

Strategy Section

- 8 Message from Top Management
- 14 Value Creation Process for Achieving Our Vision for 2030
- 16 Materiality
- 18 Long-Term Business Plan: 2030 Business Plan
- 22 Medium-Term Business Plan: 2021 Medium-Term Business Plan
- 25 **Policy 1** Improve Profitability through Business Portfolio Optimization and Structural Reforms
 - 25 "in-" Business
 - 26 Direct Marketing Business
 - 27 Frozen Desserts Business
 - 28 U.S. Business
 - 30 Domestic Confectionery and Foodstuffs Business
 - 32 Improve Profitability through Structural Reforms Centering on Functional Sectors
- 34 **Policy 2** Build Business Foundation Linked with Business Strategies
 - 34 Human Resources Strategy
 - 35 R&D Strategy
 - 36 Financial Strategy
 - 37 DX Strategy
- 38 **Policy 3** Promotion of Diversity



Message from Top Management



Eijiro Ota

Representative Director, President

“We will Change into a Wellness Company” that pursues the enriched and glorious life of people around the world by creating healthy foods through a management approach giving every employee ownership that relies closely on our Purpose.

Our Mission Reaffirmed During the COVID-19 Pandemic

The fiscal year ended March 31, 2021 was a challenging year as most social and economic activities were brought to a standstill due to the COVID-19 pandemic. I would like to take this opportunity to extend our deepest sympathies to those who have lost their loved ones during the pandemic. At the same time, I would like to express our heartfelt appreciation and respect for frontline essential workers who have helped us make it through this difficult time.

The year 2020 was supposed to be a bright year for the Morinaga Group in sharing Japanese confections and food culture with the rest of the world through the Tokyo Olympics and Paralympics. However, the COVID-19 pandemic continues and we spent much of the previous year working across the company to address the challenges presented by the pandemic.

First, speaking of our countermeasures to prevent the spread of the virus among employees, we had already introduced a telework system since the fiscal year ended March 31, 2018 as part of our work style reforms, which helped facilitate operations at our head office and in our sales departments despite the pandemic.

I am also grateful to our factories across Japan because they adapted to the changing situation and continued to provide a stable supply of products without ever stopping production. Here, I would like to express my deepest appreciation to all our stakeholders who have supported the Morinaga Group's business operations, including our manufacturing partners and our employees.

In April 2020, we donated 360,000 units of “in Jelly” in support of healthcare professionals. I was overjoyed to receive many handwritten letters from healthcare professionals saying how much these products helped to keep them going when they could not eat regularly. This experience reaffirmed my sense of pride in our products and presence.

As the period of people staying at home continues, and many people are searching for relaxation and rejuvenation in their lives, sales of hotcake mix, biscuits, and frozen desserts grew. The previous year allowed us to reaffirm the role in people's lives and value provided by our products and deeply consider the direction the Morinaga Group after more than 120 years of history should follow in the future when the pandemic ends.

Looking Back on the 2018 Medium-Term Business Plan

Looking back, during the 2012 Medium-Term Business Plan, which ran from the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2015, the Morinaga Group faced challenges as operating income totaled 3 billion yen annually and the operating income to net sales ratio was between 2 and 3% due to the impact from the Great East Japan Earthquake. However, during the 2015 Medium-Term Business Plan, we achieved operating income of 10 billion yen annually, reaching what had been our target for many years. The theme for the 2018 Medium-Term Business Plan was solidify this earnings power and translate it into future growth.

Under the 2018 Medium-Term Business Plan, we made steady progress toward our targets until the second year, but eventually fell short because of the impacts of the COVID-19 pandemic in the fiscal year ended March 31, 2021. The negatives from *in Jelly* and *HI-CHEW* largely cancelled out the positives of *Morinaga Hotcake Mix* and *Morinaga Biscuits*. As a result, net sales for the fiscal year ended March 31, 2021 totaled 199.9 billion yen, down 8.8 billion yen year on year. However, factoring out the 7.4 billion yen in net sales in the fiscal year ended March 31, 2020 of *Pringles*, for which our distributorship agreement ended on March 31, 2020, overall net sales were nearly on par with the previous year. Operating income came in at 19.1 billion yen, down 2.0 billion yen, and net income was 13.4 billion yen, up 2.5 billion yen, marking our best ever profit. Of this, we have determined that the negative impacts from the COVID-19 pandemic caused net sales to decline by 8.8 billion yen and operating income by 2.4 billion yen.

Sales of our mainstay product *in Jelly* were cut in half year on year in April and May 2020 due to the COVID-19 pandemic. Using flexible and efficient sales and marketing activities, sales had recovered and increased 20% year on year in September.

Financial Results

	Targets for FY2021/3	Results for FY2021/3
Operating income to net sales ratio	10% or higher	9.6%
Wellness sales ratio	50% or higher	45.7%
Overseas sales ratio	10% or higher	6.1%
ROE	10% or higher	11.8%
Shareholders' equity ratio	50% or higher	60.9%
Dividend payout ratio	30%	30.0%

Other businesses including foodstuffs and direct marketing also performed well. In the frozen desserts business, *Choco Monaka Jumbo* posted an increase in sales for the 20th consecutive year. In the U.S. business, we grew sales by 1.7 times (compared to the fiscal year ended March 31, 2018) over the three-year period of the 2018 Medium-Term Business Plan, helping our entire overseas business achieve profitability.

Furthermore, driven by our efforts to increase profitability through company-wide structural reforms and to strengthen cost competitiveness by rebuilding our production bases, the operating income to net sales ratio was 9.6%, which is close to the 10% level despite the impacts of the COVID-19 pandemic. This shows that we have made steady progress with further improved profitability and an upgraded business foundation, which we worked on during this Medium-Term Business Plan. I believe that this also indicates our reforms for building a high profit structure focused on competitive brands has paid off in the form of customer recognition and praise.

Formulating a New Corporate Philosophy Reexamining the Morinaga Group's Reason for Existence

In taking the reins as the ninth president in 2019, the 120th anniversary of the company, I asked myself what the Morinaga Group should value, what constitutes a good company, and what is my most important role as president. The answer I arrived at was "permanence," which we have managed to achieve by overcoming a number of challenges during our long 120-year history.

I found that continuing to contribute to society by creating value that society truly needs, as well as to strive for our company's sustained growth and development, no matter the situation, will lead to the happiness of all stakeholders, including customers and employees.

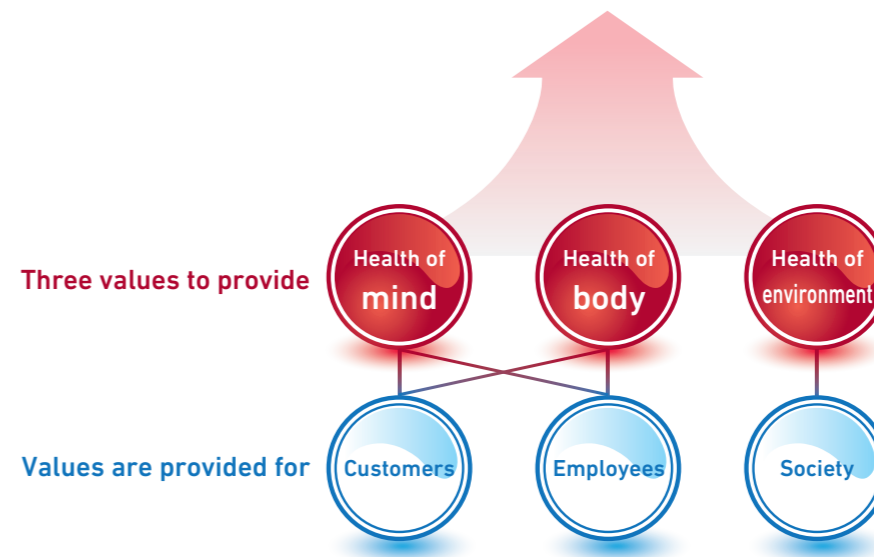
Based on this belief, we asked employees to voice their opinions regarding the meaning of the Morinaga Group going forward. In response, we received passionate feedback from close to 1,000 employees. The newly formulated corporate philosophy represents the culmination of discussions by our executive management team based on these employee voices.

Our 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) outlined in this corporate philosophy represents the heart of our efforts to achieve corporate permanence by connecting the Morinaga Group with employees and society.

In response to this new corporate philosophy, many employees have indicated that they were happy with the process of carefully screening employee voices and that the philosophy itself feels like their own. We plan to hold dialogues directly with employees at our business sites around the world to help disseminate this Purpose. While we have been in business for 120 years, our future is not guaranteed. To grow continuously, I will take the lead in driving us toward being an organization that tackles value creation aimed at the achievement of our Purpose by ensuring the employees think and judge for themselves whether their activities align with our Purpose.

The Morinaga Group will Change into a Wellness Company in 2030.

We will further evolve reliability and technology built on our 120-year history to support people's wellness lifestyles in all generations worldwide.



2030 Vision: Change into a Wellness Company

The Morinaga Group established the 2030 Vision to outline the position we want to be in by 2030 in fulfilling our Purpose. This vision declares that "We will Change into a Wellness Company" that contributes to a sustainable and fulfilling society by providing the three values of health (health of mind, health of body, and health of environment) to the three stakeholders of customers, employees, and society. The words "change into" in particular contain my strong conviction. While feeling a sense of accomplishment in the company's growth following the results of the 2018 Medium-Term Business Plan, I wanted to convey to employees through this message that we will strive for more.

Specifically, the Morinaga Group has contributed to "health of mind" by providing a sense of happiness such as deliciousness and fun through our many products centered on confections and foodstuffs. We have proudly contributed to "health of body" through our products like *in Jelly*. As such, during the formulation of the 2030 Vision, I focused on how we can become a company that delivers happiness to everyone involved with the Morinaga Group. This is because I wanted to work even harder toward people's "health of mind and body" and "health of environment" surrounding us.

We will analyze scientifically our value such as "contributions through provision of a sense of happiness including deliciousness and fun" that the Group has provided over the years as "health of mind" to benefit product development that further boosts this sense of happiness and customer satisfaction.

There is steadily growing preference among consumers for even indulgence items such as confections to be healthy. During the COVID-19 pandemic, the number of people worried about their calorie intake is on the rise because of increased telework and fewer opportunities to exercise and go out. This is why we are stepping up product development that further contributes to "health of body," including reducing sugar content and finding effective ways to consume protein.

Moreover, without business processes that generate products as well as sustainability in society and the environment, we will not be able to truly feel a sense of deliciousness from our hearts. Therefore, to ensure the entire value chain of our products is sustainable, we will work collectively as a company to resolve social issues including climate change and food loss and waste.



Establishment of the 2030 Business Plan

Financial and Non-Financial Targets for 2030

Financial Targets ^{*1}

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

Non-Financial Targets

Provide value of health to 70% or more of the Japanese population through new initiatives aimed at becoming a wellness company ^{*2}	
Ratio of employees who find their job meaningful and who are in good mental and physical health at work:	80% ^{*3}
Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper):	100% ^{*4}
CO ₂ emissions reduction:	30% ^{*5}

^{*1} Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of FY2022/3
^{*2} Scope: products the Company defines as "Deep dive into 'health of mind'", "Accelerate 'health of body'", and "Evolve 'health of mind' to 'health of body'". Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore the establishment of a vision on a global basis.
^{*3} Ratio of affirmative answers on the employee awareness survey
^{*4} Consolidated basis; paper covers product packaging only.
^{*5} Scope 1 + Scope 2 (domestic consolidated basis compared to FY2019/3)

To achieve the 2030 Vision, we will need to implement strategies that utilize the Group's accumulative strengths in terms of reliability and technology, with an eye toward the growth and profitability of each business, based on medium- to long-term environmental changes.

Therefore, we identified important issues both financial and non-financial (materiality) that we need to address to attain our Purpose and 2030 Vision considering medium- to long-term environmental changes. The 2030 Business Plan represents the end result of this process.

The 2030 Business Plan contains three basic policies. First is to improve profitability through business portfolio optimization and structural reforms. We have selected the "in-" business, direct marketing business, U.S. business and frozen desserts business as the four businesses expected to see high growth and profitability through the creation of health value utilizing the Group's strengths. These businesses have been defined as the focused domain category. At the same time, the domestic confectionery and foodstuffs business, operating subsidiaries in Japan and Taiwan, which generate cash in a stable manner and support the growth of the focused domain, have been defined as the basic domain. Our target is to reverse the sales ratio of the focused domain versus the basic domain and exploration and research domain from the current 40%:60% split to 60%:40% by 2030. Toward this end, we have decided to boldly deploy management resources in the focused domain. In the exploration and research domain category, we will explore new business opportunities expected to produce growth in the future and create new businesses that can become the next focused domain.

The second basic policy is to build a business foundation linked with business strategies. Aimed at implementing our business strategies, we will enhance our business foundation including human resources, R&D, DX^{*6}, and financial position. Under our human resources strategy, we will work to develop leaders who will drive our business toward attainment of our Purpose and the 2030 Vision and foster human resources who will contribute to the creation of social value with their advanced expertise. Our R&D strategy calls for the enhancement of research and development for creating new value contributing to "health of mind and body"

through open innovation, and for new product development toward the U.S. market. In 2022, we will open a new research center to strengthen basic research with a long-term perspective and update key technologies. As for our DX strategy, first we will increase the efficiency of business operations and increase profitability, and looking ahead, we will work to create new businesses in the exploration and research domain as well as build a business base that supports future growth. Under our financial strategy, we will actively invest in growth and maintain our stable financial base while offering consistent shareholder returns supported by the implementation of the 2030 Business Plan.

The third basic policy is promotion of diversity. When I became President two years ago, I declared that diversity would form a focal point of our business strategy. The reason behind this is to generate innovation to resolve the challenges faced by customers and society. People are the key drivers supporting the Morinaga Group's business operations and our aspirations for sustainable growth. We will build an organization that values each and every employee of the Morinaga Group and empowers them to fully harness and contribute their uniqueness and skill sets. Our workforce of unique individuals will become a driving force behind the diversity of knowledge and creation of new value. This will give rise to innovation indispensable to achieving our Purpose and the 2030 Vision.

We will implement these three basic policies and initiatives aimed at our materiality, and through sustainable business processes, we aim to reach net sales of 300 billion yen, an operating income to net sales ratio of 12% or higher, and an overseas sales ratio of 15% or higher by the fiscal year ending March 31, 2031.

Moreover, to realize the 2030 Vision, we will also need to address ESG issues. Under our ESG Committee, established in April 2021, we will commence full-fledge efforts toward the Group's sustainable management. We will tackle such issues as sustainable raw materials procurement (cacao beans and palm oil, etc.), GHG^{*7} emissions reduction, plastic container/packaging reduction, and food loss and waste reduction using long-term targets, in an effort to build a sustainable society.

^{*6} Digital transformation
^{*7} Greenhouse gases

Start of the 2021 Medium-Term Business Plan

The Medium-Term Business Plan starting from the fiscal year ending March 31, 2022 will see us work on "building a new foundation for dramatic growth" forward as the first stage in achieving the 2030 Business Plan.

In the "in-" business, we will work to restore and expand *in Jelly*, boost sales of *in Bar* products, and create new foods using the "in-" brand. In the direct marketing business, we will provide services tailored to individual customers using digital marketing. In the U.S. business, we will continue to increase sales of *HI-CHEW* and begin rolling out jelly drinks developed for the U.S. market. In the frozen desserts business, we will focus on new product rollouts using the Morinaga Group's unique confectionery technologies following the start of operations at the Takasaki Factory No. 3. In the domestic confectionery and foodstuffs business, we will aim to improve profitability and generate stable profits.

Financial Targets ^{*1}

	Targets for FY2024/3
Net sales:	190 billion yen
Operating income:	21.5 billion yen
<KPIs>	
Operating income to net sales ratio:	11% or higher
Overseas sales ratio:	9% or higher
Focused domain sales ratio:	+5 points or higher^{*2}
ROE:	10% or higher
Dividend payout ratio:	30%

^{*1} Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of FY2022/3
^{*2} Compared to the average value during the 2018 Medium-Term Business Plan

The point of emphasis in implementing these initiatives will be proactive investment in future growth. During the three-year period of the 2021 Medium-Term Business Plan, we aim to increase operating cash flow by 18 billion yen, from around 54 billion yen during the previous medium-term business plan to around 72 billion yen this time around by growing the focused domain and improving the profitability of the basic domain. As part of this, we have committed to investing around 45 billion yen over the three years of the plan in facilities for the frozen desserts business at the Takasaki Factory No. 3 and opening a new research center aimed at the growth of the focused domain. Also, aimed at achieving the 2030 Business Plan, we will expand investments for inorganic growth such as M&A and alliances along with investments in intangible assets such as R&D, DX, and advertising, which will form the foundation for long-term value creation. These investments will be carried out according to management judgement with an eye toward both capital costs and future growth.

Our earnings forecast announced at the start of this medium-term plan calls for decreased operating income due to rising depreciation expenses from capital spending. Despite cost increases from depreciation and intangible investments, we will push ahead with these investments, recognizing they will result in an intentional plateau, aimed at achievement of the 2030 Vision. As for shareholder returns, we will provide stable dividends totaling more than 12 billion yen over the course of the plan's three years, reaching a dividend payout ratio of around 30%. After pressing forward with expansion of the focused domain, improving the earnings power of the basic domain, and investing in future growth, our targets for the fiscal year ending March 31, 2024, the third year of the plan, call for net sales of 190 billion yen and operating income of 21.5 billion yen, which marks a record high.

Growing Sustainably with Society

During the course of its more than 120-year history, the Morinaga Group has earned the trust of society having become an integral part of its customers' lives. Today, when our Purpose is clear and we are taking new steps forward, we will work collectively as a Group to achieve this plan with strong conviction and commitment. The driving force behind our effort will be our people. We want to be a company where every employee boldly tackles new challenges unafraid of failure. It will be important for each and every employee to courageously work on value creation for customers and society, with our Purpose close to our hearts, by constantly checking whether their activities align with our 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.) As long as we can combine the power of all our people, I am convinced that we can achieve our Purpose and the 2030 Vision.

After the COVID-19 pandemic ends, there is a high likelihood that a number of unpredictable changes in our business environment could occur in the future. No matter the situation, though, with our Purpose close to our hearts, we will continue working to become a company that can grow sustainably by tackling the challenges of value creation for customers and society using a management approach with everyone having ownership.

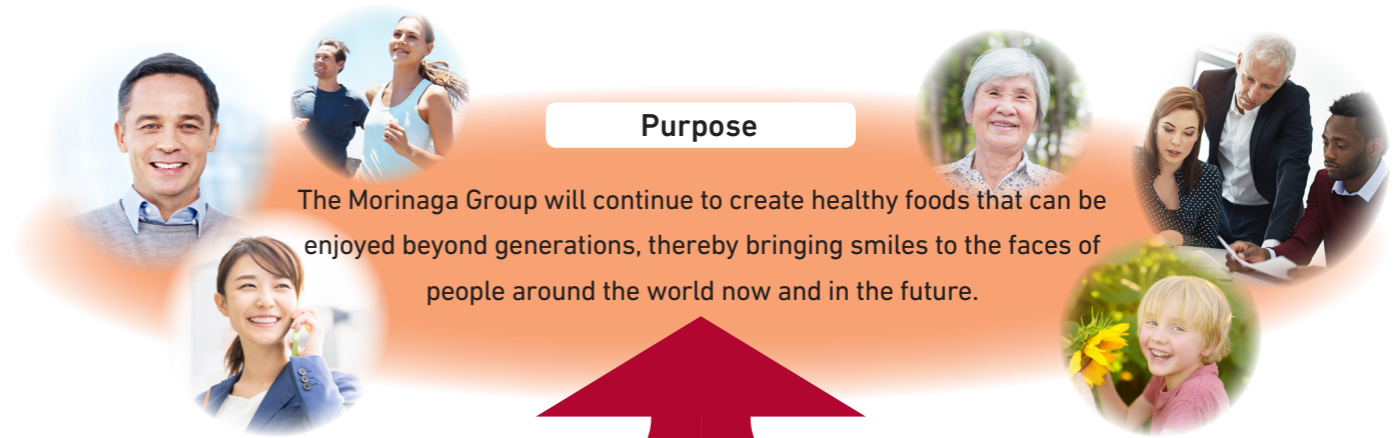
太田 栄二郎

Eijiro Ota

Representative Director, President

Value Creation Process for Achieving Our Vision for 2030

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



Purpose

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

2030 Vision

See page 11

Change into a Wellness Company

Evolution of Management

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

1. Promote Purpose-driven Management
2. Implement the 2030 Business Plan

See page 18 and 40

Customer value

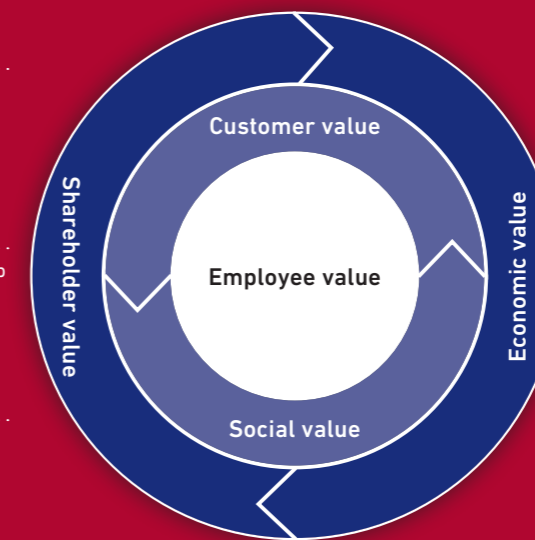
- Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company^{*2}

Employee value

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

Shareholder value

- Management aware of capital costs
- Achieve stable dividend



Social value

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

Economic value ^{*1}

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

External Environment

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

Materiality

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

See page 16

Transition strategy

Management Capital (FY2021/3)

- [Financial capital]**
 - Net assets: 123.9 billion yen
 - Profitability: Operating income to net sales ratio at 10% level
- [Production capital]**
 - Production sites: 8 factories in Japan and 3 overseas
 - 1 research center
- [Intellectual capital]**
 - Patents owned: 172 in Japan and 125 overseas
 - Trademarks owned: 503 in Japan and 593 overseas^{*8}
 - R&D expenses: 2.22 billion yen
- [Human capital]**
 - Employee loyalty: 80%^{*9}
 - Health management: selected for "White 500" four years running
- [Social capital]**
 - Relationships of trust with various stakeholders built over more than 120 years in the business
 - Many long-seller brands
- [Natural capital]**
 - Diverse raw materials with consideration for sustainability and close quality control

Current Business Model

Fast development and mass production of products that meet customer needs and deliver



them across a broad range of channels



Value Created (FY2021/3)

- [Value provided to customers]**
 - Delicious • Fun • Healthy • Nutritional
 - Convenient (easy and quick)
- [Value provided to shareholders]**
 - Annual dividend per share: 66 yen in FY2019/3 to 80 yen in FY2021/3
- [Morinaga's value]**
 - Improve profitability and capital efficiency (operating income to net sales ratio of 9.6% and ROE of 11.8%)
 - Grow U.S. business and turn a profit in overseas businesses
 - Labor environment that is safe and secure

Strengths



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

*5. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3). *6. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics). *7. Scope: Food loss and waste occurring from receipt of raw materials to delivery (distribution) (domestic Group consolidated basis; intensity; compared to FY2020/3). Excludes feedstuffs and fertilizers, etc., that are returned to the food resource chain. Food disposed of by incineration or in landfills is defined as "food loss and waste." *8. Number of rights owned as of the end of FY2021/3. *9. Positive responses to "I feel pride as a member of this company" and "I feel fortunate to work for this company" on the employee awareness survey.

Materiality

The Morinaga Group's Materiality

We identified the materiality that the Morinaga Group must address in order to achieve our Purpose and the 2030 Vision.



Materiality	Main challenges included in materiality	Main expected opportunities and risks (filled circles indicate opportunities and filled triangles indicate risks)	Long-Term Targets for 2030	Main Actions Ahead of 2030	Main Actions for FY2022/3 to FY2024/3	Response to SDGs
1. Contribute to Healthy Lives of People around the World	1. Develop delicious and healthy foods	<ul style="list-style-type: none"> ● Growing business opportunities following the rising health consciousness of consumers ▲ Declining market competitiveness over the medium to long term caused by delayed response 	Provide value of health to more than 70% of Japan's population through new initiatives aimed at becoming a wellness company ^{*1}	1. Develop and supply products that contribute to "health of mind and body"	<ul style="list-style-type: none"> • Contribute to health through existing and new products • Enhance R&D • Communicate with consumers 	
	2. Develop products with new value in response to consumer needs	<ul style="list-style-type: none"> ● Growing business opportunities and improving competitiveness by tapping into latent markets ▲ Declining market competitiveness over the medium to long term caused by delayed response 				
	3. Develop sustainable products	<ul style="list-style-type: none"> ● Growing business opportunities from rising awareness of sustainability among consumers 				
	4. Food security and quality assurance	<ul style="list-style-type: none"> ● Increasing social trust ▲ Declining social trust, brand value, and corporate value 				
	5. Appropriately convey social and environmental information about products					
2. Diversity and Inclusion of People	1. Foster human resources to achieve our vision	<ul style="list-style-type: none"> ● Securing of talent needed to contribute to realization of our Purpose and the 2030 Vision ▲ Declining sustainable growth capabilities due to delayed response 	Rate of positive responses on the employee awareness survey: 80% 1) Morinaga Group's contributions to building a sustainable society 2) Corporate growth driven by diverse workforce 3) Employee motivation and achievement of "health of mind and body"	1. Foster people, culture and organizations to achieve our Purpose and the 2030 Vision	<ul style="list-style-type: none"> • Spread corporate philosophy • Entrench human resources development programs • Increase workforce in overseas business 	
	2. Diversity and inclusion	<ul style="list-style-type: none"> ● Improving innovation capabilities and environmental response capabilities ▲ Declining organizational competitiveness and social reputation due to delayed response 				
3. Achieve Sustainable Value Chains	1. Sustainable procurement of raw materials	<ul style="list-style-type: none"> ● Achieving long-term stable procurement of safe and high-quality raw materials ▲ Growing risks surrounding procurement of agricultural raw materials due to delayed response 	1) Sustainable procurement of raw materials: 100% (cacao beans, palm oil, and paper) ^{*2} 2) CSR supply chain management: implement for 80% or more of raw materials transaction value ^{*3} 3) Reduce food loss and waste: 70% ^{*4}	1. Promote sustainable raw materials procurement	<ul style="list-style-type: none"> • Promote sustainable procurement in Japan (cacao beans, palm oil, and paper packaging materials for products) • Formulate supplier guidelines and hold briefings • Conduct assessments 	
	2. Human rights and environmental issues in the production stage of agricultural raw materials	<ul style="list-style-type: none"> ● Reducing human rights and environmental risks ▲ Declining social trust, brand value, and corporate value 				
	3. Reduce food loss and waste	<ul style="list-style-type: none"> ● Lowering costs by reducing manufacturing loss and returns ▲ Declining social reputation due to delayed response 				
	4. Co-exist and co-prosper with local communities	<ul style="list-style-type: none"> ● Increasing social trust ▲ Growing operational risks at business sites, etc. 				
4. Conserve the Global Environment	1. Mitigate and adapt to climate change	<ul style="list-style-type: none"> ▲ Growing risks in procurement of agricultural raw materials ▲ Rising production costs due to carbon taxes, etc. ▲ Declining corporate value due to delayed response 	1) Reduce greenhouse gas (GHG) emissions <ul style="list-style-type: none"> • Achieve net-zero GHG emissions by FY2051/3^{*5} • Reduce CO₂ emissions 30% by FY2031/3^{*6} 2) Reduce plastic waste: 25% reduction of plastics used for <i>in Jelly</i> products ^{*7}	1. Respond to climate change issues	<ul style="list-style-type: none"> • Reduce CO₂ emissions and introduce renewable energy • Crystalize adaptation measures to climate change 	
	2. Eco-friendly plastic containers and packaging along with recycling and reuse	<ul style="list-style-type: none"> ● Creation of innovation through external collaboration ▲ Declining corporate value due to delayed response 				
5. Strengthen the Business Management Foundation	1. Strengthen corporate governance	<ul style="list-style-type: none"> ● Increasing management efficiency and corporate value ▲ Declining evaluations from capital markets 	Instead of uniform targets for 2030, we promote response to individual issues as needed	1. Build a highly transparent and efficient governance system	<ul style="list-style-type: none"> • Comply with Japan's Corporate Governance Code • Organize requirements for globalization of management foundation • Develop infrastructure and formulate action plan 	
	2. Globalize management foundation (strengthen base for overseas expansion and respect local cultures, etc.)	<ul style="list-style-type: none"> ● Acquiring trust from countries and regions where we operate ● Increasing ability to promote and implement management strategy 				
	3. Human rights management	<ul style="list-style-type: none"> ▲ Damage to social trust, brand value and corporate value 				
	4. Address next-generation food technologies (next-generation food services, DX and robotics, etc.)	<ul style="list-style-type: none"> ● Improving productivity ● Growing business opportunities from innovation 				
	5. Increase social trust and reputation through disclosure of ESG information	<ul style="list-style-type: none"> ● Increasing social trust and corporate value 				

*1. Scope: Products defined as Deep dive into "health of mind," Accelerate "health of body," and Evolve "health of mind" to "health of body." Population percentage calculated based on the INTAGE Inc. SCI annual purchase rate (scope: consumers nationwide between the ages of 15 and 79). Going forward, the Company will explore establishment of a vision on a global basis. *2. Group consolidated basis; paper covers product packaging. *3. Group consolidated basis.

*4. Scope: The data is based on domestic Group consolidated basis; intensity; compared to FY2020/3. Food loss and waste occurring from receipt of raw materials to delivery (distribution). Food loss and waste is defined as food product waste disposed of by incineration or in landfills, excluding food product waste that can be recycled as feed or fertilizer. *5. Group consolidated basis. *6. Scope 1 + 2 (domestic Group consolidated basis; compared to FY2019/3). *7. Scope: Amount of plastics used in packaging materials (intensity; compared to FY2020/3; including replacement with biomass plastics).

Long-Term Business Plan

2030 Business Plan

The Morinaga Group formulated the 2030 Business Plan as a long-term business plan aimed at 2030 in order to enhance corporate value by achieving medium- to long-term growth while contributing to the realization of a sustainable society under its new corporate philosophy.

2030 Vision

The Morinaga Group will Change into a Wellness Company in 2030.

We will further evolve reliability and technology built on in our 120-year history to support people's wellness lifestyles in all generations worldwide.

We formulated the 2030 Vision to outline the position we intend to be in 2030 as the Group's goal of the 2030 Business Plan. The Morinaga Group has cultivated its brand and enhanced its technical prowess during the course of its more than 120-year history supported by the trust of customers. Looking ahead, the Morinaga Group will seek to achieve sustainable growth through value creation in "health of mind, body and environment," which will drive its change into a wellness company.

1st Stage 2021 Medium-Term Business Plan

Under the 2021 Medium-Term Business Plan (from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024), which is positioned as the first stage of the 2030 Business Plan, we will build "a new foundation for dramatic growth" as we promote the strengthening of our business foundation for achieving future growth.

2018 Medium-Term Business Plan (Results and Issues)

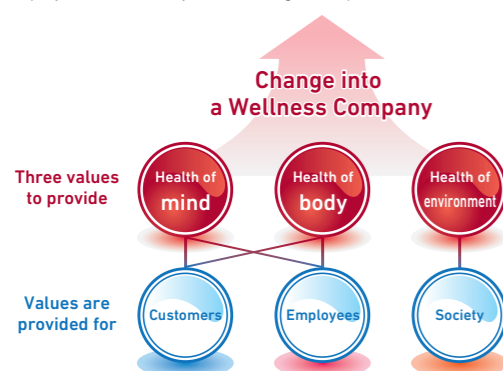
During the 2018 Medium-Term Business Plan, which ran from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2021, operating income declined due to the impacts of the COVID-19 pandemic in the final fiscal year of the plan. However, we built a business foundation that could consistently generate an operating income to net sales ratio at the 10% level by improving the earnings power mainly of domestic businesses. Looking ahead, we will secure earnings power to consistently generate funds for growth investments and foster an organization with a high degree of management efficiency by effectively linking limited management resources to value creation through governance reforms and initiatives for DX, aimed at accelerating our growth strategy.

Main Changes Predicted to Occur in the Business Environment Going Forward

- Changes in macroeconomic environment**
- Full-fledged population decrease, lower birthrate, and aging population of Japan leading to shrinking markets and labor shortages
 - Economic development mainly in emerging markets and increasing population worldwide
 - Growing seriousness of social issues, including climate change
- Environmental changes surrounding the foodstuff industry**
- Rising awareness toward health worldwide attributed to aging societies and efforts to curtail medical expenses
 - Growing demand for psychological security attributed to the COVID-19 pandemic
 - Changes in purchasing and consumption styles of consumers due to advancements in digital technology

Contribution to Health of Mind, Body, and Environment

The Morinaga Group defines wellness as "the state of realizing or pursuing an enriched and glorious life on the basis of health of mind, body, and environment." By providing the three values of "health of mind," "health of body," and "health of environment" to the three stakeholders of customers, employees, and society, the Morinaga Group will achieve sustainable growth.



Customers x Health of Mind and Health of Body
We are further evolving the values we provide in order to contribute to "health of mind" and "health of body" of customers through all our products. Under "health of mind," we will enhance emotional values using a science-based approach to further enhance customer satisfaction. Under "health of body," we also address health needs through food by further enhancing the value we provide via the development of food with functional claim.

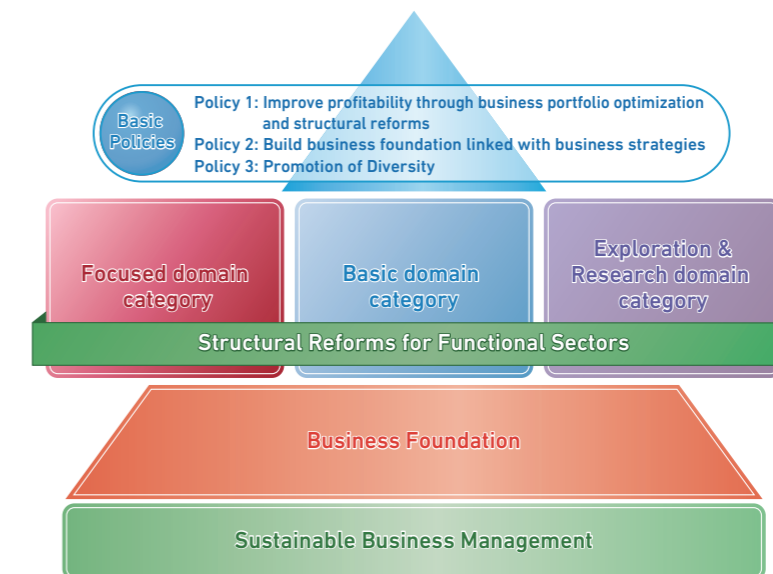
Employees x Health of Mind and Health of Body
We will further promote work style reforms along with health management including mental healthcare to foster an organization where employees find their job meaningful and can share their skills dynamically.

Society x Health of Environment
To achieve customer wellness, we believe it is essential to not only make our foods delicious and healthy, but also ensure that our manufacturing process producing these foods and the value chain are sustainable. Therefore, we are working to address social issues related to our business, such as food loss and waste, human rights issues, and environmental issues, aiming to achieve an environment where customers truly feel deliciousness in the foods we make.

Financial and Non-Financial Targets for 2030

Financial Targets *1		Non-Financial Targets	
Net sales:	300 billion yen	Provide value of health to 70% or more of the Japanese population through new initiatives aimed at becoming a wellness company *2	
Operating income to net sales ratio:	12% or higher	Ratio of employees who find their job meaningful and who are in good mental and physical health at work:	80%*3
Overseas sales ratio:	15% or higher	Procurement ratio of sustainable raw materials (cacao beans, palm oil, and paper):	100%*4
Focused domains' sales ratio:	60%	CO ₂ emissions reduction:	30%*5

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



Strategies Aimed at Achieving the 2030 Vision

Under the 2030 Business Plan, we have defined the three basic policies as "Improve profitability through business portfolio optimization and structural reforms," "Build business foundation linked with business strategies," and "Promotion of Diversity" in order to achieve our financial and non-financial targets outlined in the 2030 Vision. In turn, we formulated strategies based on these basic policies.

As part of our business strategy, we have defined the three business domains, the "Focused domain," comprising businesses with high profitability and growth potential that will drive the Group's growth, the "Basic domain," comprising businesses that will generate cash in a stable manner through steady net sales growth to be allocated to the focused domain, and the "Exploration and research domain," exploring additional growth opportunities aimed at 2030. Through these domains we will create value to achieve the 2030 Vision and increase profitability using company-wide structural reforms focused on functional sectors.

In order to build a management foundation that will underpin our business strategies, we will aim to increase and strengthen

management resources essential to future growth using a long-term perspective in the areas of human resources, technology, cash, and digital based upon our human resources strategy, R&D strategy, financial strategy, and DX strategy. Also, through promoting diversity and inclusion, we will achieve a workplace environment where our diverse workforce finds their job meaningful and can fully harness their skills.

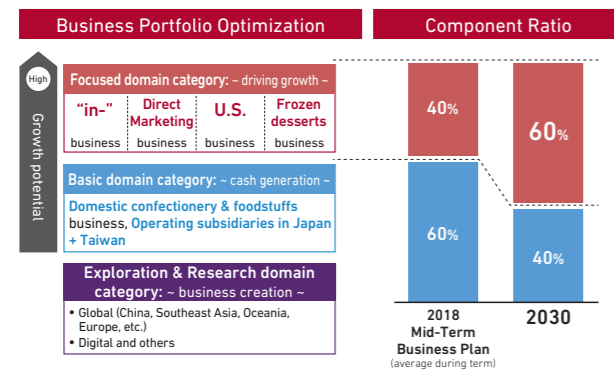
By implementing these strategies in an integrated manner, we will build a resilient management foundation for sustainable growth and deploy the cash generated from improved profitability gained from structural reforms in the focused domain. This will position us to increase the entire Group's growth efficiency and achieve the 2030 Vision.

Furthermore, to increase the probability of achieving the 2030 Business Plan, we will actively explore opportunities globally in terms of inorganic growth using alliances and M&A and ensure that management carries out bold and swift decision making. In executing these strategies, the basis of our actions will be grounded in sustainability management.

The Three Basic Policies of the 2030 Business Plan

We formulated three basic policies aimed at achieving the 2030 Vision and reaching our financial and non-financial targets.

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms



Concentration of Management Resources on Focused Domain

We selected the "in-" business, direct marketing business, U.S. business, and frozen desserts business as businesses promising high profitability and growth prospects aimed at the 2030 Vision and designated these as the focused domain. By deploying management resources to the focused domain in a concentrated manner, we will drive the Group's growth. We will invest management resources optimally based on differences in the growth stage of each business to accelerate the speed of growth.

Stable Cash Generation from the Basic Domain

We defined the domestic confectionery business, which is the Group's largest business with stable earnings power, the domestic foodstuffs business, which has many category No. 1 brands, and operating companies in Japan and Taiwan as the basic domain that will generate funds in a stable manner for investment in the focused domain. The basic domain will seek to achieve steady and high sales growth and enhance earnings while further increasing the added value in order to contribute to "health of mind" and "health of body" of customers.

Initiatives in the Exploration and Research Domain

We defined the exploration and research domain as new initiatives with an eye toward 2030 and beyond, such as business model creation compatible with advancements in digitalization and development of wellness products localized to the preferences and needs of countries and regions where we operate. In this domain, we will create new businesses and incorporate them into our business portfolio as well as foster a strong foundation for the future.

Improving Earnings Power through Structural Reforms Mainly Targeting Functional Sectors

We will generate funds to invest in the focused domain as well as implement company-wide structural reforms mainly targeting functional sectors such as procurement, manufacturing, logistics, and sales in order to prepare for various management risks, aiming to further increase earnings power.

Policy 2 Build Business Foundation Linked with Business Strategies

Human Resources Strategy

As we foster human resources for achieving our Purpose and the 2030 Vision and create workplaces where our diverse workforce can thrive professionally, we will take steps to strengthen human resources management with a global perspective. This includes developing leaders who will drive our business activities toward attaining the goals of the 2030 Business Plan, encouraging seniors to play an active role, and increasing business efficiency using labor-saving solutions.

R&D Strategy

We will revamp our research center in 2022 and promote open innovation through increased alliances with outside parties, in order to continually create value that contributes to "health of mind and body" for people around the world. In particular, we will evolve the Group's three core technologies and strengths of jelly drinks, confectionery technologies in sub-zero temperatures (frozen desserts), and soft candy to underpin the growth of the focused domain.

Financial Strategy

In addition to promoting management aware of capital costs, we will engage in financial management that contributes to increased corporate value by closely monitoring each financial indicator.

DX Strategy

We will strategically introduce and utilize digital technologies to increase operational efficiency through digitalization and create new value by using the vast amounts of data available on customers and markets. This will enable us to strengthen our management foundation and business competitiveness aimed at achieving the 2030 Business Plan.

Policy 3 Promotion of Diversity

Our people will be the driving force behind our ability to become a sustainable company that grows continuously and supports the wellness of people around the world. As such, we will promote diversity and inclusion in order to maximize the power of our workforce. Under the belief of leveraging each person's individuality, we will create an organization where our diverse workforce can exhibit their skills and help us achieve our Purpose and the 2030 Vision. We will also enhance our innovation capabilities for creating value for customers and society.

Key Measures

In the focused domain, we will actively work to tap into new markets and develop new products mainly in our mainstay brands of *in Jelly*, *HI-CHEW* and *Jumbo* to accelerate growth. In the basic domain, we will further increase added value primarily in the mainstay brands of *Morinaga Biscuits* and *Morinaga Cocoa* and generate stable cash by transforming the business structure

of categories with weaker profitability. As part of our structural reforms and building a management foundation, we will speed up reforms to create strong earnings and management foundations enabling us to compete around the world in response to labor shortages in Japan caused by the declining birthrate and aging population.

List of Key Measures in the 2030 Business Plan

	Target State in 2030		Key measures
Focused domain	"in-" business	Aiming to become No. 1 brand among foods supporting "health of mind and body" centering around sports	<ul style="list-style-type: none"> Expansion of <i>in Jelly</i> Expansion of <i>in Bar</i> and creation of new foods leveraging the "in-" brand
	Direct marketing business	Evolving into healthcare business supporting customers' wellness realization	<ul style="list-style-type: none"> Evolution of existing businesses using digitalization Creation of new businesses using foundation cultivated in the direct marketing business
	U.S. business	Business growth from expanding the <i>HI-CHEW</i> brand and creating a jelly drinks market	<ul style="list-style-type: none"> Further acceleration of growth of the <i>HI-CHEW</i> brand Creation of jelly drink market and exploration of potential for wellness domain products
	Frozen desserts business	Stably expanding business by concentrating on products with competitive advantages that exploit confectionery technologies	<ul style="list-style-type: none"> Evolution of "freshness marketing" Acquisition of customers in peripheral markets and creation of new markets using technological advantages
Basic domain	Confectionery business	Changing the category portfolio so as to build a high revenue base	<ul style="list-style-type: none"> Improvement of chocolate business profitability and increase in net sales Stimulation of demand through invigoration of the candy market Further increase of demand in the biscuit market
	Foodstuffs business	Shifting from article-of-taste brands to health-oriented brands	<ul style="list-style-type: none"> Establishment of <i>Morinaga Cocoa</i> and <i>Morinaga Amazake</i> as health-oriented brands
Functional sectors	Procurement departments, Manufacturing departments, Logistics departments, Sales departments	Beating the labor shortage as well as establishing a powerful profit structure to allow us to compete around the world	<ul style="list-style-type: none"> Control of rising raw materials expense ratio by reviewing product specifications Creation of smart factories using digitalization Control of rising logistics costs with an eye toward hub optimization Optimization of sales bases and productivity improvement looking ahead to future market changes
Management foundation	Human Resources strategy, R&D strategy, DX strategy	Establishing powerful management foundation to support the business strategies to increase corporate value over the medium to long term	<ul style="list-style-type: none"> Establishment and execution of plans for maximizing human resources Cross-functional support of business strategy by creating new value centering around technology Reforms of business activities using digitalization and continued improvement of earnings power

Basic Strategy for Cash Allocation

We will prioritize growth investments for achieving dramatic growth mainly in the focused domain and investments in intangible assets for strengthening our management foundation through

R&D and DX. We will closely monitor each financial indicator so as to optimize the balance between shareholder returns and internal reserves in preparation for business risks.

Build New Implementation Structure

Aimed at achieving the 2030 Business Plan, we will establish dedicated organizations for diversity, DX, and sustainability management and ensure the steady implementation of our strategies. Furthermore, going forward, we plan to initiate

governance structural reforms to further enhance the Group's execution abilities along with reinforcing Group management and addressing issues including risk management.

Medium-Term Business Plan

2021 Medium-Term Business Plan



We aim to reach record high operating income by accelerating investment for achieving long-term growth and further enhancing earnings power.

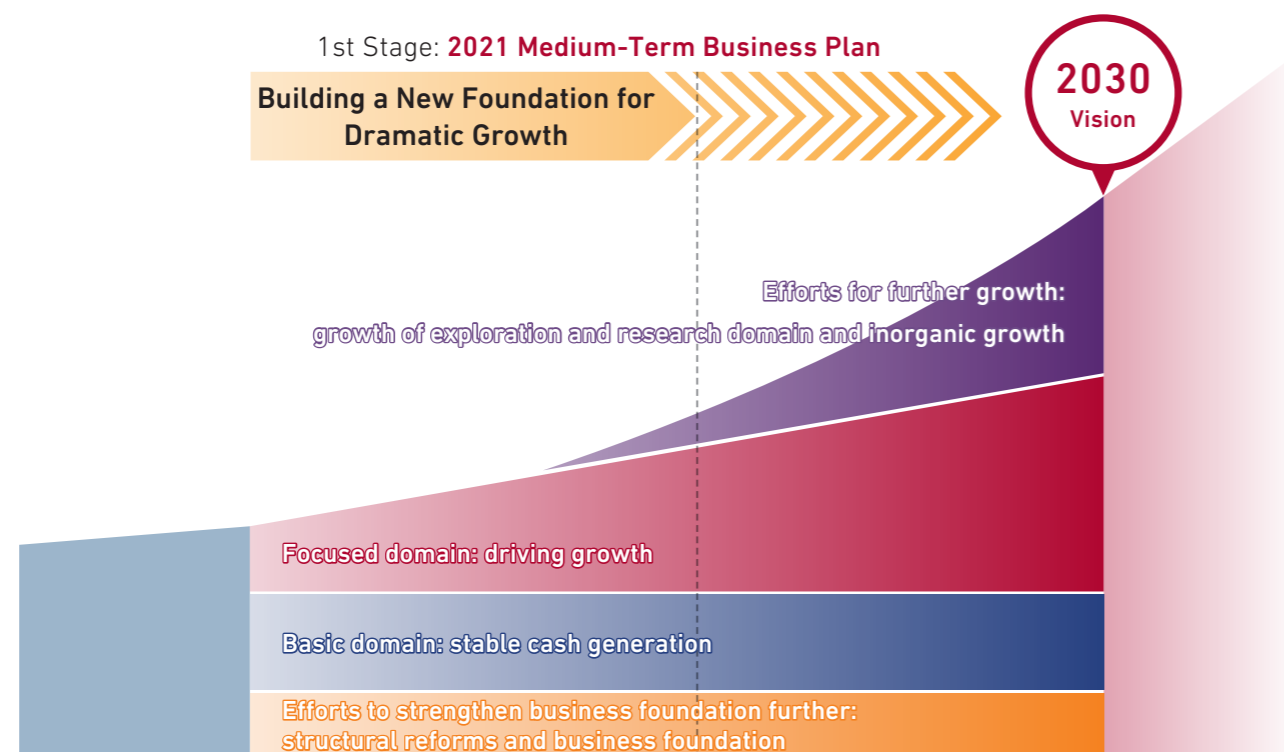
Daisuke Fujii
Director and Senior Operating Officer in charge of Corporate Strategy Division

Building a New Foundation for Dramatic Growth

The Morinaga Group has improved its earnings power since the fiscal year ended March 31, 2016 through such initiatives as reducing the number of items, concentrating management resources on main products, and undertaking various structural reforms. Under the 2018 Medium-Term Business Plan, whose theme was "solidify business foundation, accelerate growth strategy," we concentrated management resources on brands of best selling items mainly in the domestic business and accelerated our channel strategy to further elevate our earnings power. In addition, we focused on developing and marketing products for a healthy body including *in Jelly* and *Morinaga Collagen Drink*, while in the United States we engaged in business activities to achieve dramatic growth of *HI-CHEW*. As a result, we were able to build a strong management foundation capable of consistently achieving an operating income to net sales ratio at the 10% level and to increase cash for allocation toward future growth.

The 2021 Medium-Term Business Plan has been positioned as the first stage toward achieving the 2030 Business Plan. During the course of this plan, we will engage in business activities under the theme of "Building a New Foundation for Dramatic Growth." We anticipate soaring raw materials costs and rising human resources costs as long-term trends, resulting in a persistently challenging business environment. Nevertheless, we will actively invest in the strengthening of our management foundation and growth of the focused domain as well as further increase earnings power through structural reforms focused on the basic domain and functional sectors. Also, we will begin upfront investments in the exploration and research domain and explore possibilities for inorganic growth aimed at our long-term growth.

By implementing these business activities with good speed and in a well-balanced manner, we aspire to achieve record high operating income in the fiscal year ending March 31, 2024, the final year of the medium-term business plan.



Targets of the 2021 Medium-Term Business Plan

Financial Targets *1

	FY2021/3 Results	FY2024/3 Targets	Change
Net sales:	168.2 billion yen	190.0 billion yen	+21.8 billion yen
Operating income:	19.1 billion yen	21.5 billion yen	+2.4 billion yen

<Key Performance Indicators>

Operating income to net sales ratio:	11%	11% or higher
Overseas sales ratio:	7%	9% or higher
Focused domains' sales ratio:	Approx. 40% +5 points or higher*2	
ROE:	12%	10% or higher
Dividend payout ratio:	30%	30%

Non-Financial Targets

Procurement ratio of sustainable raw materials*1		
Cacao beans	FY2026/3	100%
Palm oil	FY2024/3	100%
Paper*2	FY2023/3	100%

*1. Scope: Morinaga products in Japan
*2. Scope: product packaging

*1. Amounts and indicators based on Accounting Standard on Revenue Recognition (ASBJ No. 29; March 31, 2020) applied from the beginning of the fiscal year ending March 31, 2022
*2. Comparison with the average during the period of the 2018 Medium-Term Business Plan

Key Measures

Driving Growth through the Focused Domain

"in-" business	<ul style="list-style-type: none"> Expand sales of <i>in Jelly</i> Bring new "in-" brand products to market
Direct marketing business	<ul style="list-style-type: none"> Release new collagen products Implement CXM* using digitalization
U.S. business	<ul style="list-style-type: none"> Expand <i>HI-CHEW</i> lineup Bring jelly drink products to market
Frozen desserts business	<ul style="list-style-type: none"> Evolve "freshness marketing" Invest to expand production at Takasaki Factory No. 3

*An acronym for customer experience management

In the "in-" business, we will aim to increase sales of *in Jelly* and *in Bar* products and develop products that capture lifestyle changes, such as increased time at home, to expand the eating scene and add health value. Moreover, we will promote product development in various categories using the "in-" brand aiming to create new food products. In the direct marketing business, we will develop the new collagen products after mainstay *Morinaga Collagen Drink* and evolve existing businesses using digital marketing tailored to individual customers. Also, we will work on exploring and creating new businesses aimed at future growth. In the U.S. business, we will expand the lineup through development of extension products aiming for the

further growth of *HI-CHEW*, and we will start new initiatives to create a jelly drinks market. In the frozen desserts business, we will evolve freshness marketing to further expand targets of the *Jumbo* brand and capture customers in peripheral markets using differentiated desserts such as *The Crepe* and *Ita Choco Ice* ice cream bars. At the same time, we will begin operations at the Takasaki Factory No. 3 from the fiscal year ending March 31, 2022 as a new manufacturing site underpinning growth.

Stable Cash Flow Generation From the Basic Domain

Confectionery business	<ul style="list-style-type: none"> Establish new <i>HI-CHEW</i> series in market Invest to increase production of <i>Morinaga Biscuits</i>
Foodstuffs business	<ul style="list-style-type: none"> Strengthen appeal of health value of <i>Morinaga Cocoa</i> and <i>Morinaga Amazake</i>

In the confectionery business, we will focus on new product development in our mainstay brands of *HI-CHEW* and *Morinaga Biscuits* appropriate for customers' lifestyles aimed at increasing the net sales weighting of candy and biscuits with high profitability. In the foodstuffs business, we will implement a number of initiatives, including appealing health value, in order to shift from conventional articles-of-taste to the health brand centered on the *Morinaga Cocoa* and *Morinaga Amazake* brands.

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain "in-" Business

What we are aiming for in 2030

Aiming to become No. 1 brand among foodstuffs supporting "health of mind and body" centering around sports

Targets for 2030 Net sales: **50 billion yen**

Main products



in Bar



In Jelly

Creation of New Business through the Exploration and Research Domain

We will explore new businesses mainly involving the creation of a business model in response to advancements in digitalization and development of wellness products in overseas markets. Specifically, we will move ahead with research on the utilization of customer data and investments in DX aimed at building a data utilization platform. Also, we will continue to capture market opportunities by engaging in business activities in the strong growth markets of China, Southeast Asia, Oceania, and Europe.

Structural Reforms Focused on Functional Sectors

Procurement departments will review a shift of raw materials and product specifications to achieve sustainable raw materials purchasing and make efforts to control the increase in the raw materials expense ratio. As part of this, these departments will rebuild our supply chain management infrastructure using digital technology to achieve streamlining and upgrading raw materials purchasing simultaneously through operational reforms. Manufacturing departments will work to minimize lost opportunities and implement labor-saving solutions to make all our manufacturing sites in Japan and overseas smart factories through the use of digitalization, such as IoT. In the fiscal year ending March 31, 2022, we will begin transforming the Group's flagship factory of Takasaki Morinaga Co., Ltd. into a smart factory and build a strong manufacturing foundation to compete globally. Logistics departments and Sales departments will work to optimize bases by strengthening our presence in urban areas and streamlining regional areas with an eye toward market changes and to lower costs as well as increase productivity.

Building a Strong Management Foundation

Under our human resources strategy, we will formulate a succession plan, acquire specialists, and consider labor-saving systems, all in a timely manner, aiming to maximize our human resources. In terms of R&D strategy, we will revamp our research center in 2022, upgrade mass production technologies, and strengthen alliances with outside research institutions as a means to creating new value for customers. Under our DX strategy, we will begin "DX1.0" initiatives that seek to enhance profitability with digital technology and commence operational reforms using IoT and RPA*. We will respond to various issues, including reinforcing Group management and risk management to continue strengthening our governance system, and implement each strategy steadily through proactive and swift decision making.

* An acronym for robotic process automation; a technology for automating manual operating processes and tasks on a computer.



Exterior rendition of new research center scheduled to open in 2022

Awareness of Business Environment

The "in-" brand was launched in 1994 with the release of *in Jelly*. The brand created the new food culture of replenishing nutrition easily on the go when playing sports or needing a quick breakfast,

providing an all-new lifestyle. Today, the lifestyles of customers are undergoing major changes due to the COVID-19 pandemic. As a result, customers now demand new value proposals.

Results and Issues from the 2018 Medium-Term Business Plan

Under the 2018 Medium-Term Business Plan, we increased net sales while maintaining the high profitability mainly of *in Jelly* and *in Bar* following the growth strategy centered on the "in-" brand. The "in-" brand continues to maintain the top share in the jelly drink market having established a solid footing in the marketplace.

We recognize that a future issue will be expanding the product lineup after determining how to address changes in eating scenarios due to increased time at home and rising health consciousness using a line-up of products based on each nutritional element in *in Jelly*, which currently focuses on energy replenishment.

Medium- to Long-Term Strategy

Incorporating sports and exercise into our daily life is becoming more important in terms of health promotion and maintenance based on not only people's desire to stay healthy as they age but also concerns about unprecedented pandemics. The Morinaga Group will utilize its know-how in nutrition and physique building cultivated through our knowledge of sports nutrition along with proprietary food processing technologies to respond to the needs of customers seeking delicious and healthy eating. By 2030, our goal is to be recognized as "the No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to stay in optimal shape based on sports science." Toward this end, we will continue to evolve to provide greater health value.

Overview of the Medium- to Long-Term Strategy for the "in-" Business

Brand Vision for "in-"
No. 1 brand supporting the nutrition, exercise, and deliciousness of everyone from top athletes to general consumers proactively seeking to stay in optimal shape based on sports science

Growth of *in Jelly* Products

Provide wellness value to diverse customers in various lifestyle scenarios

- Expand consumption scenes of core products (energy, etc.)
- Respond to new needs and targets

Growth of "in-" Brands

Provide new value to customers using the *in Bar* and new "in-" products, following the success of *in Jelly*, and foster the brand so that it creates new markets

Initiatives in the 2021 Medium-Term Business Plan

Aimed at achieving the "in-" brand vision by 2030, the "in-" business will follow three basic strategies during the 2021 Medium-Term Business Plan, as we seek greater growth as a key driver of our change into a wellness company.

Basic Strategies of the "in-" Business in the 2021 Medium-Term Business Plan

Basic strategies	Details
1 Growth of <i>in Jelly</i> Products	<ul style="list-style-type: none"> Encourage people to play sports to stay healthy and respond to convenience needs Cultivate needs by taking increased stay-at-home hours as an opportunity Expansion of target age group (children, seniors, etc.) and drinking scenes
2 Growth of <i>in Bar</i> Products	<ul style="list-style-type: none"> Meet diversified and growing needs for protein Meet needs in two directions for better sports performance and bodybuilding (high protein content), and for health maintenance (protein replenishment + carbohydrate restriction)
3 New Brands	<ul style="list-style-type: none"> Begin efforts to create future foods by taking advantage of the "in-" brand

Communication Examples for Expansion of Drinking Scenarios of *in Jelly*



Consumers are worried about getting out of shape because of the increased time spent at home. *In Jelly* products support this motivating factor among customers.

Cash Allocation

Operating cash flow Approx. 72 billion yen	Capital spending Approx. 45 billion yen	<Examples> • Frozen desserts (Factory No. 3 of Takasaki Morinaga Co., Ltd., etc.) • New research center • "in-" brands (<i>in-Bars</i> , etc.) • Confectionery (biscuits, etc.)
	Shareholder returns Over 12 billion yen	
Funding as needed	Investment in growth	• Stable dividend and dividend payout ratio of around 30% • Investment in inorganic growth
	Intangible investment (foundation building)	• R&D: increase by 1 billion yen* • DX: increase by 1.4 times, etc.*

The cash generated will be prioritized for allocation toward investments in the focused domain and management foundation building. This cash will also be used to strike the optimal balance between a stable dividend with a targeted dividend payout ratio of 30% and internal reserves in preparation for various business risks. As for capital spending, we plan to spend around 45 billion yen, which is more than the 2018 Medium-Term Business Plan. Spending will involve building a manufacturing system for the frozen desserts business at the Factory No. 3 of Takasaki Morinaga Co., Ltd. and opening of the new research center. In addition, we will accelerate investments in intangible assets for building a strong management foundation using R&D and DX, creating a foundation for long-term growth.

* Compared to the period of the 2018 Medium-Term Business Plan

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain Direct Marketing Business

What we are aiming for in 2030
 Evolving into healthcare business supporting customers' wellness realization

Targets for 2030 Net sales: **20 billion yen**



Morinaga Collagen Drink Oishii Ajiru

Awareness of Business Environment

Morinaga Direct Store supports the wellness lifestyle of each and every customer through direct delivery of health and beauty products such as collagen drinks. The size of the direct market for health products in the fiscal year ended March 31, 2020 was 566 billion yen*, reaching 115% growth in the past five years.

The market is growing steadily following increased consumption through online direct sales and rising health awareness as a result of the COVID-19 pandemic.

* Source: H.B. Foods Marketing Handbook 2021, Fuji Keizai

Morinaga Direct Store (Japanese only)
<https://www.morinaga.co.jp/direct-store/>

Results and Issues from the 2018 Medium-Term Business Plan

Under the 2018 Medium-Term Business Plan, we followed a growth strategy centered on the *Morinaga Collagen Drink* brand. We enhanced the reliability of the product as a food with functional claim and steadily increased the number of regular customers through active investments in advertising to reach the top spot* in

sales of collagen drinks. We believe it is our task to strengthen direct communication with customers going forward to further improve our support of customers' wellness life.

* Source: H.B. Foods Marketing Handbook 2021 No. 1, Fuji Keizai (Category for beauty-oriented products and collagen products/ 2019 results), for the *Morinaga Collagen Drink* series, including products before and after updating.

Medium- to Long-Term Strategy

We provide products that are both functional and delicious at the Morinaga Direct Store to support our customers' healthy minds and bodies.

The continuous patronage of our products and services is essential in order for us to contribute to "health of mind and body" through food, and as such, it is important to enhance customer experience (CX). We are visualizing customer behavior and emotions through data that we can collect from various contact points; from product recognition to after care, in order to implement product design and customer service that are tailored to each individual. This will allow us to improve CX and maintain an amiable long-term relationship with customers. In addition, we will harness the Group's strength such as food processing technology, nutritional function and ingredient research, and raw material procurement that we have amassed over more than 120 years of business to conduct product development and provide that best supports the health of customers.

Initiatives in the 2021 Medium-Term Business Plan

We have established the Customer Experience Management (CXM) Promotion Office in an effort to develop a system for promoting business activities that will create experience-based value for customers. At the same time, we are developing a structure to maximize value provision by utilizing the huge amount of customer data. As for products, we will launch new

products with collagen as ingredients to expand the collagen business, as well as enhance the sales promotion of *Oishii Ajiru* to develop the next potential brand for growth.

Secrets Behind the Success of Morinaga Collagen Drink

Morinaga Collagen Drink available exclusively through the direct marketing channel is the best-selling collagen drink in Japan with cumulative sales exceeding 200 million units. It is a food product with three verified functional claims in terms of efficacy on skin moisturization, knee joints, and bones. While it contains the highest content of collagen peptide in the industry at 10,000 mg, it does not have the odor that is unique to collagen, thanks to our proprietary food processing technology, making it enjoyable and delicious.

*1. For existing products, as of April 2019 (survey by Morinaga & Co., Ltd.)
 *Source: H.B. Foods Marketing Handbook 2021 No. 1, Fuji Keizai (Category for beauty-oriented products and collagen products/ 2019 results), for the *Morinaga Collagen Drink* series, including products before and after updating.



Focused domain Frozen Desserts Business

What we are aiming for in 2030
 Stably expanding business by concentrating on differentiated products that exploit our proprietary confectionery technologies

Targets for 2030 Net sales: **50 billion yen**



Choco Monaka Jumbo Ita Choco Ice ice cream bars

Awareness of Business Environment

The frozen desserts business is expected to see market expansion due to increased opportunities for consumption by seniors, who comprise a growing part of the population, along with rising temperatures due to global warming. With a focus on *Jumbo* as the top brand in the frozen dessert market, we are concentrating

our management resources on market mainstay brands thereby conducting our business to effectively yield profits. Using our confectionery technology, we have provided customers with a sense of healing through desserts that goes beyond the realm of ice cream.

Results and Issues from the 2018 Medium-Term Business Plan

Based on the strategy of focusing on mainstay brands in the 2018 Medium-Term Business Plan, we have been investing in marketing with an emphasis on the *Jumbo* brand, which has established its position in the market and increased sales for 20 consecutive years (56.2% share within the monaka category in FY2021/3*).

* INTAGE SRI+

Other product groups beside the *Jumbo* brand are also growing steadily, as overall sales of the frozen desserts business have grown by 10 billion yen within the period of the 2018 Medium-Term Business Plan (which increased by 21.9 billion yen in the 10-year period up to FY2021/3). We believe our task going forward is to conduct product development and enhance production systems to address the expansion of dessert needs.

Medium- to Long-Term Strategy

We will create new dessert needs that contribute to "health of mind" through enhancing product development using our confectionery and food technology. Specifically, we will further pursue "freshness marketing" in order to continuously improve on the unique value of "crispiness" in our *Jumbo* brand products. Also, we will promote collaboration between industry and academia on the research of emotional values evoked in consumers by the crispy texture of *Jumbo* in order to explore deeply the "health of mind" aspect. Furthermore, we will also invest in equipment for the necessary improvement in the production system to achieve this strategy.

Initiatives in the 2021 Medium-Term Business Plan

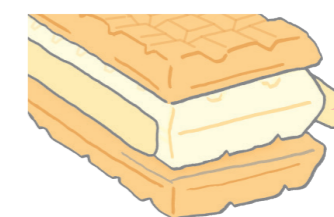
We will promote business growth based on the framework of the three basic strategies.

Basic strategies for the frozen desserts business in the 2021 Medium-Term Business Plan

Basic strategies	Details
1 Evolving of "freshness marketing"	<ul style="list-style-type: none"> Further evolve the <i>Jumbo</i> group's unique value "crispy texture" Expand the target and scenes for eating the product 
2 Capturing customers from adjacent markets	<ul style="list-style-type: none"> Capture customers from adjacent markets with differentiated products that are more like desserts Develop new products more closely tailored to customer needs Meet the challenges of increasing added value of products 
3 New market creation using product development with technological advantages	<ul style="list-style-type: none"> Expand applications of flavored ice products for new market entry 

Evolution of "Freshness Marketing" and Initiatives for Vanilla Monaka Jumbo

Since its release in 2011, sales of *Vanilla Monaka Jumbo* have grown steadily, recording 120% growth in the fiscal year ended March 31, 2021 compared to the previous year. Since spring 2021, the ice cream is now coated with white chocolate on two sides, which shuts out the small amount of moisture released gradually from the ice cream. This is created using a new manufacturing technology aimed at maintaining the crispiness of monaka for as long as possible.



"Chocolate Wall" maintains the crispy texture of monaka

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain U.S. Business



Toshiyuki Sakai
Director and Senior Operating Officer,
Responsible for Overseas Business

What we are aiming for in 2030

Growth of the U.S. business through expanding the *HI-CHEW* brand and creating a jelly drinks market

Targets for 2030

Net sales: 30 billion yen



HI-CHEW/ Original Mix



HI-CHEW/ Tropical Mix

Awareness of Business Environment

The U.S. candy market consists of major manufacturers with funding and developing power, where rival brands compete against one another. However, as the market is growing year on year, it carries a great significance for our global business expansion if we can increase the number of fans of the *HI-CHEW* brand in the U.S., the world's largest candy market. Given the market condition, *HI-CHEW* has been embraced for its real fruity

taste and chewiness like none other, with a steady growth in sales since its launch and a positive reputation among customers in the U.S. Going forward, as an initiative to address growing global health awareness and environmental issues, we believe that products and product development that contribute to "health of mind, body, and environment" will be in demand.

Results and Issues from the 2018 Medium-Term Business Plan

In order to establish the acceptance of *HI-CHEW* in the U.S. market, we have taken initiatives to promote the distinctive quality in the fruity taste and texture created based on the technology developed in our domestic business to customers in the U.S. We have launched the products in major sales channels in the U.S. and we are expanding these channels and establishing the products' visibility in the marketplace. Consequently, the recognition of the *HI-CHEW* brand has increased, with positive earnings in the fiscal year ended March 31, 2020, and 7.2 billion yen in sales in the fiscal year ended March 31, 2021. As such, we believe we have shifted from market introduction into the growth phase. The huge increase in brand recognition and reliability of *HI-CHEW* in the industry is illustrated by the positive evaluation in the National Confectioners Association (NCA) event^{*1}, and winning

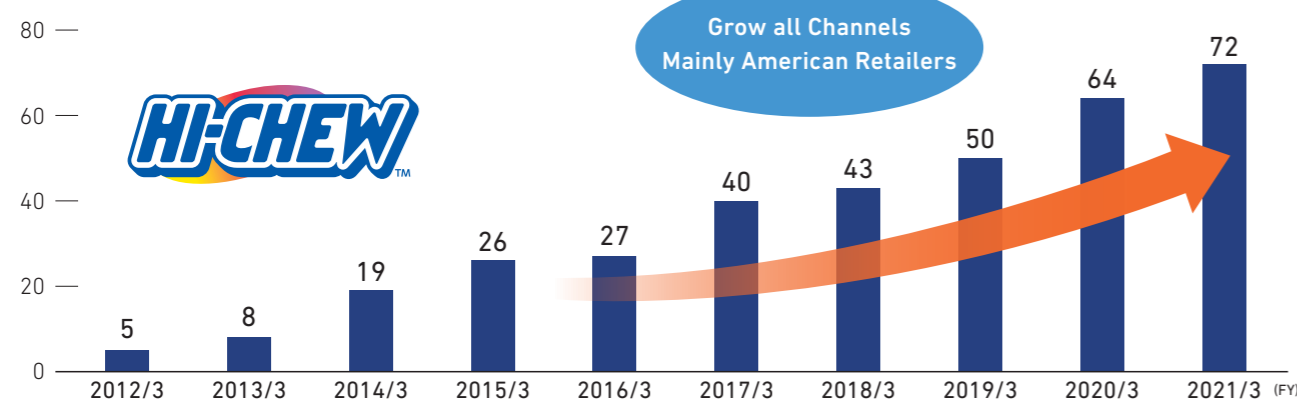
the 2020 Global Nielsen BASES Design Impact Awards^{*2} for the design of *HI-CHEW/ Original Mix*. On the other hand, as the product lineup is still small compared to that of competing businesses, the expansion of number of items remains a task to be addressed.

Besides the U.S., *HI-CHEW* is well accepted and recognized for its high competitive advantages in consumer surveys conducted in other countries and regions. As such, we will develop the base for business expansion for further growth going forward.

^{*1}. An employee from Morinaga America, Inc. was selected in the Future Leadership Program (five candidate spots available in the U.S.) hosted by the National Confectioners Association.
^{*2}. Recognized for the improved sales results from the renewed design and enhanced understanding and purchase desire towards the product for the proper conveyance of the brand value. This is the first time for a Japanese manufacturer to receive this award, with only 12 brands awarded in the world.

HI-CHEW Sales in the U.S. Market

(100 million yen)



Medium- to Long-Term Strategy

We will launch brand extension products aimed at further increasing sales of the *HI-CHEW* brand. At the same time, as it is essential to strengthen manufacturing capabilities to match expanded sales, we will develop a global supply system, collaborate with manufacturing companies, and re-establish a logistics system to ensure the steady supply structure of products. In addition to *HI-CHEW*, we will develop a market for jelly drinks as a wellness product that contributes to "health of mind and body," as well as search for the third and fourth products at the same time. We will also conduct development support for environmentally conscious products.

Initiatives in the 2021 Medium-Term Business Plan

Our target sales in the U.S. business for the fiscal year ending March 31, 2024 are 10 billion yen. We will continue to expand the handling ratio of *HI-CHEW* across the U.S. to ensure it can be bought anytime, anywhere, by anyone. Furthermore, we will expand the product lineup of *HI-CHEW* with proactive investment of management resources, as well as accelerate R&D investment to develop brand extension products that suit consumer needs. In addition, we will enhance brand recognition through television commercials and digital advertisements, and expand contact points with customers to improve loyalty to the *HI-CHEW* brand. Also, we will create a market for jelly drinks.

Key Measures for HI-CHEW in the U.S. Market

<h4>Expand distribution of main products</h4> <p>Expand handling ratio across the U.S.</p>	<h4>Expand product lineup</h4> <p>Launch new products</p>	<h4>Increase brand appeal</h4> <p>Launch TV commercials nationwide in the U.S.</p>
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Create a Market for Jelly Drinks

The wellness market is expected to further expand due to the increased health consciousness of consumers after the COVID-19 pandemic. In the meantime, the U.S. has yet to see any product such as jelly drinks that provide various benefits, which are popular in Japan. As such, we aim to create a market that provides a new value in the U.S. through jelly drinks developed for the U.S. market as a pioneer of jelly drinks in Japan. We

received positive feedback through consumer surveys conducted in limited areas and channels, and we will promptly develop a marketing strategy based on these results to launch products within the fiscal year ending March 31, 2022.

We aim to change into a wellness company also in the U.S. through creating a new jelly drink market while harnessing the business foundation established with *HI-CHEW*.

Expansion into Other Overseas Markets

Our operating income was also in the black in other overseas markets outside of the U.S. with steady growth in sales during the period of the 2018 Medium-Term Business Plan. We will further accelerate global expansion with the sales of *HI-CHEW*. In addition to *HI-CHEW*, we will increase imports and sales of Japanese-made products in China. We believe the jelly drink business has great potential in Taiwan, and will further expand sales there. We will study the acceptance of wellness products in East Asia, Southeast Asia, Oceania, and Europe, and consider commercialization in these markets in the future.



Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

Focused domain Domestic Confectionery and Foodstuffs Business

What we are aiming for in 2030

Changing the category portfolio so as to build a high revenue base

Targets for 2030 Operating income to net sales ratio: **10%**



Awareness of Business Environment

Domestic Confectionery Business

Our domestic confectionery business is a fundamental part of the company that values the founding spirit of "Delicious, Fun, and Healthy" through delivering confectionery products that contribute to "health of mind and body" of our customers. As a result of the increase in time spent at home due to the COVID-19 pandemic, the confectionery consumption scene has changed significantly depending on the product category and packaging. We predict that health needs and expectations for social and environmental considerations will continue to grow.

Domestic Foodstuffs Business

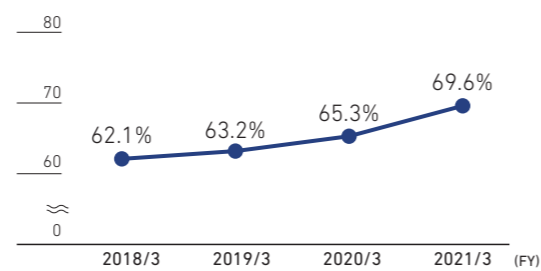
The domestic foodstuffs business has been leading the Japanese market with the best-in-category products, including the first milk cocoa powder drink product manufactured and sold in Japan in 1919, *Morinaga Cocoa*, our long-standing best seller, and *Morinaga Amazake*. With the COVID-19 pandemic, customers have become more conscious of health; therefore, we predict growing demand for products made using healthy ingredients.

Results and Issues from the 2018 Medium-Term Business Plan

The confectionery business improved its profitability through structural reforms that concentrated on major brands such as *HI-CHEW*. The foodstuffs business also improved its profitability by focusing management resources on No. 1 products in their respective category and products with a health value appeal. In the future, we will strive to further solidify our revenue base, refine the values unique to the confectionery and foodstuffs business, then explore deep into discovering values that contribute to "health of mind, body, and environment."

*Main brands in confectionery and foodstuffs business: Carré de chocolat, DARS, HI-CHEW, Ottotto, Chocoball, Milk Caramel, Morinaga Ramune, Morinaga Cocoa, Morinaga Biscuits, Morinaga Amazake

Percentage of Sales Comprised of Main Brands in Confectionery and Foodstuffs Business*



Medium- to Long-Term Strategy

Domestic Confectionery Business

We will improve the net sales weighting of categories with excellent profitability (candies, biscuits, etc.) and improve the operating income to net sales ratio for each number of items. In the chocolate category, we will launch products such as *DARS* and *Carré de chocolat* in new packaging formats to address the diversifying eating scenes and implement a communications strategy that suits the target group to achieve improved operating income to net sales ratio and secure sales. We aim to increase the net sales weighting of major candy brands that are highly profitable, such as *HI-CHEW* and *Morinaga Ramune*, through expanding the product lineup and enhancing sales promotions to improve the operating income to net sales ratio. Moreover, for the biscuits category, which has grown in response to the demand for staying at home, we will boost production capacity and introduce products with high added value in anticipation of sustained demand.

2021 Medium-Term Business Plan

Chocolate	<ul style="list-style-type: none"> Improve the operating income to net sales ratio and secure a sufficient sales scale by replanning the product, channel, and communications strategies
Biscuits	<ul style="list-style-type: none"> Maintain and build up demand that has grown due to the Covid-19 pandemic Increase production capacity and develop new products
Candies	<ul style="list-style-type: none"> Strengthen sales promotion efforts for <i>HI-CHEW</i> and <i>Morinaga Ramune</i> Develop products to meet the needs of changed lifestyles and stress reduction due to the Covid-19 pandemic

Re-branding of DARS

With the production of *DARS* started at Takasaki Factory No. 3, we will redraw the target consumer group and aim for a leap in sales. The brand will be tailored to the younger generation as the target group. We are working with artists in our communication measures, choosing the finest quality with a rich milk chocolate taste, and redesigning the package with a stylish appearance that consumers want to carry with them everywhere.



Delivering Fun with HI-CHEW's many textures

With *HI-CHEW*, we will enhance the product lineup focused on texture. We aim to bring fun textures to customers using our unique technology, including "UMAI-CHEW," which is popular for its crunchy-soft texture, "3-texture *HI-CHEW Assortment*," which offers varying textures between fizzy, squishy crunch, and crunchy soft, and "*HI-CHEW Premium*," providing a soothing, squishy bounce with every bite.



Domestic Foodstuffs Business

We are fostering the brands of *Morinaga Cocoa* and *Morinaga Amazake*, which are No. 1 in their respective categories, by further focusing on the health value contained in the ingredients to increase sales and profitability. For *Morinaga Cocoa*, we are emphasizing the health value especially in *Power of Cacao* to

enhance sales promotions, while creating its demand as a regular beverage for adults that is good for the body. *Morinaga Amazake* will be rebranded in fall 2021, with an appeal for its double fermented ingredients, we will provide customers with health value in amazake.

Power of Cacao supports the health of consumers with rich cacao polyphenol and dietary fibers



Cacao contains polyphenol and dietary fibers, and is known as a superfood.

Morinaga Amazake will take on a new packaging artwork to emphasize the value contained in its fermented ingredients



Becoming a Wellness Company

For the confectionery and foodstuffs business, we will provide value to "health of mind, body, and environment" available only through product groups that are easily enjoyable. We provide product formats that are easily accessible and have health value using functionality through products such as *Morinaga Ramune* to support school entrance exam takers with glucose, *LAC-Shield® Tablet* containing the probiotic "Lactobacillus paracasei MCC1849," and *90% Less Sugar Cough Drops* that is a food with functional claim and contains inulin as a related ingredient to

soothe the stomach.

We are conducting research on the health effects of ingredients in amazake and cocoa powder drink, such as sake lees, malted rice, and cacao beans. In addition, we are also implementing measures towards "health of the environment." For our *Koeda* chocolate products, we use cacao beans certified by the Cocoa Horizons Foundation in supporting cacao farmers and reducing deforestation and CO₂ emissions. The paper packaging is made with FSC® certified paper (FSC®N003064) while the individual packaging film contains partial biomass plastic film.

Easily accessible functional and nutritional values



Research on health effect of ingredients



We disseminate the *Cocoa Report* featuring the latest research on the health function of cocoa powder drinks.

We are conducting research on the health and beauty effect of amazake, which is called "drinkable IV" because of its nutritious and easy-to-digest features.

Policy 1 Improve Profitability through Business Portfolio Optimization and Structural Reforms

Improve Profitability through Structural Reforms Centering on Functional Sectors



Takashi Hirakue
Director, Senior Operating Officer, General Manager of Production Headquarters, Officer Responsible for Logistics Department



Hideki Matsunaga
Senior Operating Officer, General Manager of Sales Headquarters

What we are aiming for in 2030

We will tackle labor shortages as well as establish a powerful profit structure to allow us to compete around the world.

Awareness of Business Environment

Changes in the external environment affecting the Morinaga Group's business operations include not only soaring raw materials costs and consumption trends, which are impacted directly, but also a number of worldwide and challenging social issues, including climate change, marine pollution, and human rights issues.

Going forward, we will need to carefully plan our response in advance and recognize the impacts on our business activities that these major issues have over the medium to long term. Digital technology, which is rapidly evolving with IoT and AI, is transforming our entire society. We will need to utilize this

technology to strengthen our business foundation and build up our competitive advantages.

The Morinaga Group will undertake comprehensive structural reforms mainly in the functional sectors of procurement, manufacturing, logistics, and sales in order to build a strong revenue base that will enable us to compete on the world stage regardless of the business environment. We will actively promote measures that eliminate labor shortages and enhance competitiveness while strengthening our business foundation related to safety, quality, cost, and delivery.

Changes in External Environment, Impacts on the Group, and the Group's Approach to Solutions

Forecast of environmental changes

Headwinds, threats, and risks

- Tight supply of raw materials worldwide
- Decline in size of working population
- In the time of COVID-19
- Diversification of customer needs
- Shortening of product lifecycle
- Trend of rising selling expenses

Tailwinds and opportunities

- Evolution of robotics technology
- Emergence of IoT and AI



Approach to solutions based on future forecasts

Actions to stop headwinds

- Reduction in raw material loss and waste
- Reduction of defect rate
- Establishment of age-friendly workplaces
- Increase in collaboration with partner factories
- Review and optimization of logistics hubs
- Optimization of sales organizations

Challenges for the future

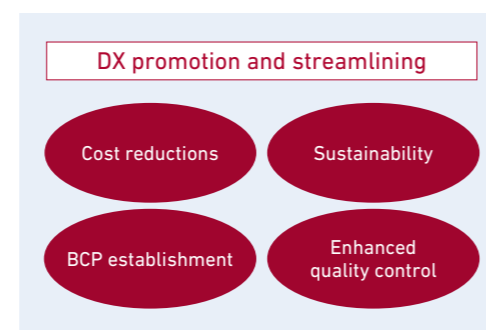
- BCP with a procurement perspective
- Sustainable procurement
- Manufacturing human resources strategy
- Transition to smart factories
- Investments to increase production and reorganization of sites
- Examination of overseas business structure
- Technology-driven elimination of complaints
- Enhancement of sales capabilities

Unwavering Structural Reforms to Achieve the 2030 Vision

1. Structural Reforms of Procurement Functions

The mission of procurement functions is to procure raw materials required for manufacturing appropriately in a stable manner. Furthermore, in recent years, based on societal demands, the expected responsibility of these functional divisions have been expanding outward from legal compliance to traceability, improved quality control, response to sustainability, and business continuity planning (BCP) for disasters. The Morinaga Group will build a foundation to properly address these societal demands related to raw materials procurement and supply chain management. We will promote DX and streamline our entire procurement operations aimed at strategic procurement that will enable us to better compete in global markets.

Issues of Procurement Functions and Strategic System

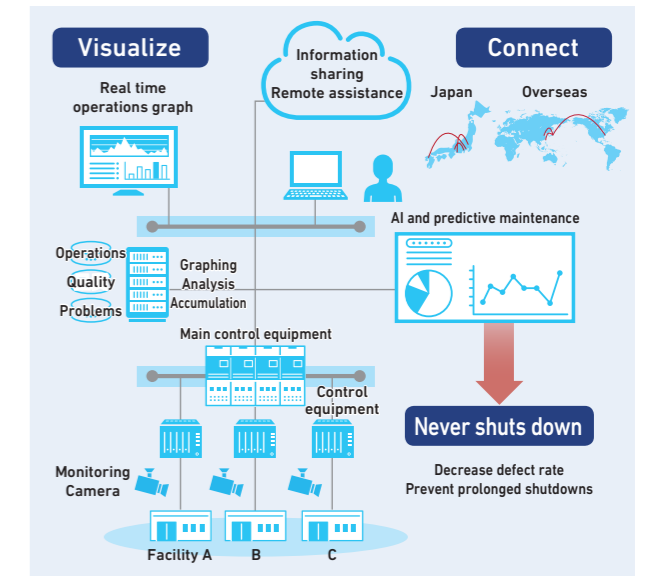


2. Structural Reforms of Manufacturing Functions

The Morinaga Group has created products with the utmost priority given to superior quality, safety, and security. Aimed at achieving the 2030 Vision, we will further evolve our safe, secure, and highly efficient production system built up as a food manufacturer into one for the next generation. Smart factories represent one of our initiatives toward this end.

We will combine our long-standing technologies with digital data from manufacturing facilities to increase the stability of operations and improve production efficiency. As one example, we will speed up collaboration between manufacturing and indirect departments by introducing IoT and AI technologies to our manufacturing facilities to visualize operating status in real time. Also, we will reduce production waste and loss by preventing prolonged shutdowns from the early detection of facility problems. In terms of the transition to smart factories, we have started from new facilities at the Takasaki Factory No. 3 of Takasaki Morinaga Co., Ltd. and will continue to do so at our other factories inside and outside of Japan.

Overview of Smart Factories



Factory No. 3 of Takasaki Morinaga Co., Ltd.

The Morinaga Group is reviewing its production system and introducing highly efficient manufacturing lines primarily at its mainstay factories. Takasaki Factory No. 3 is our latest factory featuring highly efficient facilities in terms of production and energy consumption. The factory is also proceeding with the transition to a smart factory. We launched production of chocolate in the fiscal year ended March 31, 2021 and frozen desserts in the fiscal year ending March 31, 2022.



Takasaki Factory No. 3

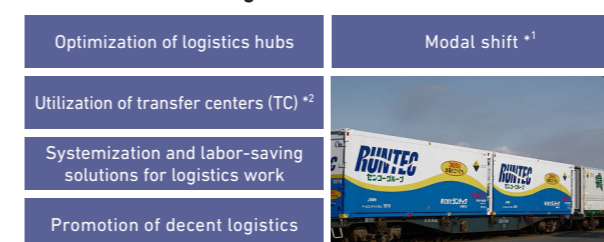


Control room of the Factory No. 3

3. Structural Reforms of Logistics Functions

We are moving ahead with a modal shift*1 and diversification of transport methods aimed at building a logistics system that is efficient, stable, and environmentally friendly. We will also increase logistics efficiency by reorganizing and optimizing our logistics hubs and achieve decent logistics that improve the working environment of logistics workers. Looking ahead, we will build a supply-demand system using AI and logistics platforms driven by DX and introduce labor-saving solutions in our logistics operations.

Main Measures for Logistics Structural Reforms



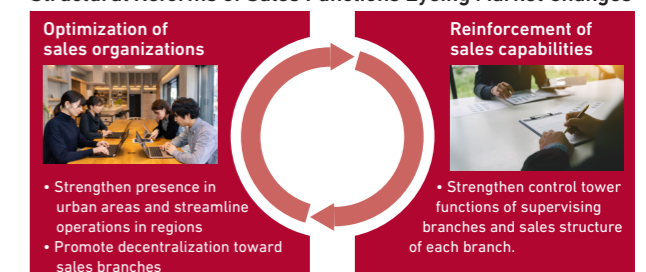
*1. Shifting from truck transport of cargo to railway or ship.

*2. Pass-through-type logistics centers where products are sorted and immediately shipped without being placed into inventory.

4. Structural Reforms of Sales Functions

We will increase productivity by optimizing sales organizations with an eye toward changes taking place in the market. Sales departments will implement area marketing that addresses the diverse needs of customers through decentralization to branches aiming to strengthen our presence in regions. Additionally, aimed at strengthening our sales capabilities, we will enhance the quality of our proposals to retailers through collaboration between supervising branches with control tower functions and regional branches, as well as build strong relationships with our largest customers.

Structural Reforms of Sales Functions Eyeing Market Changes



- Strengthen presence in urban areas and streamline operations in regions
- Promote decentralization toward sales branches

- Strengthen control tower functions of supervising branches and sales structure of each branch.

Policy 2 Build Business Foundation Linked with Business Strategies

Human Resources Strategy



Masaaki Takahashi
Operating Officer
General Manager of the Human Resources Division

Aimed at 2030
We are working to achieve employee happiness by encouraging their autonomous growth based on mutual relationships of trust with the company and to continuously generate value for society.

Basic Awareness

The Morinaga Group aspires to become a sustainable company that grows and develops continuously by generating value for society collectively together with the company and employees with an eye toward attaining our Purpose and the 2030 Vision. We believe that employee happiness is an essential element of these efforts.

To achieve employee happiness, it will be important to provide "health of mind and body" to employees and encourage their autonomous growth based on mutual relationships of trust

between the company and employees. We believe that this will lead to employees' sense of growth, self-actualization, target fulfillment, and independent career development, and help employees find their job meaningful.

In the future Japan's working population will decline, which makes increasing productivity an issue facing the entire Group. At the same time, as we are still in the process of global expansion, the Group must accelerate initiatives in terms of human resources strategy.

Medium- to Long-Term Strategy

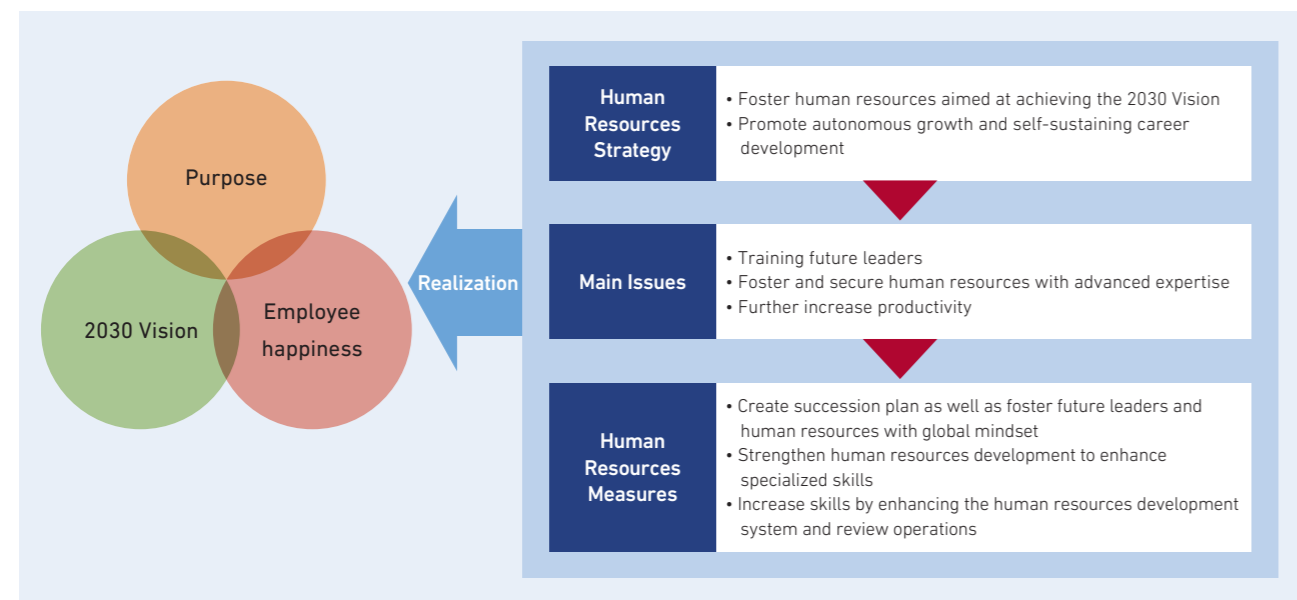
Our basic human resources strategy is to balance development of human resources for achieving the 2030 Vision with the autonomous growth and self-sustaining career development of employees.

Aimed at attaining the 2030 Business Plan, we have positioned 1. Training future leaders to develop leadership skills for driving the business; 2. Foster and secure human resources with advanced expertise; and 3. Further increase productivity, as main human

resources issues, and we will now implement measures to address these issues (see table below). First, our top priority will be to disseminate our new corporate philosophy and the 2030 Vision, and then by continuously fostering human resources that will make us achieve these, we will attain the Group's sustainable growth.

➡ Please see page 38 for our approach to diversity.
➡ Please see pages 46 and 47 for our human resources development and labor environment.

Human Resources Strategy for Achieving Our Purpose and the 2030 Vision



R&D Strategy



Shinya Mori
Director, Senior Operating Officer,
General Manager of R&D Center

Aimed at 2030
We will support company-wide strategy and operations in a cross-cutting manner by enhancing development with a medium- to long-term perspective to generate new value for customers aimed at the future pivoting around technology.

Medium- to Long-Term Strategy

Aimed at achieving the 2030 Vision, we will promote research and development pivoting around technology that contributes to new value creation under the following policies.

[Basic Policies on R&D]

- Undertake research and development consistent with management and business strategies
- Accelerate initiatives for the co-creation of "health of mind and body" emphasizing open innovation

Wellness
In terms of "health of mind," we will promote a deep exploring of emotional values and establishing evidence using a science-based approach. As for "health of body," we will promote R&D following the two directions below. The first is combinations of healthy ingredients and the second is reduced use of ingredients with possible negative impacts, such as sugar.

Global
We will create new soft candies that match the articles-of-taste and needs of consumers in the regions where we operate, such as the U.S., and engage in research and product development of wellness products.

Promoting Value Creation and Co-Creation for the Future

● 1. Established MIRAI Research & Innovation Center

In spring 2018, we established the center for future value creation, "MIRAI Research & Innovation Center," with the goal of strengthening R&D from a medium- to long-term perspective aimed at technology and innovation-led growth. This center engages in medium- to long-term R&D and new technology development for new markets. It is taking a deep exploring of core technologies, researching ways to lower raw material costs and stabilize supply, and developing new processing technologies under the key words wellness and global.

● 2. Opening of new research center

In 2022, we will open a new research center for upgrading R&D and new value creation. In addition to improving the existing R&D environment, this new facility will enable joint research from the lab to pilot plant levels in preparation for external co-creation with research partners inside and outside the Group.

● 3. Strengthen industry-academia collaboration

We will strengthen joint research with research institutes such as universities and accelerate value creation led by external co-creation. (Partners: Over 70 institutions including Ochanomizu University, Tokyo University of Technology, Tokyo University of Science, and Tokushima University)

● 4. Increase R&D spending

We will increase R&D spending in stages up to the fiscal year ending March 31, 2031 to increase spending in the fiscal year ending March 31, 2031 (single year basis) by 150% or more compared to the fiscal year ended March 31, 2021.

● 5. Response to sustainability

We will promote research and technology development to shift to sustainable materials that are socially and environmentally friendly centered on our main raw materials.

Enhancing Basic Research and Updating Core Technologies

We will enhance health science research so that we can provide food products to customers along with science-based evidence on health functions. We will also work on further enhancing the Group's strength in mass production technologies through collaboration with manufacturing departments. Moreover, we will increase allocation of management resources in food processing technologies, which are a driver of products' medium- to long-term strengths. Through these efforts, we will evolve our core technologies of jelly drink technologies, confectionery technologies in sub-zero temperatures (frozen desserts), and soft candy technologies to underpin growth aimed at achieving the 2030 Business Plan.

Enhancing Growth Strategy (Wellness and Global R&D)

We will promote the following approach to R&D aimed at developing products that are unique to the Morinaga Group and that contribute to "health of mind and body" of people around the world.

Policy **2** Build Business Foundation Linked with Business Strategies

Financial Strategy



Shinichi Uchiyama
Director and Senior Operating Officer in charge of Accounting Division

Aimed at 2030

We will sustainably increase corporate value and achieve consistent shareholder returns using proactive investments in growth and by maintaining our stable financial base.

Results and Issues of the 2018 Medium-Term Business Plan

During the 2018 Medium-Term Business Plan, we experienced a downturn in revenue due to the COVID-19 pandemic and end of our distributorship agreement for *Pringles* in Japan in the fiscal year ended March 31, 2021, the final year of the plan. However, we worked to increase profitability by concentrating on mainstay brands and strengthened our revenue base by reducing costs across the company and reorganizing our factories with the aim of increasing production efficiency. As a result, during the course of the three years, we generated stable profits, maintaining an operating income to net sales ratio at the targeted 10% level and achieved our target for ROE at 11.8%. Consequently, we were able to expand our funding capabilities by improving our financial condition and stability, building a financial base that will underpin our future growth strategies in the process.

Going forward, we will address the following three issues. The first is the execution of investments in growth mindful of capital costs that

contribute to increasing corporate value over the medium to long term. The second is the implementation of shareholder return measures with an eye toward not only dividends but also the total shareholder return ratio. The third is the response to uncertainty in the business environment and management risks caused by COVID-19. This will underpin our efforts to achieve the 2030 Business Plan.

KPIs in the 2018 Medium-Term Business Plan

Perspectives	Indicators	Results for FY2021/3	Targets
Profitability	Operating income to net sales ratio	9.6%	10% or higher
Efficiency	ROE	11.8%	10% or higher
Security	Shareholders' equity ratio	60.9%	50% or higher
Shareholder returns	Dividend payout ratio	30.0%	30%

Medium- to Long-Term Strategy

The Morinaga Group has clarified its decision-making criteria for investments and manages investments fully aware of capital costs while continuously monitoring the investment return status post investment. On top of this, the cash generated from our business activities will be allocated following the cash allocation policies outlined in (1) to (3) below. This cash will be used to support the implementation of our strategies companywide. Furthermore, cash for satisfying cash demand will in principle be sourced from cash flow from operating activities, while financing will be executed after comprehensive consideration of financing conditions such as appropriate cash on hand levels, term, and interest rate, as well as impacts on financial indicators such as shareholders' equity ratio, ROE and ROIC, to achieve the optimal capital structure.

1. Investments in Growth

We will aim for a leap in growth by prioritizing investments in the focused domain, including investments for inorganic growth such as business alliances and M&A. Additionally, we will achieve sustainable and consistent growth by investing in the exploration and research domain to plant the seeds of future businesses and in the basic domain including renewing aging facilities. We will also increase investment in intangible assets such as advertising, R&D, and DX, respond to major changes in the management environment, and create a foundation for new value creation.

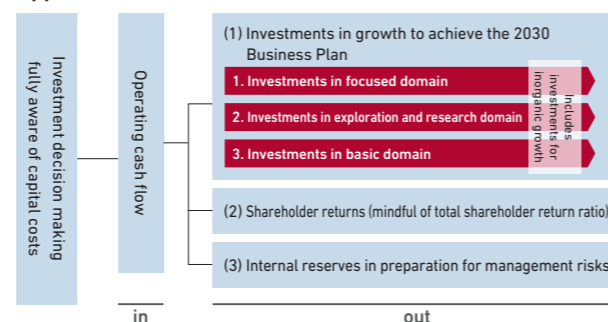
2. Shareholder Returns

The Morinaga Group recognizes that solidifying its management foundation and returning profits to shareholders are top priorities. Our basic policy is to provide dividends in line with performance while ensuring a stable dividend. We will provide shareholder returns mindful of the total shareholder return ratio and offer a stable and consistent dividend targeting a dividend payout ratio of 30%.

3. Internal Reserves

Our basic policy on internal reserves is to fund shareholder returns and investments in growth to enhance corporate value as well as secure a certain level of internal reserves in preparation for management risks including changes in the macro environment and the COVID-19 pandemic.

Approach to Cash Allocation



DX Strategy



Tomokazu Sano
Operating Officer and General Manager of Digital Transformation Promotion Division

Aimed at 2030

We will strategically introduce and utilize digital technologies to strengthen our management foundation and business competitiveness aimed at achieving the targets set out in the 2030 Business Plan.

Basic Understanding

The Morinaga Group recognizes that it must increase productivity and strengthen the management foundation utilizing investments in quickly evolving digital technologies based on the profound changes taking place in the business environment from advancements in communication technologies and the digitalization of society, including AI, big data, and IoT. For this reason, in the fiscal year ended March 31, 2020 we identified the current situation and challenges and in the fiscal year ended

March 31, 2021 we held discussions involving all departments through the IT strategy project. The formulation of a strategy for investing in digital technology represented a culmination of these efforts. Going forward, the Digital Transformation Promotion Division established in 2021 will take the lead in driving forward companywide cross-functional DX, which will support business activity reforms and our achievement of the 2030 Vision.

Medium- to Long-Term Strategy

We have established a DX Strategy broken down into three stages of business reforms aimed at incorporating DX companywide.

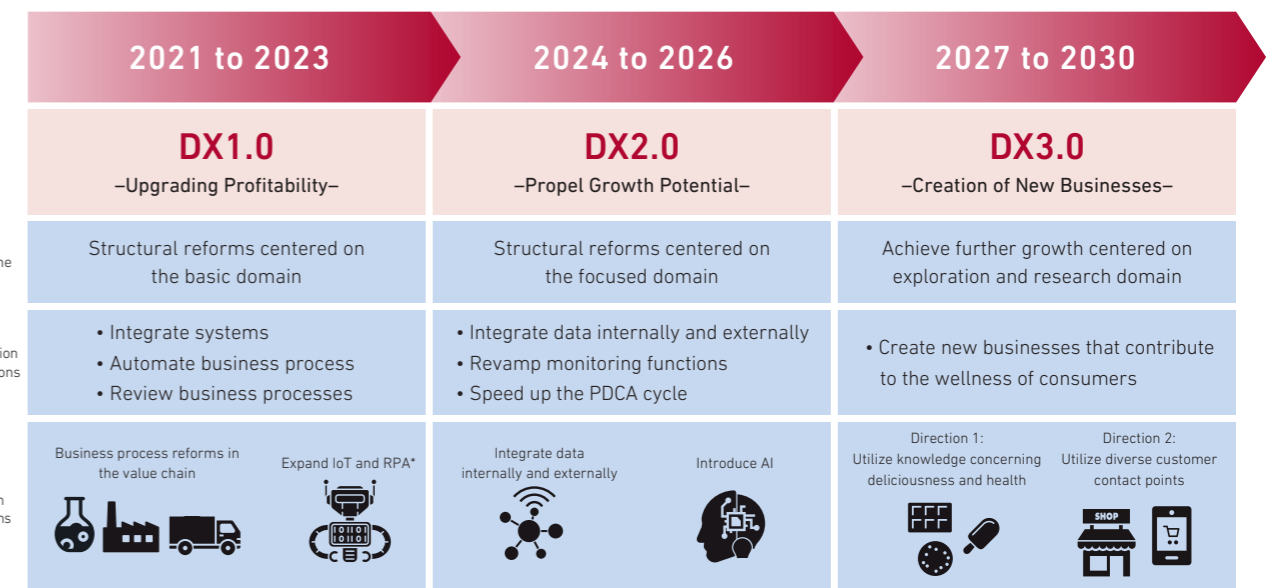
Under DX 1.0, which will take place during the 2021 Medium-Term Business Plan, we will integrate systems and streamline business processes across the value chain by deploying automation solutions, with the goal of upgrading profitability. In turn, the resources generated from these efforts will be allocated to the focused domain in the 2030 Vision and for implementing DX 2.0, helping to speed up our growth strategy.

Under DX 2.0, we will build a management foundation with swift and flexible decision making in response to changes and rebuild

monitoring processes for our business activities by integrating data internally and externally and utilizing AI and other technologies, with the goal of propelling growth potential. As a result, we will enhance our organizational capabilities for forecasting the future based on insight into the business environment and customer tendencies to propel our change into a wellness company and achievement of DX 3.0.

Under DX 3.0, we will continuously invest in digital domains and repeat testing and learning to create new businesses that contribute to the wellness of consumers.

Overview of DX Strategy



*An acronym for robotic process automation referring to technologies that automate business processes and manual work with computers.

Promoting Diversity and Inclusion



Daisuke Fujii
Director and Senior Operating
Officer in charge of Diversity
Promotion Office

Aimed at 2030

Following the approach of leveraging each person's individuality, we will promote diversity and inclusion and generate innovation by creating dynamic organizations where a diverse workforce can play an active role together to achieve our Purpose.

Accelerating Innovation Using Management That Leverages Each Person's Individuality

The Morinaga Group has made efforts to promote female participation and career advancement in the workplace since 2001 when it reformed its childcare leave and various other programs. As of the fiscal year ended March 31, 2021, the ratio of female managers*2 stood at 8.3%. Going forward, in addition to further

encouraging female participation and career advancement in the workplace, we will foster a culture that generates innovation from a combination of wisdom by capitalizing on employees' values, individuality, careers, and experience. With this in mind, we established the Diversity Promotion Office in April 2020 and the Diversity and Inclusion Policy in April 2021.

To spread and implement the Diversity and Inclusion Policy, we conducted diversity and inclusion training for around 350 managerial employees because of the importance of promoting these efforts at the workplace level with the understanding of both senior management and middle management. Looking ahead, participants in this training will spearhead our efforts to promote understanding of the Diversity and Inclusion Policy among workplaces and ensure it is put into practice. Using training and various other initiatives, we will ensure that all employees are on the same page when it comes to achieving the position we want to be in by 2030.

Morinaga Group

Diversity and Inclusion Policy

一人ひとりの個を活かす

Leverage each person's individuality

To deliver happiness to ever more people, the Morinaga Group aims to be a sustainable company that keeps growing. Our employees are the driving force toward achieving that aim: implementing diversity and inclusion maximizes that force. Therefore, we place those values at the core of our management strategy.

We take the approach of "leveraging each person's individuality" and at the same time develop relationships of mutual trust. In that way, we will create conditions where everyone can demonstrate their strengths and play an active role. By enhancing our ability to respond to changes (resilience) and creating new value (innovation) through augmenting the diverse knowledge generated by various individuals, we will continue to address those customers' and society's challenges.

Five Guidelines for Implementing the Diversity and Inclusion Policy

1. Understanding and Respecting Individuals
2. Promoting the Active Participation of All Employees
3. Providing Fair Support
4. Building Relationships of Trust
5. Emphasizing Independence and Challenge

Position We Want to Be in by 2030

To elevate the innovation capabilities of our organizations, we need to foster organizations where each and every employee can refine his/ her skills, that create intellectual diversity from the sum total of this diverse individuality, and combine these to produce synergistic effects. Toward this end, we are working to enhance diversity and inclusion following the KPIs listed below.

1. Participation rate in diversity and inclusion training: 100%*1
2. Condition where the active role of our diverse workforce is being promoted: 80% or higher*1
(rate of positive responses on the employee survey)
3. Promotion of female participation and career advancement in the workplace; ratio of female managers: 20%*2

*1. Group consolidated basis.

*2. Morinaga & Co., Ltd. (non-consolidated)



Diversity promotion staff