

Sustainable Management

Approach to Sustainable Management	55
Promotion of Health Management	56
Sustainable Value Chains	58
Conserving the Global Environment	60
Initiatives for Human Rights	64

Approach to Sustainable Management

The Morinaga Group will enhance its overall sustainability management to achieve its Purpose and the 2030 Vision with “Altruism” as the foundation, a tenet valued by the Company’s founder.



Machiko Miyai
Director, Managing Executive Officer
Responsible for Sustainable Management Division

► Sustainable Management and Promotion System

Currently in the global community, environmental changes, which are impacting business activities and increasing uncertainty toward the future, are taking place at an unprecedented speed. Other changes involve intensifying social issues including climate change and the rapid advancement of digitization. Under such conditions, we must work from a long-term perspective and follow clearly defined tasks to reach the position we aim to achieve through our Purpose and the 2030 Vision. The Morinaga Group has been conducting business with a strong conviction toward contributing to society since its inception. We will take a more proactive approach toward efforts aimed at realizing a sustainable society, including achieving the SDGs as a member of the global community.

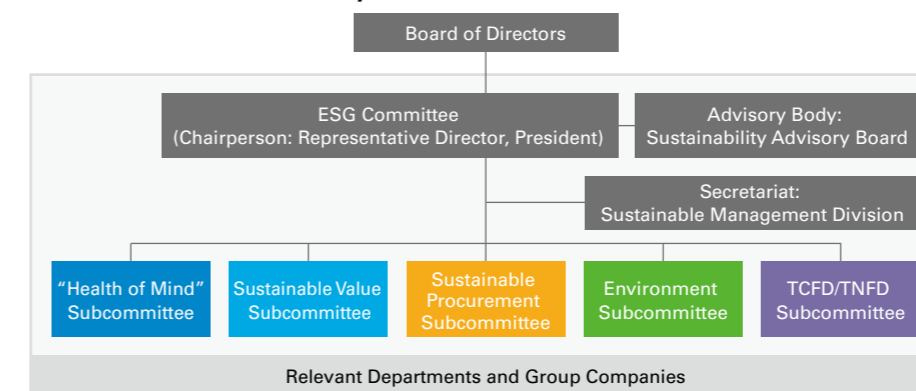
As organizations to promote these efforts, we established the ESG Committee, which is chaired by the Representative Director, President, and the Sustainable Management Division to support and promote the entire Group’s sustainability and ESG initiatives. The Sustainable Management Division serves as the secretariat for the ESG Committee, with the heads of departments working to attain our

long-term targets for 2030 serving as committee members. The Committee reports on and shares the latest societal trends related to sustainability, as well as deliberates necessary items on policy, planning, and responses to issues to achieve our Purpose and the 2030 Vision.

We have set up five subcommittees under the ESG Committee. Each subcommittee is chaired by a Director and comprises members from relevant departments. Furthermore, we established the Sustainability Advisory Board, with the participation of three outside experts, to qualitatively improve sustainable business management. Aimed at achieving the Long-Term Targets for 2030, we will steadily implement activities for sustainability.

The Morinaga Group will continue to disclose the status and progress of its activities as appropriate through the Integrated Report and its corporate website, enhance transparency throughout the Group, and strengthen responses to requests for disclosure of ESG information from external organizations and business partners.

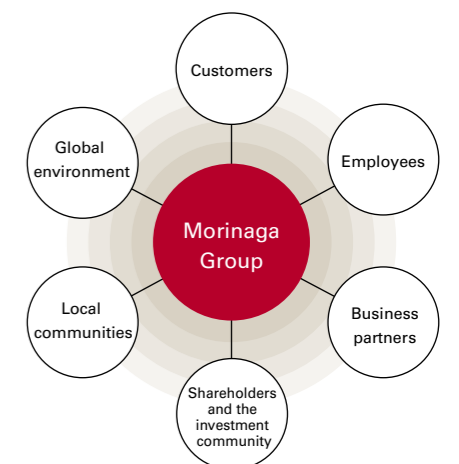
<Schematics of Sustainability Promotion>



Second Meeting of the Sustainability Advisory Board

► Co-Creation with Stakeholders Aimed at a Sustainable Society

Resolving social issues related to business requires consistent efforts involving the entire value chain. We believe that co-creation with stakeholders is essential to address issues such as health management, sustainable value chains, conserving the global environment, and human rights. The Group has identified six stakeholders: customers, employees, business partners, shareholders and investors, local communities, and the global environment. We will contribute to the realization of a sustainable society by engaging in two-way communication with stakeholders through our corporate activities and promoting collaborative initiatives.



Promotion of Health Management

Toward 2030

To continue to be a wellness company, we will work to create a work environment that maintains and improves our employees' "health of mind and body."

Relevant Stakeholders

Employees

Basic Philosophy

Based on the Morinaga Group Declaration on Health, we support efforts to maintain and improve employees' "health of mind and body." By creating a work environment where employees can work in good health and feel motivated, we aim to energize the organization through improved employee vitality and productivity, as well as to provide sustainable growth of the Group and better value to society.

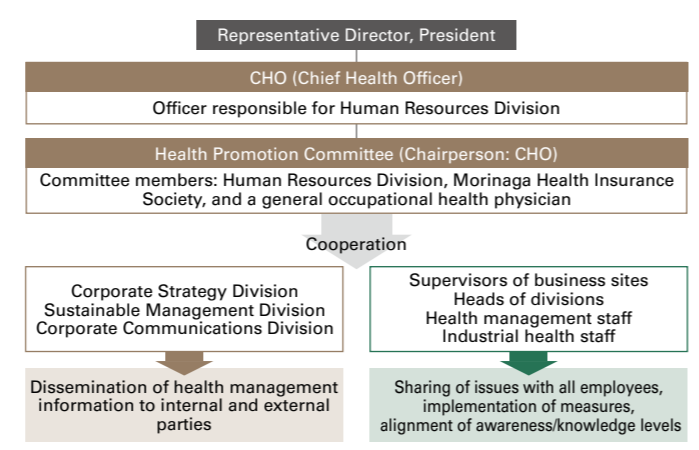
Morinaga Group Declaration on Health

As a sustainable company that keeps growing, we are committed to promoting the health of each and every employee working for the Morinaga Group to create food that benefits a healthy mind and body and to contribute to the realization of a sustainable society where everyone can smile.

1. We support each and every employee so that they can enhance their health awareness and independently maintain and improve their own health.
2. We seek to increase employee engagement by promoting diversity management and supporting employee efforts and their autonomous growth.
3. We provide a work environment where our employees can work in safety and comfort.

Promotion Structure

We have established the position of Chief Health Officer, who is the officer in charge of the Human Resources Division and reports directly to the Representative Director, President, and the Health Promotion Committee, whose members include industrial health staff in addition to representatives from the Human Resources Division and the Morinaga Health Insurance Society. Together, they make decisions on the formulation of philosophies and policies, and the consideration and implementation of measures. Persons in charge of health management and industrial health staff assigned to major business sites nationwide in Japan are responsible for rolling out specific measures to continuously address health issues facing employees and their families and improve their health.



Targets and Initiatives

Employee Awareness Survey
 "Employees find their job meaningful and they are in good mental and physical health at work." **Rate of positive responses: 80%**

Health of Mind

Promotion of "health of mind"

The term *Kokoroku* is used at Morinaga to define the six building blocks behind the ideal state of "health of mind." We hold seminars for employees to understand and promote *Kokoroku*.

Measures for Mental Health

To improve self-management skills and raise awareness of mental health, we regularly hold training for managers (employee care) and self-care seminars for all employees. The uptake rate of stress checks has remained at 95% or higher since the introduction of the system, and we are using the results to provide opportunities for employees to take notice of their own stress level and to improve

the work environment through group analysis. In addition, we have established dedicated points of contact for consultation inside and outside the Company to create an environment where employees can easily seek out consultation.

Measures to Improve Stress Tolerance

We conducted training for increasing tolerance to stress using pulse surveys with the expectation that it would lead to practical actions by knowing about changes before and after the training. In addition to the results of the pulse survey showing an improvement trend in all items compared to before the training, more than 95% of participants responded that they were "satisfied" with the content of the training in the post-training survey.

Health of Body

Habit—A Company-Wide Health Improvement Event

This year marks the 21st anniversary of the Morinaga Health Insurance Society's unique initiative called Habit, in which employees set their own health-related goals and improve exercise and dietary habits with the aim of improving the health of employees and their families and improving their lifestyles. The number of participants this year exceeded 1,900.

Voice of a Participant

Working to increase my sleep time and improve calorie intake during Habit changed my perceptions of lifestyle habits and life rhythm. I will take this opportunity to change my awareness from within myself and lead a healthier life.

Building Age-Friendly* Workplaces

The employees at our workplaces represent a wide range of age groups. The Group is focusing on building age-friendly workplaces where all employees, regardless of age, can play an active role. For example, to support the safety and further success of senior employees with a wealth of knowledge and experience, we are implementing training and physical fitness measurement at the Group's factories, as well as our own fall prevention exercises, with the aim of ensuring that all employees can continue to work safely and remain healthy for a long time.

**Age-friendly means that consideration is given to the unique traits of seniors and the elderly*

Voice of a Participant

Training and physical fitness measurement for senior employees became a hot topic among my peers of the same age, leading to improved communication. We also take part in fall prevention exercises conducted before the start of work to help prevent occupational injuries.

Labor Environment

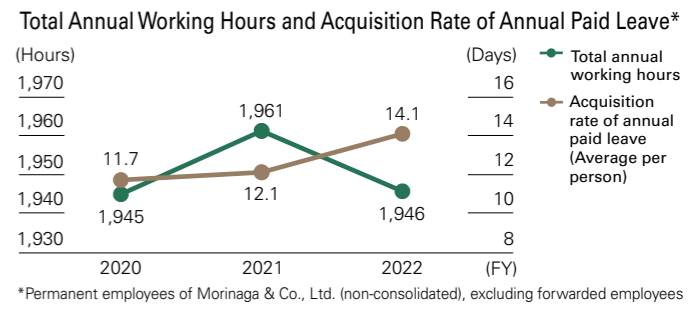
Increasing Health Literacy

We hold our Health Forum every year with outside experts and occupational physicians as speakers. In FY2022, we held the forum under the theme of "exercise and health during the COVID-19 pandemic." More than 80 employees from across Japan participated online, and the forum's attempt to promote exercise on screen was well received.

Initiatives to Reduce Total Working Hours

We are implementing various measures to prevent prolonged working hours that could have an adverse effect on health. These include improving the accuracy of working hour management. Together with the labor union, we hold labor-management meetings on working hour measures to understand the current situation and exchange opinions on solutions to improve the working environment. We recommend that the time gained by reducing prolonged working hours be used to accumulate career capital* and improve the work-life balance, leading to the realization of healthier lives for employees.

**Career capital refers to business capital, social capital, and economic capital in our concept of self-sustaining career development called the protean career.*



Regular Interviews and Follow-up by Occupational Health Physicians/Public Health Nurses for Expatriate Employees

Occupational physicians and public health nurses regularly follow up on the health of expatriate employees assigned to postings abroad so that they can play an active role with peace of mind in an environment and culture different from that of Japan. In addition, we have established counseling services for expatriate employees and their accompanying families, provided by clinical psychologists and counselors who have lived abroad.

Initiatives for Occupational Health and Safety

The Group conducts occupational health and safety activities, a foundation of corporate management, in accordance with the Occupational Health and Safety Policy. Regardless of individual differences in age, experience, language, employment relationship, or place of work, we aim to maintain and improve a safe and comfortable working environment for all. For example, we conduct regular safety training with the highest priority given to the safety and health of employees, thoroughly manage workplace safety, and engage in accident and disaster prevention activities.

Frequency Rate

	FY2020	FY2021	FY2022
LTIFR*	0.52	0	0.25
Number of occupational accidents involving fatalities (persons)	0	0	0

**Frequency of occupational accidents indicates the number of injuries/fatalities (not including sick or injured due to non-lost work time accidents) due to occupational accidents per one million working hours. (Figures for Morinaga & Co., Ltd., factories and production-related affiliated companies)*

External Recognition

We have been recognized as a 2023 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category), a program jointly run by the Ministry of Economy, Trade, and Industry and Nippon Kenko Kaigi. This marks the sixth consecutive year that we have received this recognition. In addition, we have been recognized as a Sports Yell Company by the Japan Sports Agency for being a company that actively promotes and supports sports activities to improve the health of its employees.



Sustainable Value Chains

Toward
2030

Taking actions to address social issues relevant to our businesses across the entire value chain in contributing to a sustainable society.

Relevant Stakeholders

Customers	Employees	Business partners	Local communities	Global environment
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Long-Term Targets for 2030

- Sustainable procurement of raw materials: 100% for cacao beans, palm oil, and paper*¹
- CSR supply chain management: Implement for 80% or more of raw materials transaction value*²
- Food loss and waste reduction: Food loss and waste reduced by 70% from receiving of raw materials to delivery (distribution)*³

*¹ Group consolidated basis. Paper covers only product packaging. *² Group consolidated basis
*³ Domestic Group consolidated basis. Intensity; compared with FY2019

With the intensifying severity of social issues such as climate change, all stakeholders are expected to address these issues in accordance with their own abilities and responsibility. The Morinaga Group has

also been making efforts to realize “health of environment,” which will contribute to the sustainability of society and the global environment throughout our entire value chain.

Promote Sustainable Raw Materials Procurement

For main raw materials, including cacao beans, palm oil, and paper, we aim to switch to sustainable sources by 2030.

Cacao beans, a key raw material for chocolate, are associated with a range of social issues including human rights issues such as working conditions, poverty, and child labor, and environmental issues such as deforestation. We began using certified cacao beans (Cocoa Horizons*¹-certified cacao supplied by the Barry Callebaut Group) in some of our chocolate products in FY2020, and we intend to switch to 100% certified cacao beans by FY2025.



Illegal logging and human rights problems in producing regions of palm oil, which is extracted and refined from oil palm trees, have become social issues. The Group will switch to certified palm oil (RSPO*²-certified raw materials) and aims to switch all its products in Japan to certified palm oil by FY2023.

Sustainable procurement of timber resources for raw paper material is in demand as resources continue to decline worldwide due to deforestation and illegal logging. The Group has been procuring FSC®-certified paper*³ (some specialty papers are recycled paper or certified paper by a third-party organization) and other materials and has been working to switch all our products in Japan to sustainable paper. In FY2022, some materials could not be replaced,

resulting in a usage rate of 99.9%. We will continue to promote initiatives to achieve our goals.

- *¹ Cocoa Horizons-certified cacao supplied by the Barry Callebaut Group are cacao beans using the Cocoa Horizons Foundation's mass balance method (certification model that combines certified and non-certified raw materials).
- *² RSPO: Roundtable on Sustainable Palm Oil. The RSPO is involved in the development and operation of the sustainable palm oil certification scheme.
- *³ FSC®N003064

Sustainable Procurement Medium-Term Targets and Progress*

	Medium-Term Targets	Results for FY2022	Single Month Results for March 2023
 Cacao beans	FY2025 100%	34%	72%
 Palm oil	FY2023 100%	9%	45%
 Paper	FY2022 100%	99.9%	-

*Scope: Morinaga products in Japan. Paper covers only product packaging.

 Procurement Policy ▶ <https://www.morinaga.co.jp/company/english/sustainability/valuechain/procurement.html>

Promote CSR Supply Chain Management

We are working together with our raw material suppliers to prevent human rights, labor, and environmental issues within the supply chain. The Supplier Guidelines formulated in June 2021 serve as a foundation for establishing a fair, just, and highly transparent relationship with our suppliers in promoting procurement activities with consideration to society and the environment.

To better understand the ESG measures of our raw material suppliers, in March 2022, we conducted a CSR procurement survey

of the 48 main business partners of Morinaga & Co., Ltd. (Japan). In FY2023, we have been holding dialogues with suppliers to determine the status of their initiatives and promote understanding of the Group's policies.

The Group will continue to conduct regular monitoring, build strong long-term partnerships with suppliers, and engage in activities in accordance with the Morinaga Group Supplier Guidelines, with the aim of realizing sustainable procurement.

 The Morinaga Group Supplier Guideline

▶ https://www.morinaga.co.jp/company/english/sustainability/policy/pdf/policy_supplier-guideline.pdf

FY2021 Results of the CSR Procurement Survey

	Number of Companies Receiving the Survey	Ratio of Raw Material Transaction Value* ¹	Survey Response Rate	Average Score* ²
Raw materials	35 companies	81%	100%	83%
Materials	13 companies	81%	100%	88%
Total	48 companies	-	100%	85%

*¹ Morinaga & Co., Ltd., in Japan (non-consolidated)

*² Evaluation of items such as the environment and human rights based on the Global Compact Network Japan's CSR Procurement Self-Assessment Questionnaire

Reduction of Food Loss and Waste

Food Loss and Waste Reduction Long-Term Target and Progress*



*Scope: From receiving raw materials to product delivery (distribution) (Domestic Group consolidated) Intensity [Annual Food Loss and Waste Amount (t) ÷ Annual Production Weight (t)] (Compared with FY2019)

Food loss and waste is defined as food that has been processed and disposed of by incineration, landfill, or other means, except for food waste that has been returned to the circulation of food resources, such as feed and fertilizer.

As a responsible food company, we must address the issue of food loss and waste. The Morinaga Group has established a long-term goal for food loss and waste reduction, which we are now working to achieve.

The Production Headquarters has faced the challenge of reducing food loss and waste on the frozen desserts production line of Takasaki Morinaga Co., Ltd., that was newly installed in FY2021. In cooperation with the factory and related departments, we installed equipment to reduce defective products during production line operation and further optimized manufacturing conditions, reducing food loss and waste by 838 tons compared with FY2022. We are also working to increase the food recycling rate, and the Mishima Factory, Takasaki Morinaga Co., Ltd., and Morinaga Angel Dessert Co., Ltd., each have achieved a 100% recycling rate. In addition to aiming for a 100% food recycling rate at all

our factories, we will strive to shift to more value-added recycling and promote the effective use of resources.

The Sales Headquarters is also promoting multiple initiatives to reduce food loss and waste. The West Japan Branch Office is continuing to work with Osaka Prefecture as a member of the Osaka Food Loss and Waste Reduction Partnership System. At the 2nd Food Loss and Waste Reduction Network Roundtable held in February 2023, we proposed recipes that consumers can easily use in their daily lives as one of the methods for reducing food loss and waste. In addition, we are cooperating with retailers to eliminate waste from the world by supplying non-standard products generated during manufacturing at affordable prices without discarding them. We participated in this initiative with non-standard *Potelong* of irregular lengths and received the Consumer Affairs Agency Commissioner's Award in the FY2022 Consumer-Oriented Management Excellent Practice Awards.

We will continue to promote the recycling and effective use of food resources through these initiatives, reducing the generation of food loss and waste, and donating to food banks.



Recipe proposal at the 2nd Food Loss and Waste Reduction Network Roundtable



Potelong of irregular lengths

15th anniversary of One Chocolate for One Smile

Project for connecting smiles with chocolates




Cacao-producing countries face various social issues. One action that the Morinaga Group is taking to address these issues is the customer-led campaign called One Chocolate for One Smile. This activity marked its 15th anniversary in 2023.

In addition to donations made throughout the year, during special periods, we run a campaign to donate one yen for each eligible product purchased by customers, such as Morinaga chocolates. The cumulative amount of donations up to FY2022 reached approximately 290 million yen, and through our support partners Plan International Japan and the nonprofit organization ACE, we are supporting children in cacao-producing countries

from various angles, such as prevention of child labor, protection of children, school attendance support, and the construction of school classrooms.

From FY2021, we added frozen desserts products such as *Ita Choco Ice* to the target products. Our commitment is to “pave the road to a future where people who eat chocolate and the children learning in cacao-producing countries can smile together.”



 One Chocolate for One Smile (Japanese only) ▶ <https://www.morinaga.co.jp/1choco-1smile/>

Conserving the Global Environment

Relevant Stakeholders

Customers	Employees	Business partners	Local communities	Global environment
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Toward 2030

To achieve the health of environment, we strive for the health of society by minimizing environmental impacts in our business activities and conducting environmental conservation activities from a medium- to long-term perspective.

Long-Term Targets for 2030

- Goal of net-zero GHG emissions by FY2050*1
- 30% reduction in CO₂ emissions by FY2030*2
- Reduce the plastics used for *in Jelly* products by 25%*3 by FY2030

*1 Group consolidated basis *2 Scope 1 + 2 (domestic Group consolidated basis; compared with FY2018)
*3 Target: Amount of plastics used in packaging materials (intensity; compared with FY2019; including replacement with biomass plastics)

Global environmental issues, such as climate change and environmental pollution caused by plastic waste, could potentially impact the Group's business and performance over the medium to long term. We will accelerate our initiatives on environmental conservation appropriately and strategically following the Morinaga Group Environmental Policy to achieve sustainable growth for the Group and provide the "health of environment."

Management Division to exchange information with the Factory Environment Management Committee and other organs, as well as to promote continuous improvements to our environmental management system based on the ISO 14001 certification and to reduce the environmental impacts and increase productivity.

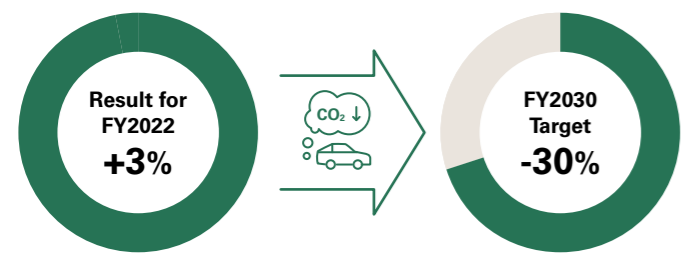


To achieve this, the ESG Committee deliberates, formulates, and reviews progress on important policies and targets related to the environment. The Environment Integration Office was established by the Production Administration Division and the Sustainable

Please see our corporate website for the Morinaga Group's environmental policy, Environmental Management Promotion System, and ISO 14001 certification status. Environmental Policy ▶ <https://www.morinaga.co.jp/company/english/sustainability/environment/#policy> Multisite Organization Chart and ISO 14001 Certification Status ▶ <https://www.morinaga.co.jp/company/english/sustainability/environment/>

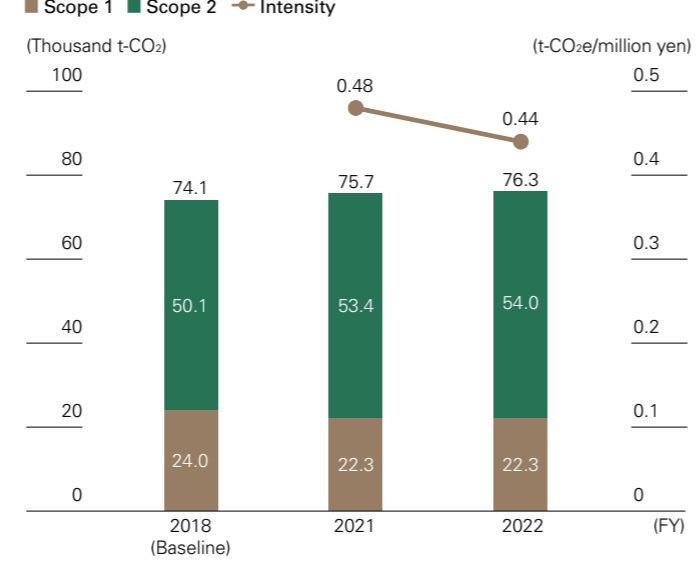
Response to Climate Change Issues

CO₂ Emissions Reduction: Long-Term Target and Progress*



To contribute to a decarbonized society, we are promoting carbon management including energy conservation and the introduction of renewable energy to achieve the long-term goal of net-zero greenhouse gas emissions by 2050. In FY2022, CO₂ emissions increased by 3% compared with FY2018 due to higher production volume. Nevertheless, we are working to prevent energy loss by introducing cameras that detect air and steam leaks from equipment at domestic production sites, while Takasaki Morinaga Co., Ltd., is preparing to install a solar power generation system expected to lower CO₂ emissions by more than 1,100 tons per year in the near future. We will continue to work toward a decarbonized society from various angles.

CO₂ Emissions (Scope 1 + 2)*



*Domestic consolidated basis. CO₂ emissions are rounded up to the second decimal place. Figures for FY2020 and onward are assured by a third party, LRQA Limited. The Company applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)," and other regulations, from the beginning of FY2021. The figures for FY2020 are from after retroactive application of the said accounting standard.

Main Initiatives Aimed at Reducing Greenhouse Gas Emissions

Initiatives	Details
1 Reducing CO ₂ emissions at production sites	<ul style="list-style-type: none"> ● Promote visualization of CO₂ emissions ● Establish a highly efficient production system by promoting a changeover to smart factories ● Implement energy conservation initiatives (e.g., adopt high-efficiency and energy-saving equipment, operate air conditioning efficiently) ● Install a solar power generation system
2 Initiatives at facilities using fluorocarbons	<ul style="list-style-type: none"> ● Consider switching to alternative fluorocarbons with low ozone depletion potential and non-fluorocarbon materials ● Strengthen preventive management of fluorocarbon leakage ● Introduce natural refrigerant equipment with zero ozone depletion potential and low global warming potential (Morinaga Angel Dessert Co., Ltd., Morinaga Dessert Co., Ltd., and Takasaki Morinaga Co., Ltd.)
3 Initiatives in logistics	<ul style="list-style-type: none"> ● Improve the loading rate and reduce the number of vehicles by coordinating transportation and delivery with other companies in the industry

Promotion of Environmental Consideration in Containers and Packaging

In recent years, marine pollution by plastic waste has become a serious issue that is attracting growing concern globally. The Group believes its efforts through business activities are important and has established a long-term goal to reduce plastic use in the packaging

material for mainstay *in Jelly* products. With this long-term goal as a starting point, we will promote initiatives toward achieving a resource-recycling society.

Environmental Initiatives in the Containers and Packaging of Major Brands

Reduce the weight and volume of plastic products

Pouches with thinner plastics | Cups with thinner plastics

Switch to eco-friendly materials for packaging

Change straws to 5% biomass blended plastic

Promote recycling

The *in Jelly* Recycling Program* was launched in September 2021.

A collection box was set up at Hikarigaoka Girls' High School

*An initiative jointly led by Morinaga and TerraCycle Japan G.K. to collect empty jelly containers and recycle them into new plastic products.

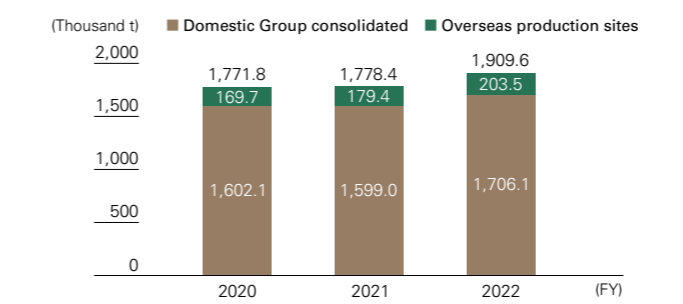
Effective Use of Water Resources

In recent years, there has been the growing risk of water resource shortages due to rising populations and the frequent occurrence of natural disasters caused by climate change. We believe that water resources are essential to our Group's business activities, and it is important to promote business activities that effectively assess water stress*1 and utilize water resources. We assessed water stress and conducted water withdrawal surveys in regions where

production sites are located using Aqeduct**2, which identified regions facing high water stress and water resources usage. We will now strive to ascertain risks related to water resources to ensure effective use of these resources.

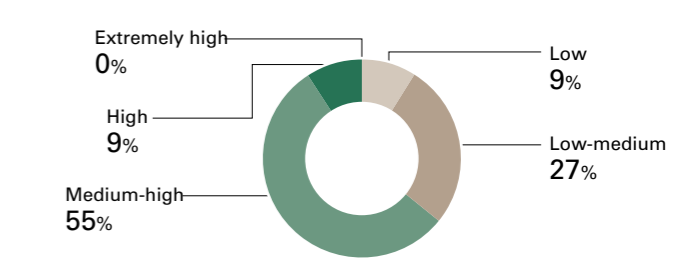
*1 A state in which water supply and demand is tight. Water stress occurs when the maximum available water resources per capita fall below 1,700 m³.
*2 World Resources Institute's Aqeduct Water Risk Atlas

Amount of Water Resource Usage*



*Domestic figures reflect Group consolidated figures. Overseas figures reflect figures at production sites. The domestic Group consolidated figures for FY2020 and later are assured by a third party, LRQA Limited.

Water Stress Evaluation of All Production Sites (FY2022)



Scope: Four factories of Morinaga & Co., Ltd. (Yokohama, Kanagawa; Oyama, Tochigi; Mishima, Shizuoka; Anjo, Aichi), four affiliated production companies (Takasaki, Gunma; Yamato, Kanagawa; Tosu, Saga; Amagasaki, Hyogo), and three overseas production sites (North Carolina, USA; Taipei, Taiwan; Zhejiang, China)

Conserving the Global Environment

Information Disclosures Based on the TCFD Recommendations

The Morinaga Group recognizes that climate change is an important issue that affects the continuity of its operations and sustainable growth. In April 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which

was established by the Financial Stability Board (FSB). Since then, we have been addressing the TCFD recommendations, including conducting climate change scenario analysis.

Area	Details
Governance	<p>The Morinaga Group's analysis of risks and opportunities, target setting, and progress monitoring concerning sustainability initiatives are deliberated on by the ESG Committee, which is chaired by the Representative Director, President. Findings are then reported to the Board of Directors, which also supervises the status of activities. In FY2022, the ESG Committee convened eight times.</p> <p>The deliberations of the ESG Committee are considered in various aspects of decision-making concerning management. To review climate change initiatives, we established the TCFD/TNFD Subcommittee*1 under the ESG Committee. This subcommittee is responsible for analyzing the Group's risks and opportunities and reviewing responses following the TCFD recommendations. It is chaired by the Director and Managing Executive Officer in charge of the Sustainable Management Division. Regarding the TCFD themes, we held two subcommittee meetings in FY2022. The results of this review process are reviewed by the ESG Committee and then reported to the Board of Directors, which supervises the status of activities.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Review and Promotion System</p> </div>

In the process of identifying risks and opportunities of climate change, Morinaga established the 4°C, 2°C, and 1.5°C scenarios for its domestic food manufacturing business. Based on the information released by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), we used these scenarios to analyze the impacts in Japan in 2030 and 2050. The table below contains a summary of the risks and opportunities, and responses to them.

Examples of the Morinaga Group's Important Risks

Category	Subcategory	Risk Factors	Impact on Operations	Importance	Response
Transition risks	Policy and regulation	Spread of GHG emissions pricing and stricter GHG emissions reporting obligations	Rising energy costs and logistics costs caused by the introduction of carbon taxes	Medium	<ul style="list-style-type: none"> Promote initiatives aimed at the CO₂ emissions reduction target Promote visualization of CO₂ emissions at factories, implement energy conservation measures, and establish a highly efficient production system through reorganization
		Stricter energy conservation policy	Rising cost of capital investment for manufacturing facilities due to the Company's response to energy conservation	Large	
Physical risks	Chronic	Changes in rainfall patterns and extreme changes in weather patterns	Rising raw material and development costs due to quality deterioration and yield reduction of crops	Large	<ul style="list-style-type: none"> Promote raw materials procurement in consideration of the environment in line with the Procurement Policy and Supplier Guidelines Purchase raw materials from multiple suppliers (or multiple sites)

Examples of the Morinaga Group's Important Opportunities

Category	Opportunity Factors	Impact on Operations	Importance	Response
Resource efficiency	Development and use of efficient production and distribution processes	Declining manufacturing and transport costs	Large	<ul style="list-style-type: none"> Promote efficient production activities by rebuilding the production system and creating smart factories*2 Establish more efficient system/transport logistics and deliveries with fewer environmental impacts
Products and services	Adaptation to climate	Rising demand for <i>in Jelly</i> and frozen desserts due to global warming	Medium	<ul style="list-style-type: none"> Increase sales of <i>in Jelly</i> and frozen desserts

For more detailed information, please refer to "Information Disclosure based on the TCFD's Recommendations" on our corporate website. [https://www.morinaga.co.jp/company/english/sustainability/environment/climate-change/tcfd/](https://www.morinaga.co.jp/company/english/sustainability/environment/climate-change/tcf/)

We will also address other risks and opportunities deemed important as appropriate.

Area	Details
Risk Management	<p>The Morinaga Group's Total Risk Management Committee, which is chaired by the Representative Director, President, identifies risks, evaluates the severity, reviews countermeasures against these risks, monitors progress, and manages and addresses risks appropriately. Climate change risks are managed and addressed appropriately as management risks by the same committee. In addition, the TCFD/TNFD Subcommittee conducts reviews in line with the TCFD recommendations, with the results deliberated by the ESG Committee. The details of discussions held by both committees are reported to the Board of Directors, which oversees the progress of risk management.</p> <p>Based on the above, management conducts business operations after carrying out appropriate oversight of company-wide risks.</p>

Area	Details
Indicators and Targets	<p>To mitigate climate change risks, the Morinaga Group has established targets to reduce CO₂ emissions (Scope 1 + 2) by 30% from FY2018 in Japan by 2030 and to achieve net-zero GHG emissions by 2050. We are actively improving energy efficiency at our production sites (e.g., preventing air leaks, adding insulation) by upgrading our infrastructure and utilizing new and efficient equipment, thus highlighting our shift away from fossil fuels. At the same time, we are considering the introduction of renewable energy and implementing measures to achieve these targets.</p> <div style="text-align: center;"> <p>CO₂ Emissions (Scope 1 + 2) (Thousand t-CO₂)</p> <p>Note: Domestic consolidated basis</p> </div>

*1 The TCFD Subcommittee was renamed the TCFD/TNFD Subcommittee in FY2022.
*2 Smart factory: Using IoT and AI technologies to integrate the technology and digital data of production equipment to ensure stable operations and increase production efficiency

Initiatives for Natural Capital and Biodiversity

The Morinaga Group Environmental Policy clearly states that we will deepen our understanding of biodiversity and strive to maintain and conserve biodiversity and protect ecosystems. We will make efforts

to understand our corporate activities' dependence and impact on natural capital, and work to maintain and conserve it.

Area	Details
Governance	<p>For governance information related to the Group's sustainability, please refer to the governance section in "Information Disclosures Based on the TCFD Recommendations" on page 62. Discussions on natural capital and biodiversity are conducted by the TCFD/TNFD Subcommittee, which operates under the ESG Committee. Using the beta version v0.4 of the TNFD framework and the LEAP approach advocated by the TNFD as a reference, we analyze the Group's dependence and impact on natural capital, risks, and opportunities. The subcommittee is chaired by the Director, Managing Executive Officer in charge of the Sustainable Management Division.</p> <p>Regarding the TNFD themes, we held four subcommittee meetings between April and September 2023. The results of this review were deliberated on by the ESG Committee. In turn, findings are reported to the Board of Directors, which also supervises the status of activities.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Review and Promotion System</p> </div>
Risk management	<p>Risks and opportunities related to natural capital and biodiversity are examined by the TCFD/TNFD Subcommittee, with the findings deliberated on by the ESG Committee. The details of deliberations are reported to the Board of Directors, which supervises the status of risk management.</p>

Dependence and Impacts on Natural Capital

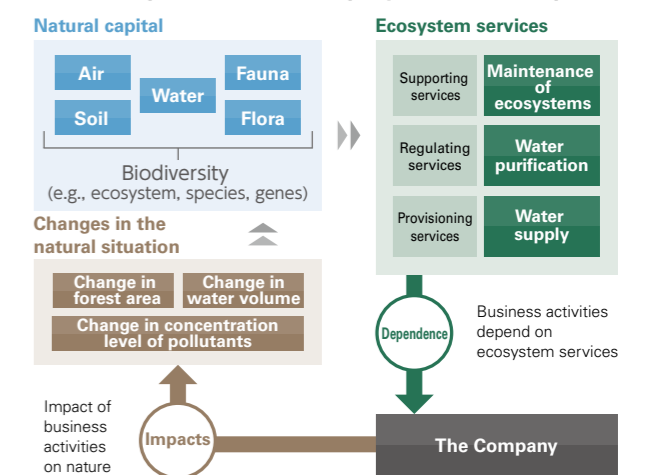
The Group recognizes its dependence and impacts on natural capital associated with corporate business activities as shown in the figure at right. In addition, we confirmed the dependence and impacts of the Group's main business of food product manufacturing, and the Group's main raw materials, such as cacao, palm, and wood (paper). The figure below shows the results of our assessment on 25 items—16 dependent items and nine impact items—using an external tool.

The production of food products is particularly dependent on the supply of water. We understand that the production of cacao, palm, and wood (paper) depends on many forms of natural capital such as good quality soil, water, and climate adjustment, and that the expansion of farmland and deforestation might affect biodiversity.

For cacao beans, palm oil, and paper, the Group is working to procure 100% sustainable raw materials.

We will further deepen our understanding of the situation of natural capital and strive to maintain and conserve natural capital and biodiversity.

Relationship between the Company and Natural Capital



For details on the promotion of the procurement of sustainable raw materials, see page 58.

Assessment of Dependence and Impacts on Natural Capital*2

Category	Dependence										Impacts									
	Ecosystem services										Pressure on biodiversity			Environmental factors						
	Supporting services & Regulating services				Regulating services			Provisioning services			Deforestation		Pollution of soil, water, and air	Impacts on protected areas and conservation areas		Impacts on important regions for biodiversity	Impacts on other important regions		Impacts on ecosystems	
Food product manufacturing	●	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Cacao	●	○	○	○	○	○	○	○	○	○	●	●	●	●	○	○	○	○	○	○
Palm	●	○	○	○	○	○	○	○	○	○	●	●	●	●	○	○	○	○	○	○
Wood (paper)	●	○	○	○	○	○	○	○	○	○	●	●	○	○	○	○	○	○	○	○

*1 The name of the TCFD Subcommittee was changed to the TCFD/TNFD Subcommittee in FY2022. *2 A total of 25 items were assessed, with 19 listed as having a high degree of dependence or impact.

Initiatives for Human Rights

Relevant Stakeholders

Customers	Employees	Business partners	Local communities
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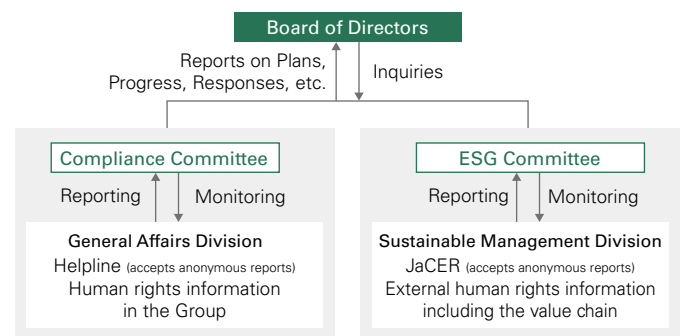
Toward
2030

We will engage in business while respecting global principles and guidelines so that everyone in the world can leverage their individuality and protect their rights.

▶ Human Rights Management System

We have established the Morinaga Group Code of Conduct and Standards of Behavior, the Morinaga Group Human Rights Policy, and the Morinaga Group Supplier Guideline. We are working to share our philosophy on human rights defined in these policies through compliance training sessions for all employees and supplier briefings. In the unlikely event of a concern about respect for human rights, the Compliance Committee and the ESG Committee discuss how to respond, and a system has been put into place whereby the Board of Directors receives reports from both committees and then provides supervision and gives instructions.

Human Rights Management System Diagram



▶ Reinforce Human Rights Management

Revised the Human Rights Policy

In 2023, after consulting with experts and professionals, we revised the Morinaga Group Human Rights Policy and declared that we will respect international frameworks and norms, including the UN Guiding Principles on Business and Human Rights. In addition to eliminating discrimination, harassment, child labor, forced labor, and human trafficking, we have made it clear that we will pay what is considered a living wage; eliminate discrimination, including gender-based, in recruitment and treatment; and avoid advertisements that have a negative impact on children.

Morinaga Group Human Rights Policy

▶ <https://www.morinaga.co.jp/company/english/ir/policy/pdf/humanrights.pdf>

Assessment of Human Rights Issues (Negative impacts)

As part of our human rights due diligence initiatives, we conducted a theoretical evaluation on the negative impacts of the Group's business on human rights. At present, we have reaffirmed that consideration for occupational health and safety and the rights of foreign workers is required more than ever in manufacturing processes inside and outside the Group, and that there are various issues related to wages and working hours in raw materials other than child labor in cacao-producing areas. While verifying the results of this assessment, we will continue to work to identify specific negative impacts.

Grievance Mechanism

We joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which was established in 2022,

Road Map to Reinforcing Human Rights Management

Results for FY2021

- Started initiatives on human rights due diligence
- Completed the Supplier Guideline
- Commenced the CSR procurement survey based on the Supplier Guideline
- Conducted stakeholder engagement with NGOs and NPOs
- Promoted internal training and education (e.g., basic approach to respecting human rights and prevention of harassment)

Results for FY2022

- Became a signatory to the UN Global Compact
- Developed raw materials procurement guidelines for cacao beans, palm oil, and paper
- Conducted a theoretical evaluation of the negative impacts our business has on human rights
- Joined JaCER and began using its grievance platform
- Held the "Business and Human Rights Seminar" for executive officers

FY2023

- Revise the Morinaga Group Human Rights Policy
- Expand internal training and education (e.g., global approaches to business and human rights)
- Respond to issues identified (starting with urgent issues)
- Review the progress of responses to issues and report those in the integrated report and other public documents

Up to 2030

- Increase trust and brand value/corporate value through initiatives for business and human rights

as a founding member, and have begun utilizing its grievance reporting system and professional advice. Through the "Engagement and Remedy Platform" provided by JaCER, which complies with the UN Guiding Principles on Business and Human Rights, it is now possible to accept reports from outside the Company and overseas in addition to the existing internal helpline. We will strive to respond appropriately to whistleblowers while receiving advice from professionals, which will lead to the resolution of business and human rights issues.