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Notice of Morinaga Group's 2030 Business Plan and 2021 Medium-Term Business Plan

MORINAGA & CO., LTD.(the “Company”) announces that the Morinaga Group has formulated the 2030 Business Plan, a business plan for the long term of up to 2030, and the 2021 Medium-Term Business Plan, for the three-year term from the fiscal year ending in March 2022 to the fiscal year ending in March 2024. The overviews of the two publications are as follows.

1. Background

In our 2018 Medium-Term Business Plan for the three-year term from the year ended in March 2019 to the year ended in March 2021, we sought to forge ahead with business activities on the theme of fortifying our management foundation and accelerating our growth, aiming to build the starting point for long-term, continuous growth. In line with this, we have endeavored to improve the earning power of the existing business domains, with a central focus on the confectionery/foodstuffs and frozen desserts categories, as well as to expand the growth domains of wellness and global businesses.

During this fiscal year ending in March 2022, the Morinaga Group has formulated a new Corporate Philosophy. In Our Mission (PURPOSE), we declared that “The Morinaga Group will continue to create healthy foods that can be enjoyed beyond generations, thereby bringing smiles to the face of people around the world now and in the future.” To fulfill this, we have formulated new Medium- and Long-Term Business Plans, so that we will endeavor to grow over a long term and improve our corporate value, while contributing to the realization of a sustainable society.



2. 2030 Business Plan

To guide us as we grow steadily over a medium to long term and raise its corporate value under our new Corporate Philosophy while contributing to the realization of a sustainable society, the Morinaga Group has formulated the 2030 Business Plan for the long term up to 2030. In this plan, we will integrate vitally important management issues both financial and non-financial and practice sustainable management.

(1)2030 Vision

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

Further evolve reliability and technology built on in its 120-year history to support people’s wellness lifestyles in all generations worldwide.

To express the state that we intend to reach in 2030, we have formulated our 2030 Vision, which reads: “The Morinaga Group will change into a wellness company in 2030.” Defining wellness as a state where, based on a healthy mind, body and environment, one pursues and achieves a truly fulfilling, rich life, we will endeavor to become a company that will continue providing our customers, employees, and society with the three values of the health of the mind, the body, and the environment. We will further evolve reliability and technology built on in its 120-year history to support people’s wellness lifestyles in all generations.



(2)Basic Policies

Policy 1) Improve profitability via business portfolio optimization and structural reforms

Concentration of management resources on focused domains

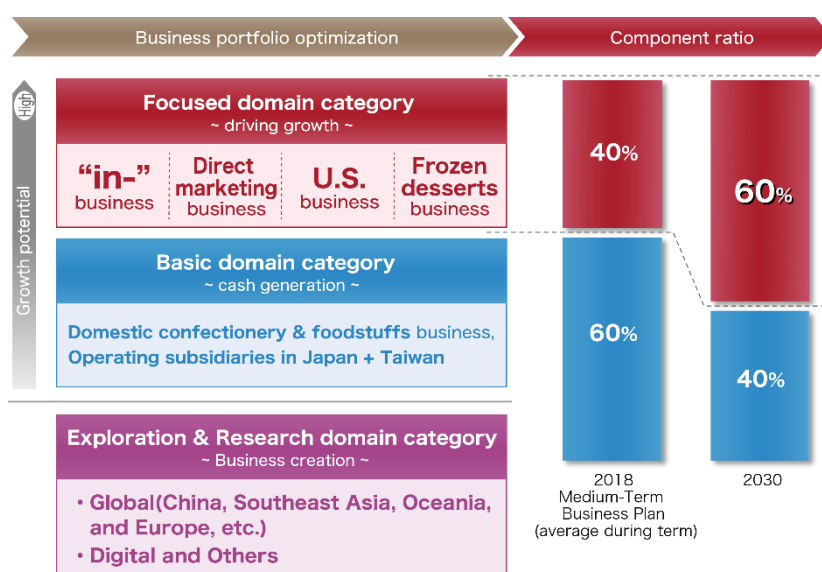
We have chosen “in-,” Direct marketing, the U.S. businesses and Frozen desserts and designated them the focused domains. This concentration will drive the group’s growth.

Stable cash generation by basic domains

We have designated businesses such as the confectionery and foodstuffs businesses that are expected to report steady sales increases and higher earning power as the basic domains. They are expected to generate stably investment resources in the focused domains.

Exploration and research domain’s efforts

We refer to the creation of new business models, the development of wellness products for the global markets, and other new initiatives collectively as the exploration and research domain. We will develop new businesses to shoulder our next-generation growth.



Improvement of earning power mostly of functional sectors with structural reforms

In order to generate investment resources in the focused domains, as well as to prepare for various management risks, we will execute structural reforms group-wide but particularly on functional sectors such as procurement, manufacturing, logistics, and sales & marketing, thereby supporting the increase in the group's earning power.

Policy 2) Build business foundation linked with business strategies

In linkage with the business strategies aimed at achieving the 2030 Business Plan, we will maximize the resources indispensable for management, i.e., human resources, technology, cash, and digitalization, to strengthen the business foundation even further. At the same time, we will continue to reform our corporate governance and increase the transparency of management.

Policy 3) Promote diversity

With the underlying belief in “leveraging each person's individuality,” we will strongly promote personnel diversity and inclusion, thereby putting in place the environment and corporate culture that will help create new values, or innovations, which in turn will lead to the resolution of social issues.

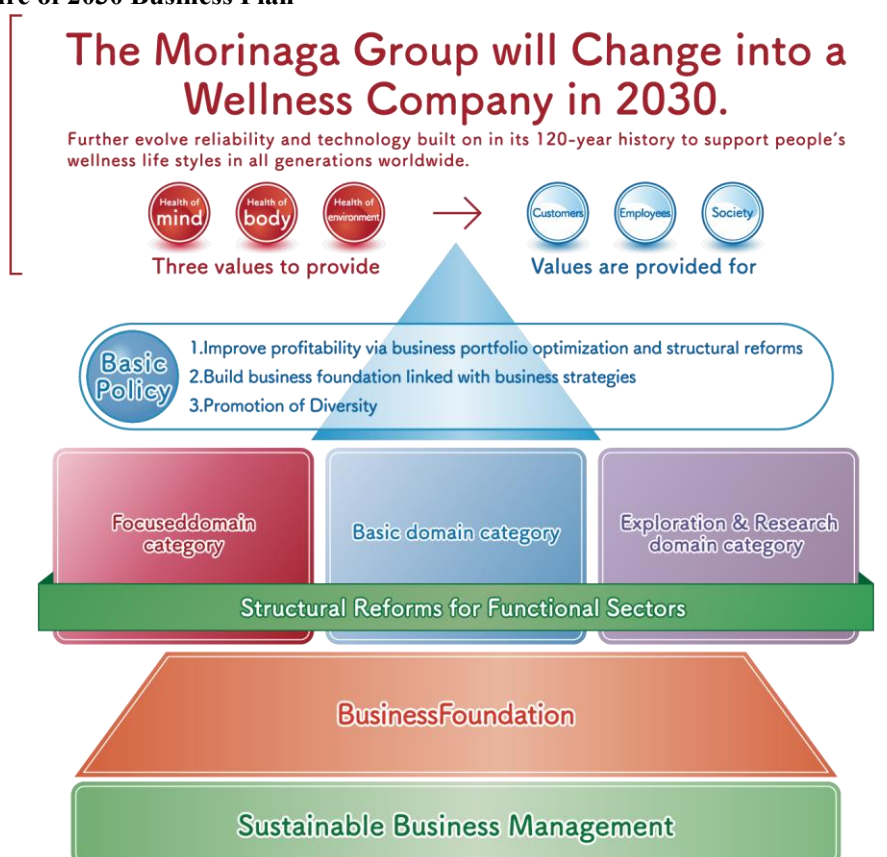


(3) Business Targets

In the 2030 Business Plan, we have the following business targets and key performance indicators. In addition, because the Company will apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending March 2022, the following amounts and indicators are based on the said accounting standard, etc.

Net sales for fiscal year ending in March 2031	¥300.0 billion
<KPIs>	
Operating income to net sales ratio	12% or higher
Overseas sales ratio	15% or higher
Focused domains sales ratio	60%

(4) Entire Picture of 2030 Business Plan



3. 2021 Medium-Term Business Plan

The 2021 Medium-Term Business Plan, whose initial year will be the year ending in March 2022, calls for business activities on the theme of a new foundation building for dramatic growth and as the first stage of efforts to achieve the 2030 Business Plan. Although raw materials price hikes, personnel cost rises, and other challenges in the management environment are expected to continue over a long term, we will make proactive investments for the focused domains' growth and the further bolstering of the business foundation. Meanwhile, through structural reforms mostly on the basic domains and the functional sectors, we will aim for a further improvement of our earning power.

(1) Points of Strategies

(i) Focused Domains to Drive Growth

We will invest our management resources intensively in the focused domains. Specifically, the investment purposes will include the expansion of the “in-” business centered on *in Jelly* and the direct marketing business including *Morinaga Collagen Drink*, the building of a high profitability structure for the frozen desserts business's growth, and the enhancement of the *HI-CHEW* brand in the U.S. business.

(ii) Improve Basic Domains' Earning Power

Where the confectionery and foodstuffs businesses are concerned, we will concentrate our efforts on such mainstay brands as *HI-CHEW*, *Morinaga Biscuits*, and *Morinaga Amazake* to increase their sales and improve their efficiency and profitability, thereby establishing high revenue bases for these businesses in turn. Accordingly, we will stably generate investment resources in the focused domains.

(iii) Structural Reforms on Functional Sectors

By turning the manufacturing sector's existing factories into smart factories, as well as optimizing the sales sector's organizations, we will improve these sectors' productivity, we will also apply digital technology group-wide to improve efficiency to raise the Morinaga Group's earning power.

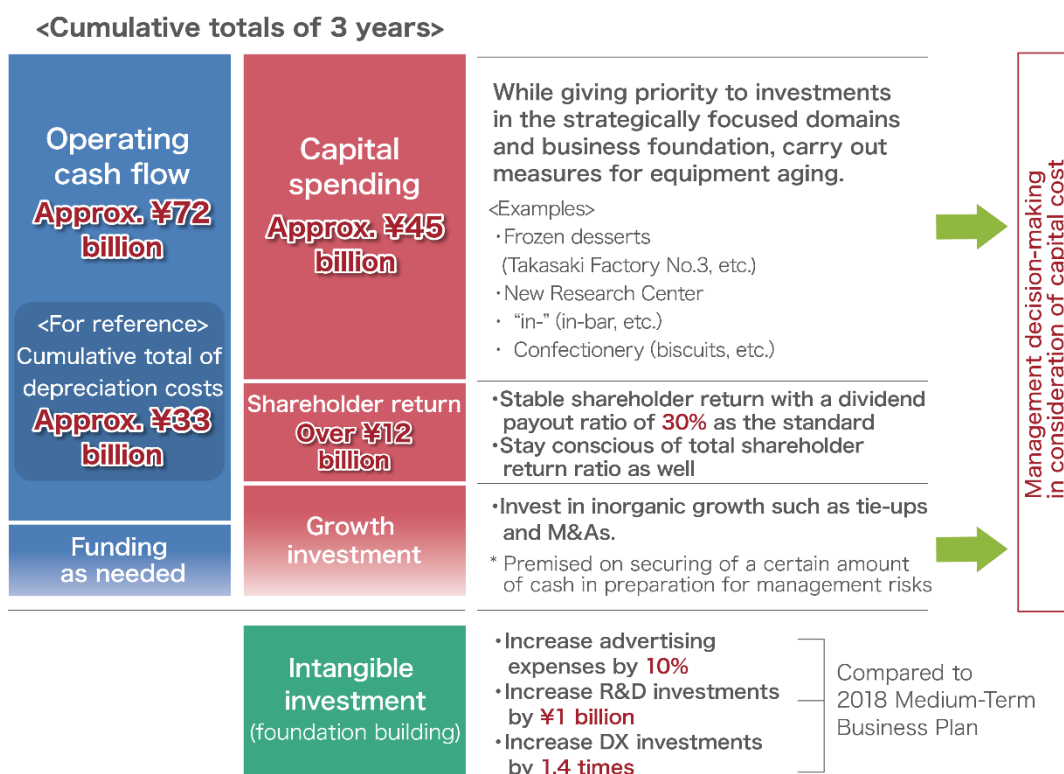
(iv) Bolstering of Business Foundation

During the fiscal year ending in March 2022, we will launch a new research center, which will create new values and support business strategies in a cross-sectoral manner. We will also digitalize many business activities and exert efforts to raise the entire group's productivity. Moreover, to build a truly solid business foundation, we will explore our next core network system.

(2) Financial strategy/Cash allocation

Under the 2021 Medium-Term Business Plan, for the achievement of the 2030 Business Plan, we will grow the focused domains, invest cash gained from the strengthened earning power of the basic domains in the business expansion in the focused domains, the fortification of the business foundation, a fair shareholder return with the total shareholder return percentage in mind, and in all growth measures including inorganic growth. We will also make intangible investments, such as in R&D, digital transformation (DX), and advertising, as part of our foundation building for our medium- to long-term growth.





(3) Business Targets

In the 2021 Medium-Term Business Plan, we have the following business targets and key performance indicators. In addition, because the Company will apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending March 2022, the following amounts and indicators are based on the said accounting standard, etc.

Net Sales for fiscal year ending in March 2024	¥190.0 billion
Operating income for the same year	¥21.5 billion
<KPIs>	
Operating income to net sales ratio	11 % or higher
Overseas sales ratio	9 % or higher
Focused domains’ sales ratio	+5 points or higher ※
ROE	10 % or higher
Dividend payout ratio	30 %

※ Compared to the average value during the 2018 Medium-Term Business Plan

See [MORINAGA & CO., LTD.’s corporate website](#) for details.

[Corporate Philosophy](#)

[Medium- to Long-Term Business Plans](#)

Note: Matters concerning predicted business performances or future outlooks

Any mentions in our disclosed materials of matters other than past facts, such as plans, policies, goals, and others, are based on managerial anticipations and views formed out of the information to which we have access at this point in time. Since they may be subject to potential risks and other uncertainties, we do not guarantee that we will achieve or attain them. Our actual performances may differ from our prospects greatly due to many causes.