



August 11, 2021

Press Release

Company Name: MORINAGA & CO., LTD.
Representative: Eijiro Ota, Representative Director, President
(Code: 2201; First Section of Tokyo Stock Exchange)
Contact: Ayako Kunichika
Executive Officer, General Manager
Corporate Communication Division
(TEL: +81-03-3456-0150)

**Notice Regarding Disposal of Treasury Stock through Third-Party Allotment
in Connection with Continuation of Performance-Linked Stock Compensation System for Directors**

MORINAGA & CO., LTD. (the “Company”) announces that its Board of Directors passed a resolution today, August 11, 2021, to dispose of treasury stock through a third-party allotment in connection with the continuation of the Company’s stock compensation system for directors. The stock compensation system, which is based on a Board Incentive Plan (BIP) trust, is targeted at the Company’s directors (excluding outside directors and directors residing outside Japan; hereinafter the same shall apply). Details are as follows.

1. Outline of disposal

(1) Date of disposal	September 1, 2021
(2) Class and number of shares to be disposed of	14,200 common shares
(3) Disposal price	3,610 yen per share
(4) Total amount of disposal price	51,262,000 yen
(5) Allottee	The Master Trust Bank of Japan, Ltd. (Officer compensation BIP trust account)
(6) Other details	A securities notification document has been submitted in relation to the disposal of treasury stock, pursuant to the Financial Instruments and Exchange Act.

2. Purpose of and reason for the disposal

The Company’s Board of Directors today passed a resolution to continue the stock compensation system for directors, the purpose of which is to better clarify the linkage between directors’ remuneration and the value of the Company’s shares, and increase directors’ focus on contributing to longer term enhancement of corporate value and business results. The Board today also passed a resolution to dispose of treasury stock in connection with this. Note that these Board resolutions were made based on resolutions made at the 170th Annual General Meeting of Shareholders.

Treasury stock will be disposed through third-party allotment to the Master Trust Bank of Japan (officer compensation BIP trust account) in connection with additional monetary contributions being made to the stock compensation system. The Master Trust Bank of Japan is co-trustee of the trust established pursuant to the officer compensation BIP trust agreement entered into between the Company and Mitsubishi UFJ Trust and Banking Corporation.

The number of treasury shares to be disposed of is a portion of the number of shares expected to be issued to the Company's directors during the trust period based on the stock issue regulations. The scale of dilution is 0.03% (rounded off to the second decimal place) of the 54,189,769 shares outstanding as of March 31, 2021 (this is equivalent to 0.03% of the 500,823 total voting rights as of March 31, 2021).

Shares of the Company to be allotted through the treasury stock disposal will be provided to directors, pursuant to the stock issue regulations. As the shares involved in the treasury stock disposal are not expected to flow into the stock market all at once, the Company judges that the impact on the stock market will be immaterial and that the number of shares to be disposed of and the scale of dilution are reasonable.

Please refer to the May 11, 2018 news release "Notice Regarding Performance-Linked Stock Compensation System for Directors" for further details on the officer compensation BIP trust.

Outline of the trust agreement

Type of trust	Third-party benefit trust (money trust other than a specific individually operated money trust)
Purpose of trust	Provision of incentives for directors
Settlor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-Trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiary	Retired directors who meet the beneficiary requirements
Trust administrator	Third-party professional practitioner of business matters with no conflicts of interest with the Company
Date of trust agreement	September 3, 2018 (scheduled to be amended on August 20, 2021 in order to extend the trust period)
Trust period after scheduled extension	From September 3, 2018 through August 31, 2024 (extension yet to be finalized)
Exercise of voting rights	Voting rights will not be exercised.

3. Basis for calculating the disposal price and details thereof

In view of recent stock price performance, the Company decided to set the disposal price at 3,610 yen, the closing price of its shares on the Tokyo Stock Exchange yesterday, August 10, 2021, the business day immediately prior to the date of the resolution of the Board Meeting on the disposal of treasury stock, thereby eliminating any arbitrariness. The disposal price was set at the closing price of the Company's shares on the Tokyo Stock Exchange on the business day immediately prior to the date of the Board Meeting resolution,

because this was the market price immediately prior to the date of the resolution, and that the Company considered the price to be a highly objective and reasonable basis for calculation.

With respect to the abovementioned disposal price, all of the Company's statutory auditors (four statutory auditors, three of whom are outside statutory auditors) have expressed their opinion that the basis for calculating the disposal price is reasonable and that the price is not particularly favorable to the Company.

4. Procedures relating to the Code of Corporate Conduct

This transaction will have a dilutive effect on shares of less than 25% and does not involve any change in controlling shareholders. Consequently, the Company is not required to go through the procedures of obtaining an independent third-party opinion and confirmation of shareholders' intent as set forth in Rule 432 of the Tokyo Stock Exchange's Securities Listing Regulations.

Disclaimer: This English translation is provided for the benefit of readers. In the case that discrepancies exist between the original Japanese version and the English translation, precedence goes to the original Japanese version.