

Value Creation Process for Achieving Our Vision for 2030

To achieve 2030 Vision, we will create “the three values of health of mind, body and environment,” and realize sustainable growth by contributing to people’s wellness around the world.

Purpose

The Morinaga Group will continue to create healthy foods that can be enjoyed beyond generations, thereby bringing smiles to the faces of people around the world now and in the future.

External Environment

- Rising health consciousness through food
- Socioeconomic and lifestyle changes brought about by the COVID-19 pandemic
- Declining birthrate/ aging population and contraction of Japanese market (labor shortages)
- Changes in consumer behavior and business model driven by the evolution of digital technologies
- Rising world population and climate change, etc. (unstable raw materials procurement)
- Rising needs to resolve social issues (SDGs and ESG investment)

Materiality

- Contribute to healthy lives of people around the world
- Diversity and inclusion of people
- Achieve sustainable value chains
- Conserve the global environment
- Strengthen the business management foundation

See page 18

2030 Vision
See page 28

We Will Change into a Wellness Company.

Evolution of Management

Promote management with a long-term perspective using our current business model as a foundation

- Promote Purpose-driven Management**
- Implement the 2030 Business Plan**

See pages 28 and 46

Customer value

- Provide value of health to more than **70%** of Japan's population through new initiatives aimed at becoming a wellness company*2

Employee value

- Ratio of employees who find their job meaningful at work and who are in good mental and physical health at work: **80%***3

Shareholder value

- Management aware of capital costs
- Realize a stable and consistent shareholder return

Social value

- Procurement ratio of sustainable raw materials: **100%***4 (cacao beans, palm oil, and paper)
- CO2 emissions: **30%***5 reduction
- Use of plastics for *in Jelly* products: **25% reduction***6
- Food loss and waste: **70% reduction***7

Economic value*1

- Net sales: **300 billion yen**
- Operating income to net sales ratio: **12% or higher**
- Overseas sales ratio: **15% or higher**
- Focused domains' sales ratio: **60%**

Transition strategy

Management Capital (FY2022/3)

[Financial capital]

- Net assets: 131.1 billion yen
- Shareholders' equity ratio: 60.7%
- Long-term credit rating: A stable (obtained from JCR)

[Production capital]

- Production sites: 8 factories in Japan and 3 overseas
- 1 R&D center

[Intellectual capital]

- Patents owned: 176 in Japan and 105 overseas
- Trademarks owned: 535 in Japan and 596 overseas*
- R&D expenses: 2.6 billion yen

[Human capital]

- Employee loyalty: 80%*9
- Health management: Certified Health & Productivity Management Outstanding Organization

[Social capital]

- Relationships of trust with various stakeholders built over more than 120 years in the business
- Many long-seller brands

[Natural capital]

- Diverse raw materials with consideration for sustainability and close quality control

Business Model

Fast development and mass production of products that meet customer needs and deliver them across a broad range of channels

For whom

- Consumers looking for a delicious, easy, and quick nutritional support
- Consumers looking to satisfy a craving or refresh with confections or ice cream

Development and marketing

- Plan and develop products that meet constantly changing needs from customer's perspective
- Process healthy ingredients in a delicious manner

Procurement and manufacturing

- Stable procurement based on strong partnerships with suppliers
- Stable manufacturing of safe and reliable products by way of proprietary mass production technologies and sophisticated quality management

Logistics and sales

- Distribute products utilizing a stable logistics system and diverse sales channels
- Advertising and in-store promotions for new products with familiar brands

Outputs

Value Created (FY2022/3)

[Value provided to customers]

- Delicious • Fun • Healthy • Nutritional
- Convenient (easy and quick)

[Value provided to shareholders]

- Dividends paid: 4.4 billion yen
- Share buybacks: 1.4 billion yen
- Total returns to shareholders: 5.9 billion yen

[Morinaga's value]

- Achieved record high net sales*10
- Growing net sales of focused domains
- Receiving higher ESG scores from outside institutions

Strengths of the Morinaga Group

Trust
(history and brands spanning more than 120 years)

**Basic research/
Ingredient research**

Food processing technologies

Product developing capability

**Production technologies/
Mass production technologies**

Product distribution capabilities and information provision capabilities

Employee-friendly workplace environment

*1 The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)", etc., from the beginning of FY2022/3. *2 Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore establishment of a vision on a global basis. *3. Rate of positive responses on the employee awareness survey. *4. Group consolidated basis; paper covers product packaging. *5. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3).

*6. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics.) *7. Scope: Food loss and waste occurring from receipt of raw materials to delivery (distribution) (domestic Group consolidated basis; intensity; compared to FY2020/3). Excludes feedstuffs and fertilizers, etc., that are returned to the food resource chain. Food disposed of by incineration or in landfills is defined as "food loss and waste." *8. Number of rights owned as of the end of FY2022/3. *9. Positive responses to "I feel proud as a member of this company" on the employee awareness survey. *10 Accounting Standard for Revenue Recognition retroactively applied.