term Business Plan 2022–24, we formulated Sustainability Medium- to Long-term Plan 2030 as a framework for the achievement of that goal through the improvement of employees’ sustainability awareness and the pursuit of sustainability initiatives. The plan focuses on food and wellness as the foundation of our business, and on essential societal issues relating to resources and the environment, and people and society. We have set targets for 2030 and defined KPIs as core management priorities, and we will base our initiatives on linking the Sustainability Medium- to Long-term Plan 2030 to the Medium-term Business Plan.

I define sustainability management as the pursuit and practice of initiatives that enable a company to maximize its contribution to society. This commitment clearly includes setting targets for environmental measures, such as the reduction of CO₂ emissions and plastic use, which can be seen as compulsory. However, there are also optional items that can be added to our initiatives. I believe the selection of these items should be guided by the ways in which a company can use its areas of expertise to support sustainability activities that help to raise the overall sustainability of society.

The most obvious areas in which the Morinaga

Milk Group can use its expertise to contribute to society are health and nutrition. Given the current trend toward demographic aging, both in Japan and worldwide, we believe our efforts to support health will lead to the creation of universal value, and we will allocate substantial management resources to those activities.

Fostering a Corporate Culture in which Challenges are Accepted without Fear of Failure

We are making steady progress toward the creation of structures to support our growth and success over the medium- to long-term future under Medium-term Business Plan 2022–24 and Sustainability Medium- to Long-term Plan 2030. However, to achieve the targets in these plans and maintain progress toward realization of the Morinaga Milk Group 10-year Vision, we also need to foster a corporate culture in which individual employees can think and act on their own initiative in a variety of situations. However, the Morinaga Milk Group has a deep-rooted tendency to value tradition and conservatism, and going forward we will need to foster a corporate culture in which people can take up challenges without fear of failure, and in which people are valued and recognized according to their willingness to take up challenges, rather than according to the results. We have tried various approaches to this transformation, and I get the feeling these efforts are gradually starting to produce changes, including an increase in the number of young employees who are willing to share their views and act on their own initiative. For example, the *Mt. RAINIER CAFFÈ LATTE* “Deep Healing Project” resulted from an idea put forward by a young employee. The concept of featuring animals on food packaging, which had not occurred to people in older generations, has been more popular than we could have imagined. Another success that resulted from a suggestion by one of our younger colleagues was our selection as an exhibitor for the Osaka Pavilion at World Expo 2025 (the Osaka Kansai Expo).

The Morinaga Milk Group of the future will be built by employees between the initial and middle stages of their careers with us. It is extremely important to listen to their ideas and reflect them

in our management planning. I am determined to lift motivation across our entire organization by consolidating an environment in which people can express their views regardless of their seniority. I see that as a driving force for sustainable growth.

Achieving Sustainable Growth in a Challenging Environment

I became President and Representative Director just over a year ago in June 2021. In retrospect, I seem to have spent every day of that time working to find ways to adapt to a business environment that has been continually changing due to the COVID-19 pandemic. My first year as President, especially the second half of the period, has also been punctuated by events that have had a major impact on the world economy. An increasingly unstable international situation has triggered trends that have created a challenging business environment, including soaring raw material and energy costs. In addition, the pace of change seems to accelerate day by day.

Navigation through this business environment is extremely difficult, which is why my goal is to raise the level of integration across the entire Morinaga Milk Group so that we can combine our strengths to overcome the present challenges. Dialogue with stakeholders will also be an essential part of our efforts to adapt flexibly to environmental change and achieve continuous improvement in our corporate value. We will actively create opportunities for dialogue and prioritize two-way communication, so that we can apply the resulting feedback to management policies that will lead to further enhancement of our medium- to long-term corporate value.

A new team of directors and Audit & Supervisory Board members took office in June 2022. I will continue to work with this team to strengthen our corporate governance by listening positively to views based on fresh perspectives, and by actively engaging in debate. This is a time of heightened uncertainty. However, we are determined to accelerate our initiatives toward realizing the Morinaga Milk Group 10-year Vision and the achievement of sustainable growth by steadily implementing Medium-term Business Plan 2022–24 and Sustainability Medium- to Long-term Plan 2030.

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”

Morinaga Milk Group 10-year Vision

VISION
1

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

[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]



Medium-term Business Plan

Corporate Governance

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

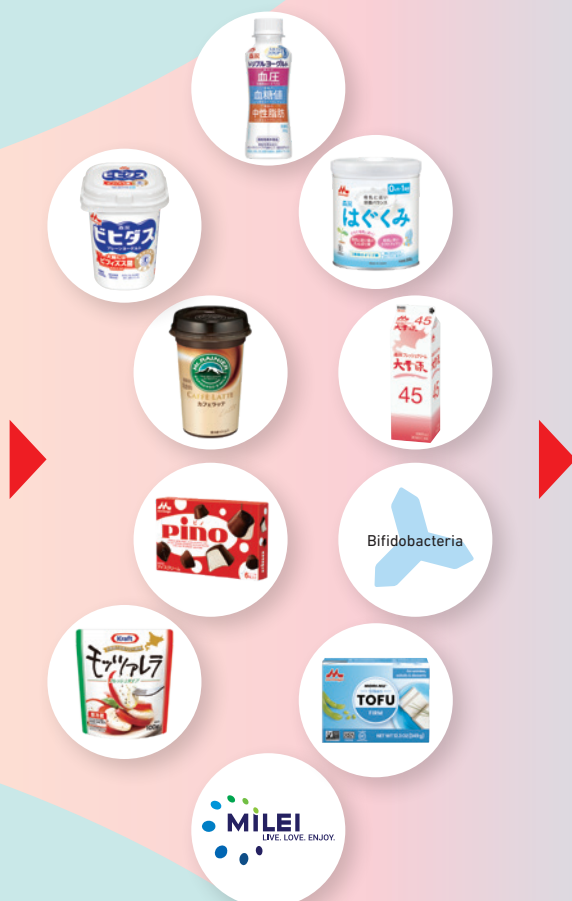
Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.

VISION
2

A global company that exerts a unique presence worldwide

VISION
3

A company that persistently helps make social sustainability a reality



[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
CO₂ emissions reduction rate compared with FY2020 **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

Respect for human rights and diversity

Coexistence with local communities

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. Each capital has been developed throughout the Group's long history and plays an essential role in our value creation process.



Human Capital

Policy for strengthening human capital

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

We see human resources as a vital form of capital for value creation. We aim to build an energetic team with professional skills and diversity. To realize this vision, we have prioritized approaches focusing on individuals and organizations.

In the Medium-term Business Plan 2022–24, our goal is to increase the number of R&D Division personnel by around 15% and the number of people working for our overseas businesses by 20%, relative to the levels in the fiscal year ended March 31, 2022.

Sustainability Medium- to Long-term Plan 2030 includes KPIs relating to the promotion of diversity and inclusion as well as human resource development. Going forward, we will link our human resource strategies to our management strategies.



For further details, see Human Capital in the Morinaga Milk Group, on pages 39–40.



Natural 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

The Morinaga Milk Group uses milk and many other raw materials derived from nature. We strive to develop and manufacture environmentally friendly products and minimize adverse impacts on the environment in app processes from raw material procurement to consumption and disposal. Our German subsidiary MILEI addressed increasingly serious environmental problems caused by the disposal of large quantities of a cheese production by-product by launching a business based on the utilization of that by-product. We will continue to work on a global scale to maximize the value of milk and reduce the impacts on our environment across our entire value chain by utilizing milk resources and other gifts from nature without waste.



Intellectual Capital

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

There is growing interest in products containing bifidobacteria and other functional ingredients, such as *Triple Yogurt* and *Memory Protection Yogurt*. We regard the functional ingredients in these products, the technologies developed for them, and their branding and other features as intellectual capital, and we are continually working to develop and expand these brands.

In 2019, we established the Functional Ingredients Committee to coordinate the efforts of research, marketing, and intellectual property units in relation to the creation, protection, and utilization of intellectual capital as a source of value creation. Through activities that include reporting to the Executive Management Committee about progress on research and development activities and the management of intellectual property, the Functional Ingredients Committee has created a structure to support the steady transformation of intellectual capital into product and brand value.

Status of each type of capital*1

Employees	6,839
Investment in human resource development (training, etc.)	¥26,000 per employee per year (non-consolidated)

Energy consumption*2	1,332,157MWh
Water usage*2	17,179 thousand cubic meters
Milk collected (non-consolidated)	711 thousand tons

Papers published concerning bacteria and functional ingredients	514
Japanese and foreign patents held	841
Usage of <i>Bifidobacterium longum</i> BB536	In over 30 countries

*1 In the fiscal year ended March 31, 2022, or as of March 31, 2022, based on consolidated data unless otherwise stated.

*2 The scope of data is the same as for the energy and water resource information on page 51.



Manufactured Capital

Policy for strengthening manufactured capital

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

We are continually working to obtain and maintain ISO 14001 and FSSC 22000 certifications as the basis for the supply of high-quality products through safe and reliable raw material procurement and manufacturing operations. In addition to their role in the growth of our business, our highly original technologies also contribute to resolving societal issues. Examples include long-life manufacturing methods, the MO-Lagoon® system, which uses microorganisms to break down and process wastewater, and membrane filtration technology developed by our German subsidiary MILEI to allow it to develop high-purity, high-quality products. Under Medium-term Business Plan 2022–24, we will allocate around ¥10 billion for environment-related investments, in line with our ongoing commitment to investment in measures to reduce environmental impacts.



Social and Relationship Capital

Policy for strengthening social and relationship capital

- Build trust with stakeholders
- Strengthen our corporate brand globally

We recognize the importance of reviewing our situation objectively through dialogue with our stakeholders, including consumers, shareholders and investors, business partners and suppliers, employees, and local communities. For many years we have used a variety of methods to foster communication. We will continue to engage in dialogue with stakeholders with the aim of maintaining our status as a company of choice that is trusted by society. One of our priorities in terms of achieving further growth is the enhancement of our corporate brand. We aim to strengthen cohesion within the Morinaga Milk Group, including companies in Japan and overseas, as the basis for further strengthening of the Morinaga Milk brand.



Financial Capital

Policy for strengthening financial capital

- Improve capital efficiency
- Sustainably generate and distribute cash

Under the previous Medium-term Business Plan, which covered the period from 2019 to 2021, investments and returns were proceeding well and according to plan due to the creation of operating cash flows. We also sold off unemployed assets. In fiscal year ended March 31, 2022, we achieved a debt-equity ratio (DER) of 0.42 times, compared with our target of 0.5 or lower. In recognition of these efforts, Rating and Investment Information, Inc. (R&I) raised our issuer rating to A (long-term) in the fiscal year ended March 31, 2022. One of our basic policies under Medium-term Business Plan 2022–24 is financial strategies focused on efficiency. Our priorities are to strategically execute growth investments and utilize funds with a focus that includes shareholder returns and our financial standing, as well as to improve ROE with a focus on capital efficiency. In the longer term, we will work to achieve our financial targets for the fiscal year ending March 31, 2029.

Capital investment	¥18 billion
Manufacturing sites	31

Responses to customer inquiries	Approximately 59,000
Briefings with investors and analysts	393
Energy Survey (employee satisfaction survey)	Implemented annually

Shareholders' equity ratio	44.9%
ROE	16.7%
Interest-bearing debt	¥87 billion

Business Activities

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.



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. One example of this commitment is the Angel 110 hotline, our free counseling service on childcare, which was established in 1975 and is still in operation today. We will continue to evolve and develop our existing initiatives in step with environmental change, while creating new activities. We currently engage in dialogue with experts on themes relating to various societal issues. Also, we are accelerating our dialogue and other activities with stakeholders through our participation in external initiatives and organizations. To maintain our status as a company of choice for all of our stakeholders, we will continue to prioritize accurate communication and pursue sustainability management.

● Communication Methods (Figures are for the Fiscal Year Ended March 31, 2022)



Consumers

- Consumer Service Center (number of consultations: about 59,000)
- Customer satisfaction questionnaire surveys
- Angel 110 hotline (number of consultations: 8,895)
- KidZania, visiting classes, and other next-generation support activities



Employees

- Energy Survey (employee satisfaction survey) (1)
- Career survey (1)
- Internal newsletter (4 issues)



Business partners and suppliers

- Supplier audits
- CSR procurement questionnaire
- Quality improvement seminars and distribution seminars
- Supplier briefings



Shareholders and investors

- Annual General Meeting of Shareholders (June every year) (voting rights exercised: 389,179)
- Briefings for individual investors
- Financial results briefings (4)
- Small-scale meetings (2)
- Meetings with institutional investors and analysts (393)
- Business activity briefing sessions with institutional investors and analysts (1)



Local communities

- Plant tours
- Participation in environmental conservation activities and special events
- Provision of supplies during disasters
- Distribution of products to food banks and children's cafeterias

Participation in External Initiatives and Organizations



Sustainability management page on the Morinaga Milk Group website:
<https://www.morinagamilk.co.jp/english/sustainability/management>

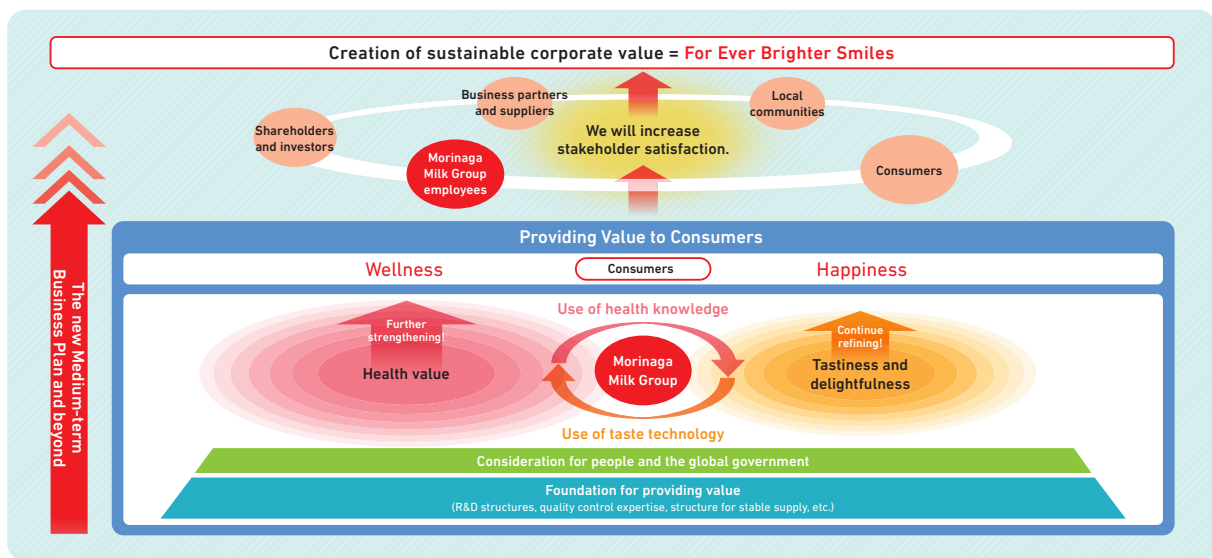
Pursuing “Health Value” with “Tastiness and Delightfulness”

We used the formulation of Medium-term Business Plan 2022–24 as an opportunity to engage in in-depth discussions about what the Morinaga Milk Group needs to do to maintain our status as a company of choice.

One of the conclusions to emerge from this debate was that using our strengths to create unique value would be essential to the realization of the Morinaga Milk Group 10-year Vision, and those unique values should be “health

value” and “tastiness and delightfulness.” We believe that by enhancing and further refining these values, we can increase stakeholder satisfaction and achieve sustainable improvement in our corporate value.

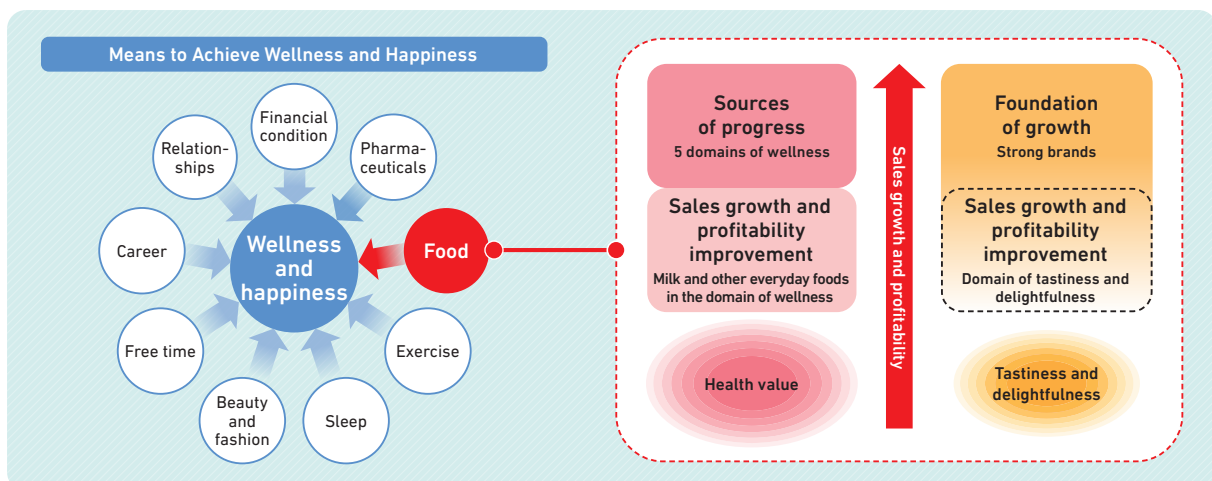
By consistently pursuing these unique values delivered by the Morinaga Milk Group during the three years covered by Medium-term Business Plan 2022–24, we aim to advance to further growth and success over the next four years.



● Balancing “Health Value” and “Tastiness and Delightfulness” to Enhance Profitability

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.



Business Activities (Value Chain)



01 | R&D



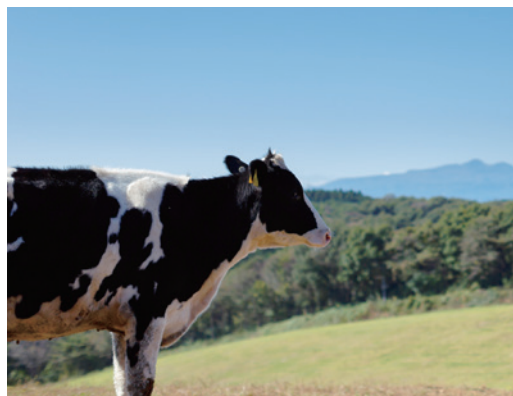
Explore the Great Power of Milk

Our R&D mission is to contribute to the realization of a sustainable society and inspire brighter smiles throughout the world by using advanced milk technology developed through research and development activities focused on tastiness and delightfulness, health and nutrition, and safety and reliability. Through our R&D activities, we are helping to resolve health issues affecting people of all ages from infancy to old age. For over 50 years we have conducted research into bifidobacteria and intestinal flora, and we have published more scientific papers on the role of bifidobacteria in the human body than any other business organization*¹. We have also developed a wide range of functional ingredients to support health and nutrition. In addition to our cutting-edge research into functional ingredients, we are also developing and commercializing a diverse array of products that combine functionality with tastiness. Our number one priority from the research stage onwards is to ensure the quality and safety of our products.

*¹ As of 2019, based on research by Metabologenomics, Inc. (World leader in terms of the number of research papers by a business corporation included in medical literature databases)



02 | Procurement



Sustainable Raw Material Procurement with Emphasis on Quality and Safety

We work under the Morinaga Milk Group's Procurement Policy and Quality Policy to secure supplies of safe, high-quality raw materials. We carry out a variety of inspection activities to prevent issues from affecting the quality and reliability of raw materials. When procuring raw materials, especially from new suppliers, we carry out exhaustive on-site factory inspections covering hygiene conditions, equipment, and quality control systems to ensure there are no problems. Our supplier verification processes also include inspections of raw material samples and reviews of quality assurance certificates and other documentation. These inspections are a vital part of our efforts to ensure quality and safety and are conducted in accordance with strict standards.

"Sustainable raw material procurement" is one of the material issues defined in Sustainability Medium- to Long-term Plan 2030. We aim to realize this material issue while also striving to find solutions for environmental, societal, and human rights issues affecting supply chains, and to support our suppliers as they work to overcome challenges.



Please visit the URL below for more information about the policies of the Morinaga Milk Group.
Morinaga Milk website > Morinaga Milk Sustainability > Policies, etc.
<https://www.morinagamilk.co.jp/english/sustainability/policy/>



03

| Manufacturing



03

| Quality



Our Commitment to Safety, Reliability, and the Environment

////////////////////////////////////

We strive to produce safe and reliable products in accordance with our Basic Policy on Health and Safety and Quality Policy. Raw materials arriving at our plants go through a three-tiered inspection system, while our production environments, including manufacturing areas, machines, tools, and work clothes, are carefully maintained to prevent the contamination of food products with foreign matter or microorganisms. In addition, we take great care to eliminate potential problems in our manufacturing processes and prevent their recurrence through the use of risk factor analysis.

Employees acquire the skills needed at each level of our manufacturing operations through training programs, including training for production engineers at our in-house educational institution, the Morinaga Milk College. Individual plants also run their own training programs to improve the skill levels of their workers.

We will continue to implement initiatives based on the ISO 14001 standard for environmental management systems. We will also accelerate measures to enhance the environmental performance of our production operations through increases in the ratio of renewable energy used during production, the reduction of water consumption, water resource conservation, the reduction of plastic use, and effective utilization of resources.



Quality Rules that Exceed Industry Standards

////////////////////////////////////

Careful monitoring of customer feedback is an important part of our commitment to safety and quality and the supply of reliable, high-quality products and services. We have acquired FSSC 22000*2 certification, the global food safety standard, at 24 of the Group's production facilities in Japan (as of July 2022), and we plan to achieve certification at all Group facilities. In addition, we have established rules under our Quality Policy for product development, raw material procurement, production, and distribution and sales supply chains. In addition to compliance with regulatory requirements and industry standards, these internal quality rules set standards that exceed industry levels. By implementing quality control measures based on these rules, we have created quality assurance systems that ensure the quality and reliability of all products handled by the Group. In addition, we are training quality professionals and specialists with a highly-developed sense of taste under the Taste Panel Meister System, which we introduced in 2005.

*2 A standard for food safety systems approved by the Global Food Safety Initiative (GFSI)



04 | Logistics



Our Role as a “Final Runner”

Our total commitment to quality under the quality rules based on our Quality Policy also encompasses temperature management, warehouse maintenance and management, storage and handling, and transportation and delivery management. We deploy quality management officers responsible for each storage and logistics center and commercial warehouse to check that quality control procedures are being implemented correctly at the logistics stage. We classify logistics personnel as “final runners” responsible for delivering our products to customers, and we work with our logistics partners to implement a range of measures to enhance quality control at the logistics stage. All logistics facilities undergo annual compliance checks and equipment inspections under our distribution quality standard. The purpose of this process, which is carried out collaboratively by the Quality Assurance Department and Manufacturing Department, is to identify and rectify any aspects requiring remedial action. We also hold regular joint meetings and study sessions with our logistics partners. In addition, we are accelerating our efforts to mitigate and adapt to climate change by modifying delivery routes and reducing the number of trucks used by sharing delivery capacity with other companies.



05 | Sales



Expanding the Pursuit of “Health Value” and “Tastiness and Delightfulness” Globally

We market our household products and services through a wide variety of channels, including not only physical stores, such as supermarkets, convenience stores, and drug stores, but also regular home delivery services. In response to changes in customers' starting points for purchases as a result of advances in digitization, we are also promoting our products via social media and expanding our e-commerce activities. Our marketing initiatives for commercial-use dairy products, bacterial products, and functional ingredients also include menu and application development proposals and the development of relationships with business partners in a wide range of industries. In addition to these marketing activities in Japan, we are also expanding our Global Business, especially in rapidly growing Southeast Asia. Through this global expansion of our marketing activities, we will further our pursuit of “health value” and “tastiness and delightfulness” as we help consumers to enjoy healthy and happy lives.



Please visit the URL below for more information about the policies of the Morinaga Milk Group.
Morinaga Milk website > Morinaga Milk Sustainability > Policies, etc.
<https://www.morinagamilk.co.jp/english/sustainability/policy/>



05 | Marketing

Consumer-driven
Value Creation

The Group firmly focuses on consumer-driven marketing. In June 2018, we enhanced our marketing capabilities by integrating our marketing departments in the various business units into a single organization. In addition to strengthening organizational structures, this change has also brought improvements in other areas, including cross-organizational collaboration, and the creation of solutions based on an understanding of consumers. Excellent results have been achieved, including the development of extremely popular products, such as *Triple Yogurt* and *Bifidus Yogurt Improves Bowel Movement*, as well as highly successful high value-added products in our *Pino* and *MOW* ranges. We also achieved success with *Greek Yogurt PARTHENO* by shifting the focus of the value promoted in response to increased demand for protein. We will continue to enhance our marketing activities.



A video of the Business Briefing for Marketing in B-to-C Business was uploaded to the Group website in March 2022. Please visit the URL below to see the video (in Japanese) and various other materials.

Morinaga Milk website > Investor Relations > IR Library > Business Briefing Materials > FY2021
<https://www.morinagamilk.co.jp/english/ir/library/business.php>



06 | Communication

Emphasis on Dialogue
with Stakeholders

We believe that our vision for the Group needs to be assessed objectively through dialogue with our stakeholders, including customers, shareholders and investors, suppliers, employees, and local communities. We have been communicating with our stakeholders through a variety of channels for many years in accordance with our Basic Policy on Customer Satisfaction, IR Disclosure Policy, Policy on Communities, and other relevant Group policies. In addition to the dissemination of information, we also prioritize dialogue and the development of a corporate culture that is open to society. Our efforts to adapt flexibly to environmental changes in recent years have included the use of digital signage, LCD point of purchase screens, and communication via social media.



P.19

Co-creation with Stakeholders



Please visit the URL below to access the Morinaga Milk Group's official social media accounts (Twitter, LINE, Instagram, YouTube, etc.)

Morinaga Milk website > Commercials/Videos/Official Accounts > Morinaga Milk Official Social Media Accounts (Japanese only)
<https://www.morinagamilk.co.jp/communication/community.html>

Special Feature

Our Commitment to Sustainability for the Dairy and Milk Industry and the Morinaga Milk Group

SUSTAINABLE DAIRY

Sustainability in the dairy and milk industry is vital to the sustainable growth of the Morinaga Milk Group. Toward an expanding sustainable future for milk.

“Dairy” and “milk” are two wheels on the same cart in this industry. We asked three leaders from the Manufacturing Division, the Procurement Division, and the International Division to discuss their perceptions of what Morinaga Milk can do to contribute to sustainability in the dairy and milk industry as a company committed to sustainable management, and how those efforts can be linked to business growth.



Yasuhiko Yanagida
Managing Director
Executive Managing Officer and
General Manager of
Manufacturing Division



Taketo Tohkura
Executive Managing Officer,
General Manager,
Procurement Division



Takahiro Yanagida
Executive Managing Officer,
General Manager,
International Division

In recent years, there has been increasing international scrutiny of the sustainability of the dairy and milk industry. What challenges does the industry currently face?

Takahiro Yanagida (International Division): The sustainability of the dairy and milk industry has become a key global focus. The challenges vary according to the country or region. If we look at the advanced dairy farming countries of Europe, for example, we find that per capita consumption of milk and dairy products is far higher than in Japan, and that raw milk manufacturing has been on an upward trend for several years. In addition to these European countries, where milk and dairy products are deeply embedded in dietary culture, dairy farming is also a major industry in North America and Oceania, among others. We are keenly aware that dairy farmers in these countries face stronger pressure than their Japanese counterparts to address environmental issues. I believe there is a need for cross-border cooperation and support toward the solution of environmental and other issues on a global scale.

Taketo Tohkura (Procurement Division): Even in Japan, dairy farmers face numerous issues. First, raw milk manufacturing cannot keep pace with demand. We can produce sufficient drinking milk in Japan, but we rely on imports for over one-half of the milk used in dairy products. There is also a shortage of cattle feed. Japan's small dairy farms do not have the space to grow crops for feed. This limits self-sufficiency, forcing Japan to rely on imports for feed as well. In other words, dairy farming today is a heavily import-dependent industry. Another serious issue is the lack of dairy farmers, including people to succeed the present generation of farmers. The number of dairy farming households is declining year by year. Furthermore, environmental loads

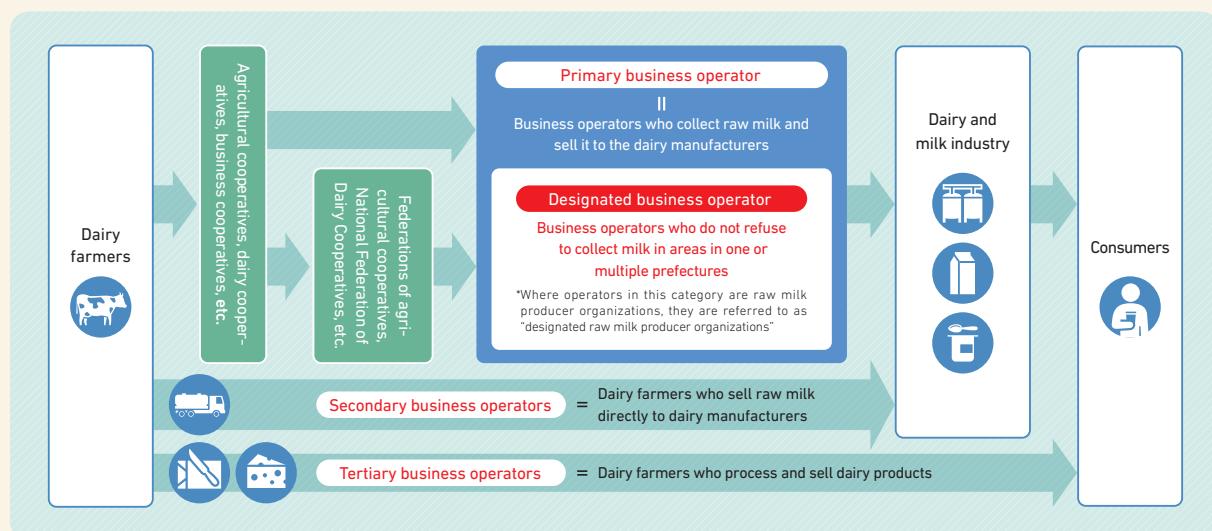
caused by dairy farming have frequently been discussed as a societal issue in Japan and other countries in recent years. For example, methane gas from cattle burps and manure has been identified as a factor in global warming. As I will describe later, the Morinaga Milk Group is working continually to find solutions to these issues.

Yasuhiko Yanagida (Manufacturing Division): Environmental action is also a major priority for the dairy industry, which processes and sells milk and other dairy products manufactured from raw milk produced by dairy farmers. The dairy industry is actually an extremely big consumer of energy. We chill raw milk during transportation and then heat it to high temperatures, before immediately chilling it again as part of sterilization processes after its arrival at our plants. These processes consume vast amounts of energy because of the need to control temperatures over such a wide range. However, we cannot manufacture safe, reliable products without these processes, and so we need to develop measures that will allow us to maintain product safety and reliability while reducing energy consumption and CO₂ emissions. Another issue is the fact that our manufacturing plants operate 24 hours a day, 365 days a year because raw milk has a short shelf life. We are making progress toward automation and the reduction of labor content in some areas, but more needs to be done. Action on these issues is one of our priorities.

What steps are the Morinaga Milk Group taking to ensure the sustainability of dairy farming and the dairy industry amid these various issues?

Taketo Tohkura (Procurement Division): Dairy farmers work extremely hard every day to produce consistently high-quality raw milk while also addressing these various issues. The Morinaga Milk Group, especially the Dairy Farm Services

Raw Milk Manufacturing and Distribution Structure in Japan



(Based on information from the website of the Ministry of Agriculture, Forestry and Fisheries)

Our Commitment to Sustainability for the Dairy and Milk Industry and the Morinaga Milk Group

Department and Morinaga Dairy Service Co., Ltd., is working to promote and revitalize dairy farming by providing various types of support to dairy farmers. Dairy Farm Services Department staff visit farmers to share information and views, while Morinaga Dairy Service contributes to the development of dairy farming through marketing activities and enhanced communication, including the proposal of optimized breeding management methods. Because dairy farms are key focal points for local communities, the revitalization of dairy farming also leads to community revitalization. In addition, the Morinaga Dairy Farming Promotion Association, a public interest incorporated foundation established to mark the 50th anniversary of the founding of Morinaga Milk Industry, shares a wide range of information, including diverse dairy farm management techniques and cutting-edge technologies. We believe these ongoing initiatives are helping to enhance the value of milk and encourage consumption. We are also aware of the high expectations dairy farmers have of the Morinaga Milk Group. We will continue to work in partnership with dairy farmers to expand the potential of milk and contribute to sustainable dairy farming.

Visit the following websites for detailed information about the Morinaga Milk Group's dairy farming initiatives and the activities of Morinaga Dairy Service Co., Ltd.



Morinaga Milk website: Our Relationship with Dairy Farming (Japanese only)

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

Website of Morinaga Dairy Service Co., Ltd. (Japanese only)

<https://www.mo-rakunouhanbai.com>

Yasuhiko Yanagida (Manufacturing Division): The Morinaga Milk Group was taking steps to protect the environment long before the current surge of interest in environmental issues. One example of this commitment is MO-Lagoon®, a wastewater processing system for dairy farms that we developed using original technology based on the power

“We aim to contribute to health and nutrition globally, to realize sustainability management, and to raise the presence of the Morinaga Milk Group.”

Takahiro Yanagida



“We will accelerate our initiatives toward the creation of sustainable companies and a sustainable society by ensuring that the entire Morinaga Milk Group is working toward the same goals.”

Yasuhiko Yanagida



of microorganisms. This system minimizes environmental impacts by using microorganisms to break down wastewater gradually in a process that is similar to the cleansing mechanisms of nature. First developed in 1969, the system has so far been adopted by around 300 food manufacturers and other companies (as of July 2022), in addition to its use in Morinaga Milk Group factories.

We are currently developing MO-Lagoon for Dairy, which combines the MO-Lagoon® system with a biogas plant. We plan to install the system at the Nasu-gakuroku Farm operated by Morinaga Dairy Service Co., Ltd. in the spring of 2023 for use in verification research. After verifying the effectiveness of the system through this trial, we will eventually market it to dairy farmers throughout Japan. Through this initiative, we aim to help as many dairy farmers as possible to address manure problems and reduce environmental burdens. Manure processing is a difficult problem for dairy farmers and has caused a significant number to move away from dairy farming. This initiative was inspired by our determination to use the technology of the Morinaga Milk Group to contribute to resolving this issue.

The following news release provides detailed information about MO-Lagoon for Dairy. (Japanese only)



“MO-Lagoon for Dairy manure processing system to be installed Morinaga Milk Group dairy farm in the spring of 2023” (May 10, 2022)

<https://www.morinagamilk.co.jp/release/newsentry-3911.html>

Takahiro Yanagida (International Division): Our German subsidiary MILEI built its business by alleviating milk waste through the utilization of a cheese production by-product. I see this as a perfect example of how business activities can contribute directly to sustainability. Since becoming a subsidiary of the Morinaga Milk Group in 2012, MILEI, has been able to develop good products by prioritizing good

communication as the basis for the development of a strong partnership with the suppliers of its raw materials. I see this emphasis on communication as one of the reasons for the excellent reputation that MILEI products enjoy today. We have great confidence not only in MILEI's products, but also in its approach to business.

We announced Medium-term Business Plan 2022–24 and Sustainability Medium- to Long-term Plan 2030, and at the same time, indicated our intention to pursue sustainability management through the linkage of these two plans. What are your thoughts on future initiatives under these plans?

Yasuhiko Yanagida (Manufacturing Division): The Morinaga Milk Group's core drivers of sustainable growth are "health value" and "tastiness and delightfulness." While pursuing these values, we also need to address climate change and resource recycling. Regarding measures to save energy, as mentioned earlier, and reducing the usage of plastics as well as introducing alternatives, these and others need to be tackled across our supply chains and we need to inform the world about our achievements. The seven material issues identified in Sustainability Medium- to Long-term Plan 2030 relate to activities throughout our supply chains. We aim to contribute to resolving societal issues by optimizing our supply chains. A key element in our approach to this goal is the expansion of our initiatives through the development of partnerships with various companies.

Takahiro Yanagida (International Division): I believe we can enhance our brand value, achieve business growth, and raise the presence of the Morinaga Milk Group by fully utilizing our research achievements and the potential of our technologies to help people around the world to enjoy better health and nutrition. So far, our global expansion has centered mainly on exports of milk formula and B-to-B Business sales of bacteria and dairy ingredients. Through these activities, we have raised the profile of the Morinaga Milk brand on a global scale. Recent examples include new initiatives, such as the development of the B-to-C Business with Elovi in Vietnam. From the perspective of area expansion, I think we should pursue a strategy of broadening and deepening these initiatives in Southeast Asia and other regions. To achieve that, I believe we should advance to the next stage by developing closer collaboration among our corporate units, including those in the manufacturing and procurement areas, and by building global supply chains. At the same time, we should contribute to resolving societal issues on a global scale by working with local partners to support dairy farming in other countries, including developing countries. In addition, the International Division is the first to accumulate information about the world situation. We need to remain constantly alert to trends so that we can play a leading role in sustainability management in the Morinaga Milk Group.

Taketo Tohkura (Procurement Division): The Procurement Division is a new organization. Its establishment in April 2022 can be seen as a sustainability management initiative. We have gained a new awareness of the importance of procurement and distribution because of COVID-related supply chain disruptions. The level of uncertainty has risen because of the situation in Ukraine and other factors. We are determined to support not just the Morinaga Milk Group but society in general by ensuring sustainable procurement. From the perspective of realizing Sustainability Medium- to Long-term Plan 2030, I think diversity and inclusion will also be key focal points. In my view, the achievement of sustainable growth by the Morinaga Milk Group and society as a whole will depend on the development of a culture in which women can flourish, in which diversity is respected, and in which all people can reach their full potential.

Yasuhiko Yanagida (Manufacturing Division): The need for action to address societal issues has been on the rise for some time. Despite this, we have hesitated to take action because of concerns about profitability and other factors. However, environmental changes over the past few years have engendered a sense of alarm that unless we take action now it will be too late. Within the Morinaga Milk Group, we now have a better understanding about sustainability, and we have reached a consensus about the direction in which we need to move. This is an extremely significant transition. Another major change is that we have informed stakeholders about this transition through Medium-term Business Plan 2022–24 and Sustainability Medium- to Long-term Plan 2030. The pursuit of sustainability will require long-term effort. The entire Morinaga Milk Group will continue to take up the challenge of realizing sustainability management and ensuring the sustainability of the dairy and milk industry.



"We will work to ensure sustainable procurement across our supply chains, including support to dairy farmers, and cooperation across the entire dairy and milk industry."

Taketo Tohkura

New Medium-term Business Plan 2022–24

(Fiscal Year Ending March 31, 2023–Fiscal Year Ending March 31, 2025)

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.

Previous Medium-term Business Plan 2019–21

(Fiscal Year Ended March 31, 2020–Fiscal Year Ended March 31, 2022) in Hindsight

Our efforts under the previous Medium-term Business Plan focused on building a robust base. Our targets under the plan were net sales of ¥630 billion and operating profit of ¥30 billion. We expanded sales of functional ingredients with health benefits, especially bifidobacteria, as well as high added-value products creating using our functional ingredients and exclusive technologies, such as yogurt and ice cream. We also achieved substantial growth in our Global Business operations, especially MILEI.

We also made steady progress on initiatives to build a robust base. Achievements included the rationalization of

production structures through plant integration, and the improvement of our financial structure, especially through the reduction of interest-bearing debt.

These efforts were reflected in progress toward our numerical targets. While net sales did not reach the target level due to the impact of the COVID-19 pandemic, operating profit came very close to the target figure. We substantially exceeded the target for ROE, in part as a result of continued asset sales and the repurchase of shares in the fiscal year ended March 31, 2022.

Key Performance Indicators

	Mar./2019	Mar./2020	Mar./2021	Mar./2021 (after application*)	Mar./2022	Mar./2022 (Target at the release of the Medium-term Business Plan)
Net sales (¥ billions)	583.6	590.9	583.6	488.7	503.4	—
Operating profit (¥ billions)	22.3	25.4	28.9	28.9	29.8	30.0
Ratio of operating profit to net sales (%)	3.8	4.3	4.9	5.9	5.9	—
Global business sales ratio (%)	5.0	5.3	6.4	7.5	8.7	—
ROE (%)	8.6	10.7*2	9.8	9.9	16.7*3	9.3

*1 After application of “Accounting Standard for Revenue Recognition”

*2 Includes impact of profit from selling head office building as beneficial interest in trust

*3 Includes impact of profit from sale of the former Kinki Plant site and Konan Building

Review of Key Initiatives

Theme	Results	Evaluation
Further enhancing our main brands	<ul style="list-style-type: none"> Growth of <i>Bifidus Yogurt</i>, <i>Pino</i>, and <i>Greek Yogurt PARTHENO</i>. However, no movement of <i>Mt. RAINIER CAFFÈ LATTE</i> in part due to the pandemic Expansion of functional yogurt product family as candidate for a new main brand 	Average
Accelerating development of bifidobacteria and proprietary seeds	<ul style="list-style-type: none"> Significant expansion of lactoferrin given the increase in worldwide demand In the bacterial products business (which includes bifidobacteria, among others), domestic B-to-C Business expanded, but both domestic and overseas B-to-B Business results trailed projections 	Average
Making the milk business profitable	<ul style="list-style-type: none"> Focusing on milk-based drink <i>Ajiwai Dayori</i> and cutting back unprofitable products substantially improved marginal profit Conversely, the allocation for fixed costs increased due in part to facility updates and reductions of other chilled-pack products 	Average
Developing Global Business	<ul style="list-style-type: none"> Expansion of Global Business driven by MILEI's recovery and growth Elovi acquired with the aim of further expansion 	Excellent
Performing business with an ESG focus	<ul style="list-style-type: none"> Achieved modest improvements in ESG rating and other metrics, but there is still room for improvement At the starting line for integration with businesses 	Average
Strengthening our production base	<ul style="list-style-type: none"> We steadily reinforced manufacturing infrastructure, for example, starting work on the new building at the Tone Plant and making additional investments into bacteria, yogurt, and MILEI, while consolidation was implemented by closing the Tokyo and Kinki plants 	Good
Financial/capital policy	<ul style="list-style-type: none"> Investments/returns proceeding well due to operating cash flow creation according to plans. Also sold off unemployed assets. Properly managed cash reserves amid the still-unpredictable pandemic DER of 0.42 (target: 0.5 or lower). Acquired A rating 	Good

Performing Business with an ESG Focus



We plan to release information about progress toward KPIs on the following page of our website in Autumn 2022.

Morinaga Milk website > Morinaga Milk Sustainability > ESG Data > Activities Report of progress of the Medium-term Business Plan (FY2019-FY2022)

https://www.morinagamilk.co.jp/english/sustainability/data/file/Morinaga-Milk_ESGdata_2020e.pdf#page=22

Overview of the New Medium-term Business Plan 2022–24

(Fiscal Year Ending March 31, 2023–Fiscal Year Ending March 31, 2025)

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.

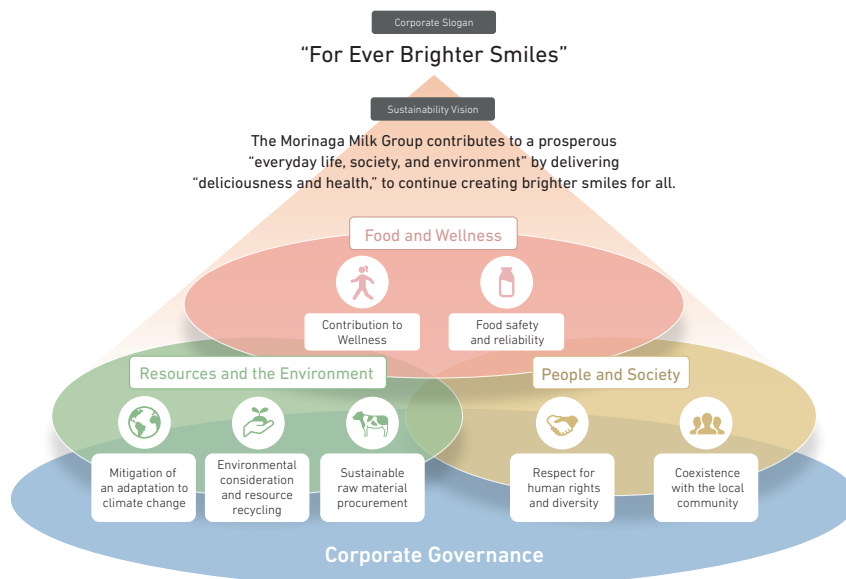
Course of Action for the New Medium-term Business Plan

Strengthening foundations	Previous Medium-term Business Plan 2019–21 (fiscal year ended March 31, 2020–fiscal year ended March 31, 2022)	<ul style="list-style-type: none"> Further enhancing our main brands Developing Global Business Improving profitability Accelerating development of bifidobacteria and proprietary seeds 	<ul style="list-style-type: none"> Performing business with an ESG-focus Further strengthening our business base
Transition to an aggressive approach	New Medium-term Business Plan 2022–24 (Fiscal Year Ending March 31, 2023–Fiscal Year Ending March 31, 2025)	<To continue to be the company of choice> We aim to resolve societal issues and improve sales growth and profitability!	
		Course of action <ul style="list-style-type: none"> Basic policy 1: Achieving sustainable growth by increasing the added value of our business Basic policy 2: Further strengthening our business base with an eye on the future Basic policy 3: Financial strategies focused on efficiency 	
Achieving progress	Morinaga Milk 10-year Vision	<ul style="list-style-type: none"> A company that balances “delicious and pleasurable food” with “health and nutrition” A global company that exerts a unique presence worldwide A company that persistently helps make social sustainability a reality 	

Numerical targets for March 31, 2029

Ratio of operating profit to net sales: At least **7%** Global Business sales ratio: At least **15%** ROE: At least **10%**

Overview of Sustainability Medium- to Long-term Plan 2030



New Medium-term Business Plan 2022–24

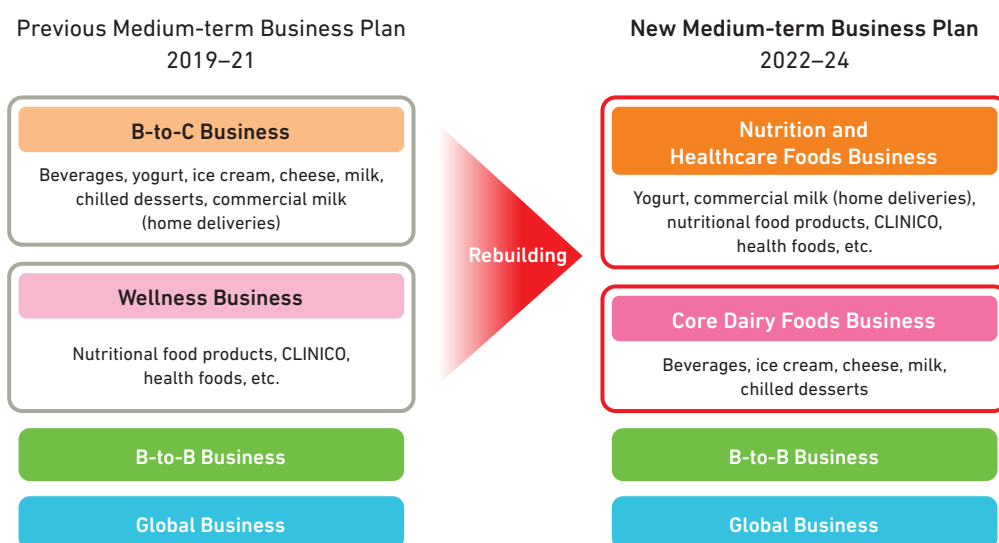
(Fiscal Year Ending March 31, 2023–Fiscal Year Ending March 31, 2025)

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

● Restructuring Our Four Business Pillars

We have merged our existing B-to-C Business and Wellness Business and restructured them into the Nutrition and Healthcare Foods Business and the Core Dairy Foods Business. Together with the B-to-B Business and Global Business, these new areas form a new four-pillar structure.

We will evolve the Core Dairy Foods Business and the B-to-B Business as base segments, while substantially expanding the Nutrition and Healthcare Foods Business and Global Business segments.



● Cross-segment Initiatives to Strengthen the Five Domains of Wellness

We have identified health strengthening maps of the health values that will be pursued by the Morinaga Milk Group. The five domains of wellness defined in that map are essential nutrition, active nutrition (on), passive nutrition (off), physical conditioning, and mental conditioning. In addition to

developing policies optimized for each of these areas, we will also expand initiatives in each business segment and across business segments and expand our product ranges in the five domains of wellness.

Morinaga Milk Group Health Strengthening Map



Definition of Domains

Essential Nutrition	Nutrition essential for maintaining life (examples: milk formula, Enteral Nutrition Foods, etc.)
Active Nutrition (On)	Emphasize nutritional fortification on label (examples: protein fortification, calcium fortification, iron fortification, etc.)
Passive Nutrition (Off)	Emphasize nutrients or that there is no or low calories (examples: low sugar, low fat, low salt, etc.)
Physical Conditioning	Products that contain functional ingredients and that condition the body (excluding brain functions)
Mental Conditioning	Products that contain functional ingredients and that condition brain functions
Education and Awareness	Having experts convey knowledge about functional ingredients and nutrition to foster consumer awareness and understanding

Nutrition and Healthcare Foods Business

Net sales: ¥123.1 billion Operating profit: ¥9.1 billion (fiscal year ended March 31, 2022)

What is the Nutrition and Healthcare Foods Business?

This business will provide the impetus for the provision of health value and will drive the rapid growth of our health brands as sources of future success. Diverse channels, including home delivery and online sales, will be used to market yogurt products, such as *Bifidus Yogurt* and *Greek Yogurt PARTHENO*, and powdered milk products, such as *Hagukumi* and the *Nutritional milk powder (Milk Life)* series, as well as liquid foods and supplements.



Perception of the Business Environment, Risk Analysis

- Despite the impact of the COVID-19 pandemic, we still see nutrition and healthcare foods as a priority category for the Morinaga Milk Group. We will continue to share information about bacteria and functional ingredients, including bifidobacteria, and to develop new products based on these ingredients.
- Japan's declining birthrate and demographic aging are accelerating. Because the milk formula market is expected to shrink as the birthrate falls, we will focus primarily on safety and reliability as we develop and implement our business strategies, while also closely monitoring changes in the number of children born and 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.
- Since the beginning of the COVID-19 pandemic, the use of e-commerce sites has expanded. We anticipate significant growth in this channel, including our own remote shopping business.

Opportunities and Strengths

Opportunities

- Expanding health and nutrition needs
- Expanding demand for products and services that contribute to healthy longevity
- Expansion of the drugstore business, and diversification of sales channels, including the expansion of e-commerce
- Diversification of needs with the shift from hospital care to home care for the elderly

Strengths

- Knowledge about bacteria and functional ingredients, including bifidobacteria
- More than a century of achievement in milk formula manufacturing and research
- 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

Strategic Directions

- The use of bacteria and functional ingredients to increase added value that contribute to healthy longevity
- Increased promotion of the Group as a supplier of products that offer value for all generations, from newly born infants to the elderly
- Expansion of promotional activities focusing on the safety and reliability of our products, including their selection for use in medical facilities
- Expansion of e-commerce sites, enhancement of online communication through social media and other channels

Core Dairy Foods Business

Net sales: ¥181.2 billion Operating profit: ¥10.8 billion (fiscal year ended March 31, 2022)

What is the Core Dairy Foods Business?

The mission of this business is to establish upward trajectories for long-selling products that drive our business growth as our main providers of “tastiness and delightfulness” value. It is 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 and milk.



Perception of the Business Environment, Risk Analysis

- Our main channels in this segment are supermarkets and convenience stores. Our priorities are to strengthen our focus on consumer perspectives, and to respond quickly to the diversification of preferences and needs.
- We recognize the need to adapt to rising raw material and energy prices, and we are taking various steps to address these challenges, including price adjustments for some of our products, and the improvement of product mixes.
- COVID-19 continues to affect our markets, in part because of limitations on people's activities. In this environment, it is especially important to create value by increasing our efforts to provide consumers with tasty and delightful experiences.
- Competition will intensify with the projected decline in Japan's population. We also face increased competition from imports due to the establishment of trade agreements, such as the Japan-EU Economic Partnership Agreement. Our priorities in this environment will be to expand our market shares and improve profits. We will expand our profit base by using Japanese dairy resources to manufacture products with high added value, and by strengthening our flagship brands. We will also use our original ingredients to create new demand.

Opportunities and Strengths

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 products suitable for long-term storage for use as disaster supplies, and to prevent food losses
- Increasing consumer awareness of sustainability, expansion of consumer needs

Strengths

- Market-leading brands
- Products for a wide range of age groups
- Health and nutrition, as well as research achievements and knowledge accumulated over many years through the pursuit of tastiness
- Technology and quality management expertise for the production and supply of both chilled and long-life products

Strategic Directions

- Expand long-selling brands
- Provide health value that leverages product characteristics and expand the five domains of wellness (see page 31)
- Evolve and deepen the convergence of “health value” with “tastiness and delightfulness”
- Provide enhanced value through the introduction of high added-value products
- Use of the Group's technology to overcome environmental problems, responses to the rising consumer awareness of sustainability

B-to-B Business

Net sales: ¥82.1 billion Operating profit: ¥2.6 billion (fiscal year ended March 31, 2022)

What is the B-to-B Business?

The role of this business is to identify the increasingly diverse problems experienced by consumers, to anticipate potential needs that have not yet emerged, and to co-create solutions, including the development of recipes, with diverse customers. In this area, we offer solutions to customers in a wide range of industries, including cream and other dairy product ingredients, functional ingredients, such as bifidobacteria and lactoferrin, and products, such as *PURESTER*.



Perception of the Business Environment, Risk Analysis

- Across society as a whole, COVID-19 has brought changes in the ways people consume food. This has had a major impact on the business activities of the Morinaga Milk Group. Economic activity stagnated under the effects of restrictions and self-imposed restrictions on tourism and other activities, causing a decrease in demand for commercial dairy products for use in the restaurant and souvenir industries. Demand from inbound tourists also shrank. However, demand in these areas is expected to recover as the COVID-19 pandemic is brought under control. Going forward, we will concentrate our resources toward the channels and products that are likely to play a more prominent role in a changing economic environment. We will also intensify our efforts to stimulate demand for milk products and create new demand.
- 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 high levels of interest even before the COVID-19 pandemic because of their contributions to health and nutrition, and the market is expected to expand further. We will continue our efforts to respond to growing demand for products that support health and nutrition.

Opportunities and Strengths

Opportunities

- Growing interest in bacteria and functional ingredients with health and nutritional benefits
- A projected recovery in the restaurant industry, demand for souvenirs, and inbound tourism, as well as the emergence of new players in each business category as the COVID-19 pandemic comes to an end
- A range of products that meet customers' needs to simplify their operations
- 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

- Improvement of the product mix through the expansion of bacteria and functional ingredients
- Establishment of a sense of trust to ensure that consumers will continue to prefer our brands amid dramatic environmental changes
- Strengthening of solutions and approaches leading to increased commercial use
- Enhanced training of personnel who can use their knowledge of bacteria and functional ingredients and commercial dairy products to achieve superior results

Global Business

Net sales: ¥43.9 billion Operating profit: ¥6.3 billion (fiscal year ended March 31, 2022)

What is the Global Business?

The mission of the Global Business 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, our infant and toddler milk business in Asia, the bacteria business, the plant-based foods business in North America, and our business operations in Vietnam, which center on Elovi.



Perception of the Business Environment, Risk Analysis

- The ongoing impacts of the prolonged COVID-19 pandemic include economic slowdowns and falling birthrates in many countries. This has affected our activities in our main export markets, including Pakistan, Vietnam, and Indonesia, and there is concern about a short-term impact on financial performance. However, we anticipate a return to economic growth and rising birthrates in the longer-term future after the COVID-19 pandemic is brought under control.
- Growing demand for health and nutrition products can be expected to increase business opportunities on a global scale for bacteria and functional ingredients. From a sustainability perspective, there is also likely to be expanding consumption of plant-based foods.
- We expect global demand for dairy ingredients to remain ahead of supply, in part because of increasing consumption in China and Southeast Asia. This tightening of the supply-demand environment is likely to drive a rising trend in prices for dairy ingredients in key countries and regions.

Opportunities and Strengths

Opportunities

- Expanding health and nutrition needs
- Global population growth over the medium- to long-term future
- Global expansion of e-commerce
- Increased focus on plant-based foods

Strengths

- Global rollout of our bacteria and functional ingredients in response to strong interest
- Reputation for quality and reliability
- Robust business base for the dairy product ingredient manufacturing business in Europe, the home of dairy farming
- Manufacturing knowledge for tofu as a plant-based food

Strategic Directions

- Global rollout and expansion of our range of bacteria and functional ingredients
- Development of a robust business base for MILEI, including further increases in the added value of products
- Establishment of a presence in the infant nutritional food product categories in Asia through the expansion of exports of milk formula and enhancement of our business base
- Expansion of our business operations in Vietnam, primarily through Elovi
- Responding to consumer needs and sustainability awareness

FOCUS 01

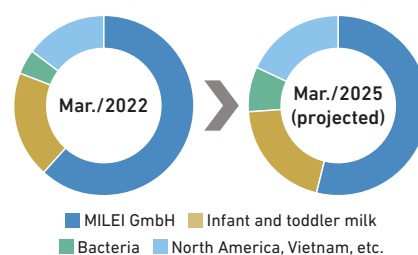
Reforming Global Business's Portfolio

» Reforming the portfolio (including new initiatives and M&A) with the aim of achieving the Morinaga Milk Group 10-year Vision

In the Global Business, we will prioritize initiatives in response to the following five challenges. Longer-term, we anticipate the weighting of our portfolio toward MILEI will be reduced, and that the focus on other businesses will expand.

- | | | |
|---|---|--|
| 1 | MILEI business | <ul style="list-style-type: none"> Improve quality/productivity to move toward sustainable growth (increase production of lactoferrin, increase added value of lactose, expand whey protein products) |
| 2 | Infant and toddler milk business | <ul style="list-style-type: none"> Improve the value of the Morinaga brand in infant nutritional food product categories in Asia |
| 3 | Bacteria business | <ul style="list-style-type: none"> Strengthen initiatives with major milk formula manufacturers, and other efforts toward achieving +70% bacteria sales in the fiscal year ending March 31, 2025 (compared to the fiscal year ended March 31, 2022, including domestic B-to-B Business) |
| 4 | North America business | <ul style="list-style-type: none"> Revitalize as plant-based foods business and launch new brands to create new demand |
| 5 | Vietnam business | <ul style="list-style-type: none"> Invest in nutrient-fortified products/functional ingredient-based products for Elovi, and other efforts to maximize acquisition synergy to achieve net sales of ¥10 billion in the region by the fiscal year ending March 31, 2029 |

Portfolio changes
(as percentages of net sales, excluding M&A)



Personnel plan for Global Business

Fiscal year ending March 31, 2025 target:

Approx. 20% increase
(compared to the fiscal year ended March 31, 2022)

FOCUS 02

Return to Progress for Functional Ingredients/Bacteria

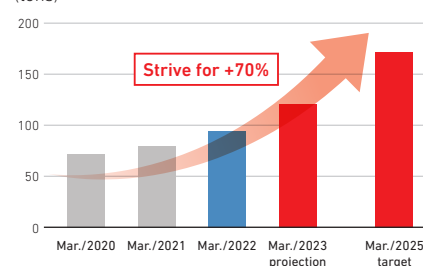
» Accelerate the deployment of our proprietary functional ingredients and establish a unique place in Japan and global market

» Bacteria: Strive to increase quantity sold by 70%

We plan to respond to continuing growth in health-related demand by further expanding our activities in the area of bacterial products. In the domestic B-to-B Business, we will prioritize supplements and other products containing bifidobacteria, and LAC-Shield™ products used as food additives.

We have completed registration of *Bifidobacterium longum* BB536 as a new food ingredient in China. This will be the starting point for the accelerated rollout of this product in China for use in milk formula. We anticipate environmental changes and demand shifts. However, we aim to achieve dramatic growth in the area of bacterial products, with Group sales increasing by 70% in volume terms.

Target for total Group bacteria quantity sold
(tons)



Bacteria	Previous Medium-term Business Plan	<ul style="list-style-type: none"> 20-t increase under previous Medium-term Business Plan However, registration of new food ingredients in China delayed, negotiations stalled by the pandemic
	New Medium-term Business Plan	<ul style="list-style-type: none"> Japan (B-to-B Business): Use functionality labeling to promote domestic development, support customers' global development Global Business: Use registration of new food ingredients to expand sales in the milk formula market in China Expand sales of bacteria for supplements/food processing System: Consideration of optimal organizational system and the like from a longer-term perspective
Lactoferrin		<ul style="list-style-type: none"> MILEI GmbH: Maintain the largest production capacity in the world*, and make the best use of it in entire Group business (yogurt, supplements, B-to-B Business in Japan and overseas, etc.) *Absolute Reports, 2021 data. Impact of market price decline is expected in the current Medium-term Business Plan while production increase is planned. Promote initiatives for acquiring/using immunostimulation functionality labeling
Peptide		<ul style="list-style-type: none"> Continue research on a wide range of functions. Aim for product development in a wide range of formats with a focus on acquiring functionality labeling

New Medium-term Business Plan 2022–24

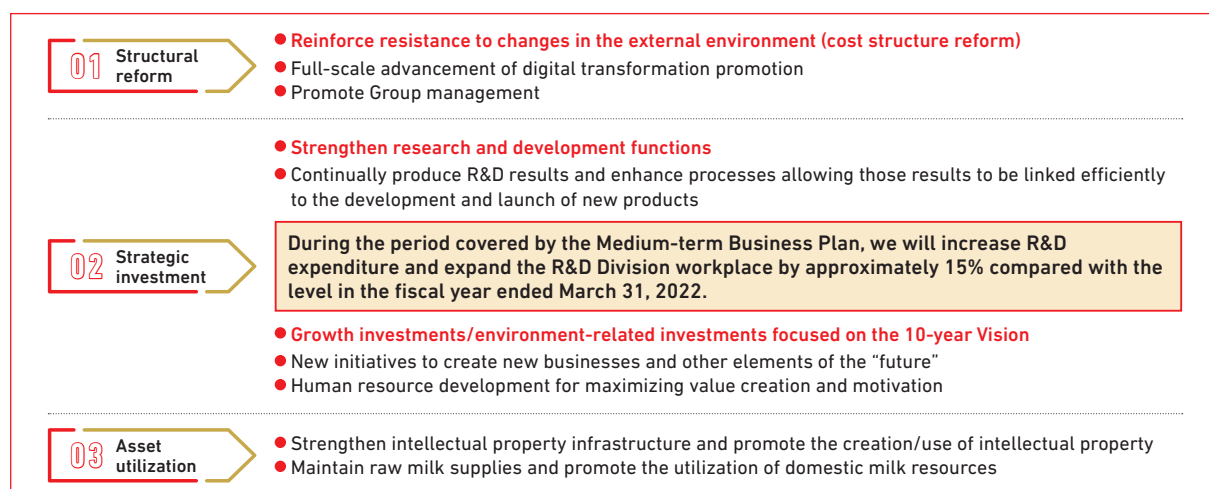
(Fiscal Year Ending March 31, 2023–Fiscal Year Ending March 31, 2025)

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

We will pursue initiatives from the perspectives of structural reforms, strategic investment, and asset utilization.

Structural reform initiatives will focus on cost structural reform and Group management policies leading to the creation of structures that will ensure success despite dramatic changes in the external environment. Strategic investments are targeted toward the establishment of a medium- to long-term competitive advantage through increased R&D expenditure with the aim of enhancing R&D

functions leading to sustainable growth, and a 15% increase in the R&D Division workforce compared with the level in the fiscal year ended March 31, 2022. We also plan to implement growth investment based on the 10-year Vision, including the expansion of the Kobe Plant, as well as environment-related investment. Our goals in relation to asset utilization include the expansion of our intellectual property base, and increased utilization of domestic milk resources.



● Direction for Strategic Investment

We will pursue both growth investment and environment-related investment as we work toward the realization of the Morinaga Milk Group 10-year Vision. Growth investments will specifically focus on the restructuring of our production structures, including the expansion of the Kobe Plant in anticipation of increased demand for ice cream and yogurt, capacity expansion at the Tone Plant, and the expansion of bacterial product manufacturing facilities at Morinaga-Hokuriku Milk Industry. We will also actively consider M&A initiatives, especially in overseas countries*.

Environment-related investments under consideration include measures to address the urgent problem of plastic waste, and the installation of biogas power generation facilities as part of our response to climate change. We envision the environment-related investment to be around ¥10 billion.

*On August 9, 2022, the Board of Directors passed a resolution concerning the conclusion of a share transfer agreement that will convert NutriCo Morinaga (Private) Limited into a subsidiary.
https://ssl4.eir-parts.net/doc/2264/ir_material6/189171/00.pdf

Main investment projects (excluding unannounced projects)		Including environment-related investments (envisioned to be around ¥10 billion)
Growth investments	<ul style="list-style-type: none"> ● Strengthening the provisions of health value <ul style="list-style-type: none"> • Tone Plant bottle drink yogurt (start of operation scheduled for May 2022) • Morinaga-Hokuriku Milk Industry Fukui Plant Bacteria Facility (Phase 2) ● Manufacturing building extension at the Kobe Plant (planned start of operation in April 2024) <ul style="list-style-type: none"> • Eight production lines for ice cream and yogurt <p>▶ Total investment in the three projects: approx. ¥20 billion</p>	<ul style="list-style-type: none"> ● Consideration of plastic countermeasures ● Measures to address climate change <p>Introduce biogas power generation facilities:</p> <p>Combine with a biogas plant, renovate facilities for processing manure from the Group's farms. Reduce methane emitted by Company farms up to 30%. Consider introducing at other manufacturing centers</p> <p>Others under consideration</p>
	<ul style="list-style-type: none"> ● M&A <ul style="list-style-type: none"> • Proactively consider M&A (mainly overseas) as a means of growing businesses 	
Ordinary investment envisioned to be approximately ¥50 billion	<ul style="list-style-type: none"> • Execute accordingly 	<ul style="list-style-type: none"> ● Measures to address climate change <p>Enhance solar power generation facilities, update refrigeration facilities</p> <p>Others under consideration</p>

Basic policy 3: Financial strategies focused on efficiency

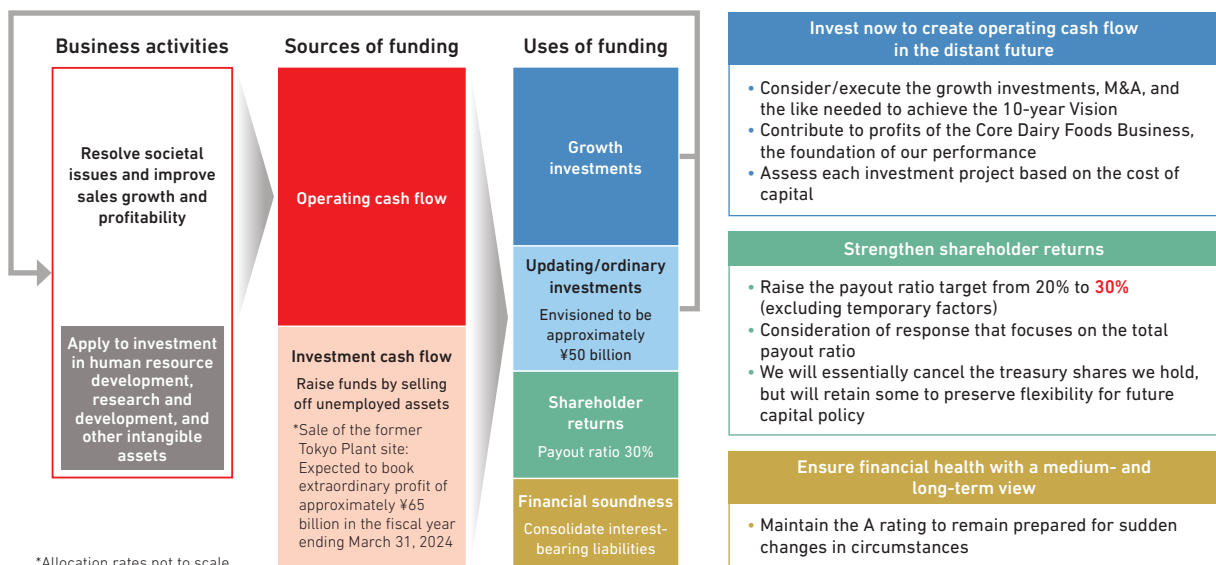
In addition to strategic growth investment, we will also prioritize shareholder returns and our financial structure in decisions concerning the utilization of funds. We will continue our efforts to enhance shareholder returns, which we recognize as an important priority. Specifically, we will raise our payout ratio target from 20% to 30% and consider the payout ratio target when determining actions. Our basic policy on treasury shares calls for cancellation by sale*, but some shares may be retained to provide greater flexibility

for our capital policy in the future.

*Notice concerning the cancellation of treasury shares, August 9, 2022
https://ssl4.eir-parts.net/doc/2264/ir_material6/189170/00.pdf



Cash Allocation Philosophy



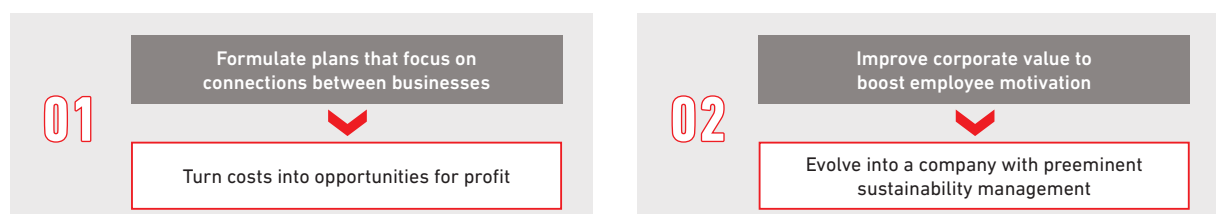
➡ P.53-54

A Message from the Officer in Charge of Finance

Interconnection with the Sustainability Medium- to Long-term Plan 2030

Rather than approaching business activities and sustainability activities as separate areas, we will continue to maintain close linkage between Medium-term Business

Plan 2022-24 and Sustainability Medium- to Long-term Plan 2030.



➡ P.41-50

Sustainability Medium- to Long-term Plan 2030

Postponement of release of numerical targets for the final year of the plan (fiscal year ending March 31, 2025)

We have postponed the release of numerical targets for the final year of the plan (the fiscal year ending March 31, 2025) because of sudden changes in the external environment. We will release the targets at an appropriate time.

Our Human Capital

Why Do We See Human Resources as Capital? Why Do We Invest in Our Human Resources?

To continue to be the company of choice for our customers, we need to increase our corporate value by resolving societal issues and improving sales growth and profitability. To achieve that, we need to bring together the wisdom of every employee so that we can continue to create new value as an organization. The Morinaga Milk Group sees employees as the source of our ability to achieve this goal. We aim to create new value and achieve sustainable growth by investing more in our employees.

Aiming to Build an Energetic Team with Professional Skills and Diversity

In a survey conducted in 2021, employees characterized the Morinaga Milk Group as “conservative” and “safe.” When asked to express their ideal vision for the Group, many used phrases such as “willing to take up new challenges” and “continually evolving.” To realize our vision for the future, we believe that we need to create an organizational culture within which every employee can continue to learn, and in which there is a lively discussion of diverse views. As a company that provides health value to society, we aspire to be an energetic team with professional skills and diversity.

Approaches to the Realization of Our Vision

To create this energetic and highly diverse team, we will require approaches focused on both people and organizations. Our approach to Human Capital Development will prioritize both self-direction and the demonstration of specialized skills, while our approach to organizational development will combine the integration of diverse values and a culture that celebrates challenges.

● Self-direction

We define “self-direction” as a state in which individual employees discover one’s own meaning in their current

work, can think proactively rather than passively, and are able to take action based on their own judgment. We believe these qualities are linked directly to motivation and engagement. If we can create an environment in which individuals can achieve self-direction, there will be lively debate in all areas, leading to energized working environments in which employees are strongly motivated to take up new challenges. Our three priorities in terms of creating such an environment are improving the management skills of superiors, supporting career development with multiple paths, and enhancing health management.

Priority 1: Improving the Management Skills of Superiors

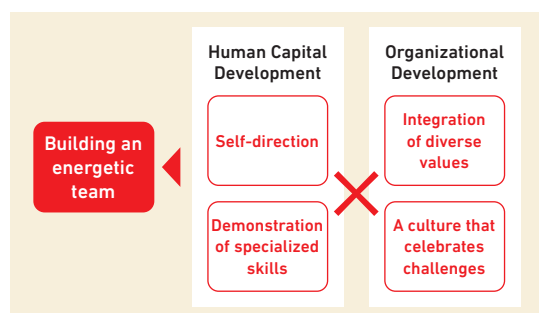
Executives with enhanced management and appraisal skills play a vital role in the achievement of self-direction. We believe that the improvement of these skills leads to the formation of relationships built on strong trust among members of each organization. We are working to improve management skills through the use of Performance Review Meetings to align appraisers’ perspectives, and career development meetings in which managers can discuss training methods for members of their organizations. We also target continuous improvement by providing yearly feedback based on the results of employee surveys.

Priority 2: Supporting Career Development with Multiple Paths

Each year we conduct career surveys to ascertain employees’ wishes, including transfer requests. In 2021, we introduced a reassignment application system. We will continue to expand opportunities for employees to think about the development of their own careers.

Priority 3: Enhancing Health Management

Our most important priority is the mental and physical health of our employees. Investment in employee health through health management initiatives is an obvious imperative for the Morinaga Milk Group as an organization with “health value” as its core focus. We believe that maintenance and improvement of employee health is the source of all of our activities, and we are continually implementing initiatives under the Morinaga Milk Health Management Program. For example, in the fiscal year ending March 31, 2023, we established an external consultation desk run by mental health professionals.



	FY2020	FY2021	Targets for FY2024
Stress checks conducted (non-consolidated)	89.1%	86.6%	90.0% or higher



*The Morinaga Milk Group has been certified as an "Outstanding Health and Productivity Management Organization" (large enterprise category) in 2020, 2021, and 2022.

● Demonstration of Specialized Skills

We plan further expansion of our investment in employee upskilling, which we see as a vital priority. Examples of current initiatives include selective management training and appraiser training for management staff, as well as pre-management training for assistant managers. Career development support for employees also includes training programs focused on global careers, MBA programs, as well as a wide range of correspondence courses and e-learning programs. After making continuous efficiency improvements based on our experience during the COVID-19 pandemic, including a shift to online, we aim to expand our yearly training investment per employee to a level higher than the pre-COVID amount by the fiscal year ending March 31, 2031.

	FY2019	FY2020	FY2021	Targets for FY2030
Training investment (non-consolidated)	¥39,000/ year/ person	¥26,000/ year/ person	¥26,000/ year/ person	¥40,000/ year/ person



Training programs for people on a global career path in 2021

In addition to the enhancement of our educational programs, we are also expanding mid-career recruitment and actively recruiting people from outside of the Group in job areas that require high levels of specialization. In addition to advanced demonstration of specialized skills that enables them to contribute immediately, mid-career hires also provide a valuable stimulus for employees hired as new graduates, and their presence helps to energize discussions. We aim to raise the specialized skill level of our workforce through these various initiatives.

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

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

● Integration of Diverse Values—Diversity and Inclusion

We believe that acceptance of diversity is essential for the development of dynamic organizations, and we have been providing diversity and inclusion (D&I) training programs throughout our offices in Japan since 2017. We are also working to diversify working styles through the introduction of teleworking, flextime, and other systems. In addition, we are recruiting non-Japanese workers and creating jobs for people with disabilities. We will further accelerate these initiatives as part of our commitment to ensuring psychological safety and creating an organizational environment in which all employees can achieve their full potential.

	FY2020	FY2021	FY2022	Targets for FY2024	Targets for FY2030
Ratio of female managers (non-consolidated)	4.9%	4.9%	5.3%	6.0% or higher	10.0% or higher

● A Culture that Celebrates Challenges

We believe that new ideas will generate in an environment in which diverse values are accepted and individual employees are able to reach their full potential. To produce results, such new ideas must be translated into actions. We strive to create a culture that tolerates failures and encourages people to take up new challenges.

Every year numerous applications are put forward by employees and business sites under the Morinaga Milk Awards system, which was substantially updated in the fiscal year ended March 31, 2019. Awards include the Trial-and-Error Award, which recognizes bold initiatives regardless of success or failure, the Revitalization Award for initiatives to energize organizations, and the Great Boss Award for managers who show understanding for diverse values and help their subordinates to grow. In 2021, we added the Sustainability Award for initiatives that make sustainable contributions to local communities. This evolving awards program is helping to consolidate a culture in which individuals recognize each other's achievements.

	FY2020	FY2021
Number of applications under the Morinaga Milk Awards system	77	109



For other ESG data, please visit the URL below.

Morinaga Milk website > Morinaga Milk Sustainability > ESG Data
<https://www.morinagamilk.co.jp/english/sustainability/data/>

Sustainability Medium- to Long-term Plan 2030

Our approach to achieving our goals under the Morinaga Milk Group 10-year Vision and beyond is defined in the Medium-term Business Plan 2022–24 and the Sustainability Medium- to Long-term Plan 2030. In this time of dramatic change, to continue to be the company of choice, we aim to resolve societal issues and improve sales growth and profitability by linking our initiatives under these plans.

Sustainability Management of Morinaga Milk

● Why We Tackle Sustainability Challenges

The management mission of the Morinaga Milk Group is to employ the strengths that we have cultivated throughout our history to create ever brighter smiles for all generations through food. 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,

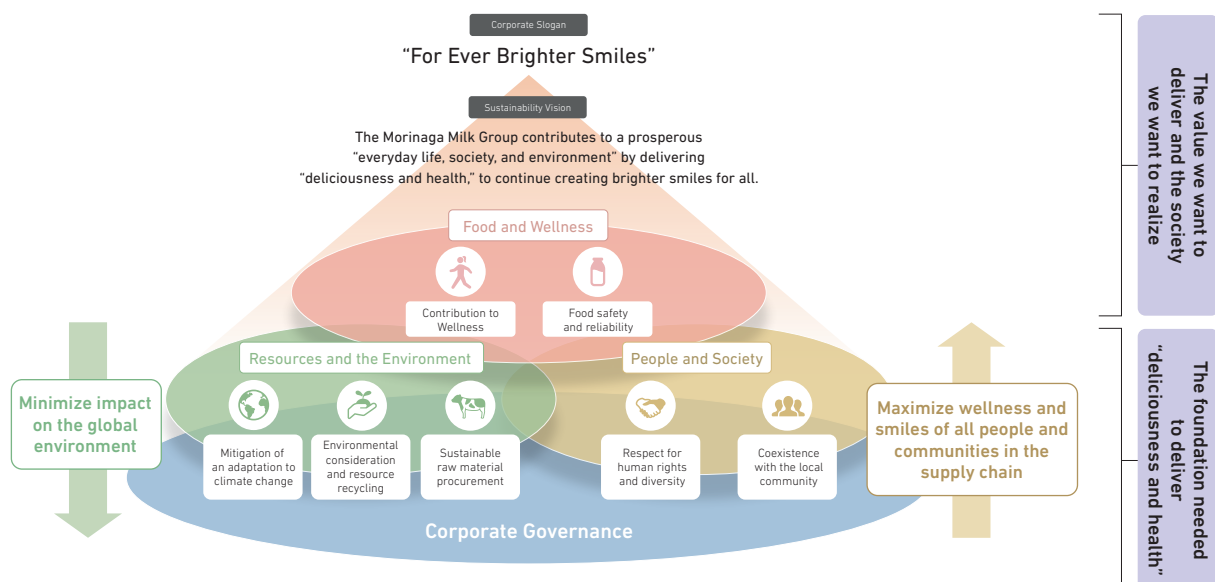
in an effort to create ever brighter smiles through “Food and Wellness,” it is crucial that both the “Resources and the Environment” and “People and Society” that support us in this mission are maintained in an optimal state.

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. We aim to realize our sustainability vision through activities based on our material issues.

Sustainability Medium- to Long-term Plan 2030

In order to bring brighter smiles to all of our stakeholders, we conduct activities focused on the three themes of “Food and Wellness,” “Resources and the Environment,” and “People and Society,” as we seek to achieve our Sustainability Vision.

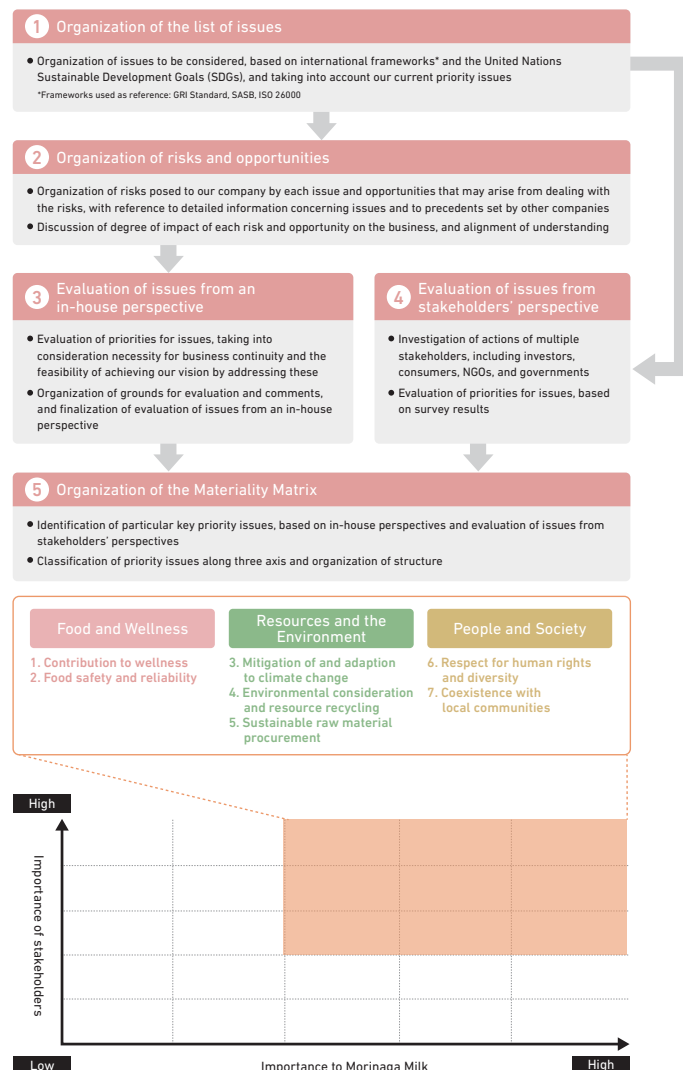
Overview of the Sustainability Medium- to Long-term Plan 2030



Approach to Formulating the Material Issues

● By Organizing the Issues Using a 2-axis Matrix, We have Identified Issues that are of Particular Importance

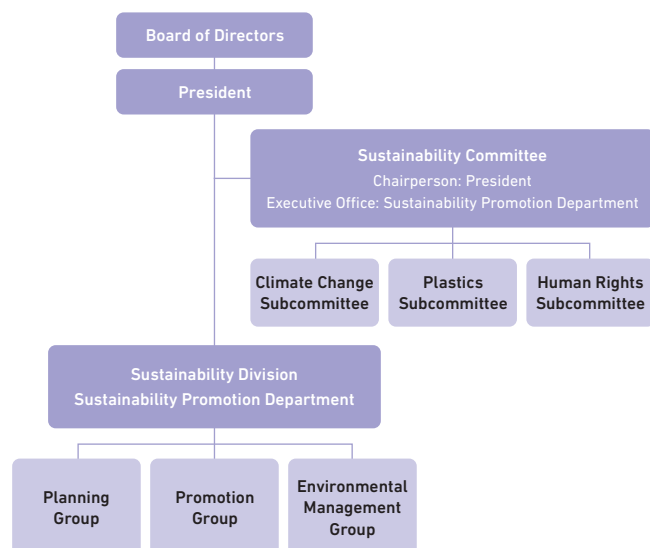
The first step in the materiality discussion was to identify the issues to be considered, and organize these as risks and opportunities that may impact Morinaga Milk. The issues were then evaluated from the company's perspective as well as from stakeholder perspective. We will continue to review and revise our material issues at regular intervals to reflect environmental changes.



Sustainability Management Promotion System

● Coordinated Efforts under the Direct Leadership of the President

We are implementing sustainability management throughout the Morinaga Milk Group under the supervision of the Sustainability Committee, which is chaired by the President. In 2021, the CSR Promotion Department was renamed as the Sustainability Promotion Department and placed under the control of the newly established Sustainability Division, which reports directly to the President, with the aim of accelerating the promotion of sustainability management. These organizational changes are helping to create a structure to support initiatives spanning the entire Morinaga Milk Group. The Sustainability Committee was established as a special committee to support the functions of the Board of Directors. Its role is to deliberate on actions relating to the Group's seven material issues, and to monitor progress.



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).

Target for FY2030
Net sales of products with consideration for health issues

1.7 fold

(compared with FY2021)



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."

Targets for FY2030

Net sales of products with consideration for health issues (compared with FY2021)

1.7 fold

Target of Morinaga Milk Group (including overseas offices)

Increase in the number of published research papers on health and nutrition (including patent applications)

Participants in health promotion and nutrition education activities (FY2021 to FY2030)

Total 1 million

Intermediate target (by FY2024)
Total 350,000

Increase our image as a company that contribute to health (Corporate brand image survey*)

25%

*Morinaga Milk Industry's own consumer survey "health contribution image" is 15% in FY2021.

Product Development with Consideration for Health Issues

As part of the formulation process for the Medium-term Business Plan 2022–24, we re-analyzed the health value that the Morinaga Milk Group aims to provide. This led to the creation of the Morinaga Milk Group Health Fortification Map (page 31), in which our unique functional ingredients, research findings, and excellent nutrients in milk are all identified as strengths for the Morinaga Milk Group.

Going forward, we will use the Health Fortification Map to help grow healthy and extend the healthy expectancy of people by matching customer needs to our business seeds, creating value in each area of activity, including research and the creation of product lines and services.



Activities of Dietitians for Health and Well-being

We are using information accumulated by the Morinaga Milk Group through more than fifty years of health research to contribute to consumer health. In 2021, we established a health seminar business for companies and local governments.

Highly trained nutritionists help participants to achieve health and happiness in their lives through lifestyle advice that leads to changes in mindsets and behavior. Topics covered include intestinal flora, proteins, and women's health.

笑顔の毎日をいっしょに。
健幸サポ^ント栄養士



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.

Targets for FY2030

Acquisition of FSSC 22000 and other GFSI certification standards at all Group manufacturing sites

100%

Intermediate target (by FY2024)
Maintenance and strengthening of certification at all domestic manufacturing sites

Enhancement of traceability mechanisms

Continuation of zero quality-related incidents and initiatives to ensure compliance with laws and regulations

Quality Initiatives with Business Partners

We use a variety of screening processes to ensure that there are no issues affecting the quality and safety of the raw materials used by the Morinaga Milk Group. When sourcing from new raw material suppliers, we carry out on-site factory audits designed to detect any issues concerning sanitary conditions, equipment, and quality control systems. These supplier verification activities are carried out in conjunction with inspections of raw material samples and reviews of quality assurance certificates and other documentation. These processes are carried out under strict standards as an essential part of our efforts to ensure the quality and safety of our products.

We also systemically conduct factory inspections to maintain and improve the quality of raw materials from existing suppliers. This close monitoring of suppliers motivates staff on both sides and helps to build good communication through face-to-face interactions in a working environment. Through our quality guidance activities, we are building stronger relationships of trust with our suppliers while ensuring the safety and reliability of the raw materials procured by the Morinaga Milk Group.

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 societal 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 environmentally friendly products.

Target for FY2030
Scope 1 + Scope 2
CO₂ emissions reduction rate

38% or higher
(compared with FY2013)



Mitigation 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.

Targets for FY2030

Scope 1 + Scope 2
CO₂ emissions reduction rate
(compared with FY2013)

38% or higher

Intermediate target
(by FY2024)
23% or higher

Scope 3
GHG emissions reduction rate
(compared with FY2020)

10% or higher

Intermediate target
(by FY2024)
3% or higher

Percentage of sites
formulating BCPs to
address climate change*

100%

*Percentage of sites performing
BCP compliance
(preparing BCPs, etc.)

Initiatives Related to TCFD

The Morinaga Milk Group is advancing its own initiatives for climate change. First, as a preliminary step toward disclosure with respect to TCFD, we established the TCFD Working Group under the CSR Committee in 2020 to evaluate the impacts of climate change on our business activities, carrying out scenario analyses on business risks. The results made it clear that climate change risk would have a significant impact on our business activities. In response, we expressed our support for TCFD in March 2021 and the TCFD Working Group reported its findings to our CSR Committee the following month. Following deliberations by the Sustainability Committee (formerly the CSR Committee, renamed in June 2021), we disclosed information on the basis of the TCFD recommendations in April 2022.

Record of Activities



December 2019	Decision by the CSR Committee* to establish TCFD Working Group
March 2020	Implementation of scenario analyses within TCFD Working Group (through November)
April 2021	Report on scenario analyses results to CSR Committee
December 2021	Decision by the Sustainability Committee to establish Climate Change Provision Subcommittee
January 2022	Examination of content of TCFD disclosure by the Climate Change Provision Subcommittee (through March)
April 2022	Determination of content of TCFD disclosure by the Sustainability Committee

*Renamed as the Sustainability Committee in June 2021



The TCFD recommendations encourage disclosure of scenario-based analyses of relationships in the four areas of governance, strategy, risk management, and indicators and targets. See the link below for further information.
https://www.morinagamilk.co.jp/english/sustainability/resources_and_the_environment/tcfd/

MO-Lagoon for Dairy, a Manure Processing System for Dairy Farms*1

The MO-Lagoon for Dairy manure processing system developed by the Morinaga Milk Group will be installed at the Nasu-gakuroku Farm operated by Group subsidiary Morinaga Dairy Service Co., Ltd., in preparation for effective trials starting in the spring of 2023. We plan to verify the effectiveness of the technology in preparation for the nationwide marketing of the system for use in improving the sustainability of dairy farming.

The system is designed to reduce methane emissions on farms by as much as 30%*2. It will also address other issues affecting dairy farmers, including a chronic shortage of labor for manure processing, and a lack of land on which to spray manure for composting. At Nasu-gakuroku Farm, we aim to reduce the amount of manure sprayed by around 75%*3.

*1 For further information, please see the official news release: <https://www.morinagamilk.co.jp/release/newsentry-3911.html> (Japanese only)

*2 Based on Morinaga Milk Group research concerning the reduction of manure-derived methane emissions at Nasu-gakuroku Farm

*3 Based on the amount of compost produced at Nasu-gakuroku Farm before the introduction of the system



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.

Targets for FY2030

ISO 14001 certification
maintenance rate at all
domestic production sites

100%

Intermediate target
(by FY2024)

**Completion of certification
acquisition at all domestic
production sites**

Petroleum-derived virgin
plastic usage reduction rate
(compared with FY2013)

25% or higher

Intermediate target
(by FY2024)
10% or higher

**Industrial waste
recycling rate
Achievement of
zero emissions**

Intermediate target
(by FY2024)
99%

Water resource usage
reduction rate
(compared with FY2013)

15% or higher

Intermediate target
(by FY2024)
11% or higher

**Maintain and improve
water quality of
wastewater**

Rate of accommodation of
environmentally friendly design
in major brands

100%

Initiatives for the Reduction and Effective Use of Plastics

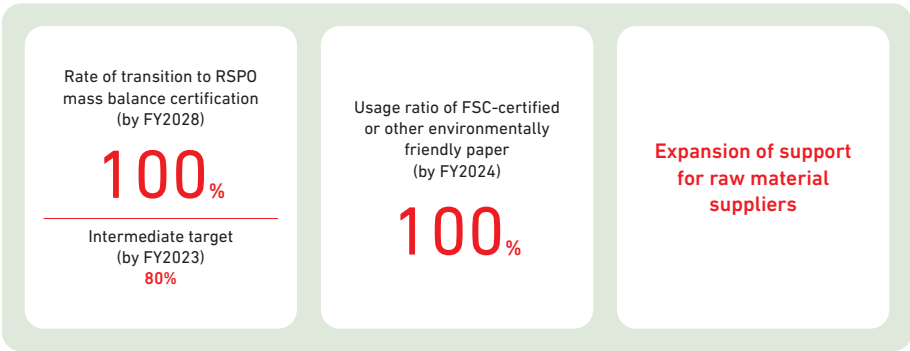
The Plastic Subcommittee of the CSR Committee is leading studies relating to efforts to reduce the amount of petroleum-derived virgin plastic utilized by the Morinaga Milk Group. As part of these efforts, we began utilizing environment-friendly biomass-based plastics in the containers and drinking straws used for some of our beverage products in March 2022. The Morinaga Milk Group participates in the Clean Ocean Material Alliance (CLOMA) as well as the Plastics Smart Forum and invested in R Plus Japan Ltd., which recycles used plastics. We will continue to promote the use of environment-friendly containers and packaging.



Sustainable Raw Material Procurement

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

Targets for FY2030



Initiatives with Suppliers

As part of our efforts to prevent and mitigate risks, we formulated the Morinaga Milk Group Procurement Policy to ensure that both we and our suppliers comply with regulatory requirements and social norms, and that our procurement activities are in harmony with our social responsibilities, including human rights and the environment. In March 2022, we established supplier guidelines, under which we are working alongside our suppliers to find resolutions to environmental and social challenges and develop sustainable supply chains.

We conduct CSR procurement questionnaires with our suppliers every three years in order to monitor risk factors relating to human rights, environmental issues, and corporate governance. We have also established a system whereby meetings are held with suppliers to discuss any potential sustainability or compliance concerns identified from the results of these questionnaires.

No sustainability or compliance concerns about suppliers were identified in the FY2022 survey.

	FY2019	FY2022
CSR procurement questionnaire response rate (%)	100.0%	92.5%

● **Our Connection to Dairy Farming—Delivering Safe and Tasty Milk and Dairy Products**

Our ability to supply safe and tasty milk and dairy products depends on the production of high-quality raw milk by dairy farmers. Morinaga Milk Group representatives visit dairy farmers directly to provide information and exchange ideas. Through these activities, we aim to deepen our understanding of the challenges facing dairy farmers, and to work in partnership with them to achieve further improvement in the quality of raw milk. Morinaga Dairy Sales Co., Ltd., a member of the Morinaga Milk Group, provides dairy farmers with technical support in such areas as feed supplies and herd management. Its motto states that “safety and reliability start with healthy dairy cows.”



Theme 03

People and Society

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.

Target for FY2030

Childcare leave usage ratio
(men)

100%



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.

Targets for FY2030

Continuous compliance with our Human Rights Policy throughout the supply chain

Intermediate target
(by FY2024)

Human rights due diligence execution and measures; construction of continuity system

Ratio of female managers

10% or higher

Intermediate target
(by FY2024)
6% or higher

Childcare leave usage ratio
(men)

100%

Turnover for elderly care
(by FY2024)

0 people

Number of major work-related accidents

0

(continuously)

Amount of investment in human resource development

40,000 yen/person/year

Human Rights Due Diligence Initiatives

We respect 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, which is based on the United Nations Guiding Principles on Business and Human Rights.

In April 2022, we established a Human Rights Subcommittee within the Sustainability Committee and commenced human rights due diligence activities, with the aim of identifying any risks of human rights violations relating to the Group's business activities, so that we can take steps to prevent, mitigate, and address such risks.

As an initial step toward achieving these goals, we held workshops between April and June 2022 with the cooperation of the Caux Round Table Japan, to enable related units to learn about the identification of potential human rights risks in supply chains.

Promoting Diversity and Inclusion

● Promoting Women's Active Participation

We provide training for female leaders as part of our support for female employees aiming to achieve personal growth. In addition, we are accelerating the transition to flexible work styles, including the introduction of both a flextime system and the reduced-hours work system since 2021.

● LGBTQ Helpline

LGBTQ-related initiatives by the Morinaga Milk Group include the creation of an internal email-based consultation service (the LGBTQ Helpline), LGBTQ etiquette study sessions, and LGBTQ guidelines that apply across all Group companies. Recognition for these efforts has included a "Gold" ranking in both 2020 and 2021 under the PRIDE Index run by work with Pride as a way of recognizing LGBTQ-related initiatives by business corporations.



● Childcare Support System

We have introduced various systems to assist employees who are raising children, including the reduced-hours work system, staggered work times, and maternity leave for spouses. In addition, in 2022 we created a new system of congratulatory payments to cover part of childcare costs. In October 2021, the Ministry of Health, Labour and Welfare authorized the Morinaga Milk Group to use the Platinum Kurumin mark in recognition of these initiatives.



● Family Care Support System

Since 2017, employees have been able to take family care leave in three separate periods of up to 185 days, which exceeds the requirement under the relevant law in Japan. In 2018, we established the Long-Distance Travel Subsidy for Providing Nursing Care, and in 2021 we established a lump-sum payment program to help employees achieve a balance between their work and care obligations. We also compile books and offer seminars to help employees achieve a healthy work-life balance.

● Employment of People with Disabilities

The Morinaga Milk Group employs people with diverse backgrounds from new graduates to experienced staff. Employees with disabilities are placed in positions where they can demonstrate their individual abilities. In FY2021, there were 150 employees with disabilities at consolidated subsidiaries.

Encouragement of Flexible and Diverse Working Styles

The Morinaga Milk Group has introduced programs including the No Overtime Day System, My Holiday System, and Interval System to maintain and improve employees' mental and physical health. We have also introduced systems to support flexible working styles, including our Teleworking/Satellite Work System, Time-difference Work System, and Flextime System. We have made the Teleworking/Satellite Work System available to all employees to balance work and personal life or to improve work productivity by effective utilizing time resources, regardless of reasons such as childcare or family care.

Implementing Health Management

In line with the Morinaga Milk Health Declaration, we are implementing the Morinaga Milk Health Management Program as part of our commitment to the enhancement of employee health through physical and mental health care initiatives. We have also formulated, released, and disseminated our Basic Policy on Health and Safety, which requires the provision of safe working environments as the foundation for good health. These efforts have been recognized by the Ministry of Economy, Trade and Industry, which designated the Morinaga Milk Group as an "Outstanding Health and Productivity Management Organization" (large enterprise category) in 2020, 2021, and 2022.





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.

Targets for FY2030

Total number of participants in community activities at business sites
(From FY2021 to FY2030)

100,000

Intermediate target (by FY2024)
37,000

Ratio of Group business sites carrying out community activities

100%

Intermediate target (by FY2024)
Domestic 100%

Regional Partnership Agreements

For the Morinaga Milk Group, which has manufacturing and sales sites around the country, local communities are a vital presence in promoting corporate activities. Through partnerships with local governments, we seek coexistence with local communities and sustainable mutual growth.

● Matsumoto, Nagano Prefecture: Comprehensive Partnership Agreement

In 2013, we began joint research related to health promotion, the results of which are being used to communicate information of use in health promotion for Matsumoto residents. In 2021, we concluded a partnership agreement with aims that include the resolution of regional issues through the use of our products and services, and the promotion of regional industries.



● Kobe, Hyogo Prefecture: Agreement on Senior Resident Monitoring Project

In 2021, we launched "Kobe Mimamori-tai" teams as a community contribution activity to support safety and security for senior residents of Kobe, a city in which we have a core plant and sales site. Leveraging the capabilities of the Morinaga Gyunyu Milk home delivery centers that deliver our products within Kobe every day, we contact the local government bodies if something seems amiss during daily deliveries.



● Higashiyamato, Tokyo: Comprehensive Partnership Agreement

In the past, we have signed agreements with Higashiyamato City, where our Tama Plant and Yamato Plant are located, in a number of areas, such as childcare support, assistance with local events, and the provision of relief supplies in the event of a disaster. In July 2021, endorsing the idea of making greater efforts toward support for childrearing and senior residents, we signed a comprehensive partnership agreement. We have begun childrearing support that includes distribution of samples of Hagukumi, a product manufactured at the Yamato Plant, to parents who have registered births.



ESG Data (Non-financial Information)

● Environmental Data

Results of energy consumption and CO₂ emissions (Scope 1 and Scope 2) for FY2019–FY2022 have received third party assurance.

Scope 1 and Scope 2 Emissions†

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Total	1,000t-CO ₂	348	345	334	319	303
Scope 1	1,000t-CO ₂	242	238	196	186	211*4
Scope 2	1,000t-CO ₂	106	107	138	134	93*4
Sales intensity	t-CO ₂ /million yen	0.588	0.591	0.565	0.547	0.509*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). Boundary is based on Act on the Rational Use of Energy (Energy Efficiency Act) up to FY2018 and ISO 14064-1 from FY2019 onwards.

*2 Emissions from fuel consumption.

*3 Purchased electricity, emissions from heat.

*4 The figures assured by a third party are 210,912 tons-CO₂ (Scope 1) and 92,521 tons-CO₂ (Scope 2)†.

*5 Sales intensity in FY2021 was calculated by dividing Scope 1 and Scope 2 CO₂ emissions (t-CO₂) by net sales before 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 to FY2013)

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Targets for FY2024	Targets for FY2030
Reduction of Scope 1 and Scope 2 emissions (compared to FY2013)	%	8.9%	9.7%	12.6%	16.3%	20.5%	24% or higher	38% or higher

Scope 3 Emissions

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Total	1,000t-CO ₂ e	2,324.5	2,415.5	2,357.0	2,319.3	2,161.8
1 Purchased goods and services	1,000t-CO ₂ e	1,224.9	1,222.9	1,176.0	1,193.0	1,183.2
2 Capital Goods	1,000t-CO ₂ e	76.6	123.6	105.9	74.1	56.5
3 Fuel and energy-related activities not included in Scope 1 or 2	1,000t-CO ₂ e	60.3	60.5	63.1	58.5	55.2
4 Upstream transportation and delivery	1,000t-CO ₂ e	47.5	45.6	40.4	41.1	40.8
5 Waste generated in operations	1,000t-CO ₂ e	1.3	1.5	1.3	1.3	1.3
6 Business travel	1,000t-CO ₂ e	0.8	0.8	0.8	0.9	0.9
7 Employee commuting	1,000t-CO ₂ e	1.8	1.8	1.9	2.1	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	892.1	940.5	949.6	929.4	802.9
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	1.2	1.4	1.3	1.3	1.2
12 End-of-life treatment of sold products	1,000t-CO ₂ e	18.0	16.9	16.7	17.6	17.8
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	FY2017	FY2018	FY2019	FY2020	FY2021	Targets for FY2024	Targets for FY2030
Total amount of water used (intake)	1,000m ³	17,096	17,231	17,399	17,668*1	17,179*2		
Sales intensity	m ³ /million yen	28.9	29.7	29.4	30.3	28.8*3		
Reduction rate of amount of water used (compared with FY2013)	%	9.2%	8.5%	7.6%	6.1%	8.7%	11% or higher	15% or higher
Water discharge	1,000m ³	15,405	15,336	15,705	16,089	15,596		

*1 For water use in FY2020, the breakdown was surface water (river water), 476 thousand m³; groundwater (well water, spring water), 11,631 thousand m³; purchases from local governments (city water, tap water, industrial water, public raw water), 5,561 thousand m³.

*2 For water use in FY2021 water use, the breakdown was surface water (river water), 484 thousand m³; groundwater (well water, spring water), 11,916 thousand m³; purchases from local governments (city water, tap water, industrial water, public raw water), 4,779 thousand m³.

*3 Sales intensity in FY2021 was calculated by dividing the amount of water used (1,000m³) by net sales (million yen) before the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised March 31, 2020).

Energy†

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Energy consumption	MWh	1,443,535	1,414,115	1,343,231	1,291,134	1,332,157*4
Energy consumption sales intensity	MWh/million yen	2.438	2.423	2.273	2.213	2.237

*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 (Energy Efficiency Act). Boundary is based on Act on the Rational Use of Energy (Energy Efficiency Act) up to FY2018 and ISO 14064-1 from FY2019 onwards.

*2 Fuel refers to fossil fuel consumption, and electricity is converted as 1,000 kWh = 3.6 GJ. Figures do not include renewable energy such as biomass.

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

*4 Renewable energy consumption in FY2021 was 5,975 MWh. Third-party warranty received for 1,338,132 MWh, including renewable energy.

Waste Materials

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Total amount of waste generated	1,000t	47.7	49.6	46.1	41.4	41.6

Note: Excluding Furijipport Co., Ltd.'s Okinawa Uruma Plant from†

Reduction Rate of Plastic Packaging

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Reduction rate of plastic packaging	%	7.0%	13.7%	16.5%	15.4%	15.2%

Notes: 1. Scope of data: Products subject to the Containers and Packaging Recycling Law for which Morinaga Milk Industry Co., Ltd. is identified as the responsible party.
2. Amount commissioned to The Japan Containers And Packaging Recycling Association as the basis for recycling.

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

Morinaga Milk Industry Co., Ltd. production sites (Kinki Plant is not included in the data for FY2020 onwards due to its closure in March 2020, Tokyo Plant is not included in data for FY2021 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., Chez Forêt Co., Ltd., Furijipport Co., Ltd. (Kumamoto Plant, Okinawa Uruma Plant commenced operations in FY2020, so they are included in the data from FY2019 and earlier), Tohoku Morinaga Milk Industry Co., Ltd. (Sendai Plant, Akita Plant), Toyo Fermented Milk Co., Ltd. (dissolved May 2020, not included in the data for FY2021).

● Social Data

Employees

	Unit	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022
Total (consolidated)	Persons	5,987	6,157	6,303	6,871	6,839
Men	Persons	4,659	4,743	4,834	5,152	5,091
Women	Persons	1,328	1,414	1,469	1,719	1,748
Total (non-consolidated)	Persons	3,144	3,247	3,340	3,377	3,349
Men	Persons	2,556	2,629	2,697	2,711	2,681
Women	Persons	588	618	643	666	668

Note: Numbers and ratios are as of the end of the months in which they were recorded.

Female Managers (Non-consolidated)

	Unit	Apr. 2018	Apr. 2019	Apr. 2019	Apr. 2019	Apr. 2019	FY2024 Annual target	FY2030 Annual target
Number of female managers	Persons	42	43	46	47	52		
Ratio of female managers	%	4.8%	4.7%	4.9%	4.9%	5.3%	6% or higher	10% or higher

Note: Numbers and ratios are as of the first day of the months in which they were recorded

Male-Female Ratio for per Capita Total Remuneration (Non-consolidated)

	FY2021
Total remuneration (managers) (female/male)	1:1.12
Total remuneration (general employees) (female/male)	1:1.20

Notes: 1. Equal treatment for men and women. The differences reflect variations in the age and rank structure for each gender.
2. Total remuneration includes base salary, various allowances, bonuses, etc., but excludes retirement allowances.

Employee Turnover (Non-consolidated)

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Employee turnover (excluding mandatory retirement)	%	1.8%	1.5%	1.7%	1.4%	2.0%
Employee turnover (within three years of being a new graduate hire)	%	7.2%	4.7%	4.8%	7.8%	6.2%

Childcare Leave (Non-consolidated)

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Targets for FY2030
Number of male employees who took childcare leave	Persons	18	27	34	52	60	
Ratio of male employees who took childcare leave	%	12.9%	16.7%	22.5%	44.1%	57.7%	100%
Number of female employees who took childcare leave	Persons	49	54	47	38	42	

Returning to Work from Childcare Leave (Non-consolidated)

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Rate of male employees returning to work after taking childcare leave	%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of female employees returning to work after taking childcare leave	%	100.0%	100.0%	98.2%	100.0%	95.1%

Training Investment for Human Resource Development (Non-consolidated)

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Targets for FY2030
Training costs per person	¥10,000			3.9	2.6	2.6	4.0

● Governance Data

	Unit	June 2018	June 2019	June 2020	June 2021	June 2022
Number of directors	Persons	11	10	9	9	11
Ratio of external directors	%	18.2%	20.0%	33.3%	33.3%	36.4%
Number of directors and Audit & Supervisory Board members	Persons	15	14	13	13	15
Number of female directors and Audit & Supervisory Board members	Persons	1	1	2	2	2
Ratio of female directors and Audit & Supervisory Board members	%	6.7%	7.1%	15.4%	15.4%	13.3%

Note: Numbers and ratios are as of the end of the months in which they were recorded.



For more information on ESG Data, please visit the URL below.
Morinaga Milk website > Morinaga Milk Sustainability > ESG Data
<https://www.morinagamilk.co.jp/english/sustainability/data/>

A Message from the Officer in Charge of Finance



We are mobilizing the entire Morinaga Milk Group to address changes in the operating environment, while implementing financial strategies focused on efficiency.

Managing Director
Executive Managing Officer and
General Manager of Corporate Strategic
Planning Division

Akihiro Nozaki

We have adopted “financial strategies focused on efficiency” as one of our core policies under the new Medium-term Business Plan 2022–24. Building on our efforts to strengthen our business base under Medium-term Business Plan 2019–21, we will strategically execute growth investments and focus on capital efficiency for improving ROE.

Review of Medium-term Business Plan 2019–21

Medium-term Business Plan 2019–21 covered the three-year period up to the fiscal year ended March 31, 2022. During this period, we generated operating cash flows totaling ¥100 billion, while taking steps to enhance and strengthen our financial structure under a policy of providing resources for growth investments, financial stability, and returns to shareholders in line with our strategies. Despite the impact of the COVID-19 crisis, we were able to maintain stable operating cash flows, while also achieving significant progress toward the development of a sound financial structure. Our growth investment and global M&A activities proceeded largely according to plan, and we also improved efficiency through the sale of major assets, including 50.1% of trust beneficiary rights in our head office building, and the site of the Kinki Plant. We implemented essential measures and strengthened our business base. We also provided shareholder returns in line with the plan. I see these as key achievements.

We regard ROE as a key financial indicator. We achieved the targets in the plan by securing operating profit and implementing various measures, including sale of non-current assets and purchase of treasury shares. We also made steady progress toward the improvement of other indicators during the three-year period, including the shareholders' equity ratio, which reached 44.9% as of March 31, 2022, and the debt-to-equity ratio, which improved to 0.42

times. These achievements were the result of efforts by all employees of the Morinaga Milk Group. Rating and Investment Information, Inc. (R&I) responded to these improvements by raising our issuer rating to A (long-term).

Aiming to Achieve Steady Returns through a Fine-tuned Investment Strategy

Stakeholders provided a variety of input concerning the formulation of Medium-term Business Plan 2022–24. Those views, which included calls for an increased focus on growth investment and further improvement of shareholder returns, were reflected in our discussions about the new plan. This led to a decision to continue with our direction under the previous Medium-term Business Plan by adopting a policy targeting sustainable improvement in shareholder value through financial strategies focused on efficiency, combined with a focus on growth investments.

In a rapidly changing environment, we recognize the need to invest steadily in initiatives that will contribute to operating cash flows. We will actively explore opportunities for growth investments—including capacity expansion and M&A—that leads to business expansion and organizational reinforcement. In August 2022, we took an important step forward in our M&A activities when the Board of Directors resolved to conclude a share transfer agreement that will result in the acquisition of NutriCo Morinaga as a consolidated subsidiary. The aim of this

move is to trigger a new growth phase for our business in Pakistan, which has a history dating back over 40 years. We will continue to search actively for M&A opportunities with the potential to expand our business globally.

We anticipate that ordinary investments in maintenance, quality enhancement, and related areas will reach the ¥50 billion level over the three-year period. Investment in environmental measures, including measures to address climate change and plastic, is expected to total around ¥10 billion. Our priority going forward is to ensure that the assets in which we invest yield returns that will further accelerate our progress toward the realization of the Morinaga Milk Group 10-year Vision. From that perspective, we are determined to optimize and maximize returns by fine-tuning our investment targets, pursuing unique value, and enhancing our strengths toward the achievement of our vision for the Morinaga Milk Group.

Shareholder Returns a Vital Management Priority

We believe that it is currently impossible to estimate medium- to long-term cost impacts accurately because of rising raw material and energy costs, the weakness of the yen, and other factors. We have, therefore, decided to postpone the release of numerical targets for the final year of Medium-term Business Plan 2022–24. We hope that stakeholders will understand this decision, which was taken after thorough deliberations based on our belief that it is especially important to take a responsible approach to numerical targets in times of high uncertainty.

We also took an important decision concerning shareholder returns by raising our payout ratio target from 20% to 30%. We saw an increase in the payout ratio target as a priority for the Morinaga Milk Group because of the importance that we place on engaging with capital markets and enhancing returns to shareholders. We will also consider actions that reflect our emphasis on the total payout ratio. Our basic policy is to cancel the treasury shares we hold, but we plan to retain a portion of the shares to preserve flexibility for our future capital policy. In August 2022, we cancelled 2 million shares under this policy.

Commitment to Sustainability Management

Our core goal under Medium-term Business Plan 2022–24 is to resolve societal issues and improve sales growth and profitability. We will accelerate our efforts to achieve further improvement in profitability through the cross-utilization of our knowledge about health and nutrition and technologies relating to the creation of products that are tasty and delightful. At the same time, we see a full commitment to

sustainability management as absolutely vital to our continuing ability to bring ever brighter smiles through the pursuit of “health value” and “tastiness and delightfulness.” That is why we formulated Sustainability Medium- to Long-term Plan 2030 as a framework for specific actions to address issues from a long-term perspective, in step with our initiatives under Medium-term Business Plan 2022–24. Under this plan, we will allocate management resources appropriately to our various initiatives, while sharing a strategic direction and values based on sustainability management across the entire Morinaga Milk Group. We will also place greater importance on the improvement of management capabilities through the accumulation of non-financial value that is not reflected in our financial indicators. We aim to enhance our corporate value by increasing our non-financial value, such as human capital and intellectual capital.

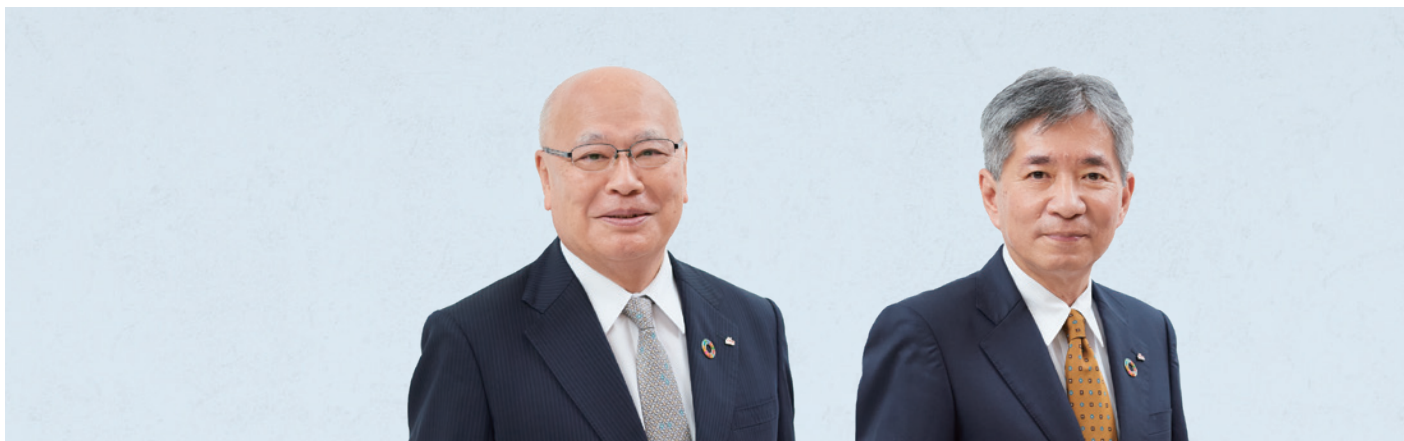
Enhancing Corporate Value and Achieving Sustainable Growth

I became a managing director after my appointment was ratified at the Annual General Meeting of Shareholders in June 2022. I am deeply honored to have been given this important position, but I am also deeply aware of my responsibilities in this extremely difficult business environment.

As the officer in charge of finance, I will pursue financial strategies that contribute to the improvement of our corporate value while supporting the business activities of the Morinaga Milk Group from a financial perspective. One of my key goals is to create a more visible framework within which every person working for the Morinaga Milk Group can take ownership of our financial strategies and gain a real sense that results and figures from their own areas of responsibility are directly linked to the achievement of our ROE target. I will also continue to prioritize communication with stakeholders, including the expansion of opportunities for dialogue as the basis for deepening relationships built on mutual trust. As General Manager of the Corporate Strategic Planning Division, I see the realization of Medium-term Business Plan 2022–24 as my most important role. I believe in the accumulated capabilities of the Morinaga Milk Group, and I will not be intimidated by the differences in the current business environment compared with the assumptions on which the plan was based. In addition to short-term initiatives, we also need to remain focused on the Morinaga Milk Group 10-year Vision and keep medium- to long-term perspectives in mind.

While it is difficult to predict the future in this time of rapid change, we also have opportunities to move beyond the accepted wisdom of the past by looking at things from new perspectives. I am determined to work with all of my colleagues in the Morinaga Milk Group to take the Group forward to a new phase of growth and success.

Directors and Audit & Supervisory Board Members



Michio Miyahara
Chairman and Representative Director
(General Management)



Yohichi Ohnuki
President and Representative Director
(General Management, Sustainability)



Hitoshi Hyodo
Managing Director
(Sales and Marketing)



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



Takatomo Yoneda
External Director



Takayuki Ikeda
External Director



Keiki Hirota
Full-time Audit &
Supervisory Board Member



Teiichiro Okawa

Executive Vice President and Representative Director
(General Management, Assistant of President
and Overseas)



Tsuyoshi Minato

Managing Director
(Special Affairs, Dairy Farm Services
and Procurement)



Yasuhiko Yanagida

Managing Director
(Quality Assurance, Manufacturing
and Distribution)



Yukari Tominaga

External Director



Hiroshi Nakamura

External Director



Mitsumasa Saito

Full-time Audit &
Supervisory Board Member



Masahiko Ikaga

External Audit &
Supervisory Board Member



Mayumi Yamamoto

External Audit &
Supervisory Board Member

Messages from External Directors



Takatomo Yoneda

External Director

In the seven years since I became an external officer, I have seen Morinaga Milk achieve steady improvement in its earnings, including record operating profit in six consecutive years. I have also become aware of positive changes in the management culture and mindset of the Morinaga Milk Group. While these changes are still in progress, they are already providing new stepping stones to business growth, such as functional ingredients and global expansion. The fiscal year ending March 31, 2023 has been a time of rapid and unprecedented change in the business environment. The ongoing challenge is to turn these changes into opportunities for new growth and success. More than ever before, the Morinaga Milk Group needs to bring together its knowledge and strengths. It has also reached a stage at which it needs to integrate sustainability into its management framework alongside profit growth and governance. This will heighten the complexity of strategic decision-making and will be a real test of the Morinaga Milk Group's management capabilities.

The Morinaga Milk Group is adapting to the current environment by transitioning to a high value-added business structure with a stable, low center of gravity, while maximizing its social and corporate value. Its greatest asset as it works toward these goals will be its excellent employees. I am confident the Morinaga Milk Group will be able to make optimal use of its human capital by strengthening its focus on diversity as the basis for a deeper parallel commitment to sustainability. I see this as the perfect time to implement major reforms, and I hope the Morinaga Milk Group will proactively step up its initiatives toward the realization of its vision and plans. I am determined to support the Morinaga Milk Group in its efforts to achieve true excellence.



Yukari Tominaga

External Director

The global situation remains unpredictable due to ongoing, highly impactful events, such as the COVID-19 pandemic and the invasion of Ukraine. I believe the Morinaga Milk Group can take pride in the corporate DNA that enables it to remain tenaciously focused on both short-term profit and medium- to long-term growth, despite challenging shifts in the business environment due to demand fluctuations, soaring raw material and energy costs, and other factors. The Morinaga Milk Group will need to enhance its adaptability to keep pace with anticipated changes in expectations toward the role of the food industry. That will require further acceleration of transformational DX and diversity initiatives.

The Morinaga Milk Group has been developing a DX promotion structure since the fiscal year ended March 31, 2022 and has made steady progress in a number of areas, including proof-of-concept trials and the training of digital technology specialists. A similar structure is being developed for diversity promotion, and initiatives targeting both systems and the corporate culture are in progress. I am confident in the Group's ability to adapt to future changes.

I will work to ensure that the Morinaga Milk Group can realize its 10-year Vision by leveraging its unique characteristics to achieve sustainable growth, regardless of any changes in the business environment.



Hiroshi Nakamura

External Director

My past experience includes around 24 years stationed overseas in Europe for a watch and electronic device manufacturer where I was involved primarily in sales and marketing activities. Our achievements during that time included the creation of a structure through which the manufacturer could exercise greater control, including starting up a European regional headquarters unit, terminating agreements with distributors, and replacing sales companies in key countries. We did all this during the historical transformations caused by German reunification, the introduction of the euro, and other changes.

After returning to Japan, I continued to focus on sales and marketing activities. I experienced many challenging situations, but these gave a real awareness of the importance of working in partnership with frontline colleagues who shared my strong commitment, while expanding my perspectives through that collaboration. I believe both opportunities for business development and the challenges involved become more apparent through locally-focused marketing activities.

With over a century of history behind it, the Morinaga Milk Group possesses excellent technological capabilities. As an external director, I believe I have a particular role to play in relation to the Morinaga Milk Group's global expansion. Achieving this goal will require not only extensive knowledge of the regions in question, but also employees willing to take on new challenges, and a working environment that supports their efforts. I will continue to do everything in my power to contribute to the achievement of these goals.



Takayuki Ikeda

External Director

During my many years of experience in the B-to-B computer component business, I helped to introduce superb world-changing products in this area. I believe our suppliers were successful because they developed products not by listening to the voice of the customer (VoC), but by thinking about what kinds of products consumers needed, and what features they would want. The VoC approach is also very important, but consumers and customers typically think based on comparisons between existing products. I believe our suppliers succeeded in creating world-changing products by discovering what people really wanted through the exploration of real VoC that had not previously been paid attention to.

The Morinaga Milk Group receives large volumes of VoC input, including comments about competitors' products, and comparisons between Morinaga Milk Group products and those of its competitors. While this feedback is extremely important, I also believe there are still opportunities to create new value that customers have not yet discovered. I hope the Morinaga Milk Group will strive to offer new value as a leading manufacturer of dairy products by encouraging free and open discussions within its organization. I will support these efforts through my role as an external director.

Corporate Governance

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 Reduction of directors' term of office to one year
2017	Dec.	Abolition of the corporate counselor system
2018		Introduction of restricted stock-based compensation for internal directors
	June	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
2020	Apr.	Revision of the executive compensation scheme
	June	Number of external directors increased to three (Independent external directors now hold one-third of Board seats)
2021	June	Appointment of a majority of external directors to the Personnel Remuneration Committee
2022		Number of external directors increased to four (independent external directors now hold over one-third of Board seats)
	June	Quality Assurance Committee established

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.

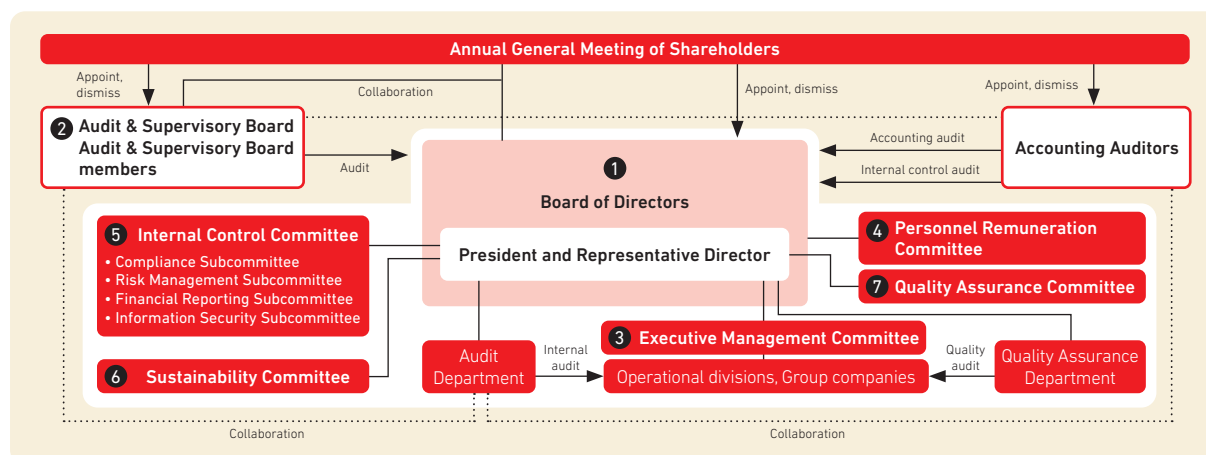
Morinaga Milk Group Corporate Governance Guidelines

 https://www.morinagamilk.co.jp/english/ir/management/pdf_governance/guideline_e.pdf

Corporate Governance Report

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

Corporate Governance Organization



1 Board of Directors

Approach to the Composition of the Board of Directors

Number of meetings
held in fiscal year
ended March 31, 2022:

14

As of June 29, 2022, the Board of Directors consists of 11 directors, of whom four, or at least one-third, are independent external directors, and four Audit & Supervisory Board members*. The Company's policy is to select officers of

excellent character and insights, irrespective of gender or nationality, who possess the professional expertise and extensive business and management experience necessary to maintain the Company's sustainable growth. The Company also invites the number of independent external directors and independent external Audit & Supervisory Board members necessary to ensure sustainable growth. There must be at least two independent external directors, and a majority of external members on the Audit & Supervisory Board. All external officers must meet the Independence Standards. The Company also takes care to ensure continuity and continuing professional development, and to train successors in order to maintain a balance between incumbent and new appointments, and between executive and non-executive officers.

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

Effectiveness Evaluation of the Board of Directors

The Company conducts effectiveness analyses and evaluations of the Board of Directors in order to improve its function.

Specifically, a survey is done by the directors and Audit & Supervisory Board members regarding general matters relating to the Board of Directors, such as its composition and operating method, deliberations, and collaborations with external officers, and an evaluation is conducted by the Board based on the results. In order to obtain unbiased opinions from those taking the survey, it is performed through an anonymous questionnaire, and the collection, summary, and analysis of the survey results is contracted to an external body.

With respect to the issue identified in the evaluation for the fiscal year ended March 31, 2021 relating to "further enhancement of deliberation on Group-wide management strategy," it was confirmed that improvements have been made since that fiscal year, including an increase in the time for deliberation and a shift to Group-wide deliberation.

Issues for the future include further enhancement of deliberation aimed at increasing corporate value over the medium to long term. The Company will reexamine the format of meetings of the Board of Directors and the Executive Management Committee, and continue its efforts to further enhance Board deliberation.

The Company will continue to implement management actions designed to enhance corporate governance and achieve sustainable improvement in corporate value by solving issues identified through this survey.

2 Audit & Supervisory Board Audit & Supervisory Board Members

Number of meetings
held in fiscal year
ended March 31, 2022:

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.

Corporate Governance

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, 2022: 21	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, 2022: 6	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, 2022: 2	This committee enhances the effectiveness of internal control systems by developing compliance and risk management systems, ensuring the reliability of financial reporting, and maintaining and improving information security	Representative director (chairperson); directors in charge of compliance, risk management, financial reporting, and information security; general managers; full-time Audit & Supervisory Board members; and others
6 Sustainability Committee Number of meetings held in fiscal year ended March 31, 2022: 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 directors (chairperson: President and Representative Director), internal directors, general managers, full-time Audit & Supervisory Board members, and others
7 Quality Assurance Committee (established in fiscal year ending March 31, 2023)	The Quality Assurance Committee will discuss and approve basic company-wide policies and important measures relating to quality assurance. It will also mitigate or eliminate business risks by coordinating quality policies and standards for supply chains for Group products and checking the administration of those standards	President and Representative Director (chairperson: President and Representative Director), internal directors, general managers, full-time Audit & Supervisory Board members, and others

Skills Matrix

Name		Roles	Area of responsibilities	Items						
				Management experience	Sales and marketing	Quality, production, and R&D	Finance and accounting	General affairs, human resources, and legal affairs	IT	Global
Directors	Michio Miyahara	Chairman and Representative Director	General management	●	●	●				
	Yohichi Ohnuki	President and Representative Director	General management and sustainability	●	●		●		●	
	Teichiro Okawa	Executive Vice President and Representative Director	General management, assistant of President and overseas	●		●				●
	Tsuyoshi Minato	Managing Director	Special affairs, dairy farm services, and procurement	●				●		
	Yasuhiko Yanagida	Managing Director Executive Managing Officer and General Manager of Manufacturing Division	Quality assurance, manufacturing, and distribution	●		●			●	
	Hitoshi Hyodo	Managing Director Executive Managing Officer and General Manager of Sales & Marketing Division	Sales and marketing	●	●					
	Akihiro Nozaki	Managing Director Executive Managing Officer and General Manager of Corporate Strategic Planning Division	Strategic planning, finances, IT, human resources, general affairs			●	●		●	
	Takatomo Yoneda	External Director		●			●	●		●
	Yukari Tominaga	External Director		●		●			●	
	Hiroshi Nakamura	External Director		●	●					●
Audit & Supervisory Board members	Takayuki Ikeda	External Director		●					●	●
	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						●		

Skills Matrix

To realize the Morinaga Milk Group 10-year Vision, we have

identified seven skills (see p.61) 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 11-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.

Reasons for Appointment and Attendance Record

	Name	Independent officer	Reasons for appointment	Attendance record for the fiscal year ended March 31, 2022
External directors	Takatomo Yoneda	○	Mr. Takatomo Yoneda was engaged in international operations for many years at the Industrial Bank of Japan, Limited, and also served at Nidec Group where he held such positions as the chief executive of Nidec Copal Corporation, and through which he has acquired high-level insight into corporate management and broad experience both in Japan and overseas. From 2015, Mr. Yoneda served as an external Audit & Supervisory Board member and provided effective management advice and recommendations from an objective position, and contributed to the management of the Group as an external director from 2019. The Company expects that management will continue to receive advice and recommendations from his wide insights as well as effective supervision from an objective position that is independent from business execution.	Board of Directors' meetings 14/14
	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 14/14
	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.	Appointed June 29, 2022
	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.	Appointed June 29, 2022
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 14/14 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 14/14 Audit & Supervisory Board meetings 14/14

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

Corporate Governance

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 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.

Policies and Procedures for When the Board of Directors Appoints and Dismisses Management Executives and Nominates Candidate Directors, as well as Audit & Supervisory Board Members

Candidates for director positions are determined by the

Board of Directors after an examination and report by the Personnel Remuneration Committee.

Candidates to become Audit & Supervisory Board members (including deputy Audit & Supervisory Board members) are determined by the Board of Directors after an examination and report by the Personnel Remuneration Committee and the approval of the Audit & Supervisory Board.

If there is suspicion of negligence, improper conduct, or serious breach of the law or the Articles of Incorporation in relation to the fulfillment of the duties of officers, or if it becomes difficult for an officer to continue to fulfill duties for health reasons, the content of proposals concerning dismissal of the relevant officer for submission to the Annual General Meeting of Shareholders and whether or not to dismiss the relevant officer from their position as a representative director or executive director shall be determined by the Board of Directors, following a review by and report from the Personnel Remuneration Committee.

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 System for External Directors

Information is regularly provided by the General Affairs Department to external directors, and a prior explanation on the matters to be deliberated is given when the Board of Directors' meetings are held.

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

In addition, full-time Audit & Supervisory Board members and staff from the General Affairs Department regularly provide information to 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, 2022. 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 building of trustworthy relationships with shareholders through constructive

dialogue a management priority. The Company actively monitors its shareholder structure and works to expand dialogue through the Annual General Meeting of Shareholders, financial results briefings, individual visits and meetings, and other such occasions.

Matters concerning constructive dialogue with shareholders are supervised by the directors in charge of general affairs, public relations, and investor relations. The contact points for shareholders are the General Affairs Department and the Investor & Public Relations Department, which are working together to improve communications with shareholders, including the implementation of information-sharing initiatives as required. The Company configures its approach to interviews and other forms of dialogue appropriately according to the purpose and content of the event and nature of the other party. When significant opinions and other information are obtained through dialogue, these are reported to and shared with senior management and the Board of Directors.

The Company takes particular care to ensure fairness in its dialogue with shareholders, including the establishment of a silent period for financial results and other measures to maintain thorough control of insider information.

Remuneration for Officers

On April 28, 2020 the Board of Directors passed a resolution changing the Company's basic policy on remuneration for executives, as well the method used to determine basic remuneration amounts. Remuneration, etc. for the current

fiscal year is in accordance with the basic policy and method employed prior to the change for payments for the period from April 2021 to June 2021, and in accordance with the amended policy and method to payments for the period from July 2021 to March 2022.

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)	6	¥135 million	¥122 million	¥68 million	¥326 million
External directors	3	¥32 million	—	—	¥32 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	13	¥235 million	¥122 million	¥68 million	¥426 million

Notes: 1. The above figures do not include basic remuneration of ¥17 million paid to two members of the Board of Directors who retired effective June 29, 2021.

2. As restricted stock-based compensation, 11,200 shares of common stock of the Company were allocated to six directors, in accordance with the resolution of the Board of Directors passed at its meeting held on July 14, 2021.

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.

Corporate Governance

- 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 designed to contribute to the achievement of sustainable growth and the expansion of the Group's business base. The indicators used to reflect progress made toward the achievement of the Group's performance targets are consolidated net sales, consolidated operating profit, and ROE. Evaluation for individual directors (excluding external directors) is determined by the Personnel Remuneration Committee, based not only on the performance of the divisions for which they are responsible, but also on their contributions to non-financial data, including ESG indicators. Evaluation for the Chairman and Representative Director and President

and Representative Director is determined by the Personnel Remuneration Committee, based solely on 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 ¥591.0 billion, consolidated operating profit of ¥26 billion, ROE of 7.9% (targets for the fiscal year ended March 31, 2021)
- Performance-linked remuneration results:
Consolidated net sales of ¥583.5 billion, consolidated operating profit of ¥28.8 billion, ROE of 9.8% (results for the fiscal year ended March 31, 2021)

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 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	Fixed remuneration	Maximum of ¥36 million per month	80th Annual General Meeting of Shareholders (June 27, 2003)	Eight directors
		Performance-linked remuneration			
	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)

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

To ensure transparency and objectivity in the decision-making process for basic remuneration for individual directors, authority is delegated to the Personnel Remuneration Committee based on a resolution passed by the Board of Directors. The Personnel Remuneration Committee submits a report to the Board of Directors stating the remuneration details and affirming that decisions were made in accordance with the policy. Based on this process, the Board of Directors judges that the remuneration details have been determined in accordance with the policy. The five members of the Personnel Remuneration Committee at the time of determining remuneration for the current fiscal year were President and Representative Director Michio Miyahara (now Chairman and Representative Director), Executive Vice President and Representative Director Teiichiro Okawa, External Director Shoji Kawakami*, External Director Takatomo Yoneda, and External Audit & Supervisory Board Member Masahiko Ikaga.

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.

*Retired on June 29, 2022

Development of Systems to Ensure Appropriate Operation by the Group

To ensure the effective development of internal control systems, Morinaga Milk Industry has established an Internal Control Committee and assigned responsibility to the General Affairs Department. The supervising officers for Group companies are responsible for the oversight of internal control systems in individual Group companies. The Internal Control Committee receives and checks regular reports about the internal control status of Group companies and issues directives when 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, 2022)

(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 as those 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 as those 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 as those 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 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 email 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

The Group's operating results and financial position could be affected if, for example, it were to undertake review of its product strategy or otherwise encounter surging energy costs amid a scenario wherein it had become subject to regulations or hearsay particularly regarding its uses of containers, packaging or fossil-fuel energy, given a situation of intensifying global environmental concerns.

The Group accordingly strives to accumulate intelligence through various stakeholders, 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. We also promote environmentally sound design as stipulated in the Company's Eco-package Guide, which provides guidelines for container design.

11-year Financial Summary

		Mar./2012	Mar./2013	Mar./2014	Mar./2015
Net sales	(¥ millions)	578,299	591,197	599,273	594,834
Operating profit	(¥ millions)	13,184	10,166	11,982	6,805
Ordinary profit	(¥ millions)	13,187	10,551	12,395	8,232
Profit attributable to owners of parent	(¥ millions)	4,608	5,016	4,839	4,164
Comprehensive income	(¥ millions)	5,635	6,133	6,899	7,416
Net assets	(¥ millions)	113,935	116,750	120,959	125,286
Total assets	(¥ millions)	366,190	368,498	360,578	383,357
BPS (Net assets per share)	(¥)	449.35	469.07	486.84	502.36
EPS (Net income per share)	(¥)	18.39	20.04	19.60	16.86
EPS (Net income per share)—diluted	(¥)	18.34	19.98	19.54	16.81
Shareholders' equity ratio	(%)	30.8	31.4	33.3	32.4
ROE	(%)	4.2	4.4	4.1	3.4
PER	(Times)	17.7	14.3	16.9	27.0
Cash flows from operating activities	(¥ millions)	23,342	21,055	21,946	8,543
Cash flows from investing activities	(¥ millions)	(14,221)	(13,312)	(15,930)	(17,642)
Cash flows from financing activities	(¥ millions)	(2,889)	(6,859)	(18,211)	12,887
Cash and cash equivalents at end of period	(¥ millions)	16,336	17,305	7,080	11,105
Employees		5,639	5,712	5,664	5,649
[Temporary employees—average]		[2,751]	[2,617]	[2,435]	[2,244]

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 previous consolidated fiscal year.
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.

Mar./2016	Mar./2017	Mar./2018	Mar./2019	Mar./2020	Mar./2021	Mar./2022
601,499	592,617	592,087	583,582	590,892	583,550	503,354
14,317	21,099	21,684	22,331	25,359	28,867	29,792
14,959	21,960	22,355	23,174	25,867	30,109	31,127
10,576	13,202	15,781	14,017	18,656	18,741	33,782
5,794	15,240	17,788	12,600	16,659	21,240	34,792
129,370	142,846	159,102	169,167	183,142	202,503	208,026
378,852	385,366	414,823	432,256	436,061	453,646	458,788
518.61	2,870.80	3,184.08	3,384.81	3,663.73	4,028.36	4,554.84
42.80	267.02	319.01	283.35	377.11	378.73	687.45
42.67	266.27	318.27	282.70	376.36	378.01	686.33
33.8	36.9	38.0	38.7	41.6	43.9	44.9
8.4	9.8	10.5	8.6	10.7	9.8	16.7
14.1	15.5	13.6	13.3	11.1	15.4	7.6
28,223	37,350	25,110	18,506	29,209	38,544	40,268
(22,234)	(21,233)	(16,921)	(38,817)	(13,193)	(25,305)	8,371
(10,449)	(15,243)	(5,774)	14,112	(10,843)	(2,627)	(44,522)
6,203	7,077	9,838	3,384	8,505	19,138	23,486
5,602	5,771	5,987	6,157	6,303	6,871	6,839
[2,266]	[2,285]	[2,364]	[2,339]	[2,298]	[2,377]	[2,302]

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.

Management's Discussion and Analysis (Fiscal Year Ended March 31, 2022)

Note: Unless otherwise stated, all comparisons are with the previous fiscal year ended March 31, 2021. Consolidated financial disclosures by Morinaga Milk Industry Co., Ltd. ("the Company") are in accordance with the accounting principles generally accepted in Japan. As of March 31, 2022, the Company had 32 consolidated subsidiaries, and one subsidiary and one affiliated company both of which were accounted for by the equity method (together "the Group"). During the fiscal year under review, the provisional accounting treatments for business combinations were finalized. Accordingly, those contents are reflected in the figures for the fiscal year ended March 31, 2021. In addition, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and related guidance have been applied from the beginning of the fiscal year under review. Accordingly, the comparative figures with the previous fiscal year are calculated based on the assumption that the said accounting standards have been applied from the previous fiscal year.

Operating Performance

Business Environment Overview

In the consolidated fiscal year under review, various problems arose including the resurgence of COVID-19 in countries around the world, as well as diverse geopolitical risks caused by the situation in Ukraine and other factors. The impact of these problems will likely continue for a while. In Japan, the economy is expected to pick up as all possible precautionary measures against COVID-19 are taken and economic and social activities move toward normalization. Still, the trends in the pandemic and world affairs will continue to require close monitoring. The trend in demand has changed greatly compared with conditions before the pandemic, with a continued decline in demand for commercial dairy products for the restaurant industry, hotels, tourism, and souvenirs, while the demand for functional ingredients with health-promoting benefits and for products used by households such as yogurt and ice cream has remained firm.

Consolidated Net Sales and Gross Profit

Under these circumstances, the Group has made every effort to continue supplying products to the extent possible, while giving the utmost consideration to the safety and health of employees, in order to fulfill its mission as a company that manufactures foods that are essential to daily life. During the fiscal year under review, which was the final year of its Medium-term Business Plan covering three fiscal years ended March 2022, the Group worked to further strengthen its corporate structure and business. Related initiatives included but were not limited to responding to the impact of the COVID-19 pandemic, providing and promoting the value of products that meet the needs of customers, and taking actions to contribute to the creation of a sustainable society.

As a result of the above, consolidated net sales for the fiscal year under review amounted to ¥503,354 million, up by 3.0% from the previous fiscal year. Cost of sales increased by 3.4% to ¥381,077 million, heavily influenced by the rise in raw material and energy prices, in spite of efforts to improve the product mix and review the costs across the

Group. Gross profit rose by 1.9% year on year to ¥122,277 million, resulting in a 0.3 percentage point decline in gross profit margin to 24.3%.

Selling, General and Administrative Expenses and Operating Profit

While selling, general and administrative ("SG&A") expenses for the fiscal year under review increased by 1.5% year on year to ¥92,484 million, the ratio of SG&A expenses to net sales declined by 0.3 percentage points to 18.4%, contributed mainly by the effort to streamline sales promotion expenses.

As a result of the above, consolidated operating profit rose by 3.2% year on year to ¥29,792 million. The ratio of operating profit to net sales was 5.9%, maintaining the same level as the previous fiscal year.

Non-operating Income and Expenses

Overall non-operating income and expenses resulted in net income of ¥1,334 million, increasing from ¥1,241 million posted in the previous fiscal year. This increase was mainly due to the absence of ¥424 million loss on valuation of derivatives recorded in the previous fiscal year. As a result of recording net non-operating profit in addition to an increase in operating profit, consolidated ordinary profit (the sum of operating profit and net non-operating income or expenses) grew by 3.4% year on year to ¥31,127 million.

Extraordinary Income and Loss

Overall extraordinary income and loss resulted in a net income of ¥17,168 million, reversing the previous fiscal year's net loss of ¥4,111 million. This is due to gain on sales of non-current assets which increased from ¥1,176 million posted in the previous fiscal year to ¥21,214 million in the fiscal year under review, as well as to the absence of ¥2,297 million impairment loss posted in the previous fiscal year.

Profit before Income Taxes and Profit Attributable to Owners of Parent

In addition to the increase in operating profit, net non-operating

income and net extraordinary income were posted, resulting in an 85.7% year-on-year growth in profit before income taxes to ¥48,296 million. Total income taxes increased by 102.5% to ¥14,369 million, to raise the effective tax rate by 2.5 percentage points to 29.8%. Profit attributable to non-controlling interests declined by 10.9% from the previous fiscal year to ¥143 million.

As a result, profit attributable to owners of parent amounted to ¥33,782 million, up by 80.2% compared with the previous fiscal year.

Performance by Business Segment

Performance by business segment (before the elimination of intersegment transactions) is described as follows:

Food Industry Segment

This segment engages mainly in production and sales of commercial milk, dairy products, ice cream, and beverages. Net sales of the food industry segment amounted to ¥478,940 million, and operating profit resulted in ¥38,262 million.

Other Business Segment

This segment engages mainly in sales of feed, and the design and construction of plant equipment. Net sales of the other business segment amounted to ¥30,048 million, and operating profit resulted in ¥2,782 million.

Overview of the Results by Business Segment in the Medium-term Business Plan

Performance by business segment (before the elimination of transactions between business segments) is described as follows:

B-to-C Business

Yogurt and ice cream showed solid performance. In particular, functional yogurt products such as *Triple Yogurt* and *Bifidus Yogurt Improves Bowel Movement* had higher sales, reflecting a rise in health awareness, contributing significantly to the improvement of the product mix. By contrast, however, beverage demand declined, and cheese recorded a decrease in net sales, reflecting a drop in demand in reaction to the increase in household demand in the previous fiscal year. As a result, overall sales of the business declined by 0.8% from the previous fiscal year to ¥260,066 million.

For operating profit of the business, efforts were made to

generate profit by implementing such measures as the control of marketing activities, in addition to the improvement of the product mix by expanding high value-added yogurt and ice cream products. However, the rise in prices for raw materials and energy, particularly in the second half of the fiscal year under review, had a significant impact on profit despite the positive effect of the revision of some product prices. As a result, operating profit of the business decreased by ¥1,510 million year on year to ¥14,617 million.

Wellness Business

Overall sales of the business rose on the back of strong sales in CLINICO Co., Ltd., which manufactures and sells nutritional supplement foods and liquid foods, as well as the *Nutritional milk powder (Milk Life) series* for adults, and health foods, resulting in a 2.7% increase from the previous fiscal year to ¥44,218 million.

Operating profit of the business also rose by ¥323 million year on year to ¥3,780 million. Although there was a negative impact from the rise in prices for raw materials and energy, the promotion of cost reduction efforts including the control of marketing activities contributed to the increased sales.

B-to-B Business

The sales of commercial dairy products, which account for high net sales, recorded a significant growth in reaction to the significant decline posted in the previous fiscal year. Meanwhile, increased health awareness led to continued high interest in the Group's functional ingredients. As a result, overall sales of the business rose by 10.7% year on year to ¥82,149 million.

Operating profit of the business increased by ¥786 million to ¥3,400 million, contributed by the significant increase in sales profit, despite the impact of higher prices for raw materials and energy.

Global Business

Exports of products such as milk formula dropped in reaction to the considerable increase recorded in the previous fiscal year, but MILEI GmbH, which manufactures and sells dairy ingredients, recorded increased sales. Also, by reflecting the addition of Elovi, which became a consolidated subsidiary in March 2021, overall sales of the business increased by 19.2% from the previous fiscal year to ¥43,862 million.

Operating profit of the business also rose by ¥1,731 million to ¥7,237 million, thanks to the improvement of the product mix because of the growth in high-margin functional ingredients, in addition to the effects of higher sales.

Management's Discussion and Analysis

Financial Position

Assets

Total assets as of March 31, 2022 amounted to ¥458,788 million, an increase of ¥5,142 million, or 1.1%, compared with that of the previous fiscal year-end. Current assets increased by ¥8,511 million, or 5.5%, to ¥164,127 million mainly due to the increases in cash and deposits, notes and accounts receivable—trade, as well as contract assets. Non-current assets decreased by ¥3,369 million, or 1.1%, to ¥294,660 million, reflecting the decrease in property, plant and equipment despite the increase in intangible assets.

Liabilities

Total liabilities as of March 31, 2022 stood at ¥250,762 million, a decrease of ¥380 million, or 0.2%, compared with that of the previous fiscal year-end. Current liabilities decreased by ¥2,405 million, or 1.7%, to ¥142,500 million mainly due to the decrease in commercial papers which was partially offset by the increase in income taxes payable. Non-current liabilities by contrast increased by ¥2,025 million, or 1.9%, to ¥108,261 million, reflecting the increase in other non-current liabilities, while long-term loans payable decreased.

Net Assets

Net assets as of March 31, 2022 amounted to ¥208,026 million, an increase of ¥5,522 million, or 2.7%, compared with the previous fiscal year-end. This increase was mainly attributable to the increase in retained earnings. As a result, the shareholders' equity ratio rose from 43.9% at the previous fiscal year-end to 44.9%, and net assets per share also increased from ¥4,028.50 to ¥4,554.84.

Cash Flows

The balance of cash and cash equivalents as of March 31, 2022 amounted to ¥23,486 million, up by ¥4,347 million, or 22.7%, compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year under review increased by ¥1,724 million, or 4.5%, to ¥40,268 million. While gain on sales of non-current assets substantially increased, both profit before income taxes and profit attributed to owners of the parent also recorded a notable increase.

Cash Flows from Investing Activities

Cash flows from investing activities for the fiscal year under review resulted in net cash-inflow of ¥8,371 million, reversing the net cash-outflow of ¥25,305 million recorded in the previous fiscal year. This change was mainly due to the decrease in purchase of non-current assets and the increase in proceeds from sales of non-current assets.

As a result of the above, the free cash flow (a total of cash flows from operating activities and investing activities) was a ¥48,639 million cash inflow, up by ¥35,400 million from a ¥13,238 million cash inflow recorded in the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities drastically increased by ¥41,894 million, or 1,594.8%, from the previous fiscal year to ¥44,522 million. This substantial rise was attributable mainly to the turnaround in commercial papers from a net increase to a net decrease, as well as to the increase in purchase of treasury stock.

Capital Expenditure

The Group's capital expenditure for property, plant and equipment during the fiscal year ended March 31, 2022 totaled ¥17,988 million. The major purposes of the capital expenditure were installment, renewal, and rationalization of manufacturing facilities, as well as reinforcement of the sales structure. Out of the total capital expenditure, that in the food industry segment accounted for ¥17,571 million.

Profit Distribution

The Company recognizes the profit distribution to its shareholders as one of the most essential management issues. In distributing its profits, the Company will earmark retained earnings for maintaining and enhancing its corporate structure, and will continue its basic policy of providing stable dividends over the long term, while also placing due consideration on the Company's operating performance. As regards the consolidated dividend payout ratio, the Company will raise its target from 20% to 30% in the fiscal year ending March 2023 and beyond. The Company's other basic policy is to distribute its profit once a year at the fiscal year-end, upon approval at the Annual General Meeting of Shareholders. In exceptional cases when it is deemed to be difficult to hold the Annual General Meeting of Shareholders due to unforeseen situations such as a natural disaster, the profit can be distributed upon approval of the Board of Directors.

The dividend to shareholders for the fiscal year ended March 31, 2022 was resolved as ¥80.0 per share, in accordance with the Company's policies described above. As a result, the consolidated and non-consolidated dividend payout ratios for the fiscal year under review were 11.6% and 14.5%, respectively. The dividend for the fiscal year ending March 31, 2023 is planned to be ¥90.0 per share.

Research and Development

The Group's mission is to help make social sustainability a reality and help the lives of people around the world to be filled with smiles, through research and development ("R&D") in terms of "tastiness and delightfulness," "health and nutrition," and "safety and reliability," derived from advanced milk technology.

Major new products developed and released and major R&D activities conducted during the fiscal year ended March 31, 2022 are as follows:

- **Mt. RAINIER CAFFÈ LATTE Non-Sweet:** Launched as a café latte product that allows those who are concerned about sweetness and saccharide to enjoy the fine balance of milk and coffee. The coffee beans are originally blended, and their roasting degree and extraction conditions are uniquely established, both exclusively for this product.
- **MOW series:** Received the Three-Star Superior Taste Award from the International Taste Institute (iTi) for its all three standard flavors, "Vanilla," "Uji Matcha," and "Ethiopia Mocha Coffee" in an international contest for taste and quality of foods and beverages.
- **MORI-NU PLUS FORTIFIED TOFU:** Launched a tofu product in the U.S., where demand for tofu as a plant-based food is increasing, that contains LAC-Shield™ in addition to some vitamins and minerals that Americans might lack.
- **Bifidobacterium breve MCC1274:** Demonstrated the benefit of MCC1274 at improving cognitive functions of suspected mild cognitive impairment (MCI) population, and the inverse correlation of such improvement with a blood parameter HbA1c. The related research paper was published in the *Journal of Alzheimer's Disease* on April 15, 2021.

Consolidated R&D expenses for the fiscal year under review amounted to ¥5,091 million, accounting for 1.0% of consolidated net sales.

The R&D organization of the Group is as follows:

R&D Division

- R&D Planning Department: Integration of research plans of the institutes, and other managerial coordination
- Food Research & Development Institute: Research on new technologies and development of new products
- Health Care & Nutritional Science Institute: Research and development of infant formula and clinical nutritional foods

- Food Ingredients & Technology Institute: Research on various ingredients and development of applied technologies
- Next Generation Science Institute: Research on new materials and intestinal flora
- Food Solution Institute: Evaluation of products, development of new uses and recipes

Manufacturing Division

- Manufacturing Technology Center: Research and development of manufacturing technologies with a focus on manufacturing equipment and systems

Outlook for Fiscal Year Ending March 31, 2023

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

In such an environment, the new, three-year Medium-term Business Plan will start in the fiscal year ending March 31, 2023. However, the Group anticipates a substantial cost impact in the first year of the plan, with the consolidated results for the fiscal year ending March 31, 2023 forecasted to mark a significant decline in profit: net sales of ¥520,000 million (up 3.3% year on year), operating profit of ¥25,000 million (down 16.1% year on year), ordinary profit of ¥25,900 million (down 16.8 % year on year), and profit attributable to owners of parent of ¥15,800 million (down 53.2% year on year).

Consolidated Balance Sheets

(¥ millions)

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

(¥ millions)

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

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated statements of income

(¥ millions)

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

Consolidated statements of comprehensive income

(¥ millions)

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

Consolidated Statement of Changes in Shareholders' Equity

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

(¥ millions)

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

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

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

(¥ millions)

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

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	7,625	73	(1,131)	(1,779)	4,787	203	2,945	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
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

Consolidated Statement of Cash Flows

(¥ millions)

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

(¥ millions)

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

Consolidated Subsidiary Companies (As of March 31, 2022: 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.	Chiyoda-ku, Tokyo	¥310 million	100.0%	Seller of dairy products, etc.
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.
TOKYO DAIRY CO., LTD.*	Koto-ku, Tokyo	¥121 million	100.0%	Manufacturer and seller of dairy products, 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.
Chez Foret Co., Ltd.	Yachiyo City, Chiba	¥60 million	100.0%	Manufacturer of handmade desserts
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.	Urahoro-cho, 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.
NIHON SEINYU	Takahata-machi, Higashiokitama-gun, Yamagata	¥140 million	99.3%	Manufacturer and seller of dairy products, etc.
FUJI MORINAGA MILK INDUSTRY CO., LTD.	Nagaizumi-cho, Sunto-gun, Shizuoka	¥50 million	98.9%	Manufacturer and seller of ice cream
OKINAWA MORINAGA MILK INDUSTRY CO., LTD.	Nishihara-cho, 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 HOSHO MILK PLANT Co., Ltd.	Otaru City, Hokkaido	¥97 million	87.2%	Manufacturer and seller 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

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

*TOKYO DAIRY CO., LTD.: Notice of transfer of shares announced on September 1, 2022

*Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd.: Became a consolidated subsidiary in April 2022

Overseas Subsidiaries and Joint Ventures



Morinaga Nutritional Foods, Inc.

Established in Los Angeles in 1985, this company supplies US consumers with long-life TOFU made possible by Morinaga Milk technology.
<https://www.morinu.com/>



MILEI GmbH

Established as a Japan-Germany joint venture in 1972, the company is now a wholly owned subsidiary of Morinaga Milk. The company manufactures and sells products that include whey protein concentrate, lactose, and lactoferrin.
<https://www.milei.de/>



Morinaga Milk Industry (Shanghai) Co., Ltd.

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

Name	Location (in Japan)	Main products manufactured
Head Office	33-1, Shiba 5-chome, Minato-ku, Tokyo	—
Food Research & Development Institute	1-83, Higashihara 5-chome, Zama City, Kanagawa	—
Wellness & Nutrition Science Institute	1-83, Higashihara 5-chome, Zama City, Kanagawa	—
Food Ingredients & Technology Institute	1-83, Higashihara 5-chome, Zama City, Kanagawa	—
Next Generation Science Institute	1-83, Higashihara 5-chome, Zama City, Kanagawa	—
Food Solution Institute	1-83, Higashihara 5-chome, Zama City, Kanagawa	—
Tohoku Branch	2-10, Chuo 2-chome, Aoba-ku, Sendai City, Miyagi (Sen Metropolitan Building 6F)	—
Metropolitan Regional Office	8-1, Konan 3-chome, Minato-ku, Tokyo (Sumitomo Fudosan Shinagawakonan Building)	—
Kanto Branch	16-11, Sakaecho, Takasaki City, Gunma (Takasaki East Tower Building 7F)	—
Tokyo Branch	8-1, Konan 3-chome, Minato-ku, Tokyo (Sumitomo Fudosan Shinagawakonan Building)	—
Central Japan Regional Office	15-30, Tokugawa 1-chome, Higashi-ku, Nagoya City, Aichi (Nagoya Rizan Building 4F)	—
Tokai Branch	15-30, Tokugawa 1-chome, Higashi-ku, Nagoya City, Aichi (Nagoya Rizan Building 4F)	—
Hokuriku Branch	362, Tokumoto 2-chome, Nonoichi City, Ishikawa	—
West Japan Regional Office	1-5, Dojima 1-chome, Kita-ku, Osaka City, Osaka (Kanden Fudosan Umeda Shinmichi Building 6F)	—
Osaka Branch	1-5, Dojima 1-chome, Kita-ku, Osaka City, Osaka (Kanden Fudosan Umeda Shinmichi Building 6F)	—
Chushikoku Branch	3-7, Minamiyoshijima 2-chome, Naka-ku, Hiroshima City, Hiroshima	—
Saroma Plant	Nishitomi 123, Tokorogun Saromacho, Hokkaido	Powdered milk, concentrated milk, butter, and cream
Betsukai Plant	Nishishumbetsukiyokawacho 18, Notsukegumbetsukaicho, Hokkaido	Cheese, powdered milk, whey powder, and butter
Morioka Plant	3-14, Aoyama 2-chome, Morioka City, Iwate	Liquid foods
Fukushima Plant	Shimizuuchi 5, Fushigami City, Fukushima	Powdered milk, butter, decorating whipped cream, and ice cream
Tone Plant	4013-1, Uchimoriyamachi, Joso City, Ibaraki	Dessert, LL soft mix, LL tofu, probiotic products, and yogurt
Tokyo Plant	29-1, Okudo 1-chome, Katsushika, Tokyo	(Production discontinued in March 2021)
Tokyo Tama Plant	515, Tateno 4-chome, Higashiyamato City, Tokyo	Milk, milk-based drinks, tea drinks, yogurt, and cream
Yamato Plant	601, Tateno 4-chome, Higashiyamato City, Tokyo	Powdered milk
Matsumoto Plant	1-4, Kamada 2-chome, Matsumoto City, Nagano	Powdered milk, peptides, and medical food supplements
Fuji Plant	639, Nakazatohigashi, Fujinomiya City, Shizuoka	Lactulose (syrup, powder)
Chukyo Plant	1, Hitotsume, Nakanaracho, Konan City, Aichi	Milk, milk-based drinks, lactobacillus drinks, tea drinks, and ice cream
Kobe Plant	3, Mayafuto, Nada-ku, Kobe City, Hyogo	Milk, milk-based drinks, tea drinks, yogurt, and liquid foods
Administration Support Center	4-22, Meguro 4-chome, Meguro-ku, Tokyo	—
Information System Center	1-83, Higashihara 5-chome, Zama City, Kanagawa	—
Manufacturing Technology Center	515, Tateno 4-chome, Higashiyamato City, Tokyo	—
Chilled Products Coordination Center-East Japan	540, Tateno 4-chome, Higashiyamato City, Tokyo	—
Chilled Products Coordination Center-West Japan	3, Mayafuto Nada-ku, Kobe City, Hyogo	—
Order Control Center	8-1, Shin Yokohama 2-chome, Kohoku-ku, Yokohama City, Kanagawa (Morinaga Milk Shin Yokohama Building 3F)	—



Elovi Vietnam Joint Stock Company

Acquired 100% of its shares in 2021, the company is a wholly owned subsidiary of Morinaga Milk. The company manufactures and sells products that include milk-based beverage and yogurt.
<http://morinaga-elovi.com.vn/en>



Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd.

Established in Singapore in 2015, this company markets dairy raw materials, such as whey protein concentrate and lactose, and bifidobacteria, to infant formula manufacturers and other users in Southeast Asia and the Pacific region.
<https://mnf-ap.com/>
 *Became a consolidated subsidiary in April 2022



PT. Kalbe Morinaga Indonesia




This infant formula manufacturing company is a joint venture with Kalbe, Indonesia's biggest pharmaceutical manufacturer.

Corporate Data (As of March 31, 2022)

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: 3,349 Consolidated: 6,839
URL	https://www.morinagamilk.co.jp/english/

Partner Brands

	Kraft	Kraft Foods is the biggest food company in North America. Morinaga Milk and Kraft have been technology partners since 1970 in the area of cheese and cheese-related products.
	Lipton	With a history of over a century, Lipton is a favorite brand worldwide.
	Sunkist	Sunkist is a leading fruit brand in the United States. In Japan, Morinaga Milk sells products such as Sunkist fruit juices.

Information Disclosure Tools

For more detailed investor relations information, please see the investor relations page on the corporate website.

- IR News
- Management Information
- To our Investors
- Performance
- Stock Information
- IR Library
- IR Calendar



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



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	45,203,805 shares (excluding 4,641,538 shares of treasury stock)
Shareholders	22,181
Shareholders' registry manager, management institution for special accounts	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

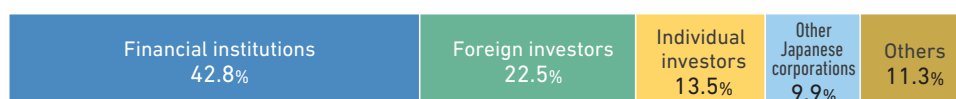
Shareholder	Shareholding (1,000 shares)	Percentage of shares held* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,205	15.94
Custody Bank of Japan, Ltd. (Trust Account)	3,442	7.62
MUFG Bank, Ltd.	1,388	3.07
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1,328	2.94
Mizuho Bank, Ltd.	1,222	2.70
Morinaga Milk Employees' Shareholding Association	974	2.15
Morinaga & Co., Ltd.	949	2.10
Mitsubishi UFJ Trust and Banking Corporation	923	2.04
JP MORGAN CHASE BANK 385839	892	1.97
The Norinchukin Bank	767	1.70

*Percentages of shares held are calculated based on the number of shares issued and outstanding after the subtraction of shares of treasury stock

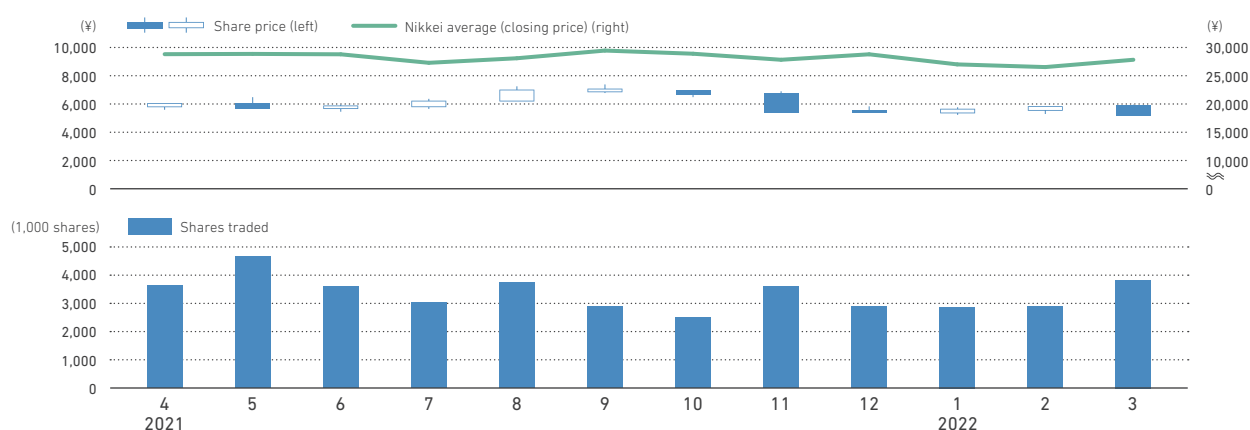
*The Company owns 4,641,538 shares of treasury stock but is excluded from the list of major shareholders above (as of March 31, 2022).

Of these, 2 million shares were cancelled in August 2022.

Distribution of Shares



Share Price/Turnover





For more information:

Morinaga Milk Industry Co., Ltd.

Investor Relations Group

Investor & Public Relations Department

Sustainability Division

TEL: +81-3-3798-8171

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