

2030 Business Plan and 2021 Medium-Term Business Plan

May 20, 2021
MORINAGA & CO., LTD

About forward-looking statements

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

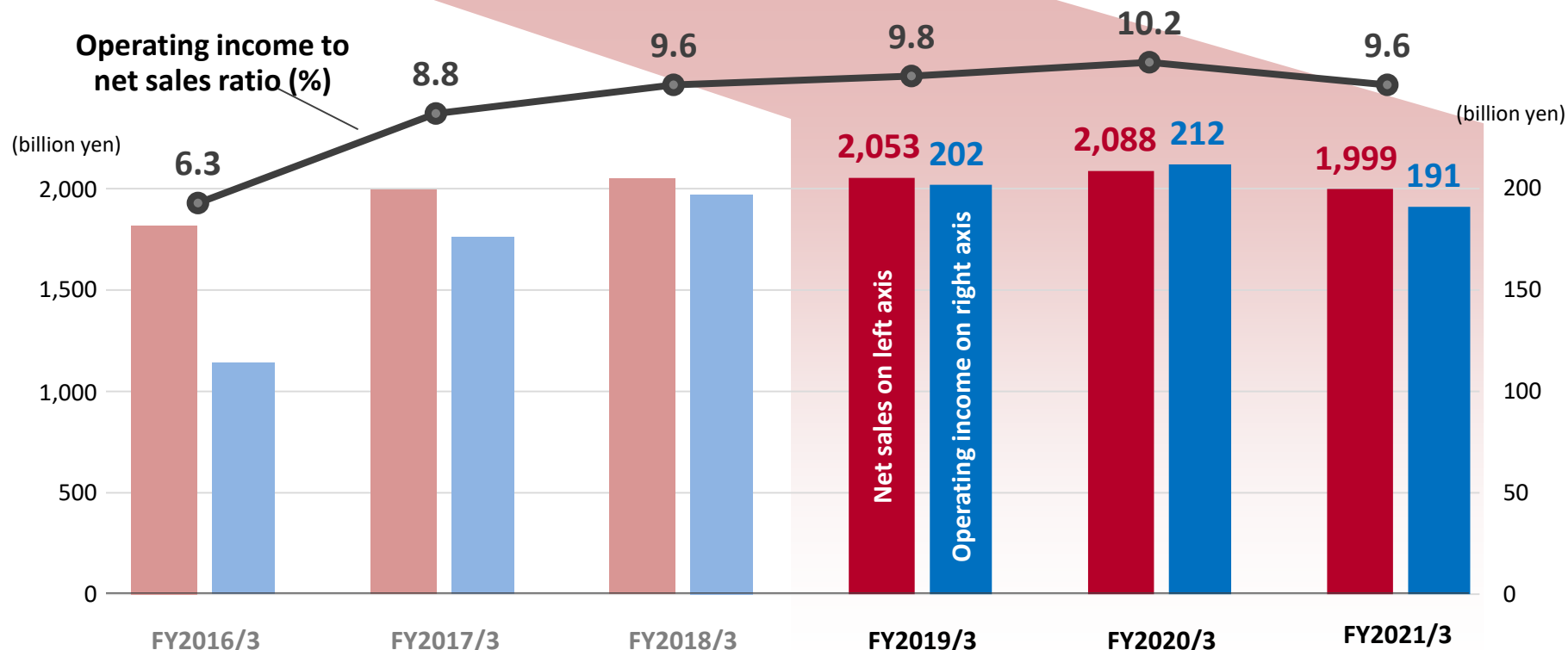
Look Back on 2018 Medium-Term Business Plan

Look Back on 2018 Medium-Term Business Plan

- Improved profitability mostly in existing domains establishes operating income margin foundation of 10% level

2015 Medium-Term Business Plan

2018 Medium-Term Business Plan



Look Back on 2018 Medium-Term Business Plan – Results of Individual Domains

- Profitability improved mostly in the existing domains, and the component ratio of the wellness domain also improved. The component ratio of the global domain declined but the domain went into the black.

Policies of 2018 Medium-Term Business Plan

Results

Existing domains

Establishment of more stable revenue base

- Concentration of management resources on major brands for higher profitability

Key Business Indicators

Operating income to net sales ratio

FY2018/3 FY2021/3
9.6% → **9.6%**

Wellness domain

Combine Morinaga's technology and materials to meet rising health needs

- Purchase rate of in-Jelly business grew until 2019 but has declined due to COVID-19 in 2020
- No. of mail-order subscription customers, the mainstay for Morinaga Collagen Drink, increased

Wellness sales ratio

FY2018/3 FY2021/3
42% → **45.7%**

Global domain

Accelerate growth of the U.S. market and raise awareness of Morinaga brands in China & Asia markets

- Sales in the United States increased **1.8** times (from FY2018/3)
- Morinaga withdrew from Indonesia
- Overseas businesses as a whole went **into the black**

Global sales ratio

FY2018/3 FY2021/3
6.5% → **6.1%**

R O E

FY2018/3 FY2021/3
11.0% → **11.8%**

Recognition of Issues to Solve for Further Growth

At Morinaga

Further Improve Profitability

- Stable generation of funds for growth
- Generate cash ready for a variety of business management risks

Evolve and Growth Strategy

- Wellness and Global domains of businesses continue to be the core part of growth strategy
- Meanwhile, execute balanced strategies precisely tailored to individual businesses' true growth potential and profitability

Upgrade Business Foundation

- In addition to the basis for management style and human resources development in 2018 Plan, build business management foundation in a broader sense, including R&D, finance, digital and governance

Changes in society/market

Macro perspective

- Full-fledged population decrease, lower birthrate, and aging population of Japan leading to shrinking markets and labor shortage
- Changes in business models due to advance in digital technologies, leading to greater application of AI and IoT to the industry

Further rise in health awareness

- Worldwide rise in health awareness through food from viewpoints of population aging and cutting healthcare spending
- Rise in interest in the stability and health of the mind due to drastic changes in everyday lives caused by COVID-19

Realization of sustainable society

- Companies have responsibility to deal with world-scale social issues such as climate change and environmental destruction

2030 Business Plan

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.

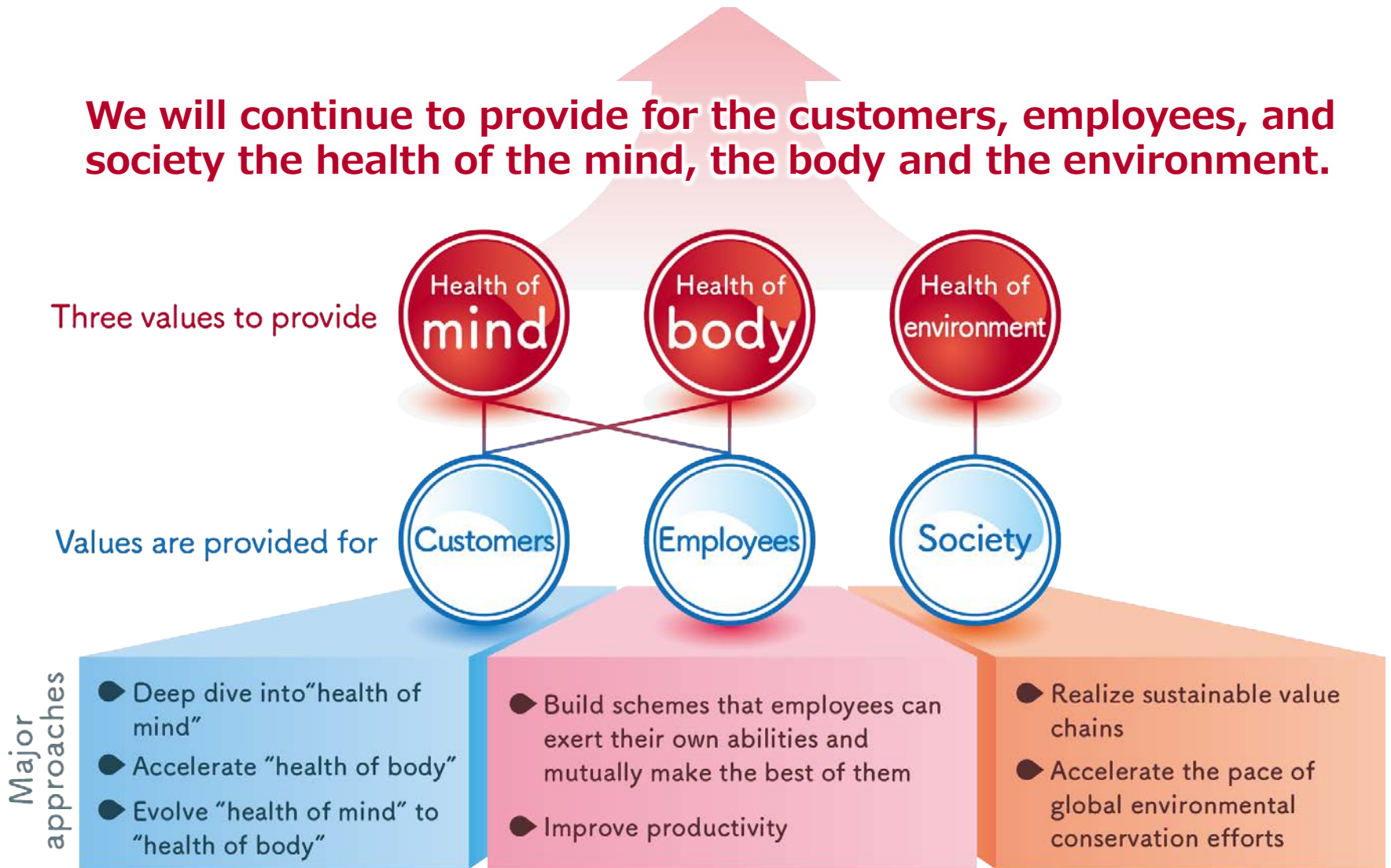


What is **Wellness** all about that the Morinaga Group thinks about?

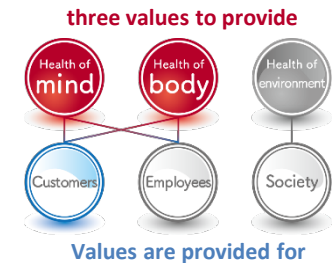
The state of realizing or pursuing enriched, glorious life on the basis of **healthy mind, body and environment.**

Change into a Wellness Company

We will continue to provide for the customers, employees, and society the health of the mind, the body and the environment.



Efforts for Becoming a Wellness Company



1

Deep dive into “health of mind”

- Today when we are flooded with things, people feel happy only when they are fulfilled mentally in addition to material contentment.
- The importance of mental stability is drawing attention as the COVID-19 pandemic causes drastic changes in everyday routines and an acute rise in people’s stress level.

→ We will better understand scientifically emotional values (sense of happiness) of products that lead to better health of the mind, thereby improving customer satisfaction.

Example: Understand why a crisp texture gives the eating person a pleasant sensation by knowing what the texture does to the brain and so forth.



2

Accelerate “health of body”

- The trend toward improving health through food will grow even more globally, after the pandemic have forced people to stay home more, leading to lack of exercise and nutritional imbalance.

→ We will further accelerate the growth of the “in-” products, which best embody the health of the body, as the symbol of a wellness company.



3

Evolve “health of mind” to “health of body”

- Consumers’ attitudes of going for healthy articles of taste, if they eat articles of taste anyway, will grow more widespread.

→ By developing the product benefit from the health of the mind to the health of the body, while protecting the product value, improve the added value of the product.

Example: **Addition of positive elements** (e.g., increased protein content, acquisition of a Food with Functional Claim designation)
Reduction of negative elements (e.g., cut in sugar used)

Basic Approach to Attainment of 2030 Business Plan

- **Concentrate management resources on businesses expected to have high growth potential and create markets** focusing of the health of the mind and body
- **Carry out in-depth structural reforms** so as to stably generate investment resources for growth
- **Solidify the business foundation** in order to execute business strategies in a powerful manner
- Make mechanisms to **allow employees to perform vibrantly** for the realization of all of the above



We have formulated **three** basic policies and business plan based on the backcasting approach

Basic Policies

Policy 1.



Improve profitability via business portfolio optimization and structural reforms

Policy 2.



Build business foundation linked with business strategies

Policy 3.



Promote diversity

Focus domain category

- **Businesses which are expected to show high degrees of growth potential and profitability have been defined as focus domains**

Current disclosure categories

Determination of profitability & growth potential → Selection of focus domains

Food manufacturing business

Health business

Frozen desserts business

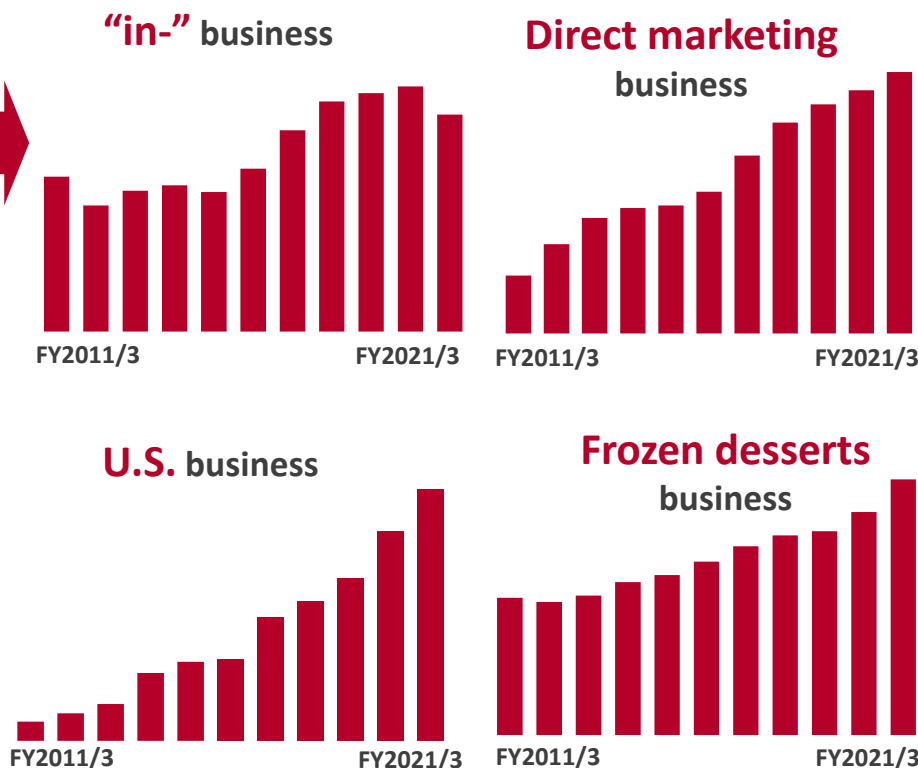
Confectionery and foodstuffs business

Food Merchandise business

Other business

“in-” business
Direct marketing business
Frozen desserts business
U.S. business
Confectionery business
* Excluding business subsidiaries
Foodstuffs business
Overseas business
(Excluding U.S and Taiwan)
Operating subsidiaries in Japan + Taiwan

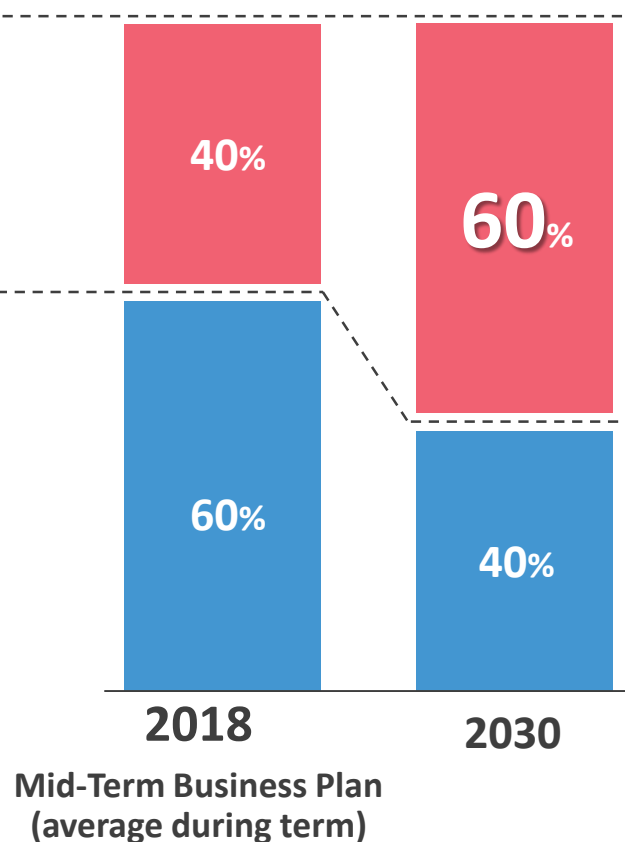
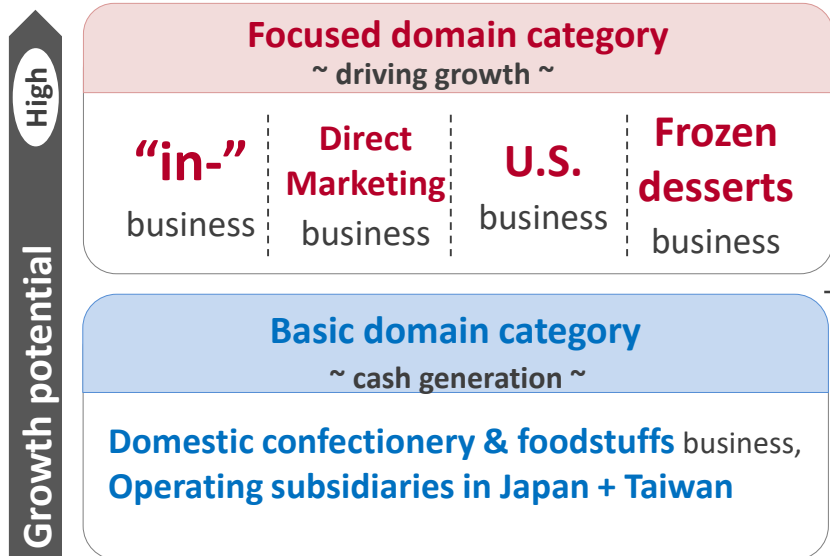
Sales growth



Note: We will disclose financial information based on the segment classification for the time being.

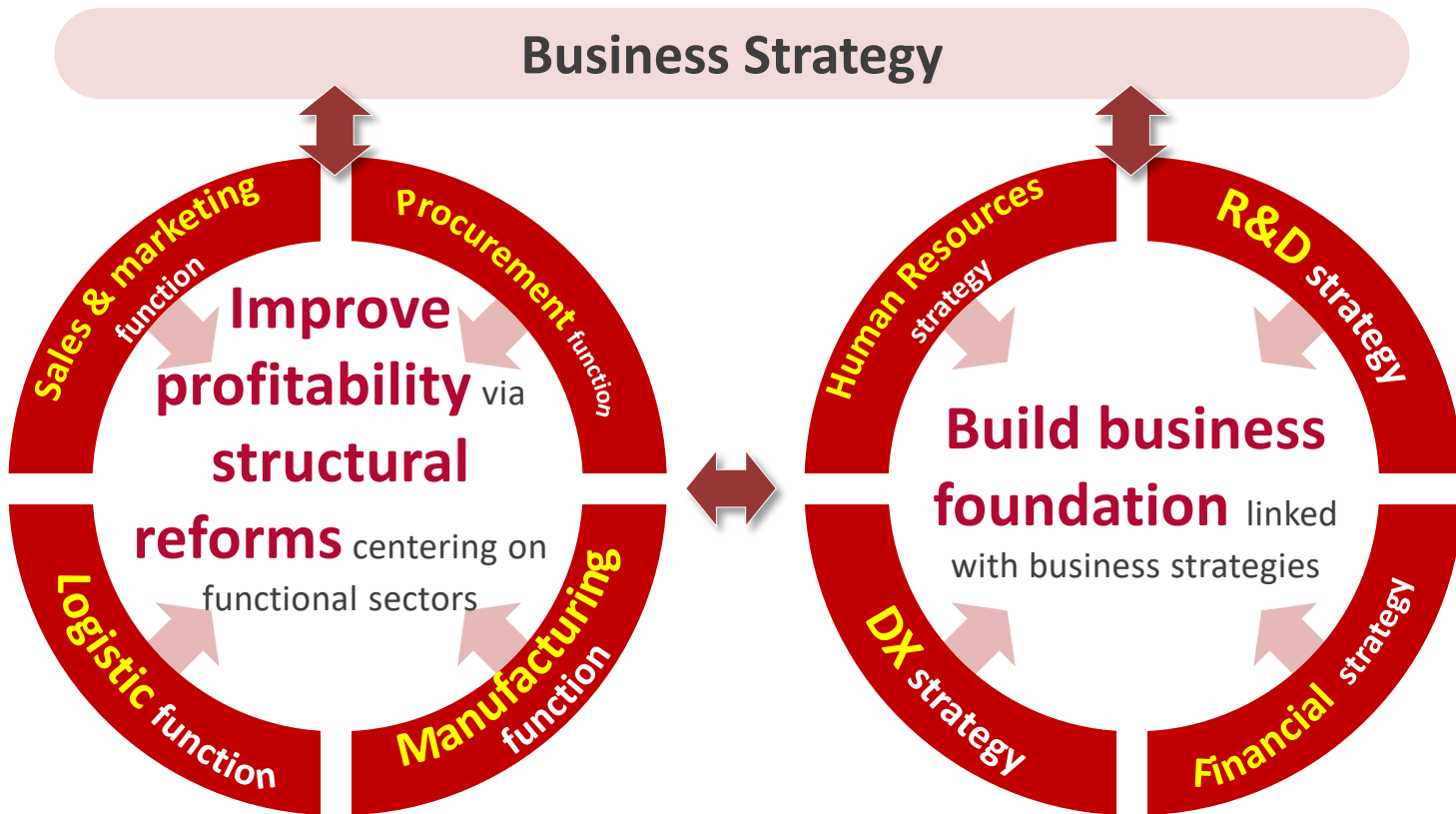
Business Portfolio Optimization

- Reshuffle the business portfolio by intensive investment of management resources on the focus domains



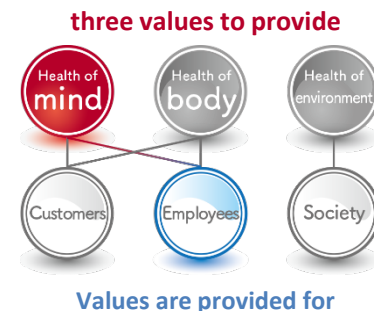
Structural Reforms for Functional Sectors and Building of Business Foundations Linked to Business Strategies

- Invest cash generated through structural reforms for mostly functional sectors in focus domains and the business foundations of businesses concerned with those business strategies



Promote diversity

- **Formulated Diversity and Inclusion Policy:**
 “leveraging each person’s individuality” and “five Guidelines for Implementing the Policy”



Continue to create innovation through diversity and inclusion

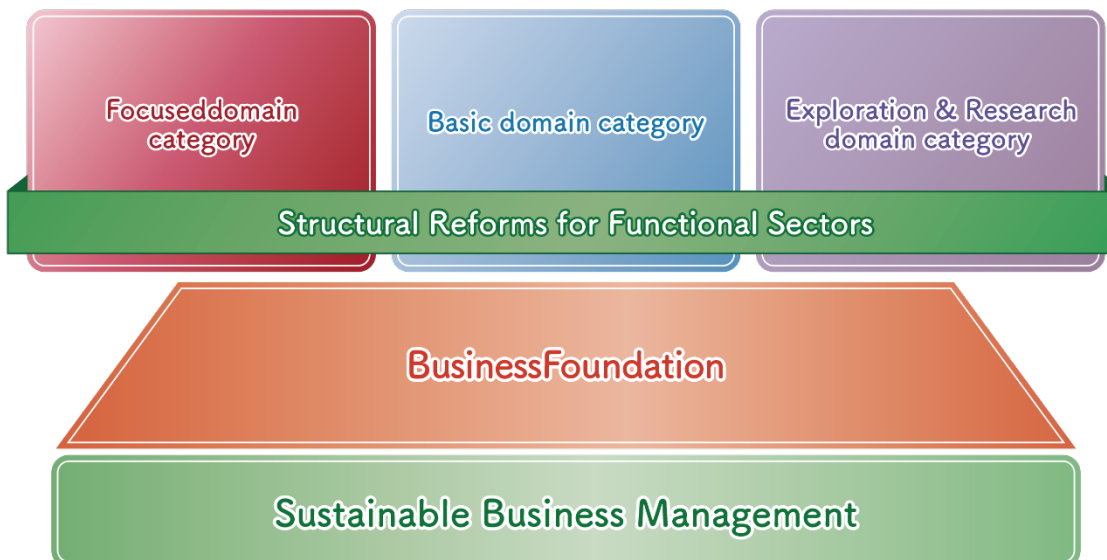
Entire Picture of 2030 Business Plan

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 life styles in all generations worldwide.



- Basic Policy**
1. Improve profitability via business portfolio optimization and structural reforms
 2. Build business foundation linked with business strategies
 3. Promotion of Diversity



2021

Medium-Term Business Plan

We will apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) and the like from the beginning of the fiscal year ending in March 2022.

The numbers herein are based on the said accounting standard, etc.

For Attaining 2030 Business Plan

1st stage
2021 Medium-Term Business Plan

New foundation building for big leap

2030
Vision

Efforts for further growth:
growth of exploration & research
domain & inorganic growth

Focused domains: driving growth

Basic domains: stable cash generation

Efforts to strengthen business foundation further:
structural reforms & business foundation

Focused domain category: “in-” business

<State desired to be in 2030>

Aiming to Become No. 1 Brand Among Foods Supporting Health of Mind and Body Pivoting Around Sports

**Sales Target
▶ ¥50billion**

2021 Medium-Term Business Plan as the 1st stage

Point 1

Growth of in-Jelly products

- Encourage people to play sports to stay healthy, and respond to health x convenience needs
- Cultivate needs in non-mobile scenes by taking increased stay-at-home hours as opportunity
- Target: expansion of drinking scenes (children, seniors, etc.)



Point 2

Growth of in-Bar products

- Meet diversified and growing needs for protein
- Meet needs in two directions for better sports performance and bodybuilding (high content protein) and for health maintenance (protein + carbohydrate restriction)



Point 3

New Brands

- As a symbol of Morinaga changing into a wellness company, begin efforts to “create future foods” by taking advantage of the “in-” brand
- Expand products into varied categories



Investment of management resources

- HR investment: Improve marketers & strengthen the organization by introducing the group approach
- R&D investment: Evolution of gelling and other technologies that are source of our competitive edge
- Advertising investment: Increase investing in the entirety of “in-” brands

Focused domain category: Direct marketing business

<State desired to be in 2030>

Evolving Into Healthcare Business Supporting Customers' Wellness Realization

**Sales Target
¥20billion**

2021 Medium-Term Business Plan as the 1st stage

Point 1

Evolution of existing business

- Grow business with regular subscription service, centering on Morinaga Collagen Drinks
- Develop a new collagen product that is functional
- Place the greatest importance on the functionality of the business's service tailored to individual customers by utilizing digital technology



Point 2

Creation of new business

- By using the customer base cultivated in the mail-order business, explore possibilities of combining wellness and digital technology

Investment of management resources

- Digital transformation (DX) investment: Build a foundation of exploiting customer data; research into business creation
- R&D investment: Obtain the "Food with Functional Claim" designation
- Advertising investment: Continue with aggressive investments in increasing subscription customers, which is the key success factor (KSF) of the direct marketing business

Focused Domain Category: U.S. Business

<State desired to be in 2030>

Growth of the U.S. business through expanding the Hi-Chew brand and creating a jelly drinks market

▶ Sales Target
¥30billion

2021 Medium-Term Business Plan as the 1st stage

Point 1
Further acceleration of Hi-Chew

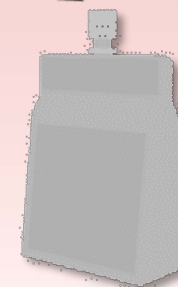
- Improve the product lineup including products resulting from the brand extension.
- Formulate a plan to reinforce production capacity to match sales increase



Sales Target for FY2024/3
¥10billion

Point 2
Creation of jelly drinks market

- Begin efforts to create a market with the jelly drink product developed for the U.S.
- Construct a marketing strategy at an early date.



Point 3
Execution of the “third arrow”

- Explore possibilities of differentiated products and products in the wellness domain.

Investment of management resources

- Advertising investment: Raise awareness of and loyalty to the HI-CHEW brand.
- R&D investment: Develop brand-extension products tailored to U.S. consumers’ needs; expand the scopes of explorations of jelly drinks and the “third arrow.”

Focused domain category: Frozen desserts business

<State desired to be in 2030>

Stably expand the frozen desserts business by concentrating on differentiated products that exploit the confectionery technologies

Sales Target
¥50 billion

2021 Medium-Term Business Plan as the 1st stage

Point 1

Evolving of “freshness” marketing

- Further evolve the Jumbo group’s unique value “crisp texture”
- Expand the target and scenes of eating the product.



Point 2

Capture customers from adjacent markets

- Capture customers from adjacent markets with such differentiated products as Ita Choco Ice and The Crepe that are more like desserts.
- Develop new products more closely tailored to customer needs.
- Meet the challenges of increasing added value of products.



Point 3

New market creation with technological advantage

- Expand applications of flavored iced products for new market entry

Investment of management resources

- Investment in production: Start of operation of the Takasaki Factory No. 3 to solidify the foundation for growth.
- R&D investment: Establish moisture absorption delay technology to improve the crisp texture even further; and advance confectionery technologies in sub-zero temperatures to increase added value.
- Advertising investment: Determine the best efficiency and growth potential balance and invest more accordingly.

Basic domain category: confectionery and foodstuffs business

<State desired to be in 2030>

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

Target operating
income margin
10%

2021 Medium-Term Business Plan as the 1st stage

Point 1

Overall

- **Efforts to improve operating income**
 - Increase the percentages of high-profitability categories (e.g., candy and biscuits) in sales.
 - Improve profit rates via by-SKU profit and loss management (mostly in the chocolate category).
- **Efforts at points of contact with customers common to all businesses: Strengthen efforts on the drugstore channel.**

Point 2

Chocolates

- **Improve profits and secure a sufficient sales scale by rethinking the product, channel, and communications strategies**
 - Employ new packaging shapes (Carré de chocolat and DARS) to better meet diversifying consumption scenes; restructure the channel strategy
 - Restructure the communications strategy so as to be better tailored to the target audience; invest in truly effective ads

Point 3

Biscuits Sugar confectionery

- **Maintain and build up demand that has grown due to the COVID-19 pandemic.**
 - Increase production capacity for Morinaga Biscuits (such as Moonlight); and give the chocolate and biscuit combinations a stronger appeal.
- **Strive to revitalize the candy market; generate demand by developing new products and new consumption scenes.**
 - Strengthen sales promotion efforts for Hi-Chew and Ramune; and develop new quality and packaging shapes to better meet diversified lifestyles.

Point 4

Cocoa Amazake

- **Shift from article-of-taste brands to health brands**
 - Cocoa: Make it a brand that is good for health and that adults also drink; strengthen The Power of Cacao.
 - Amazake: Make it a brand that is good for health and that is high in quality; emphasize the double-fermented materials.

Structural Reforms Mostly on Functional Sectors

<State desired to be in 2030 >

We will have beaten the labor shortage, as well as having established a powerful profit structure to allow us to compete around the world.

2021 Medium-Term Business Plan as the 1st stage

Point 1

Procurement

- Premised on a sustainable procurement of raw materials, we will cap the rises in percentages of raw materials costs by replacing the sources, changing product standards (or packaging designs), and improving the work efficiency through digitalization.

Point 2

Manufacturing

- We will launch turning our factories into smart factories by applying the digital technology and the Internet of Things (IoT) technology.
- - Build a centralized system for monitoring and analyzing operations at factories.
- - In the future, we will go on to network all our factories and equipment, creating a “factory that never shuts down.”

Point 3

Logistics

- We will suppress logistics cost rises, possibly by optimizing our Logistics Centers.

Point 4

Sales & Marketing

- We will raise productivity through the optimization of sales facilities within Japan in response to changes in the market, as well as through higher productivity resulting from strengthened sales efforts.

Management Foundation

<State desired to be in 2030 >

Powerful Management Foundation Will Have been Established to Support the Business Strategies to Increase the Morinaga Group's Corporate Value Over a Medium to Long Term.

2021 Medium-Term Business Plan as the 1st stage

Point 1

HR strategy

- **Various plans to maximize our human resources will have been formulated and executed.**
 - A business succession plan will have been established; HRs of high degrees of specialization acquired; and the introduction of an automation system and more are being considered.

Point 2

R&D strategy

- **New research center (slated for opening in 2022)**
 - It will have a wide area designed for effective interaction and possible alliances with external research institutes, which may lead to the creation of new values.
 - The mass-production technology will have been sophisticated by using intermediate plants.
- **Strengthening of basic research and updating of important existing technologies**
 - We will have strengthened our basic research in the areas of health science, food processing technologies, and such, which will be the source of the powers of our products.
 - We will have gained deeper knowledge on jelly drinks, confectionery technologies for frozen materials (frozen desserts), and the soft candy technology.
- **Wellness R&D**
 - Research into the health-of-the-body benefit that gives additional positive effect; and into how products' emotional benefits improve not just the eater's sensation of happiness but the person's bodily health as well.
- **Global R&D**
 - R&D to tailor to local consumers' needs around the world; and committed promotion of providing wellness value.

New research center



Point 3

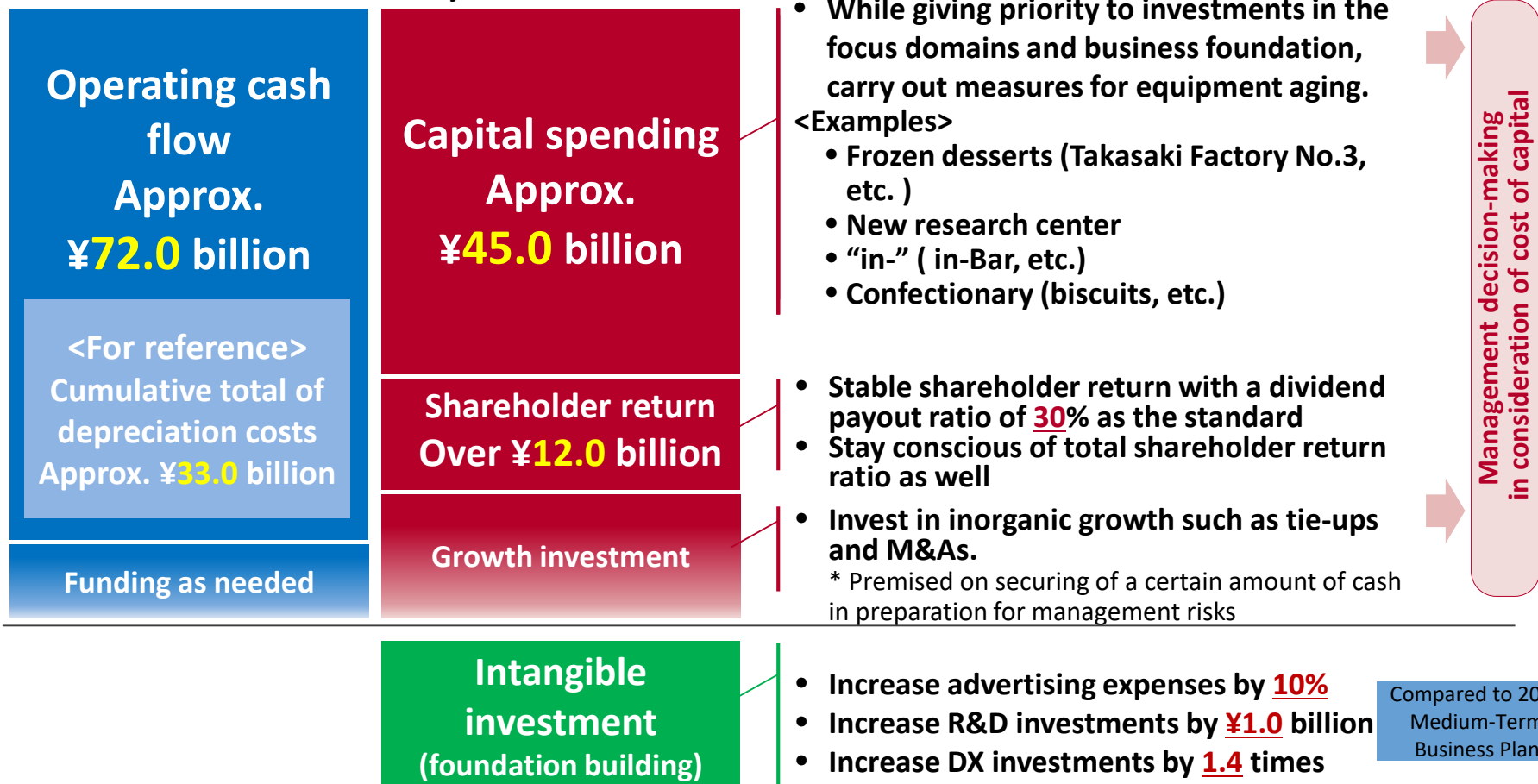
DX strategy

- **DX1.0 endeavors will have been made**
 - Work efficiency and productivity have been improved by using the IoT and robotic process automation (RPA).
 - The building of a foundation of customer data use, as well as research into new business creation, will have begun.

Financial Strategy/Cash Allocation

Intensively invest cash generated by the growth of focus domains and the improved profitability of basic domains in the focus domains, the business foundation, and inorganic growth

<Cumulative totals of 3 years>



Business Targets

Business Targets

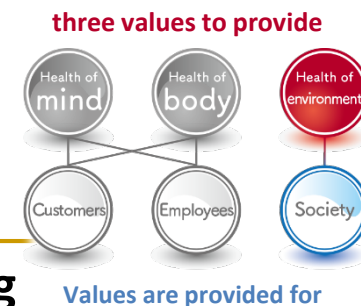
2021 Medium-Term Business Plan Year ending March 2024		2030 Business Plan Year ending March 2031	
Net sales	¥ 190.0 billion	Net sales	¥ 300.0 billion
Operating income	¥ 21.5 billion	<KPIs>	
<KPIs>		Operating income to net sales ratio	12 % or higher
Operating income to net sales ratio	11 % or higher	Overseas sales ratio	15 % or higher
Overseas sales ratio	9 % or higher	Focus domains' sales ratio	60 %
Focus domains' sales ratio	+5 points or higher [※]	<p>We 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.</p>	
ROE	10 % or higher		
Dividend payout ratio	30 %		

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

Sustainable Management

Effort to ESG Issues

- We will accelerate our group-wide efforts to realize sustainable value chain and deal with the environment and social issues



■ Medium-term targets for sustainable raw materials sourcing

(Targets are for Morinaga & Co., Ltd. products in Japan)

Cacao beans: 100% sustainable raw materials by FY2025

Palm oils: 100% sustainable raw materials by FY2023

Paper: 100% sustainable materials for product packaging paper by FY2022

Plastics: 25% reduction* of plastic use for in-Jelly by FY2030

(* Compared to 2019; in base unit; and including natural volume reduction and replacements with biomass plastic)

■ Medium- to long-term targets for CO2 emission reduction

By FY2030, 30% cut (compared to FY2018) of Scope 1 and 2 emissions by consolidated Morinaga Group companies in Japan

By FY2050, zero emissions of CO₂ and other greenhouse gases by all Morinaga Group companies globally

■ Strengthening of internal organizations

1. In April 2021, the Sustainable Business Management Department will be launched
2. Morinaga Sustainable—Project to Connect Smiles to the Future will be launched.
 - This will be a project to propagate knowledge of SDGs, our efforts toward sustainable issues and others at storefronts and on Morinaga/brand websites.



For Sustainable Management

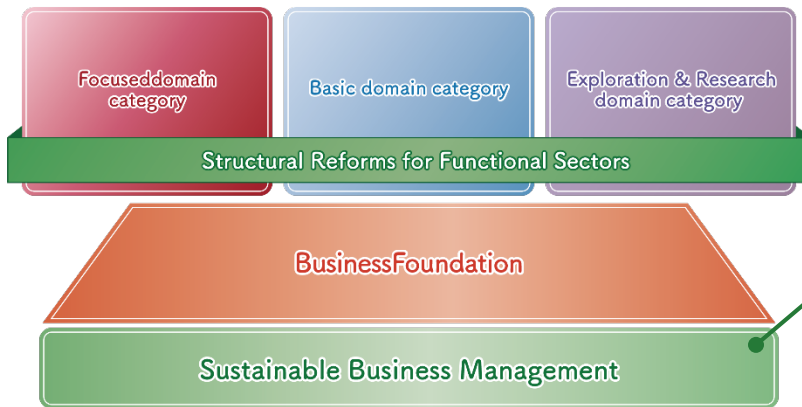
- Facing environmental changes and social issues frontally, we will contribute to the realization of a sustainable society through our business activities, while creating new “values,” and growing and raising our corporate value on an ongoing basis.

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 life styles in all generations worldwide.



- Basic Policy**
1. Improve profitability via business portfolio optimization and structural reforms
 2. Build business foundation linked with business strategies
 3. Promotion of Diversity



We have specified our **materialities (vitaly important issues)**, which integrates management challenges financial and non-financial for the attainment of the Purposes and the 2030 Vision.

1. Contribute to healthy lives of people around the world
2. Diversity and inclusion of people
3. Achieve sustainable value chains
4. Conserve the global environment
5. Strengthen the business management foundation

September 2021

Morinaga Group's Integrated Report
is slated for publication