

_____ Sustainability Finance Framework Evaluation by Japan Credit Rating Agency, Ltd. _____

Japan Credit Rating Agency, Ltd. (JCR) announces the following Sustainability Finance Framework Evaluation Results.

JCR Assigned SU1 (F) to the Sustainable Finance Framework of Morinaga & Co., Ltd.

Issuer/Borrower : Morinaga & Co., Ltd. (security code: 2201)
Subject : Morinaga & Co., Ltd.
Sustainable Finance Framework

<Sustainability Finance Framework Evaluation Results>

Overall Evaluation	SU1(F)
Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds)	gs1(F)
Management, Operation and Transparency Evaluation	m1(F)

Chapter 1: Evaluation Overview

Established in 1899, Morinaga & Co., Ltd. ("Morinaga" or the "Company") is a confectionery manufacturer with a business history of more than 120 years. It has many long-selling products created over its long history. Representative brands include "Milk Caramels," "Morinaga Biscuits," "HI-CHEW," "DARS," "Koeda Chocolate," "Chocoball," "Ottotto," "Morinaga Cocoa," and "Morinaga Amazake" for confectionery, "Choco Monaka Jumbo" for frozen desserts and jelly drinks "in Jelly" for health department.

For the fiscal year ended March 2022, the Company's sales by segment were Food Manufacturing 95%, Food Merchandise 3%, and Real Estate and Services 1%. While Food Manufacturing is the main source of profits, the other two segments are also stable, albeit on a smaller scale.

The Company is also aggressively working to expand its business overseas. In the U.S., it is expanding sales of HI-CHEW, and also has bases in China and Taiwan.

In May 2021, the Morinaga Group has formulated its "2030 Business Plan" for the long term up to 2030. In this plan, the Morinaga Group has set forth its 2030 Vision, which reads: "The Morinaga Group will change into a Wellness Company in 2030," and is working to provide three values: "Health of the mind," "Health of the body," and "Health of the environment."

The scope of this evaluation is the Sustainable Finance Framework established by Morinaga for the implementation of sustainable finance. JCR evaluates whether the Framework complies with the Green Bond Principles (2021 edition), the Green Loan Principles (2021 edition), the Social Bond Principles (2021 edition), the Social Loan Principles (2021 edition), the Sustainability Bond Guidelines (2021 edition), the Green Bond Guidelines (2022 edition), the Green Loan Guidelines (2022 edition) and the Social Bond Guidelines. These principles and others are not binding, as they are voluntarily published principles or guidelines by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), the Loan Syndications and Trading Association (LSTA), the Ministry of the Environment (MOE) and the Financial Services Agency (FSA), and are not regulations, but JCR evaluates the Framework by referring to these principles and guidelines as the unified standards in Japan and abroad.

Morinaga plans to use the proceeds from sustainable finance to finance or refinance green projects and/or social projects that meet predetermined eligibility criteria. JCR assesses that all uses of proceeds have environment improvement effects and/or social benefits.

JCR confirmed that projects for which the proceeds are to be used were selected with the involvement of management and departments with specialized knowledge, that proceeds management are clearly defined and are scheduled to be properly managed, and that matters required for reporting are scheduled to be disclosed. Given these facts, JCR confirmed that the management of Morinaga has established a system for managing and operating sustainable finance under this framework and that highly transparent. JCR also confirmed that the management of Morinaga positions sustainability as a high-priority issue with high importance.

Based on JCR Sustainability Finance Framework Evaluation Methodology, JCR assigned "gs1 (F)" to the "Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds)," "m1 (F)" to the "Management, Operation and Transparency Evaluation," and "SU 1 (F)" to the "JCR Sustainability Finance Framework Evaluation." The Framework is also considered to meet the standards for items required by the Green Bond Principles¹, the Green Loan Principles², the Social Bond Principles³, the Social Loan Principles⁴, the Sustainability Bond Guidelines⁵, the Green Bond Guidelines⁶, the Green Loan Guidelines⁷, and the Social Bond Guidelines⁸.

¹ ICMA (International Capital Market Association) Green Bond Principles 2021
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

² LMA, APLMA, LSTA Green Loan Principles 2021
<https://www.lsta.org/content/green-loan-principles/>

³ ICMA Social Bond Principles 2021
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

⁴ LMA, APLMA, LSTA Social Loan Principles 2021
<https://www.lsta.org/content/social-loan-principles-slp/>

⁵ Sustainability Bonds Guidelines 2021
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁶ Ministry of the Environment's Green Bond Guidelines 2022
<https://www.env.go.jp/content/000062495.pdf>

⁷ Ministry of the Environment's Green Loan Guidelines 2022
<https://www.env.go.jp/content/000062495.pdf>

⁸ FINANCIAL SERVICES AGENCY Social Bond Guidelines
<https://www.fsa.go.jp/news/r3/singi/20211026-2/01.pdf>

Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluation

Evaluation Phase 1: Greenness and Social Beneficial Impacts Evaluation

Based on the current status and JCR's evaluation of it as described in detail below, JCR evaluated 100% of the use of proceeds under the Framework as green projects or social projects, and assigned the highest rating of "gs1(F)" to Evaluation Phase 1: Greenness and Social Beneficial Impacts Evaluation.

(1) JCR's Key Consideration on This Factor

In this section, JCR first confirms that proceeds are used for projects with clear environmental improvement effects or projects with social benefits. Next, in cases where the use of proceeds is expected to have a negative impact on the environment and society, JCR confirms that the impact is fully examined by an internal specialized department or an external third-party organization and that necessary measures for avoidance and mitigation have been taken. Finally, JCR confirms their consistency with the Sustainable Development Goals (SDGs).

(2) Current Status of Evaluation Targets and JCR's Evaluation

<This Framework for Use of Proceeds>

Morinaga established the Sustainable Finance Framework, a framework for green and social issues. The contents of this framework concerning the use of proceeds are as follows.

Morinaga Sustainable Finance Framework (excerpt)		
<u>2.1 Use of proceeds</u>		
The net proceeds based on the Framework will be used for financing and refinancing new and existing projects ("Eligible Projects") that fall within the following eligible project categories that have been confirmed to have environmental or social impacts. Refinancing of existing investments will be limited to expenditures made within 36 months from the execution of Sustainable Finance.		
The net proceeds will be allocated to the projects of the following project categories, subject to the type of sustainable finance		
Green Finance: Green Projects		
Social Finance: Social Projects		
Sustainability Finance: Green Projects and Social Projects		
<u>2.1.1 Eligibility Criteria</u>		
Eligible Project Categories	Eligible projects	SDGs
Green Projects		
GBP : Green Buildings/ Energy efficiency Environmental objectives : Climate change mitigation GLP : Green Buildings/ Energy efficiency Environmental objectives : Addressing climate change concerns	Expenditures for development, construction, interior and equipment work, retrofits and acquisition of the buildings that was able to receive or will be able to receive any of the following third-party green building certifications or recertifications. <ul style="list-style-type: none"> ▪ ZEB Certification : ZEB, Nearly ZEB, ZEB Ready or ZEB Oriented ▪ DBJ Green Building Certification : 5 Stars, 4 Stars or 3 Stars ▪ CASBEE Certification : S Rank, A Rank or B+ Rank ▪ BELS Certification : 5 Stars, 4 Stars or 3 Stars ▪ LEED Certification : Platinum, Gold or Silver 	7. Affordable and clean energy 9. Industry, innovation, infrastructure 11. Sustainable cities and communities 13. Climate action

Social Projects		
SBP/SLP : Affordable basic infrastructure	Setting up evacuation sites <ul style="list-style-type: none"> evacuation space for stranded people of not only the company staffs but of neighboring businesses and local residents A warehouse for stockpiling emergency supplies 	3. Good Health and Well-Being 11. Sustainable cities and communities
SBP/SLP : Socioeconomic advancement and empowerment	Projects to promote diversity <ul style="list-style-type: none"> Installation and maintenance of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. Installation and maintenance of gender-free restrooms Setting up nursing rooms Setting up prayer rooms 	3. Good Health and Well-Being 5. Gender Equality 10. Reduced Inequalities

Social Projects defined in the Framework will contribute to solving below social issues and are expected to have positive social impacts on the Target Populations.

Eligible Business Categories	Target Populations	Social Issues
Setting up evacuation sites <ul style="list-style-type: none"> evacuation space for stranded people of not only the company staffs but of neighboring businesses and local residents A warehouse for stockpiling emergency supplies 	<ul style="list-style-type: none"> Victims of natural disasters, etc. Local companies and residents 	Sustainable and resilient national land (disaster prevention and mitigation measures)
Projects to promote diversity <ul style="list-style-type: none"> Installation of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. Installation of gender-free restrooms Setting up nursing rooms Setting up prayer rooms 	<ul style="list-style-type: none"> Elderly and disabled people Sexual and gender minorities Working women Worshippers, etc. Local residents 	Promoting Barrier-Free, Gender-Free and Diversity

2.1.2. Exclusion Criteria

The net proceeds raised based on the Framework will not be allocated to the projects related to:

- Unfair transactions that do not comply with the laws and regulations of the jurisdictions and/or inappropriate relationships such as bribery, corruption, blackmail, embezzlement, etc.
- Transactions that can cause social problems such as human right abuse and the environmental issues

< JCR's Evaluation of the Framework >

a. The environmental improvement effects and social benefits of the projects

i. The use of proceeds under the Framework is expected to have environmental improvement effects and social benefits.

Environmental Improvement Effects of Green Projects

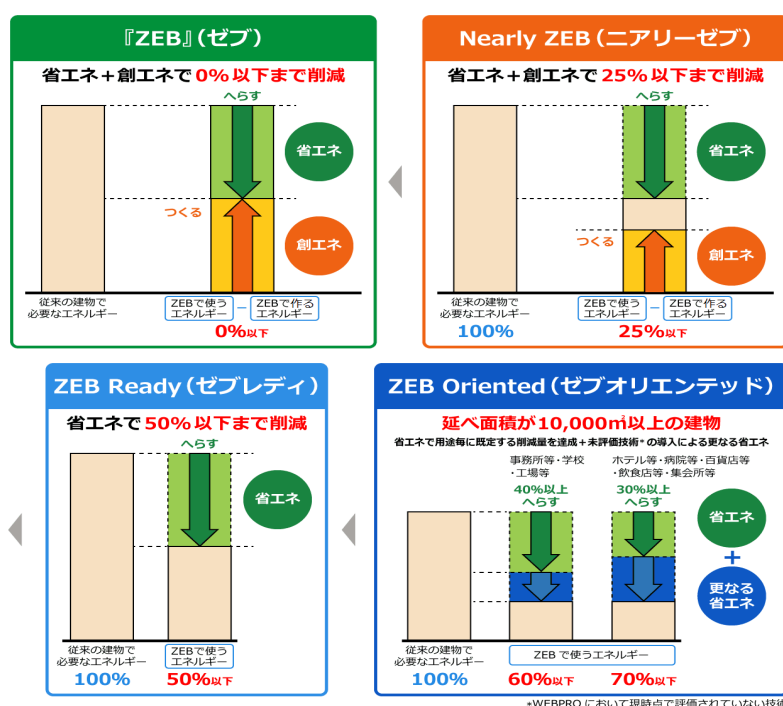
The properties covered by the Framework are buildings that have obtained or renewed or will in the future obtain or renew third-party environmental certifications. As the environmental certifications covered by this framework, ZEB (ZEB, Nearly ZEB, ZEB Ready, ZEB Oriented), 3 stars to 5 stars in DBJ Green Building certification,

Ranks B+ to S in CASBEE certification, 3 stars to 5 stars in BELS certification, and Silver, Gold, and Platinum in LEED certification are defined as eligible criteria.

1. ZEB (Net Zero Energy Building)

ZEB stands for Net Zero Energy Building, which in a broad sense means "a building that aims to achieve a zero annual primary energy consumption balance by achieving significant energy savings while maintaining the quality of the indoor environment through controlling the energy load via advanced architectural design, actively utilizing natural energy via the adoption of passive technology, introducing high-efficiency equipment systems, and then by introducing renewable energy, thereby maximizing energy independence." Depending on the degree of energy independence and the amount of energy saved, the following four levels are indicated.

(Fig. 1: Explanation Materials on ZEB)



(Explanation on Each ZEB category)

ZEB: Energy Efficiency + Energy Generation > 100% reduction on energy consumption Comparison to ordinary Building

Nearly ZEB: Energy Efficiency + Energy Generation > 75% reduction on energy consumption Comparison to ordinary Building

ZEB Ready: Energy Efficiency > 50% reduction on energy consumption comparison to ordinary Building

ZEB Oriented: Energy Efficiency > 40% reduction on energy consumption comparison to ordinary Building (for Offices, Schools and Factories).

ZEB Oriented: Energy Efficiency > 30% reduction on energy consumption comparison to ordinary Building (for Hotels, Hospitals, Department Stores, Restaurants and Meeting Places).

(Source: Ministry of the Environment website (ZEB PORTAL))

In particular, in the design stage of ZEB, the hierarchical approach to design concept is considered important, in which the energy-saving performance of the building envelope, which has a long life and is difficult to be renovated, is upgraded, while maximizing the architectural planning method (passive method) such as thermal

insulation, solar shading, natural ventilation, and daylight utilization, and then upgrading in building equipment is added to such upgrading. In the Sixth Strategic Energy Plan approved by the Cabinet in October 2021, it was mentioned that “the Building Energy Conservation Act will be revised, guidance standards and housing top runner standards will be raised, and step-by-step raising of the level of energy conservation standards will be implemented in order to ensure the level of energy conservation performance of ZEB standards for newly constructed houses and buildings in and after fiscal 2030.” In addition, in the "Green Growth Strategy Through Achieving Carbon Neutrality in 2050" announced in December 2020, the growth strategy progress schedule for the housing and building industries states that promotion of energy-saving renovations and expansion of the popularization of ZEB will be promoted in order to achieve the above goals for FY2030. From this, investments and loans for energy efficiency are highly effective in improving the environment.

2. DBJ Green Building certification

DBJ Green Building certification is a certification system provided by the Development Bank of Japan (DBJ) to evaluate environmentally and socially conscious real estate. The evaluation results are expressed as the number of stars, and the evaluation axis is "buildings with consideration for the environment and society." It evaluates three major categories: "Ecology (environmental)," "Amenity (comfort)" & "Risk Management (crime prevention and disaster prevention)," and "Community (regional and landscape)" & "Partnership (stakeholder collaboration)." Each is represented by five stars (one of the highest domestic excellence), four stars (extremely excellent), three stars (very excellent), two stars (excellent), and one star (satisfactory). Although this is not an evaluation specializing in environmental performance, it is highly recognized in Japan, and it also has certain evaluation items regarding environmental performance. Therefore, JCR evaluates this certification as equivalent to "standards and certifications recognized regionally, nationally or internationally" in the Green Project classification defined in the "Green Bond Principles" and the "Green Loan Principles." However, since the certification is not limited to the environmental performance, it is considered desirable to confirm the evaluation for the environmental performance individually.

DBJ Green Building Certification is based not only on the environmental performance of the property being evaluated, but also on a comprehensive assessment that includes the comfort of tenant users, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and community, and cooperation with stakeholders. The scoring design is based on the aggregation of specific "excellent initiatives" for the environment and society, and there are many properties in the real estate market that do not reach the target of evaluation. In order to be highly evaluated, it is necessary to be a building that is appropriately considered not only for the environment, but also for all stakeholders related to buildings.

The certification level of DBJ Green Building Certification is assumed to be the top 20% of all domestic income-producing real estate in "environmental and social considerations." ⁹ In addition, each evaluation above 3 stars covers an aggregate of the top 10% (five stars), the top 30% (four stars) and the top 60% (three stars) of the properties that exceed the certification level. Therefore, JCR evaluates that the use of proceeds is focused on properties with high environmental performance among the buildings to be certified.

3. CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

CASBEE is an acronym for Comprehensive Assessment System for Built Environment Efficiency. It is a method to evaluate and rate the environmental performance of buildings. It was developed by a Comprehensive Environmental Assessment Research Committee for buildings established in April 2001 as a joint project between industry, government, and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, and has since been continuously developed and maintained. Evaluation

⁹ Revision and Disclosure of DBJ Green Building Certification Assessment Items (February 2019 DBJ Green Building Certification Website)

tools include CASBEE for New Construction, CASBEE for Urban Development, etc., as well as CASBEE for Real Estate that has been developed with the purpose of showing environmental performance in an easy-to-understand manner for the real estate market.

The assessment results are divided into five grades: Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly poor), and Rank C (poor). CASBEE for Real Estate is classified into four grades: Rank S (excellent), Rank A (very good), Rank B+ (good), and Rank B (satisfactory). In the CASBEE for New Construction, evaluation is made by BEE (Built Environmental Efficiency) that is calculated by dividing built environment quality (Quality) by built environment load (Load) for a building. In the CASBEE for New Construction, a rating of B+ or higher is given to a building with a BEE value of 1.0 or higher, i.e., the Quality exceeds its Load.

Buildings with CASBEE B+ or above, which Morinaga has determined as eligibility criteria, are BEE of 1.0 or above in the CASBEE for New Construction, and therefore the Quality clearly exceeds the Load, and also under the CASBEE for Real Estate, JCR has evaluated that the buildings have environment improvement effects, as they are equivalent to B+ for previous CASBEE for New Construction and others, though its measurement standard is not BEE.

4. BELS (Building-housing Energy-efficiency Labeling System)

BELS is an acronym for Building-housing Energy-efficiency Labeling System. It is a system in which a third-party assessment bodies evaluate and accredit the energy efficiency performance of new and existing buildings. Envelope performance and primary energy consumption are subject to evaluation, and it requires excellent energy efficiency performance for high evaluation. The rating is expressed as the number of stars and ranked from 1 to 5 according to BEI (Building Energy Index). BEI is a measurement of energy saving performance relative to a standard value, with the design primary energy consumption as the numerator and the standard primary energy consumption as the denominator. One star satisfies energy saving standards for the existing buildings only, two stars satisfy the energy saving standards, and three stars satisfy the guidance standards.

Since the buildings with three stars or more in BELS, for which Morinaga determined as eligible, have the energy-saving performance of the guidance standards or higher level (BEI value of 0.8 or lower for non-residential buildings), JCR evaluates that they are appropriate as a use of proceeds.

5. LEED (Leadership in Energy and Environment Design)

LEED, an acronym for Leadership in Energy and Environment Design, is an environmental performance rating system for buildings and cities that is developed and operated by the U.S. Green Building Council (USGBC), a non-profit organization. A draft of the system was published in 1996 and is updated every few years. There are five types of certification: BD+C (building design and construction), ID+C (interior design and construction), O+M (operation and maintenance of existing buildings), ND (neighborhood development), and HOMES (homes). As of 2021, there are certified buildings in more than 160 countries or regions. The level of certification is based on the sum of points obtained for each category, from Platinum (80 points or more), Gold (60-79 points), Silver (50-59 points), and Certified (standard certification) (40-49 points). In many cases, a prerequisite for evaluation is a high number of points earned or fulfillment of the necessary conditions for items related to energy conservation, and high energy efficiency is considered necessary to obtain a high certification level. Therefore, JCR believes that buildings above Silver that meet the eligibility criteria of this framework will have environmental improvement effects.

- ii. The use of proceeds falls under the category of "Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance" and "Energy efficiency" in the Green Bond Principles and the Green Loan Principles, and also "Projects concerning green buildings" and "Projects for energy efficiency" in the Green Bond Guidelines and the Green Loan and Sustainability Linked Loan Guidelines.¹⁰

Social Benefits of Social Projects

1. Establishment of evacuation sites in the event of a disaster (establishment of spaces to accept people who cannot return home, establishment of stockpile warehouses for emergency supplies)

Under this framework, projects to provide evacuation sites in the event of a disaster are eligible for the use of funds. This is classified as an affordable basic infrastructure development in terms of social projects.

Morinaga was founded in 1899 in Akasaka, Tokyo, and has a track record of voluntarily providing assistance to victims of the Great Kanto Earthquake of September 1, 1923, by offering its own biscuits, caramels, milk (small canned condensed milk), doughnuts, and other products to the victims immediately after the earthquake. In addition, "Achieving Sustainable Value Chains" was identified as one of the material issues by the Morinaga Group in 2021, and "Co-exist and co-prosperity with local communities" is listed as one of the main challenges. The main actions for achieving materiality from fiscal 2021 to fiscal 2023 include collaboration with local governments and corporations and strengthening relations with communities surrounding plants. JCR assesses that the above-mentioned eligible projects in this framework are the initiatives required to realize the materiality, its Purpose and the 2030 Vision.

Under the eligibility projects in this framework, Morinaga will establish evacuation space for people who are unable to return home and stockpile warehouses for emergency supplies in cooperation with the local governments where the projects are located. JCR has assessed them as social projects for people affected by natural disasters and local companies and residents in the neighborhood where the projects are located.

2. Installation of barrier-free facilities (ramps, accessible restrooms) for the convenience of the elderly, disabled, etc., Installation of SOGI restrooms for gender minorities, Installation of nursing rooms (shelters for pregnant women in need) for working women, and Installation of prayer rooms to support diversity in human resources

This framework covers the above-mentioned projects that contribute to socio-economic advancement and empowerment. Morinaga has identified "Diversity and Inclusion of People" as one of its materiality issues in the materiality above. JCR evaluates the above-mentioned projects listed as eligible criteria in the framework as essential to the achievement of Morinaga's materiality.

In addition, JCR evaluates that the eligible projects in this framework are designed so that the facilities can be used by Morinaga's employees, and when Morinaga holds an event targeting local residents and others, the participants can use the above facilities, so that the target people in the social projects include the above-mentioned socially vulnerable people among the local residents, in addition to the Company's sexual and gender minorities, working women, people who pray and engage in other activities, the elderly and persons with disabilities.

¹⁰ It is defined as "a project to acquire environmental certification that conforms to domestic standards or demonstrates high performance in environmental certification systems, such as CASBEE certification and LEED certification, for new construction or renovation of green buildings, which are broadly compliant with considerations such as water consumption and waste management, in addition to energy-saving performance."

For projects where social projects are not the primary objective concerning the social projects, JCR evaluates that projects which satisfy 1 and 2 above meet socialness.

■ JCR's evaluation of projects eligible for use of proceeds

The Morinaga Group has established a long-term goal of reducing greenhouse gas emissions to virtually zero by 2050 in order to contribute to the realization of a decarbonized society. As a midway point, it aims to reduce CO₂ emissions by 30% by 2030 compared to fiscal 2018.¹¹

The level of environmental certification for Green Building defined in this framework was established to achieve CO₂ reduction targets for Morinaga described above. JCR assesses that the level of environmental certification specified by Morinaga in the eligible criteria in this framework has environmental improvement effects, as described in the evaluation above.

In addition, with regard to projects eligible for sustainability finance that meet the eligibility criteria for green and social finances, an example is the Morinaga Shibaura Building (Shibaura Building), which is currently under construction by Morinaga.

At the Shibaura Building, building specifications were formulated in order to materialize its Purpose and the 2030 vision, and the design aiming at ZEB Ready in the environmental performance is carried out on the greenness. In addition to ensuring the continuity of greenness that continues from Tamachi Station, in order to enable the migration of wild birds in the area, vegetation on the site is planned to be arranged in consideration of vegetation in neighboring green areas such as Shibakoen Park and Hama-rikyu Gardens. With regard to socialness, the Company is equipped with "barrier-free facilities for the elderly and disabled," "SOGI restrooms," "nursing rooms (shelters for pregnant women in need)," and "prayer rooms" as stipulated in the eligible criteria. In addition, the Company plans to establish evacuation space for people who are unable to return home and stockpile warehouses for emergency supplies in cooperation with the local governments in the building. At the Shibaura Building, the Company plans to provide space for interaction with local residents and event space, and JCR confirmed that it plans to open the facilities to not only employees, but also to local residents during events, in order to realize to become a wellness company.

- ii. Regarding the use of proceeds for social projects, establishment of evacuation sites in the event of a disaster falls under the category of "Affordable basic infrastructure," targeting people affected by natural disasters and businesses and residents in the neighborhood where the project is located, under the "Social Bond Principles" and the "Social Loan Principles." The installation of barrier-free facilities (ramps, accessible restrooms) for the convenience of the elderly, disabled, etc., installation of SOGI restrooms for gender minorities, installation of nursing rooms (shelters for pregnant women in need) for working women, and installation of prayer rooms to support diversity in human resources, fall under the category of "Socioeconomic advancement and empowerment" under the "Social Bond Principles" and the "Social Loan Principles" for the elderly and persons with disabilities, and for sexual and gender minorities, working women, persons praying and engaging in other activities, and local residents.**

b. Environmental and Social Risks

Morinaga has identified the following environmental and social risks associated with the projects described in this framework.

¹¹ <https://www.morinaga.co.jp/company/sustainability/environment/climate-change.html> to Address Climate Change Issues of Morinaga

- Noise and vibration associated with the construction of facilities
- Soil contamination and dispersion of hazardous substances such as asbestos
- Water pollution
- Negative impacts on ecosystem

JCR has confirmed that measures against the above risks will be implemented in accordance with relevant laws and regulations and the various policies (environmental policy, human rights policy, procurement policy, quality policy, etc.) established by Morinaga while consulting with design and construction companies and management companies.

In addition, Morinaga identifies the following projects as those that are excluded from the scope of the funds to be allocated in this Framework.

- Compliance with environmental laws and regulations required by the national government or the local government where the project is located, and implementation of environmental assessment as necessary
- Provide adequate explanations to local residents ahead of a project implementation

Therefore, JCR assesses that environmental and social risks that may arise from the implementation of the eligible projects described in this framework have been identified and policies have been established to address them.

c. Consistency with SDGs

JCR evaluated that the project for which the proceeds are to be used would contribute to the following SDGs goals and targets in light of ICMA's SDG mapping.



Goal 5. Achieve gender equality and empower all women and girls

Target 5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.3. By 2030, double the global rate of improvement in energy efficiency



Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



Target 10. Reduce inequality within and among countries

Target 10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



Target 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on the current situation described below and JCR's evaluation of it as described in detail below, JCR evaluated that the management and operational system had been well developed, that transparency was very high, and that it was fully expected that the project would be implemented as planned and that the proceeds would be adequately allocated, and assigned the highest rating of "m1 (F)" to Evaluation Phase 2: Management, Operation and Transparency Evaluation.

1. Appropriateness and Transparency Concerning Selection Standard and Processes of Use of Proceeds

(1) JCR's Key Consideration on This Factor

In this section, JCR confirms the goals to be achieved through financing based on this framework, the appropriateness of standard for project selection and the processes, and whether or not a series of processes are properly disclosed to investors and others.

(2) Current Status of Evaluation Targets and JCR's Evaluation

a. Goals

<This Framework for Goals>

1.4 Sustainable Business Management

Currently in the global community, environmental changes, such as intensifying social issues including climate change and rapid advancement of digitization, which are greatly impacting business activities and increasing uncertainty toward the future, are taking place at an unprecedented speed. Given this condition, we must make efforts involving the entire Morinaga Group from a long-term perspective and follow clearly established tasks to reach the position we want to be in, in order to achieve our Purpose and the 2030 Vision. The Morinaga Group has been conducting business with a strong conviction toward contributing to society since its inception. With the formulation of a new corporate philosophy, we have decided to take a proactive approach to undertake efforts aimed at realizing a sustainable society, including achieving the SDGs as a member of the global community. We believe, these cumulative efforts will make the Group's business more sustainable as well as lead to sustainable growth and enhanced corporate value in the medium- to long-term.

<JCR's Evaluation of this Framework>

In 2021, Morinaga formulated its important corporate policies, including its Corporate Philosophy, 2030 Vision, and Materiality.

In its Corporate Philosophy, it has defined its mission (Purpose) and as a message that expresses the Purpose in a concise manner, it has set forth a corporate message "Delicious, Fun, and Healthy."

(Fig. 2: The Morinaga Group's Corporate Philosophy)



(Source: Morinaga’s website)

In May 2021, Morinaga also formulated the 2030 Business Plan, a long-term management plan for 2030, and set forth its vision for 2030 "The Morinaga Group will change into a wellness company in 2030."

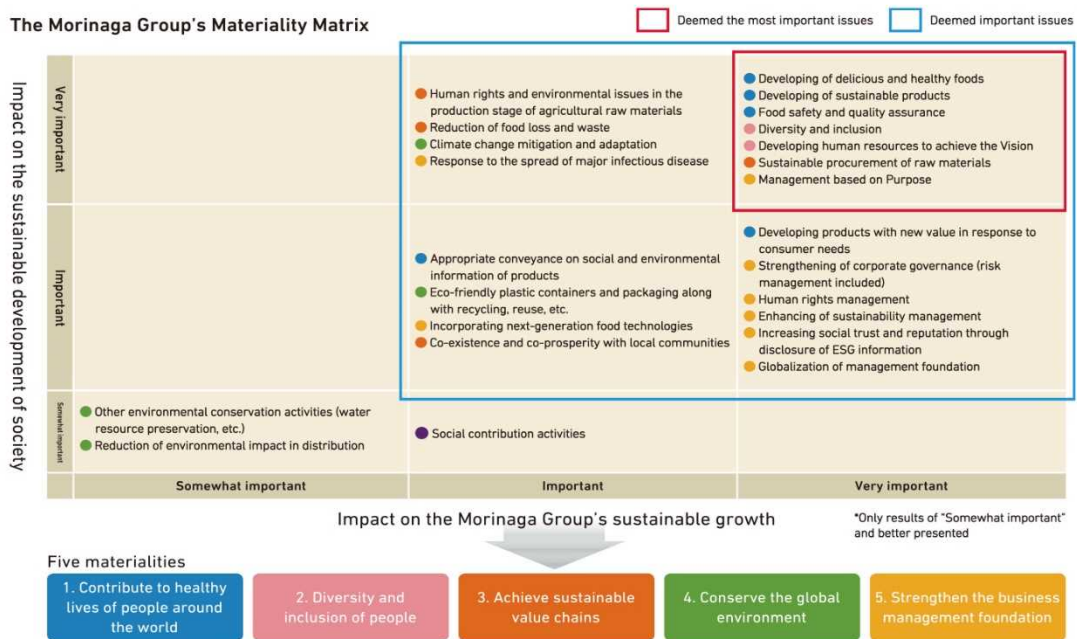
(Figure 3: Overview of the 2030 Business Plan)



(Source: Morinaga’s website)

Furthermore, in parallel with the above, the Company has identified important issues (materiality) for it, and has established five material issues and is promoting priority measures for addressing issues that are important to the Company and society.

(Figure 4: The Morinaga Group's Materiality Matrix)



(Source: Morinaga's website)

JCR has confirmed that the proceeds defined in the Framework will be appropriated to address issues such as "Accelerating initiatives to protect the global environment" in the 2030 Vision and "Diversity and Inclusion of People," "Climate Change Mitigation and Adaptation," and "Co-existence and Co-prosperity with Local Communities" identified in the Materiality.

b. Selection Standard

JCR evaluated that the selection standard determined by Morinaga in this framework will bring about environmental improvement effects and social benefits. JCR confirmed that the eligibility criteria were prepared by the Sustainable Management Division.

c. Process

<This Framework for Selection Process>

2.2 Process for Project Evaluation and Selection

The Board of Directors will make the final decision on the eligible projects to which the net proceeds from sustainable finance based on the Framework, after consultation with the Accounting Division, Sustainable Management Division, and other relevant divisions, and deliberation by ESG Committee. Trough project assessment process, we confirm that the projects takes into account potentially negative environmental and social impacts and addresses the followings.

- Compliance with environmental laws and regulations required by the national government or the local government where the project is located, and implementation of environmental assessment as necessary
- Provide adequate explanations to local residents ahead of a project implementation

<JCR's Evaluation of this Framework>

Under this framework, the Accounting Division, the Sustainable Management Division and relevant departments examine projects that are eligible for sustainable finance, and after deliberations by the ESG Committee, the Board of Directors makes a decision on which projects are eligible for sustainable finance.

JCR assesses that the project selection process stipulated in this framework is appropriate, as the specialized departments and the management are appropriately involved in the process.

The goals, selection standard, and process for the implementation of Morinaga's sustainable finance are planned to be disclosed to investors through statutory disclosure documents such as the amended shelf registration statement and the shelf registration supplements, and will also be disclosed on the Company's website. Based on the above, JCR evaluates that transparency is ensured for investors and lenders.

2. Appropriateness and Transparency of Management of the Proceeds

(1) JCR's Key Consideration on This Factor

While it is usually assumed that the management methods of the proceeds vary widely depending on the issuer or borrower, JCR confirms whether the proceeds are properly allocated to eligible projects and whether a mechanism and an internal control system are in place to ensure that the status of the allocation can be easily tracked and managed.

JCR will also focus on evaluation on whether the funds raised based on this framework are scheduled to be allocated to eligible projects at an early stage, and on the evaluation of the management and operation methods of unallocated funds.

(2) Current Status of Evaluation Targets and JCR's Evaluation

<This Framework for Fund Management>

2.3 Management of Proceeds

Accounting Division will manage the net proceeds from sustainable finance using an internal management system, on an annual basis, until full allocation. The proceeds will be allocated to eligible projects within 36 months from the execution of the applicable sustainable financing. Any portion of the net proceeds of sustainable finance that has not been allocated to eligible projects will be held in cash or cash equivalents.

In the case of any unforeseen event or sales of the eligible projects to which the proceeds have been allocated, even after the completion of the allocation of the proceeds, we will make a necessary and timely disclosure of such event and the status of unallocated proceeds on our website and other media.

<JCR's Evaluation of this Framework>

The funds raised under the Framework will be disbursed by the General Manager of the General Affairs Division after the approval of the General Manager of the Accounting Division for each payment, after the funds have been raised with the decision by the Board of Directors. The funds will be allocated to eligible projects within 36 months.

The funds raised will be managed on an annual basis using Morinaga's internal management system to manage the appropriation of the proceeds until the full amount has been appropriated.

The management of the procured funds will be subject to internal control self-inspection and internal audits, as well as audits by an accounting auditor. In addition, vouchers related to fundraising and its management will be kept until the redemption of the bonds or repayment of the borrowings.

Accordingly, JCR assesses Morinaga's fund-management system as appropriate.

3. Reporting

(1) JCR's Key Consideration on This Factor

In this section, JCR evaluates at the time of the fund procurement whether the disclosure system for investors and others before and after the fund procurement based on the Framework is planned in a detailed and an effective manner.

(2) Current Status of Evaluation Targets and JCR's Evaluation

<This Framework for Reporting System>

2.4 Reporting

2.4.1 Allocation Reporting

Until the proceeds have been fully allocated to eligible projects, the company will disclose the following items on its website or any other means annually. In the event of any material situation where an allocation plan has to be reconsidered, we will disclose such even in a timely manner.

- The list and overview of eligible projects to which proceeds have been allocated (including progress of the projects)
- The amount of net proceeds allocated
- The amount of net proceeds pending allocation and expected timing for allocation
- The amount or share of refinancing

2.4.2 Impact Reporting

The company will report on the project overview and the following indicators of each Eligible Project on its website and elsewhere, to the extent practicable, until the net proceeds from sustainable finance based on the Framework have been fully allocated.

[Green Project]

Eligible Projects	Indices
Green Buildings/ Energy efficiency	<ul style="list-style-type: none"> · Acquisition of third-party green building certifications · CO₂ emissions avoided (t-CO₂)

[Social Project]

Eligible Projects	Output	Outcome	Impact
Setting up evacuation sites <ul style="list-style-type: none"> · evacuation space for stranded people 	<ul style="list-style-type: none"> · Setting up space for stranded people of not only the company staffs but of 	<ul style="list-style-type: none"> · Capacity (number of people) who can be accepted · Stockpiles in 	Sustainable society resilient to natural disasters

<p>of not only the company staffs but of neighboring businesses and local residents</p> <ul style="list-style-type: none"> • A warehouse for stockpiling emergency supplies 	<p>neighboring businesses and local residents</p> <ul style="list-style-type: none"> • Setting up a warehouse for stockpiling emergency supplies 	<p>disaster prevention stockpile warehouses</p>	
<p>Projects to promote diversity</p> <ul style="list-style-type: none"> • Installation of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. • Installation of gender-free restrooms • Setting up nursing rooms • Setting up prayer rooms 	<ul style="list-style-type: none"> • Installation of barrier-free facilities (ramps, accessible restrooms) for the elderly and disabled people, etc. • Installation of gender-free restrooms • Setting up nursing rooms • Setting up prayer rooms 	<ul style="list-style-type: none"> • Number of ramps and accessible restrooms installed • Number of gender-free restrooms installed • Number of nursing rooms installed • Number of prayer rooms set up 	<p>Barrier-free and gender-free environment and inclusive-society with respect for diversity</p>

<JCR's Evaluation of this Framework>

a. Reporting on the status of appropriation of funds

Morinaga plans to communicate the use of proceeds under the Framework to investors and lenders through the amended shelf registration statement, shelf registration supplements, and press release in the case of bonds, and through the loan agreement in the case of loans.

The Company also plans to announce the appropriation of funds on an annual basis on its website and other media until all funds raised have been appropriated. Any significant events, such as major changes in the plan for the appropriation of the funds raised, will also be disclosed in a timely manner.

Based on this, JCR assesses the appropriation of funds as appropriate.

b. Reporting on Environmental Improvement Effects and Social Benefits

Morinaga plans to disclose the following items annually in its reporting on environmental improvement effects.

- Acquisition of third-party green building certifications
- CO₂ emissions avoided (t-CO₂)

JCR assesses these disclosure items and the frequency of disclosures as appropriate.

In addition, with regard to reporting on social benefits, the Company has made assumptions regarding outputs, outcomes, and impacts, and JCR evaluates each of them as appropriate.

4. Organization's Sustainability Initiatives

(1) JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management positions sustainability issues as a high priority issue for management, and whether it has clearly positioned sustainability finance issuance policy and process, project selection standard, and other relevant matters through the establishment of a department specializing in environmental and social issues or collaboration with external organizations.

(2) Current Status of Evaluation Targets and JCR's Evaluation

As previously stated, Morinaga prepared its "2030 Business Plan" and set forth its 2030 Vision: "The Morinaga Group will change into a wellness company in 2030."

In addition, the Morinaga Group is actively implementing sustainability-related initiatives, including the establishment of ESG Committee, the Sustainable Management Division, which promotes and supports the Group-wide initiatives for sustainability and ESG, and five subcommittees under the ESG Committee, in order to realize its 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" and promote the sustainability activities.

The ESG Committee is a committee created by reorganizing the predecessor CSR Committee and meets once every two months. The Committee is chaired by Representative Director, President, with the directors or executive officers in charge as members, standing statutory auditor as advisors, and the General Managers of the Corporate Strategy Division and other departments as observers. It deliberates policy, target, action, and KPI related to sustainable management, follows on progress, shares, proposes and deliberates on the establishment of subcommittees and agenda items. The content of the discussions is reported to the Board of Directors.

The Sustainable Management Division was newly established in 2021 as an extension of the existing CSR Group, and consists of the Planning Group, which is responsible for planning and promotion of sustainable management in general and ESG-related information disclosure, and the Environmental Promotion Group, which is responsible for setting and promoting company-wide environmental targets. The Sustainable Management Division serves as the secretariat for the aforementioned ESG Committee and as the contact point for the Sustainability Advisory Board, which is composed of external experts with specialized knowledge on sustainability, and is also involved in the formulation of eligibility criteria for the Framework, as mentioned above. It oversees company-wide ESG initiatives.

The ESG Committee, as mentioned above, has five subcommittees, each chaired by a director in charge of the committee, and discussions are held by members in accordance with the respective themes.

(Subcommittees under the ESG Committee)

- Health of Mind Subcommittee
- Sustainability Value Subcommittee
- Sustainability Procurement Subcommittee
- Subcommittee of Environment
- TCFD Subcommittee

In addition, Morinaga endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2022 and joined TCFD Consortium. The TCFD subcommittee mentioned above has been assessing the materiality of risks related to climate change for the TCFD and has identified and assessed the risks and opportunities for 2030 and 2050 for the 4°C, 2°C, and 1.5°C scenarios, and disclosed the information in June 2022.

In addition, Morinaga participates in CDP, a project to disclose information on climate change, and its CDP score for 2021 was A-, up from B the previous year.

JCR confirmed that Morinaga receives consulting and advice from an outside third-party organization with expertise in undertaking these initiatives and that it is working with outside experts on its climate change initiatives. In addition JCR has also confirmed that Morinaga's General Affairs Division, as well as its design and construction companies and construction management companies, have provided their expertise in the eligible green projects.

On the social front as well, Morinaga has set "Diversity & Inclusion of People" as one of its basic policies in the 2030 Business Plan, and is strengthening its efforts to promote diversity by placing a department to promote diversity directly under the control of the Corporate Strategy Division. In particular, Morinaga is fostering a culture of diversity within the Company by holding training sessions for management and subcommittee meetings at each workplace. In addition, it is strengthening management to realize a sustainable value chain by switching its main raw materials, cocoa beans, palm oil, and paper, to sustainable raw materials by 2030, and by formulating supplier guidelines on human rights, labor, and environmental issues in the supply chain as the Morinaga Group and soliciting suppliers' endorsement of these guidelines.

JCR evaluates that the management positions sustainability related issues as high priority issues and that departments with expertise are involved in the sustainable finance policies and processes and project selection as an organization.

■Evaluation Result

Based on JCR Sustainability Finance Framework Evaluation Methodology, JCR assigned "gs1 (F)" to the "Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds)" and "m1 (F)" to the "Management, Operation and Transparency Evaluation." As a result, JCR assigned "SU 1 (F)" to the "JCR Sustainability Finance Framework Evaluation." The Framework is also considered to meet the standards for items required by the Green Bond Principles, the Green Loan Principles, the Social Bond Principles, the Social Loan Principles, the Sustainability Bond Guidelines, the Green Bond Guidelines, and the Green Loan Guidelines.

[JCR Sustainability Finance Framework Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness and Social Beneficial Impacts Evaluation	gs1(F)	SU 1(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU 5(F)
	gs2(F)	SU 2(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU 5(F)
	gs3(F)	SU 3(F)	SU 3(F)	SU 4(F)	SU 5(F)	Not qualified
	gs4(F)	SU 4(F)	SU 4(F)	SU 5(F)	Not qualified	Not qualified
	gs5(F)	SU 5(F)	SU 5(F)	Not qualified	Not qualified	Not qualified

(Responsible Analysts for this evaluation) Kosuke Kajiwara, and Shintaro Arai

Important explanation regarding the evaluation of the Sustainability Finance Framework

1. Assumptions, Significance, and Limitations of JCR Green Finance Framework Evaluation

JCR Sustainability Finance Framework Evaluation, which is granted and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the sustainability finance framework, and expresses the overall opinion of JCR at this time regarding the appropriateness of the sustainability project as defined by JCR and the degree of management, operation and transparency initiatives related to the use of proceeds and other matters. Accordingly, it does not undertake specific environmental improvement effects, management and operation systems, and transparency assessments of the use of proceeds for individual bonds and loans implemented in accordance with this policy. In the event that Sustainability Finance Evaluation is granted for individual bonds or individual loans based on the framework, such evaluations need to be conducted separately. Furthermore, the JCR Sustainability Finance Framework Evaluation does not demonstrate the improvement effect on the environment and social impacts of individual bonds or borrows implemented under this framework and does not assume any responsibility for the environmental and social improvement effect. In principle, JCR does not directly measure the environmental and social improvement effects of process procured under the sustainability finance framework, although JCR confirms the quantitative and qualitative measures by the issuer or a third party requested by the issuer.

2. Methods used in the conduct of this evaluation

The methods used in this evaluation are listed on JCR website (Sustainable Finance and ESG in <https://www.jcr.co.jp/en>) as JCR Sustainability Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

JCR Sustainability Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Independence in JCR Sustainability Finance Framework Assessment

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■ Disclaimers

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■ Glossary

JCR Sustainability Finance Framework Evaluation is an assessment of the extent to which funds procured through Green Finance are appropriated for Green Projects as defined by JCR and the extent to which such funds are used for management, operation, and transparency of the Green Finance. Evaluations are performed on a five-point scale, from the top to the bottom using the symbols of SU1 (F), SU2 (F), SU3 (F), SU4 (F), and SU5 (F).

■ Status of registration as an external assessor of sustainable finance

- Ministry of the Environment's external green bond reviewer registration
- ICMA (registered as an observer with the International Capital Markets Association)
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en>).

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