



Delicious, Fun, and Healthy



# Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

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June, 2025  
**MORINAGA & CO., LTD.**

## About forward-looking statements

This material includes forward-looking statements, such as forecasts, plans, and targets for the Company and its consolidated subsidiaries. These statements are based on judgments and assumptions on the basis of information that the Company has obtained and may be different from actual results and developments in the future.

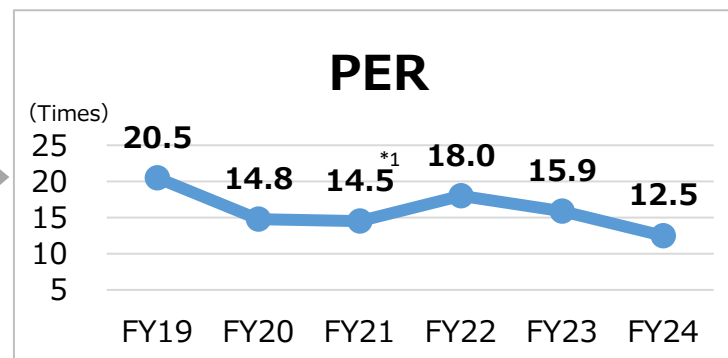
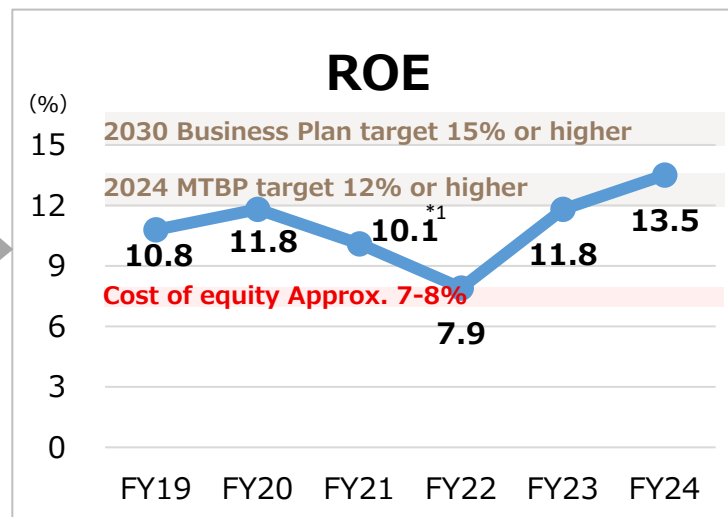
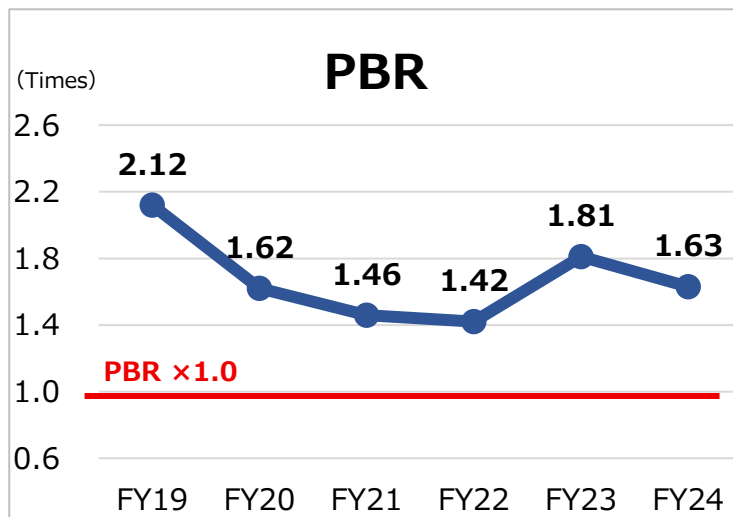
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# Status of Morinaga Response

	Details of TSE's request	Status of response by Morinaga Group
 <b>Analysis of Current Situation</b>	Gain a proper understanding of the company's cost of capital and profitability	<ul style="list-style-type: none"> <li>• Calculation of cost of equity based on CAPM and PER levels</li> <li>• Management of business-specific ROIC</li> </ul>
	Analyze and evaluate the current situation around these and the market valuation at board of directors meetings	<ul style="list-style-type: none"> <li>• Discussion at Board of Directors meetings for improvement of ROIC</li> </ul>
 <b>Planning &amp; Disclosure</b>	Have board of directors discuss and develop policies, targets, planning periods, and specific initiatives for improvement	<ul style="list-style-type: none"> <li>• Formulated three strategies in the Medium-and Long-Term Financial Strategy to “implement management that is aware of capital cost and stock price”</li> <li>• Set business-specific ROIC targets in the 2024 Medium-Term Business Plan</li> </ul>
	Disclose clear information on these, along with assessment of the current situation, to investors	<ul style="list-style-type: none"> <li>• Disclosed the policies in IR presentations and the Integrated Report and on the Morinaga website</li> </ul>
 <b>Implementation of Initiatives</b>	Push forward with management that is conscious of cost of capital and stock price, based on the disclosed plans	<ul style="list-style-type: none"> <li>• Inspection of budget level based on the ROIC tree</li> <li>• Educational activities on capital cost management for all employees</li> </ul>
	Engage in proactive dialogue with investors based on this disclosure	<ul style="list-style-type: none"> <li>• Conducted dialogue with analysts and investors through results briefings and small meetings</li> </ul>

# Analysis of Current Situation

PBR has been at 1.6~1.8 times since the bottom of FY22, as stock prices rose and capital profitability recovered  
Our group will continue to pursue sustainable corporate value improvement as its most important financial challenge



## Changes in ROE

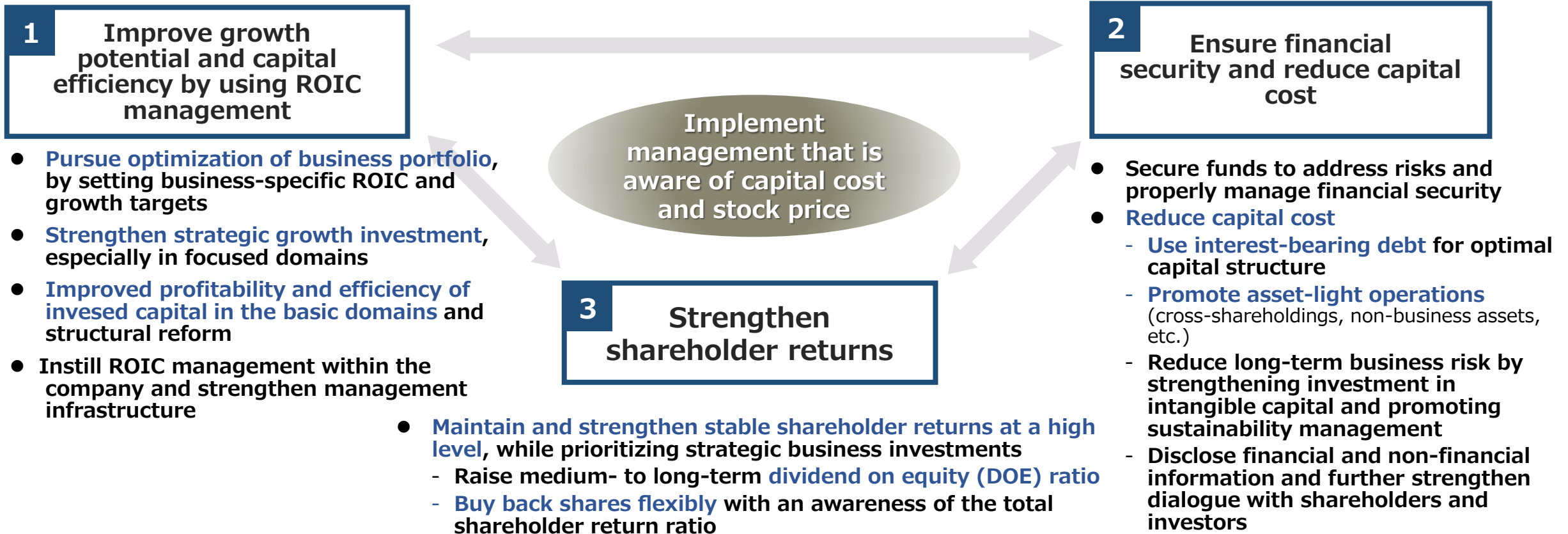
- Cost of equity: Estimated at 7~8%  
(Estimated using CAPM theoretical value and PER level)
- ROE has exceeded the level of the cost of equity due to the growth of the highly profitable “in-” Business and Frozen Desserts Business
- ROE for FY24 was 13.5% due to an increase in the total asset turnover ratio as the liquidity level on hand was adjusted in line with the strengthening of shareholder return measures

## Changes in PER

- Declining trend in recent years
- Build a business portfolio that is resilient to environmental changes and reduce long-term business risks through the evolution of sustainable management

# Outline of Financial Strategies

Implement management that is aware of capital cost and stock price toward sustainable enhancement of corporate value

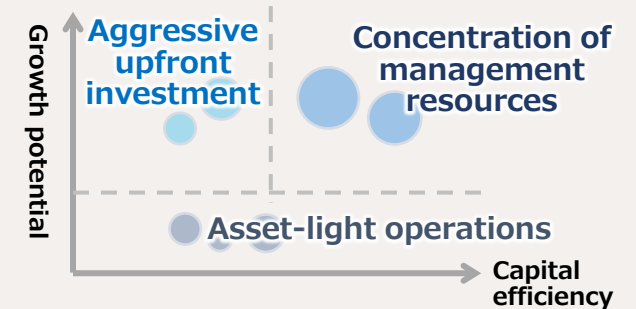


# Key measures: ① Implement ROIC management

Through the implementation of ROIC management, generate a virtuous cycle of growth potential and capital efficiency aimed at establishing growth trajectory

## Optimization of business portfolio

- Determine medium- to long-term strategies and measures for each business based on an analysis of its growth potential and capital efficiency  
Identify businesses that will accelerate growth or improve capital efficiency, and optimally allocate management resources to these businesses after also considering the investment target and investment scale



## Strengthening of strategic growth investment, especially in focused domains

- “in-” Business: Establishment of “in-” brand
- Frozen Desserts: Developmental evolution of existing products, creation of new seeds
- Direct Marketing: Nurturing of subscription customers, expansion of business domain
- Global commercialization of *HI-CHEW*
- Acceleration of initiatives for next-generation businesses

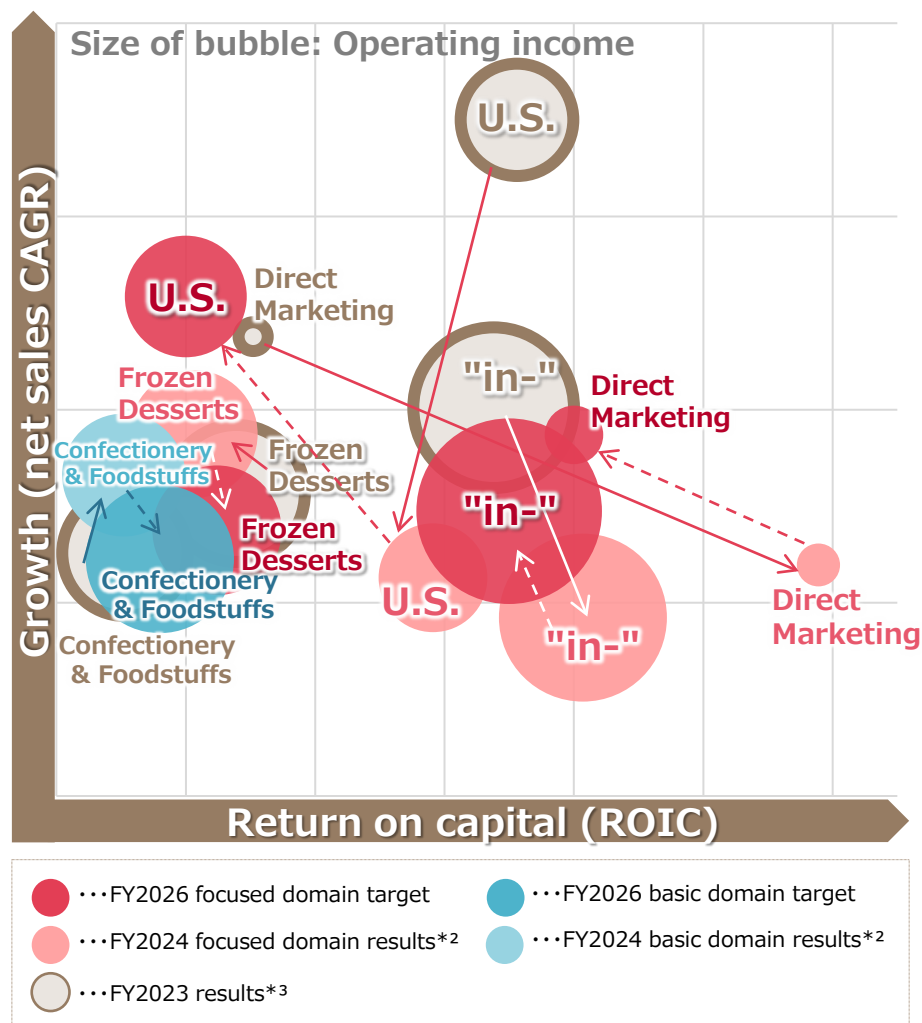
## Improved profitability and efficiency of invested capital in the basic domains

- Promote gradual asset-light management by selecting domains and concentrating maintenance and renewal investments on these domains, while aiming to expand net sales by leveraging portfolio assets
- Promote improved earnings, through cost reductions, more efficient selling expenses, flexible price revisions, etc.

## Key measures: ① Implement ROIC management

- Optimize the business portfolio by setting a medium-term ROIC target for each business segment

## Implement business strategies for optimal portfolio formation through ROIC management



	Net sales		ROIC			Approach in the 2024 MTBP
	FY2024 Compared to FY2023	MTBP CAGR*4	FY2023 results	FY2024 results	FY2026 target	
"in-" Business	99.2%	105%	33.8%	40.7%	35% or higher	<ul style="list-style-type: none"> <li>Expand sales by strengthening the "in-" brand</li> <li>Improve profit margin through the product mix</li> </ul>
Frozen Desserts	108.7%	104%	13.9%	10.6%	12% or higher	<ul style="list-style-type: none"> <li>Nurture growth drivers to follow <i>Jumbo Group</i></li> <li>Take on challenge of creating new markets</li> </ul>
Direct Marketing	102.0%	109%	15.2%	58.9%	40% or higher	<ul style="list-style-type: none"> <li>Achieve continuous growth through aggressive investments in advertising</li> <li>Improve profit margin by pursuing greater efficiency in customer acquisition</li> </ul>
U.S. Business*1	101.3%	116%	35.6%	29.1%	10% or higher	<ul style="list-style-type: none"> <li>Achieve sustainable growth through aggressive advertising in marketing</li> <li>Establish a global production system to support growth</li> </ul>
Confectionery & Foodstuffs	106.6%	102%	5.3%	5.2%	8% or higher	<ul style="list-style-type: none"> <li>Improve profitability by changing the category portfolio</li> <li>Promote gradual asset-light management through the selection and concentration of maintenance and renewal investments</li> </ul>
Consolidated	107.3%	105%	9.6%	9.8%	10% or higher	

# Key measures: ②-1 Ensure financial security

Ensure financial security in preparation for sudden changes in the external management environment and strategic large-scale investments (large-scale M&A, etc.)

## ■ Secure funds to address risks

- Secure at least two months of liquidity on hand, in principle
- Diversify fund procurement methods

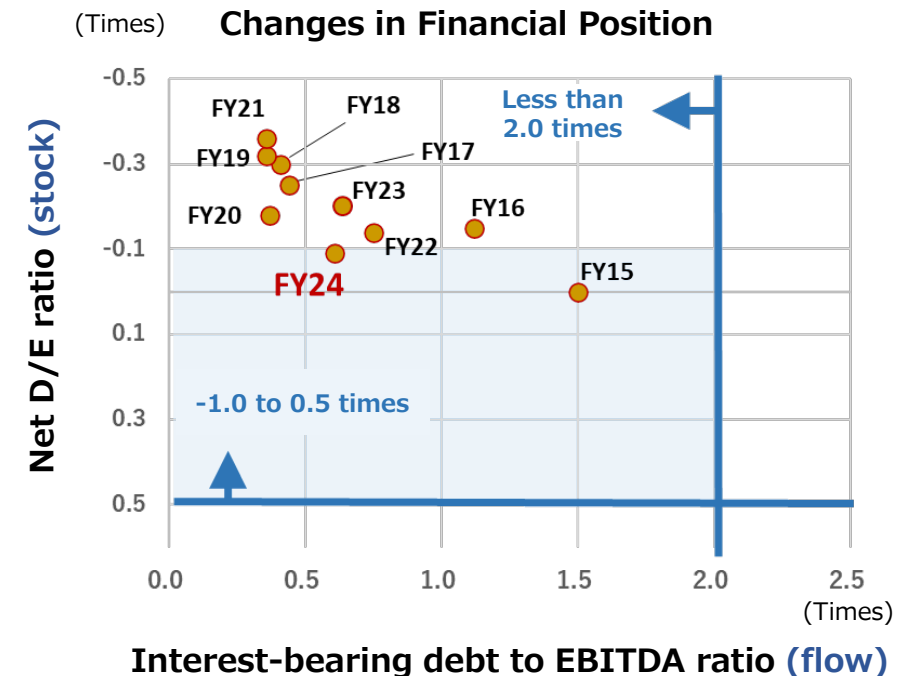
## ● Set short-term borrowing limits and review financial guidance indicators

Financial indicators	Before change	After change
Japan Credit Rating Agency, Ltd. (JCR) rating	Maintain at "A" or above	
Cash on hand	2 or more months' sales	1.5 or more months' sales
Net D/E ratio	-0.1 to 0.5 times	
Interest-bearing debt to EBITDA ratio	Less than 2.0 times	

Reduction of 0.5 months

## ■ Properly manage financial security indicators

- Maintain a JCR long-term corporate rating of at least "A", in principle
- Control the balance sheet based on financial guidance





# Key measures: ②-2 Efforts to reduce capital cost

Reduce long-term business risk by utilizing financial leverage and establishing the business portfolio that is resilient to environmental changes

## ■ Efforts to reduce capital cost

Lower WACC

### ■ Utilization of interest-bearing debt to achieve optimal capital structure

- Increase the weight of interest-bearing debt relative to net cash from the current level while also taking into consideration financial security and demand for investment funds, and reduce WACC through use of financial leverage

Lower cost of equity

### ■ Promotion of asset-light operations (reduction of non-business assets)

- Further reduce cross-shareholdings and promote the sale and disposal of non-business real estate, etc., thereby reducing invested capital and securing funds for growth investment while reducing the risk of asset value fluctuations

### ■ Promotion of sustainable management

- Efforts to reduce long-term business risks through thorough sustainable management
- Strengthen intangible investments (advertisement, R&D, DX, HR, etc.) to enhance sustainability

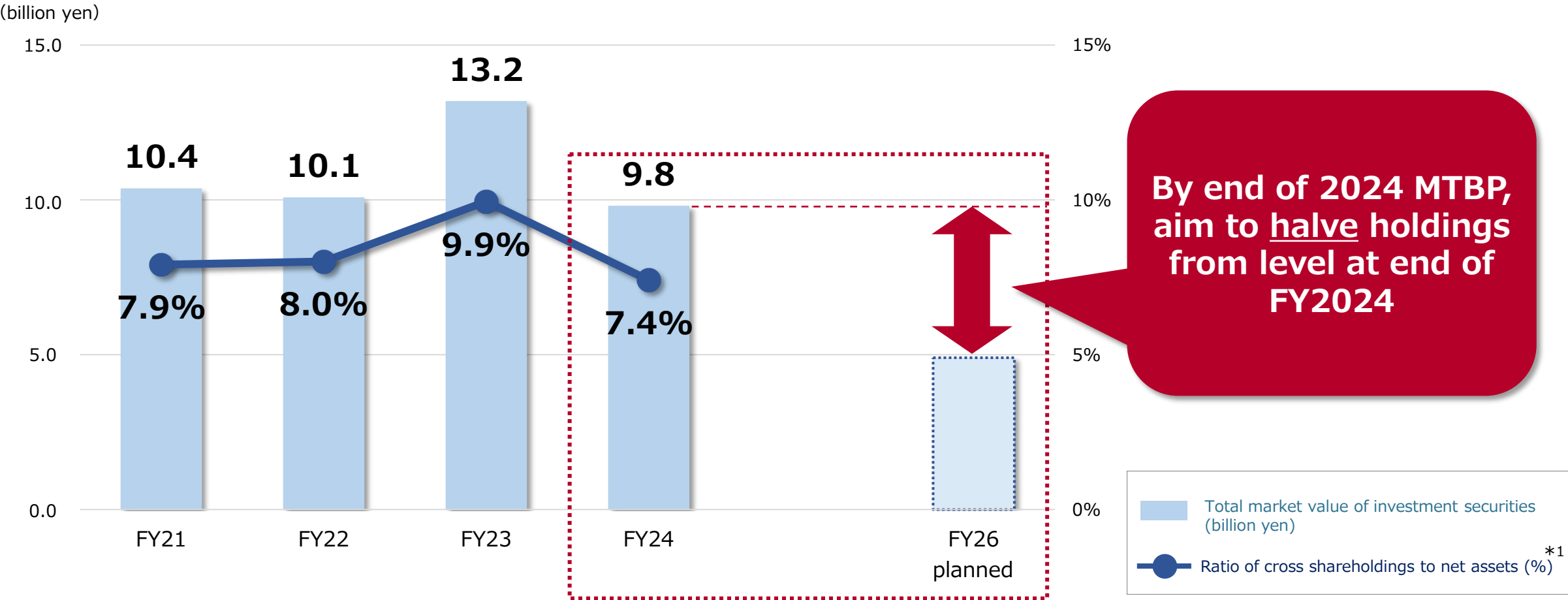
### ■ Further strengthening of IR and SR activities

- Increase understanding of Morinaga's initiatives for medium- to long-term business growth, responses to business risk, etc. by strengthening disclosure of financial and non-financial information and dialogue with shareholders and investors, and reduce stock price volatility through appropriate stock price formation



Set target for reduction of cross-shareholdings

Total market value of investment securities and Ratio of cross-shareholdings to net assets

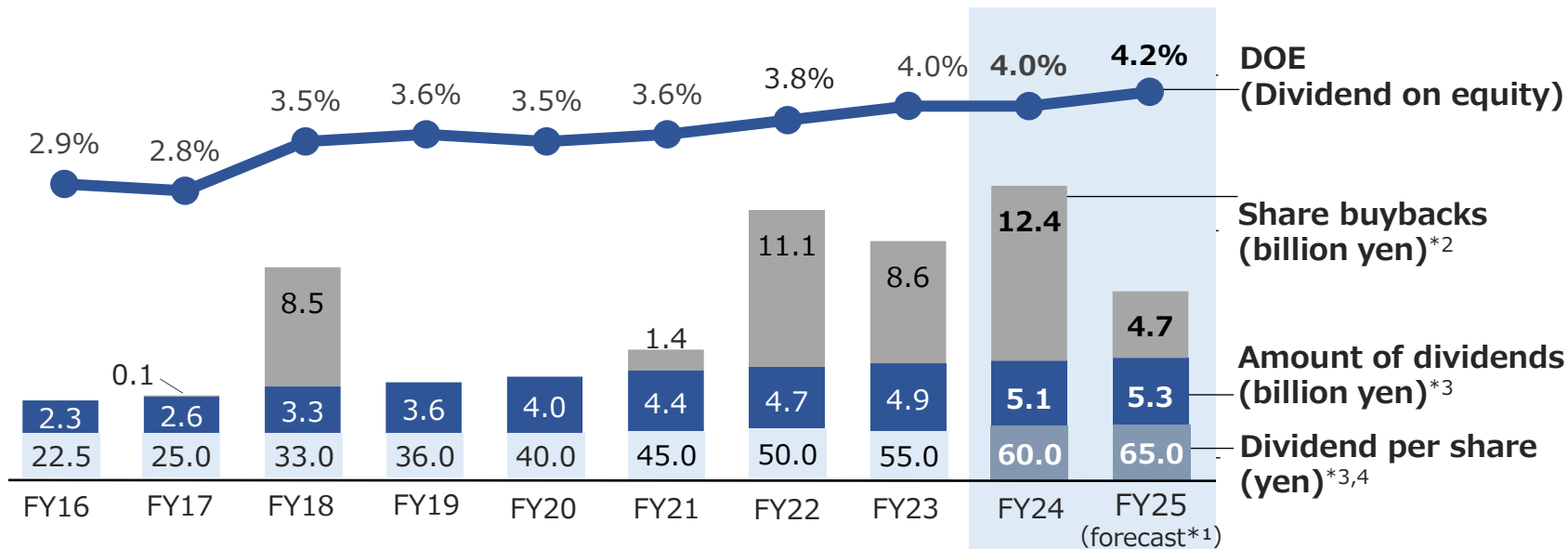


# Key measures: ③ Strengthen shareholder returns

## Maintain and strengthen stable shareholder returns at a high level

### ■ Strengthen shareholder returns

- While prioritizing strategic and important business investments in principle, maintain and strengthen stable shareholder returns at a high level
  - Raise medium-to long-term dividend on equity (DOE) ratio (aim for DOE of at least 4.5% as of 2030)
  - Buy back shares flexibly with an awareness of the total shareholder return ratio



✓ Maintain and strength shareholder returns while making investment for business growth and the strengthening of the management foundation, mainly in Focused Domains

**Total amount of returns in 2024 MTBP period**

**¥36.0 billion or higher\*5**

\*1 Results forecasts for the fiscal year ending Mar 31, 2026, as of May 9, 2025

\*2 The amount bought back during the fiscal year (for FY2025, the amount purchased up until May 13, 2025)

\*3 Amount of appropriated surplus for the relevant accounting periods

\*4 Two-for-one stock split of common shares was conducted effective Jan 1, 2024. Figures for FY2022 and earlier have been retroactively adjusted for the stock split.

\*5 Dividends from surplus and share buybacks are both on a cash outflow basis

# Business Targets



	2021 MTBP	2024 MTBP		2030 Business Plan
	FY2023 actual	FY2024 actual	FY2026 target	FY2030 target
Net sales	<b>213.3</b> billion yen	<b>228.9</b> billion yen	<b>246.0</b> billion yen	<b>300.0</b> billion yen or higher
Operating income	<b>20.2</b> billion yen	<b>21.2</b> billion yen	<b>24.6</b> billion yen	-
<KPIs>				
Operating income margin	<b>9.5%</b>	<b>9.3%</b>	<b>10.0%</b>	<b>12% or higher</b>
Focused domain net sales ratio	<b>50.6%</b>	<b>49.7%</b>	<b>53% or higher</b>	<b>60% or higher</b>
Overseas sales ratio	<b>12.7%</b>	<b>13.3%</b>	<b>16% or higher</b>	<b>25% or higher</b>
ROE	<b>11.8%</b>	<b>13.5%</b>	<b>12% or higher</b>	<b>15% or higher</b>
ROIC <sup>*1</sup>	<b>9.6%</b>	<b>9.8%</b>	<b>10% or higher</b>	<b>12% or higher</b>
DOE	<b>4.0%</b>	<b>4.0%</b>	<b>4.3%</b>	<b>4.5% or higher</b>
<Non-financial targets>				
Provide the value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company <sup>*2</sup>				<b>70%</b>
Health of mind: Ratio of positive responses that Morinaga "makes me happy," according to a corporate image survey <sup>*3</sup>				<b>90%</b>
Ratio of employees who find their job meaningful and who are in good mental and physical health at work <sup>*4</sup>				<b>80%</b>
Procurement ratio of sustainable raw materials (cacao beans, palm oil and paper) <sup>*5</sup>				<b>100%</b>
CO <sub>2</sub> emissions <sup>*6</sup>				<b>30% reduction</b>

<sup>\*1</sup> Calculated using credit approach. Formula: NOPAT / Investment capital (Interest-bearing debt + Shareholder equity)

<sup>\*2</sup> Targets: Products that Morinaga has defined as "Deepening health of mind," "Accelerating health of body," and "Evolving health of body from health of mind."

The population percentage is calculated from INTAGE Inc.'s SCI annual purchase rate (Target: Consumers aged 15 to 79 nationwide).

We will study setting what we want to be globally at a future date. <sup>\*3</sup> Based on Morinaga data. <sup>\*4</sup> Percentage of affirmative answers on the employee awareness survey.

<sup>\*5</sup> Group consolidated. Paper covers product packaging. <sup>\*6</sup> Scope 1 + 2 (Group companies in Japan consolidated, compared to FY2018).



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