MORINAGA

Fiscal Year Ended March 31, 2021

Results Briefing

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.

MORINAGA & CO., LTD.

Ota: Hello, everyone. Thank you very much for taking time out of your busy schedules to participate in our financial results briefing for the fiscal year ended March 2021 today.

First of all, I would like to talk to you for about 40 minutes. We have announced a very severe earnings forecast for the current fiscal year. In this briefing, I will briefly explain the details of the previous fiscal year's financial results, and focus on the 2030 Business Plan and the 2021 Medium-Term Business Plan, which will take us beyond this severe earnings forecast.

New Corporate Philosophy

Delicious, Fun, and Healthy

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.

Good quality
Pursue quality with integrity

Only-one value
Create new value and inspiration

Act globally
Expand the scope and possibilities of activities

Link together
Strengthen relations of trust with stakeholders

Sustainable society
Contribute to a sustainable society

Altruism

Give first priority to customers
Be a pioneer
Have an indomitable spirit
Value ties between people
Align our business imperatives with social challenges

MORINAGA & CO., LTD. 2

But first, here is our new corporate philosophy.

I already mentioned this topic a year ago. When I assumed the post of the ninth president of the Company 2 years ago, at the conclusion of the 120th year of our founding, I told our employees as my first message as president to consider the significance of existence of the Morinaga Group for the future and asked them to express their opinions. I received opinions from nearly 1,000 people, or 70% of our employees.

After more than a year of discussions, we came up with this new corporate philosophy. It represents the thoughts of many of our employees and my strong desire to head toward management driven by a purpose.

We set our mission, or 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.

The fact that we have been in business for 120 years does not mean that we will be able to exist in the future. Aiming for an enduring, ever-growing company, we will be based on this purpose as the foundation of all our corporate activities.

We will issue a press release on this today. We also made a video. We will disclose it on our website, so please check out the details.

Consolidated Results for FY2021/3

■Net sales: Declined on the impact of COVID-19 and the end of the *Pringles* distributorship agreement
■Income: Declined on the impact of lower sales, higher variable selling expenses, and higher storage fees and other distribution expenses

(Million yen)	FY2021/3	Y/Y change	vs. forecast
Net sales	199,990	−8,888 (95.7%)	+1,990 (101.0%)
Operating income (operating income margin)	19,162 〔9.6%〕	−2,068 (90.3%)	+1,162 (106.5%)
Ordinary income	19,767	−2,182 (90.1%)	+1,467 (108.0%)
Profit attributable to owners of parent	13,405	2,581 (123.9%)	+1,105 (109.0%)

MORINAGA & CO., LTD.

 4

Here are the results for the fiscal year ended March 2021.

Net sales were JPY199.99 billion. Sales decreased by JPY8.9 billion YoY. This was an increase of about JPY2 billion from the earnings forecast a year ago.

There were sales of Pringles products worth JPY7.4 billion until the year ended March 2020. In terms of sales, the impact of COVID-19 was very different depending on the product. Overall, sales were close to the previous year's level.

As you will see later, we estimated the impact of COVID-19 on sales to be a negative JPY8.8 billion.

Next, operating income was JPY19,162 million. It decreased by approximately JPY2 billion YoY. It exceeded the earnings forecast by JPY1,162 million.

We estimated the impact of COVID-19 on operating income to be a negative JPY2.4 billion. The operating profit margin was 9.6%. We were able to secure a near double-digit operating income margin despite a very difficult environment amid COVID-19.

Profit attributable to owners of parent was JPY13.4 billion, an increase of JPY2.5 billion. In the preceding fiscal year, there was extraordinary loss. This figure is the highest bottom line ever.

MORINAGA

FY2021/3 Results: Food Manufacturing Business

(Million yen)	Net sales FY2021/3	Net sales Y/Y change		Operating income FY2021/3	Operating income Y/Y change		Margin FY2021/3
Consolidated	199,990	−8,888	95.7%	19,162	−2,068	90.3%	9.6%
Food Manufacturing	191,878	−8,239	95.9%	18,795	−2,041	90.2%	9.8%
Confectionery & Foodstuffs	108,840	−12,037	90.0%	6,392	−1,855	77.5%	5.9%
Frozen Desserts	47,091	+6,338	115.6%	7,089	+1,531	127.5%	15.1%
Health Products	35,947	−2,539	93.4%	5,313	−1,717	75.6%	14.8%

Overseas sales	12,215	+1,090	109.8%
United States	7,215	+808	112.6%
China, Taiwan, exports, etc.	5,000	+283	106.0%
Overseas sales ratio*1	6.1%	+0.8pt	-

Reference: COVID-19 impact

(Billion yen)	FY2021/3	Initial assumption
Net sales	8.8	8.0
Operating income	2.4	2.5

*1 As a percentage of consolidated net sales

MORINAGA & CO., LTD.

 5

Next are the Food Manufacturing business results.

This segment accounts for most of our sales and profit, for 96% of sales and 98% of profit. This shows the results by category in the segment.

First, in Confectionery & Foodstuffs, sales of HI-CHEW, which has high profitability, declined to 85% of the previous year's level on a Group basis. The overall sluggishness of candies was significant, and some domestic business subsidiaries were struggling due to the impact of COVID-19. Accordingly, the category incurred sharp falls in sales and income, despite good results of Morinaga Biscuits, at 119% of the year-before result, and Morinaga Hotcake Mix, at 145%.

On the other hand, Frozen Desserts recorded sharp YoY rises in sales and income as shipments increased to 115% of the previous year’s result. According to the SRI data, the overall market for frozen desserts was at 103% of the year-before level in the fiscal year under review. In the preceding year, our Frozen Desserts posted near double-digit growth while the overall market incurred YoY fall for the first time in many years.

The core brand Jumbo Group sales were at 111% of the year-before level. Choco Monaka Jumbo posted the 20th year of consecutive rise as a single SKU. In addition, sales of Ice Box increased to 116% of the previous year’s results and Ita Choco Ice also grew sharply YoY, and Frozen Desserts posted a significant YoY rise for the second consecutive year.

Health products were directly affected by COVID-19, showing sharp YoY falls in both sales and income. As I explained at the previous briefing in November last year, sales of in-Jelly products dropped by half in April and May last year. After that, we took various measures and sales recovered to over 120% of the year-before level in September, but the full-year result remained at 84% of the year-before figure. On the other hand, the in-

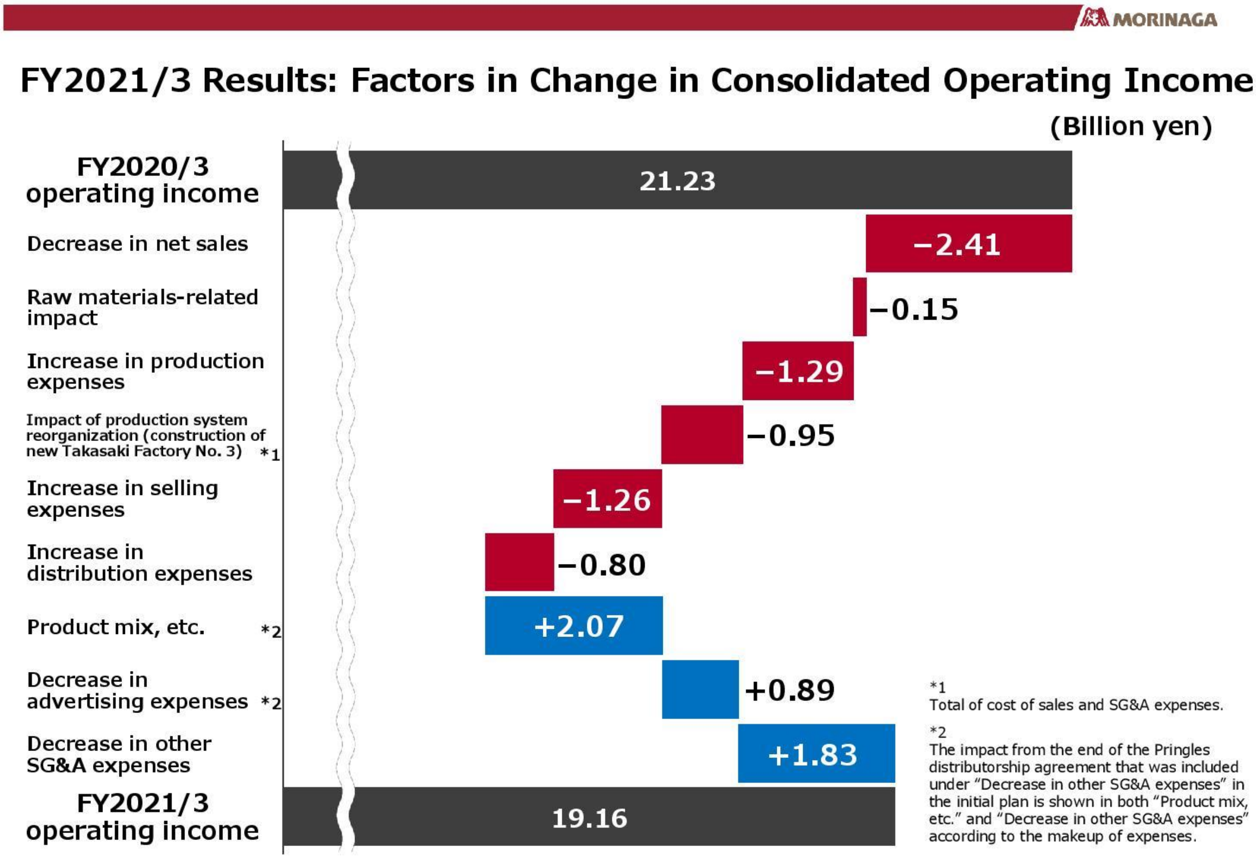
BAR products and the Morinaga Collagen Drink in the mail-order series performed well, but failed to offset the falls in the in-Jelly products.

Overseas sales were very strong even amid the COVID-19 pandemic, and in particular, sales of HI-CHEW in the US reached JPY7.2 billion. Sales in the U.S. grew to 119% on a local currency basis. Sales in other overseas regions also performed well, with the overall overseas sales ratio increasing by 0.8 percentage point to 6.1%.

As for the impact of COVID-19, when we announced our earnings forecast a year ago, we expected a negative impact of JPY8 billion on sales and JPY2.5 billion on operating income. Actually, it slashed sales by JPY8.8 billion and operating income by JPY2.4 billion.

COVID-19 mainly affected in-Jelly, HI-CHEW, and domestic subsidiaries, such as Morinaga Shoji Co., Ltd., which handles products for commercial use, Aunt Stella Inc. , and Morinaga Market Development Co., Ltd. Although there were upswings in pancakes and biscuits, the negative factors were more significant.

FY2021/3 Results: Factors in Change in Consolidated Operating Income



MORINAGA & CO., LTD.

 6

The next page shows the factors in the change in operating income.

The biggest reason for the income decline worth around JPY2 billion was the fall in sales due to the impact of COVID-19. There were also the effects of rises in depreciation and selling expenses. Although there were some positive effects due to an improved product mix and a reduction in SG&A expenses, they were not enough to offset the overall negative effects. Please take a look and check the details.

Consolidated Results Forecast for FY2022/3

- **Net sales: Core brands strengthening/recovering; expanding in US market; lingering impact of COVID-19 at domestic subsidiaries (operating companies)**
- **Income: Boost from higher sales and product mix to be offset by higher depreciation and amortization and greater investment in intangible assets (advertising, R&D, DX)**

(Million yen)	FY2022/3 forecast	Previous FY	Y/Y change
Net sales	175,000	168,240	+6,760 (104.0%)
Operating income (operating income margin)	17,000 〔9.7%〕	19,176 〔11.4%〕	−2,176 (88.6%)
Ordinary income	17,400	19,782	−2,382 (88.0%)
Profit attributable to owners of parent	11,700	13,415	−1,715 (87.2%)
EBITDA*	27,637	27,086	+551 (102.0%)

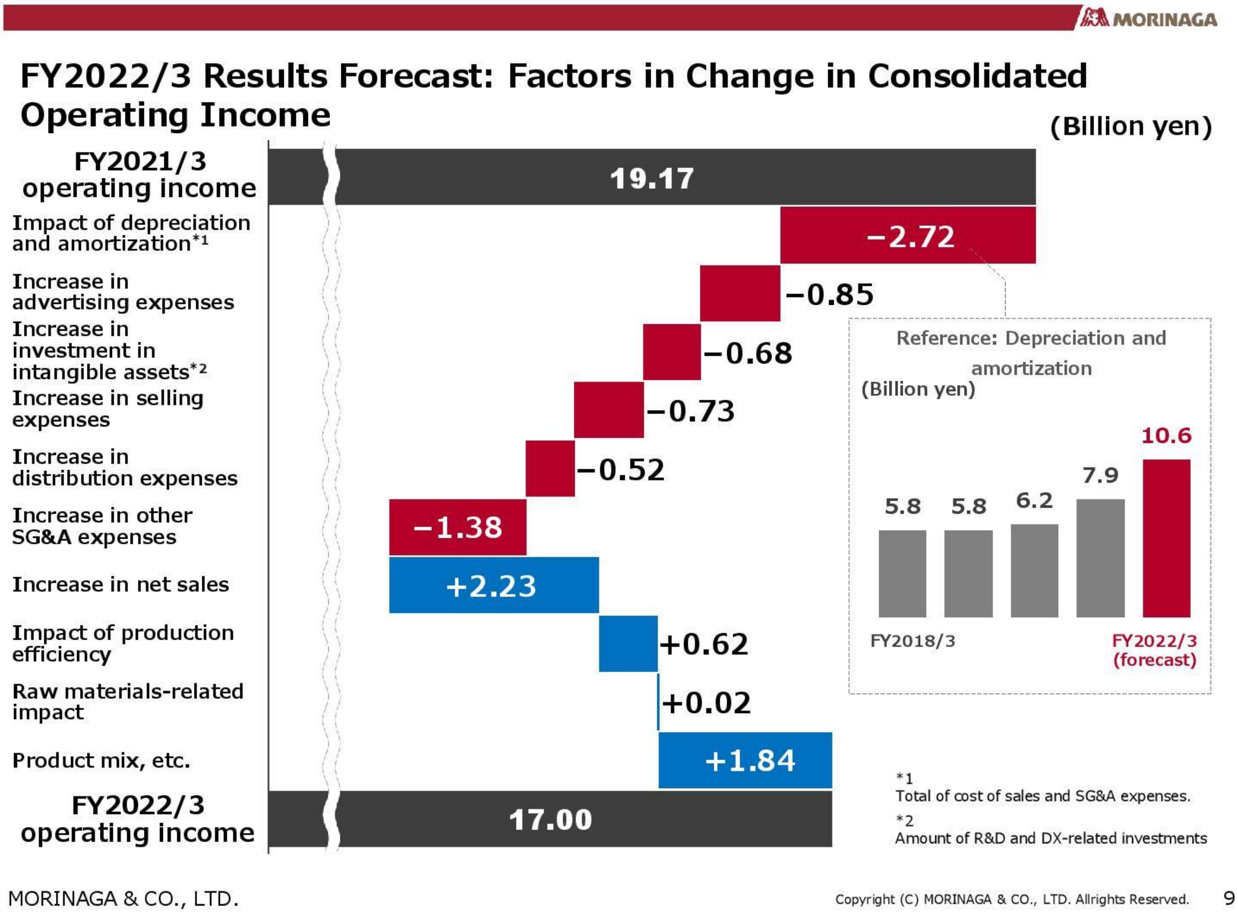
MORINAGA & CO., LTD. *Simple calculation method used for EBITDA: Operating income + depreciation 8

Here are the financial results forecast for the current fiscal year.

First of all, the effects of COVID-19 were JPY8.8 billion on sales and JPY2.4 billion on operating income in the year under review. The problem is how we see this. There are still a lot of uncertainties, and it is difficult to predict, but we expect that the domestic subsidiaries, the 3 companies I mentioned earlier, will remain under the negative effects in the current fiscal year. We estimated that the negative impact will be JPY2 billion on sales and JPY400 million on operating income.

We forecast sales under the new accounting standard to total JPY175 billion, 104% of the previous-year result calculated by the new standard. Operating income is expected to be JPY17 billion, a YoY decrease of JPY2.1 billion.

At the bottom, EBITDA, which is cash flow-based profit, will be JPY27.6 billion, a YoY increase of JPY550 million. The year before last, when operating income hit a record high of JPY21.2 billion, EBITDA was JPY27.4 billion, and according to our plan, EBITDA in the current year will exceed the record high.



These are the factors of the change in operating income.

In this chart, we combined the impact of depreciation and amortization expenses into one. This combined effect is a large amount of JPY2.7 billion.

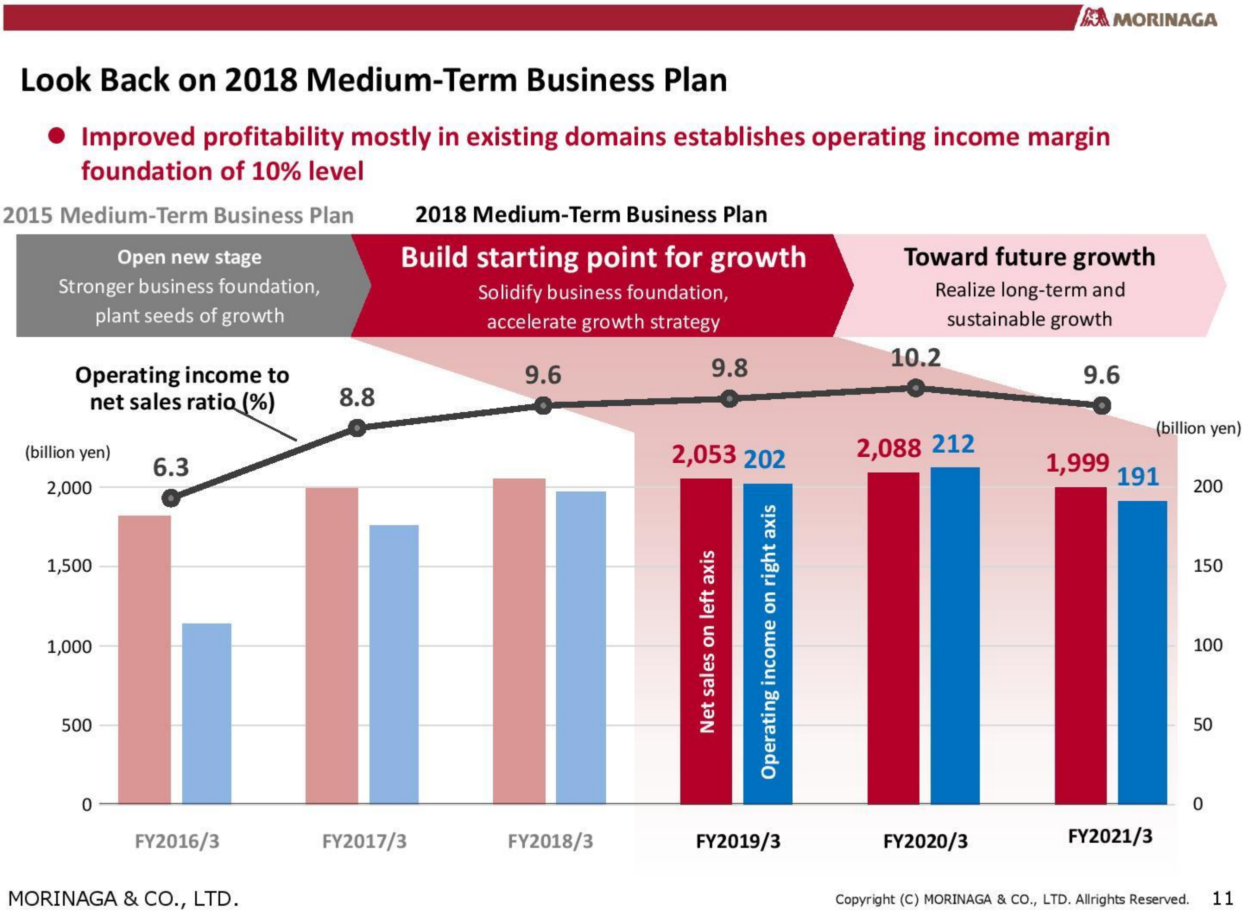
In the year under review, a decrease in advertising expenses had a positive impact of JPY890 million. For the current year, we will inject almost the same amount into our core brands and overseas operations.

On top of that, we will invest JPY680 million in intangible assets for R&D, DX, and others. We will also spend selling expenses, mainly overseas. Other SG&A expenses had a positive impact worth JPY1.8 billion in the previous fiscal year. For the current year, we plan to spend a certain amount during a gradual recovery from COVID-19.

Net sales will increase and the in-Jelly and HI-CHEW products will recover. And there will be an improvement of costs in overseas operations. As a result, operating income is estimated at JPY17 billion.

On the right, we showed the trend of depreciation and amortization. The chart begins with FY2018/3, but since 2010, our depreciation used to be around JPY6 billion a year. In the previous year, it rose to JPY7.9 billion, up JPY1.7 billion YoY. For the current fiscal year, we expect an increase to JPY10.6 billion, up JPY2.7 billion YoY. The expenses will increase by JPY4.4 billion in the 2 years.

As I will explain later in the section on cash allocation, a sharp increase in capital investment is a major reason. Within that, spending on advertising and investment in intangible assets will be JPY1.5 billion. That is our plan for the current fiscal year.

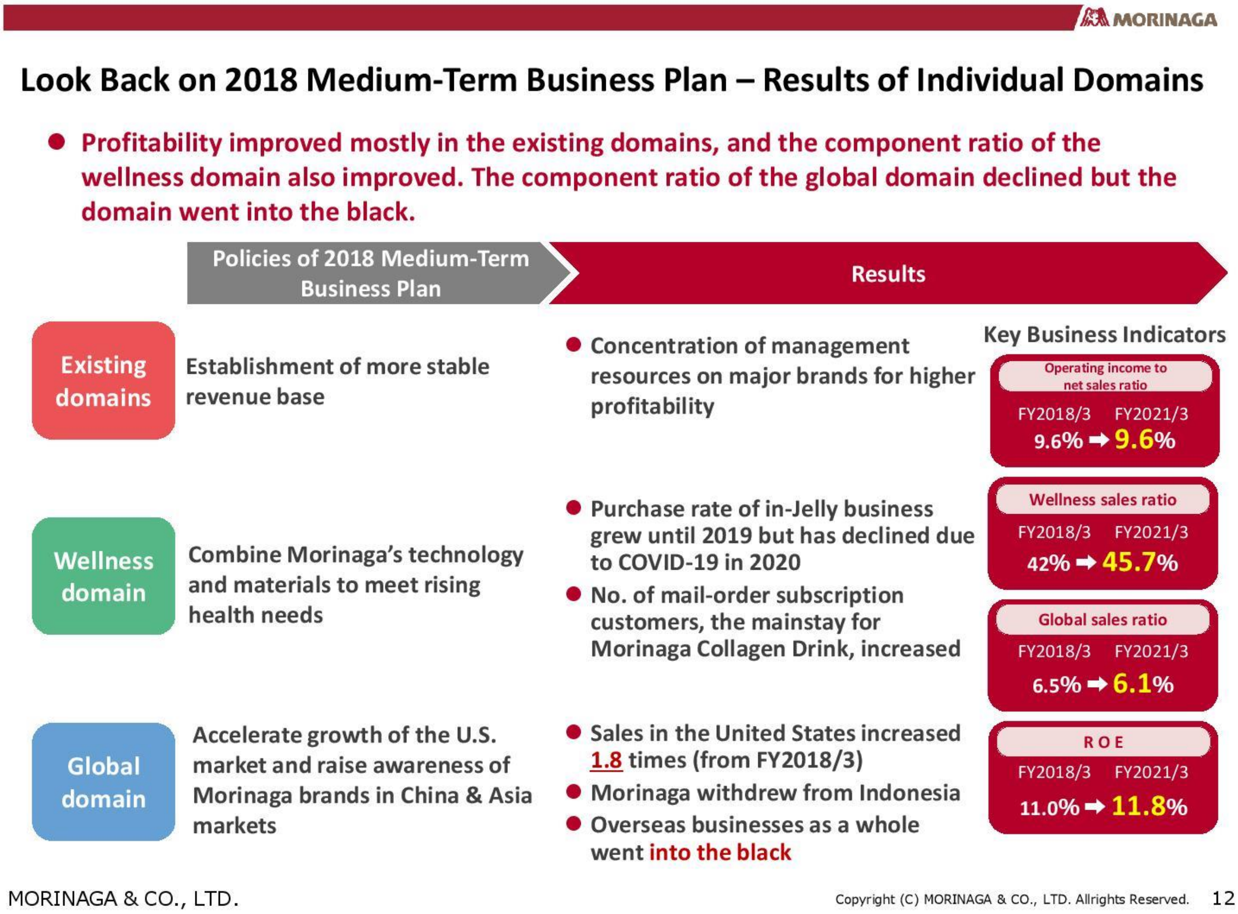


Here is a review of the 2018 Medium-Term Business Plan.

The graph shows the rates and amounts of sales and operating income for the last 6 years, comprised of the 3 years in the 2015 Medium-Term Business Plan and the 3 years in the 2018 Medium-Term Business Plan.

In fact, in the 3 years prior to this, during the 2012 Medium-Term Business Plan, we were in a very difficult period with operating income of around JPY3 billion and an operating income margin of 2-3%. In the first year of the 2015 Medium-Term Business Plan, we were able to achieve the long-aspired JPY10 billion in operating income. After exceeding the level for the first time since our founding, the sales and operating income amounts steadily increased in the 3 years. Under such circumstances, we aimed to solidify the elevated income levels, and started the 2018 Medium-Term Business Plan, setting the 3-year operating income targets at JPY20 billion, JPY21 billion, and JPY22 billion.

In the first and second years, we were able to meet the targets, but in the third year, due to the negative JPY2.4 billion impact of COVID-19, we ended the final year with JPY19.1 billion. However, I believe that we were steadily building a foundation and that we felt a positive response during the 2018 Medium-Term Business Plan.



In the 2018 Medium-Term Plan, we tackled 3 key areas: the Existing domains, Wellness domain, and Global domain.

Though I don't have enough time to explain, I believe that we were able to achieve results in each area. I hope you will check back later for more information, including key performance indicators.

Recognition of Issues to Solve for Further Growth

MORINAGA

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

MORINAGA & CO., LTD.

 13

This shows the recognition of issues to solve for further growth in the 2021 Medium-Term Business Plan and beyond, toward the 2030 Business Plan.

In the case of our company, I believe that the evolution of our growth strategy will be the key. For both the 2018 Medium-Term Business Plan and the 2015 Medium-Term Business Plan, we said that the Wellness and Global domains are the core part of our growth strategy. This recognition has not changed, but there are some things we've learned through these years. In the future, we will review the way of attacking and thinking, and we will evolve. As is described, "execute balanced strategies," we would like to evolve our growth strategy to the next level.

Among social and market changes, there are digitalization, COVID-19, increasing health consciousness, including mental health, and sustainability.

In this environment, our strengths are our 120-year history, trust, technology, and brand. I believe that we should make more use of what we have accumulated so far.

MORINAGA

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.

The following is an explanation of the 2030 Business Plan.

As I mentioned two years ago at the first meeting of this kind after I became President, our company used to announce only 3-year Medium-Term Business Plans for the past 20 years since 2000, refraining from talking about the future from a longer perspective.

While the tough period lasted, we had to tackle short-term issues alone. However, as I mentioned earlier, now that we have moved up to the higher stage, we need to have a medium to long-term plan. We were discussing various issues toward 2030 as our target.

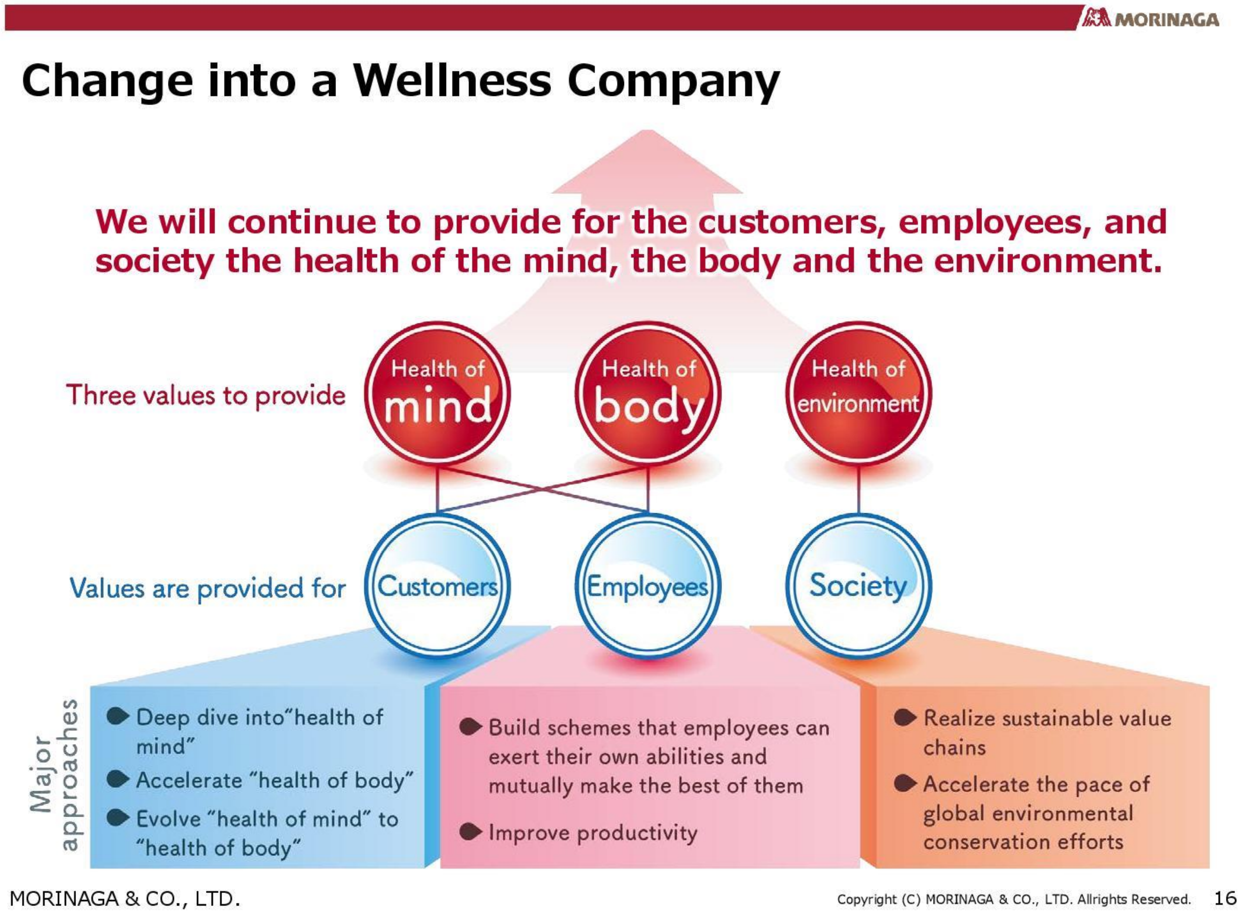
In the previous briefing, I talked about backcasting future conditions from the ideal state desired for 2030, further ahead.

I will read out the 2030 Vision:

"The Morinaga Group will Change into a Wellness Company in 2030." We will further evolve reliability and technology built on in its 120-year history to support people's wellness lifestyles in all generations worldwide.

This sentence leads to the purpose of the new corporate philosophy that I mentioned at the beginning.

As described there, Wellness, what the Morinaga Group thinks about is the state of realizing or pursuing enriched, glorious life on the basis of healthy mind, body, and environment.



So, what does it mean to change into a Wellness company?

In the 2018 Medium-Term Business Plan, as well as in the 2015 Medium-Term Business Plan, we defined wellness as delivering physical health to our customers. As you can see, we have declared that we will change into a wellness company by continuing to provide for the customers, employees, and society the 3 values of the health of the mind, the body, and the environment.

Next, we showed efforts for becoming a Wellness company.

Since we don't have much time today, I will explain a little bit here about the heart of the matter, the health of mind and health of body of our customers.

First of all, the health of mind. In this extraordinary age, partly due to COVID-19, we would like to better understand scientifically emotional values of products that lead to better health of the mind, thereby improving customer satisfaction.

We provided an example as understanding why a crisp texture gives the eating person a pleasant satisfaction. Since there is a limit to what we can learn from this kind of research on our own, we will actively collaborate with outside research institutions.

The second point is to accelerate the health of body. While the trend toward improving health through food will grow even more globally, we will further accelerate the growth of the "in-" products as the symbol of a wellness company.

The third point is to evolve the health of mind to the health of body. We will evolve while protecting the product value. We will also work on adding positive elements and reducing negative elements.

Our company has always contributed to the health of mind by providing emotional values such as good taste, enjoyment, and well-being, or in other words, a sense of happiness, through our products including Confectionery and Frozen Desserts. Now, while the era demands further contribution, we will scientifically disentangle the root of these values and provide products that make people feel happier, thereby increasing customer satisfaction, and of course contribute to the health of body by providing "in-" products and mail order products. By doing so, I believe that we will be able to be reborn as a true wellness company.

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

Next is our basic approach to the attainment of the 2030 Business Plan.

From the perspective of the health of mind and body that I just mentioned, it is important what businesses we will concentrate management resources on. I will explain this issue in detail later.

I also believe that there is still much room for structural reforms, and the upgrading of our management base is essential. Above all, we have to create mechanisms to allow employees to perform more vibrantly to realize those goals. I think it is also very important.

We have formulated 3 basic policies and a Business Plan by backcasting our vision of what we want to be.

Basic Policies

Policy 1.

Improve profitability via business portfolio optimization and structural reforms

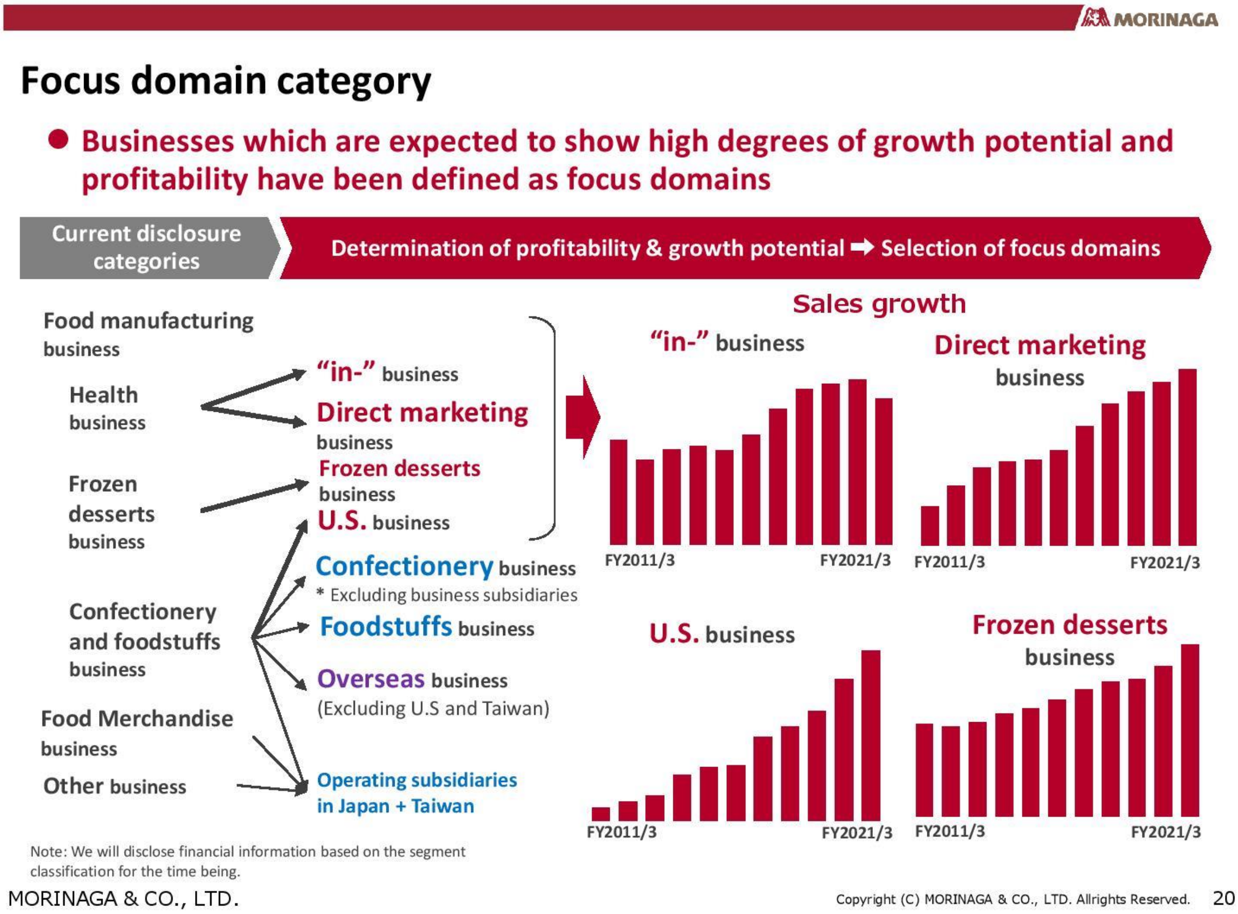
Policy 2.

Build business foundation linked with business strategies

Policy 3.

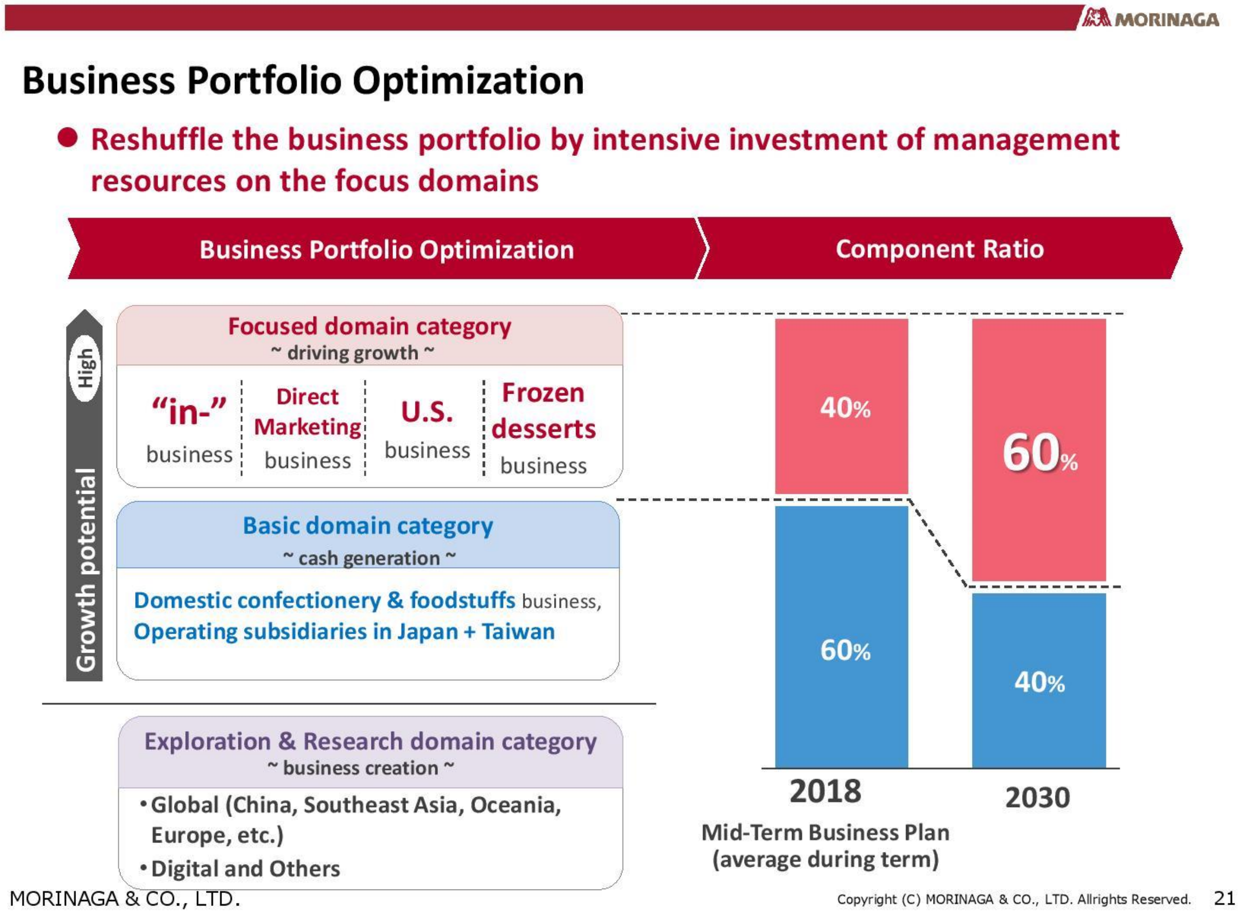
Promote diversity

These are the 3 basic policies. I will explain each one of them.



In terms of the optimization of the business portfolio, we have selected focused domain category.

As the 4 businesses that are expected to show high degrees of growth potential and profitability, we picked the "in-" business, Direct marketing business, the US business , and Frozen Desserts business. There are the graphs of sales growth over the past 10 years. Only the "in-" business saw a decline in sales in the previous year, affected by COVID-19, but I think you can see the image of their steady growth.



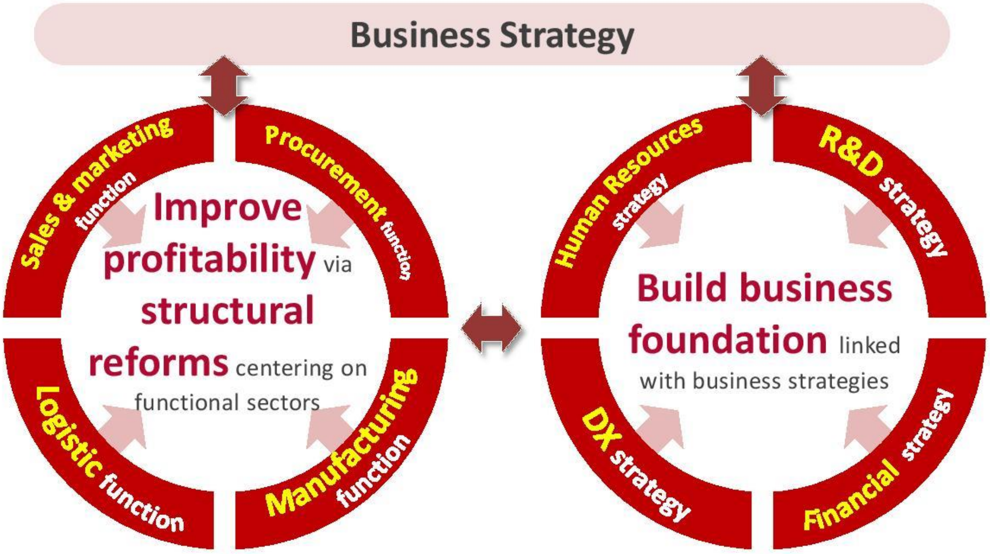
As for the 4 focused domains that will drive growth in the future, their sales composition was around 40% on average during the 2018 Medium-Term Business Plan. The goal is to increase this percentage to 60% by 2030.

The Basic domain category, which generates cash, includes the domestic Confectionery & Foodstuffs business and operating subsidiaries in Japan and Taiwan.

In addition, there is the Exploration & Research domain category. This includes overseas operations except for the US and Taiwan and new businesses. This is a very important part of the plan, and we hope to create something that will be a focused domain in 2030 from here.

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**



MORINAGA & CO., LTD.

 22

Policy 2 is structural reforms for functional sectors and building of business foundations linked to business strategies.

There are 4 areas: sales & marketing, procurement, logistics, and manufacturing, and we believe that there is still a lot that can be subject to structural reforms.

Then, for building business foundations, there are human resources, R&D, financial, and DX strategies. For R&D and DX, we will need investment.

I will explain this part again later.

Promote diversity

- **Formulated Diversity and Inclusion Policy: "leveraging each person's individuality" and "five Guidelines for Implementing the Policy"**

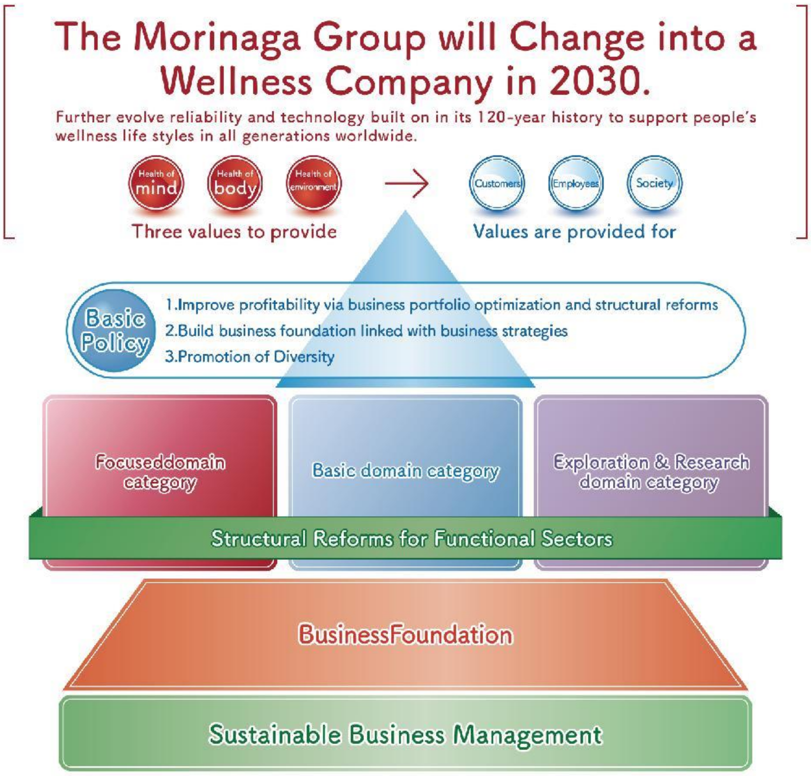
Continue to create innovation through diversity and inclusion

Policy 3 is to promote diversity.

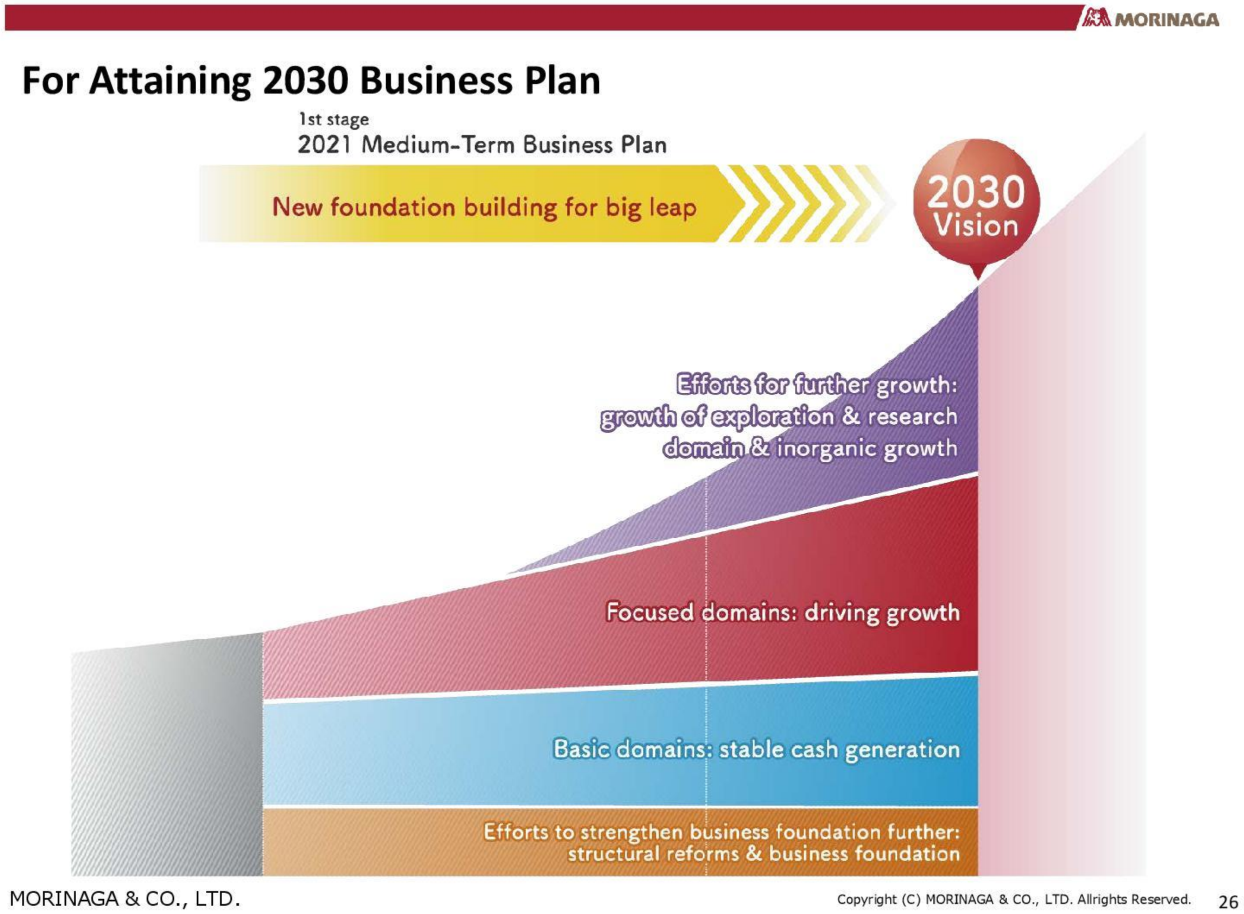
2 years ago, when I became president, I declared that I would put this diversity at the center of my management strategy. After that, I set up a promotion office under my direct control and have been working on it, and have now formulated these 2 diversity policies and 5 guidelines.

With diversity and inclusion, the goal is still to continue to create innovations. This means that we will continue to create new values and meet the expectations of our customers.

Entire Picture of 2030 Business Plan



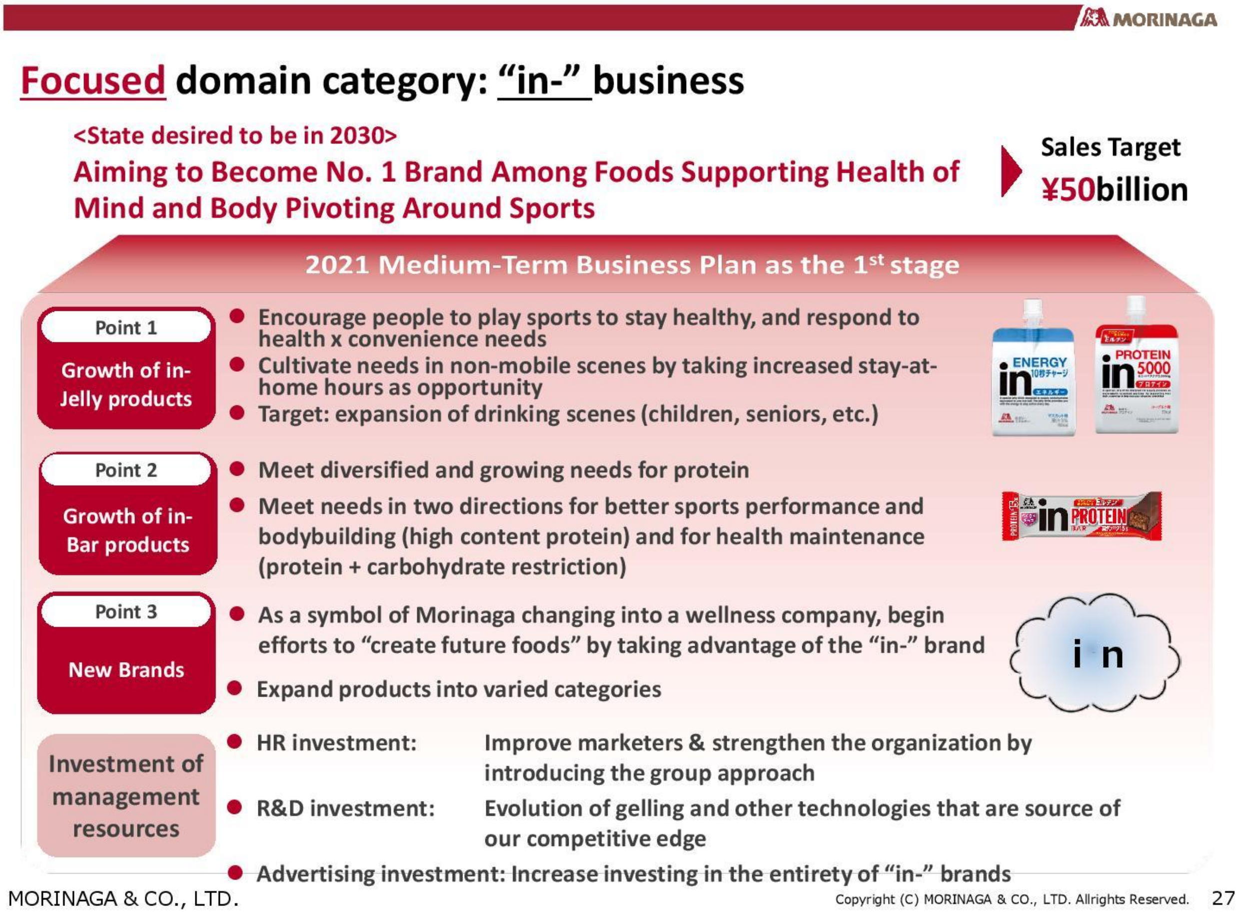
This is the entire picture of the 2030 Business Plan that I have explained.



From now on, I would like to explain our 2021 Medium-Term Business Plan.

The 2021 Medium-Term Business Plan is the first stage in achieving the 2030 Business Plan. The theme of the plan is "New foundation building for big leap.”

We have drawn a diagram of what I have just talked about as an image. I will now explain each of the 4 focused domain categories.



First is the "in-" business.

The state of the business desired to be in 2030 is to become the number 1 brand among foods supporting the health of mind and body, pivoting around sports. We have set a sales target of JPY50 billion for 2030. This is not an extension of the past records, but a major target and plan that we set by backcasting our ideal vision into the preceding period.

The same concept applies to the target figures for the other focused domain categories that are about to be presented.

In the "in-" business, point 1: revival and further growth of the in-Jelly products is our urgent and first priority. This is of course true for 2030, but they are also the products that will be a major key to achieving the figures for the third year of the 2021 Medium-Term Business Plan. The business was dealt a heavy blow by COVID-19, but it has been recovering recently. According to SRI data for store sales of the in-Jelly products, they posted 164% of the year-before result in April this year, in comparison to the overall market growth to 140% of that kind of beverages. With this growth to 164% of the in-Jelly products, they returned to the 100% level of the result posted in the year ended March 2020, 2 fiscal years ago, so it is a very encouraging result.

As in the previous year, April was under the State of Emergency Declaration, but we feel that the actual state changed dramatically. In this context, we will strive to expand our target customers and drinking scenes and would like to further demonstrate our brand power that holds the largest market share and technological strengths.

Then, point 2 is the growth of the in-BAR products. We believe that the need for protein will expand further, and we will focus more on this area.

Then, point 3: new brands are the first of its kind we came up with in a business plan. As a symbol of Morinaga changing into a Wellness company in 2030, we will begin efforts to “create future foods” by taking advantage of the “in-“ brand.

We can't talk about specifics yet, but we would like to launch new brands in some forms during this Medium-Term Plan period, and we would like to grow them into big products by 2030.

In terms of investment of management resources, we will actively invest our resources and strengthen each of human resources, R&D, and advertising.

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

MORINAGA & CO., LTD.

 28

The next focused domain category is direct marketing.

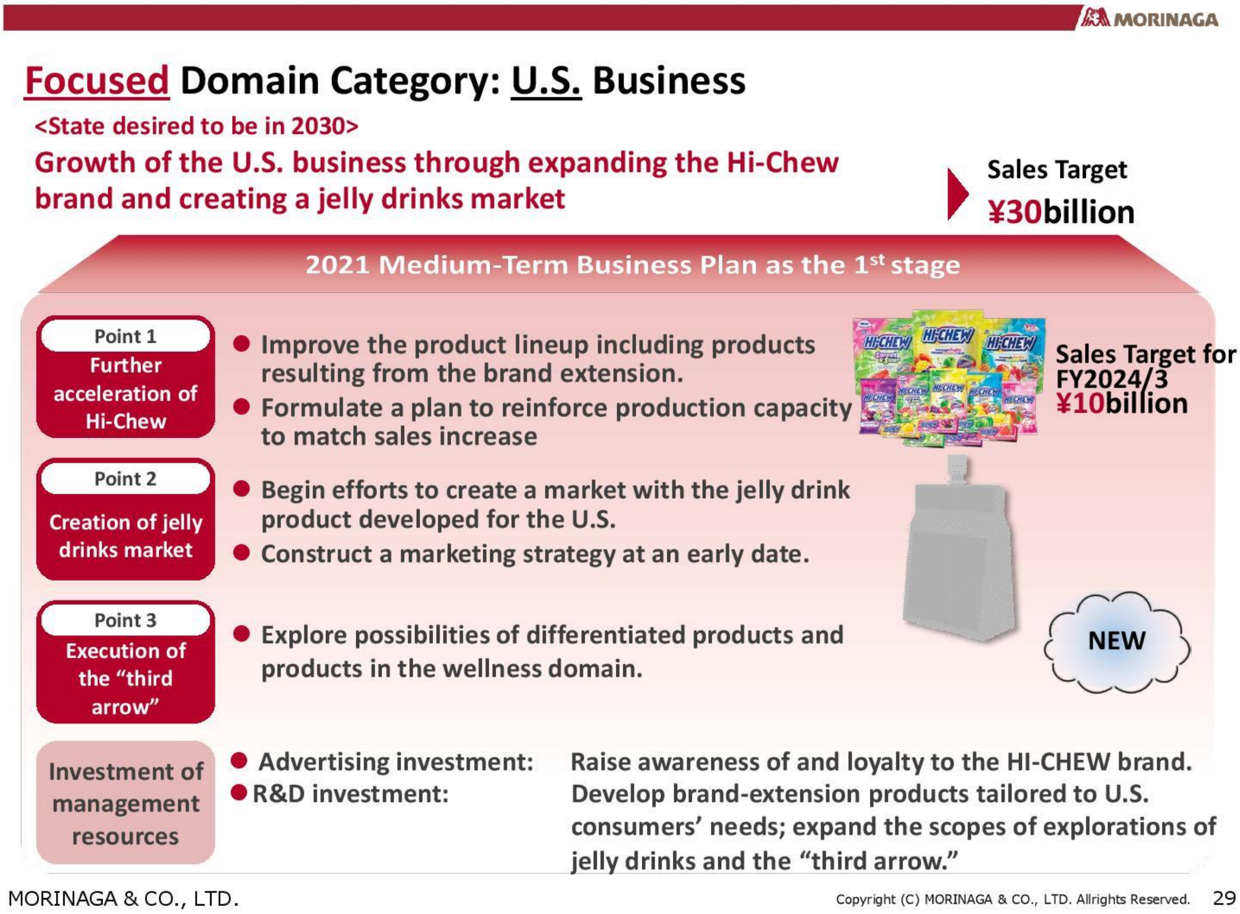
In the previous fiscal year, our mail-order collagen drinks grew to 114%, steadily increasing regular customers for the past few years. As the state desired to be in 2030, we described that the business is to evolve into a healthcare business that supports customers' wellness realization. We have set a sales target of JPY20 billion.

Here, more than anything else, we would like to expand our existing business with the regular direct marketing model. Aojiru vegetable juice, shown here, is also steadily gaining customers.

And as described here, by utilizing digital technology, we will work to provide the service that is tailored to each individual customer in order to maximize the customer experience.

In addition, for point 2: creation of new business, we will explore new possibilities by using the customer base we have cultivated in the mail-order business.

In investment of management resources, DX investment is important. While building a foundation of exploiting customer data, we would like to make sure to respond to each individual.



The next focused domain category is the US business.

Our vision for 2030 is the US business growth through expanding the HI-CHEW brand and creating a jelly drinks market. Our sales target is JPY30 billion.

Point 1 is the further expansion of HI-CHEW. In the previous fiscal year, sales reached JPY7.2 billion, and our market share slightly exceeded 1%. However, the number of SKUs is still less than 1/3 of the competitors, and we are currently working on expanding our product lineup.

In addition, the number of stores handling our products increased by 27% in the previous year, but we believe there is still a lot of room for increase.

As for our sales target, we plan to grow sales above JPY10 billion in the third year of this Medium-Term Plan, but looking at our market share, the number of SKUs, and the rate of stores handling them, we believe that the JPY10 billion is still a passing point.

Point 2, which we announced for the first time, is the creation of a jelly drinks market. With a jelly drink developed for the US, we have spent a lot of time conducting market research and acceptability studies, and we had strong responses to the product.

By creating a jelly drinks market while leveraging the business foundation created by HI-CHEW, we hope to realize our vision for 2030 - to be reborn as a Wellness company - in the US as well.

Originally, we faced the same situation in Japan when we launched jelly drinks in 1994. In the US, there is no such product as a functional energy drink in this type of container. In terms of containers, there are similar containers with smaller quantities for baby food, but we're going to expand what did not exist before. It is a big challenge, but in Japan we have come this far under such circumstances. In fact, the same products are currently experiencing significant growth in Taiwan, and I believe that there is a great deal of potential depending on how we do things.

We hope to start sales in the US within the current fiscal year, but we will probably start with limited areas and channels.

As for point 3: the third arrow, we will explore possibility of developing the third product in the US, following HI-CHEW and jelly drinks for the further growth of the US business. We believe that this will be something that we have differentiated products or a product in the wellness area. We hope to make a start during the 2021 Medium-Term Business Plan.

In any case, we actually felt the potential of the US through the HI-CHEW business and plan to invest our management resources to realize the further expansion of the overall US business.

The next focused domain category is the Frozen Desserts business.

We transferred the Frozen Desserts business from the existing domains to the focused domain. One of the reasons for this is the growth of the Company itself over the past 10 years, as shown in the previous graph. Then there is the market environment. The market itself has been growing. There is also a global warming issue.

And above all, there is our uniqueness and differentiation. Our customers appreciate what only we can do, and we have been growing much faster than the industry average.

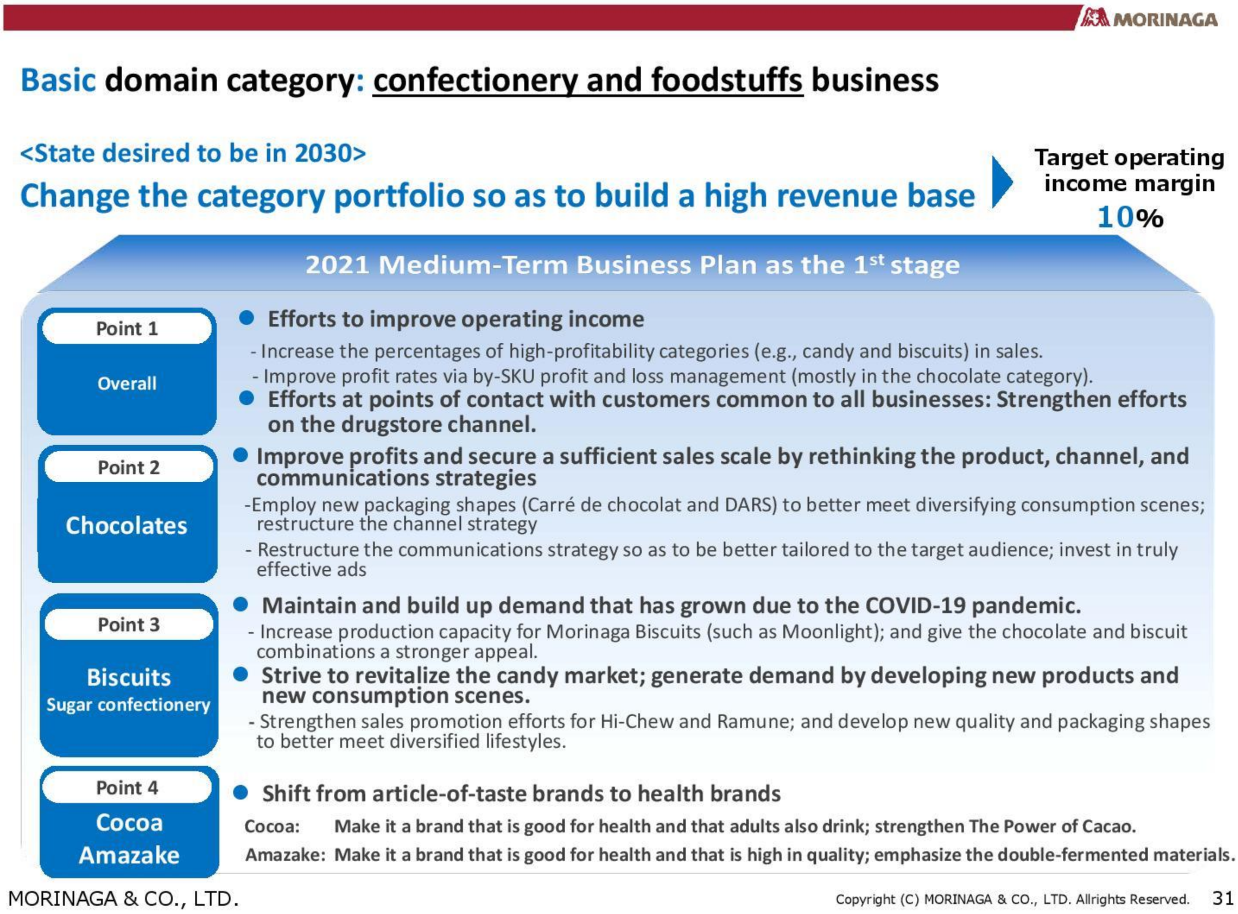
The state desired to be in 2030 is to stably expand the Frozen Desserts business by concentrating on differentiated products that exploit the confectionery technologies. Our sales target is JPY50 billion.

First and foremost, there is the Jumbo group. This represents the evolution of freshness marketing. With Choco Monaka, whose sales increased for 20 years in a row, and Vanilla Monaka, we will work to further expand our target customers and eating scenes, and we believe that these products can also contribute to the health of mind, as I mentioned earlier.

Moreover, in point 2: capture customers from adjacent markets. We showed the Ita Choco Ice ice cream bar, Crepe, and a new product. We will strengthen the development of differentiated products that utilize confectionary materials and technologies.

In point 3: new market creation with technological advantage. We will consider the possibility for Ice Box, or expanding the use of flavored ice. We would like to create a new market, including that for commercial use.

Investment of management resources will focus, above all, on the Takasaki Factory number 3. We will also increase our investment in R&D to further strengthen R&D activities.



Next is the Confectionery & Foodstuffs business as a basic domain category.

Our goal for 2030 is to change the category portfolio so as to build a high revenue base and we set a target for the operating income margin at 10%.

In point 1: overall, we will first focus on expanding our highly profitable candies and biscuits in order to improve the operating income margin.

Then, it partly belongs to the sales aspect, but we will take an approach specific to each sales channel. In particular, as we have been saying for the past several years, we will work to further expand the drugstore sales channel, in addition to the convenience store channel.

As for chocolate, especially for Carre de chocolat and DARS, we will accelerate the development of new forms by strengthening our approach to each channel, with the aim of securing a certain level of sales.

Carre de chocolat has not been adopted by convenience stores. After we made many attempts, there have been some signs that something is taking shape.

In biscuits and candies, which we aim to expand in the future, sales of biscuits are growing significantly, partly due to the impact of COVID-19. We have decided to invest to increase production of biscuits, including the top product, Moonlight.

Then there are Milk Cocoa and Amazake in Foodstuffs. We will further promote and expand them as health brands.

MORINAGA

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.

MORINAGA & CO., LTD. 32

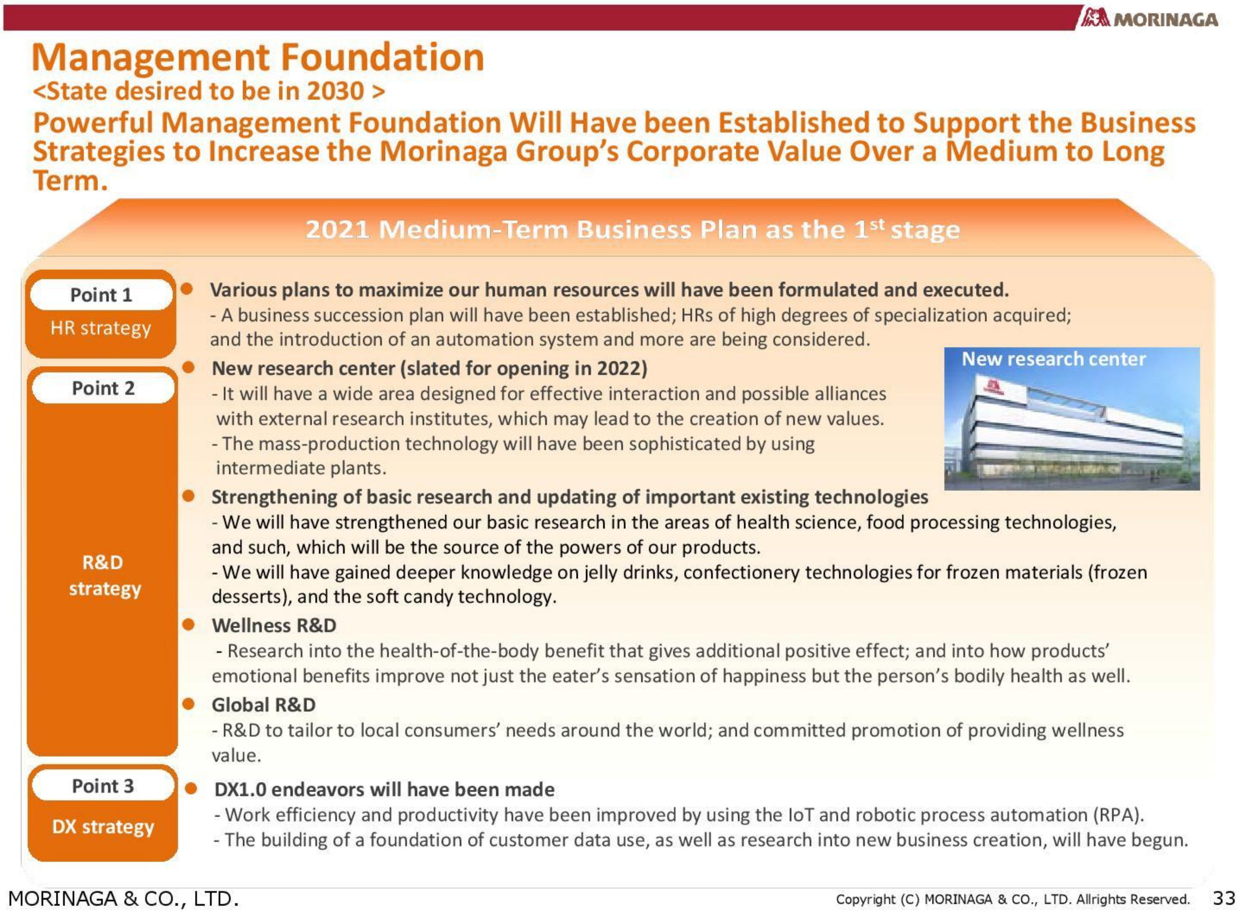
The next page shows structural reforms mostly on functional sectors. We presented 4 key points.

Point 1: procurement. We will be premised on sustainable procurement of raw materials. Then we would like to cap the rises in percentages of raw materials costs through various initiatives.

Point 2: manufacturing. We will start to convert our factories into smart factories applying the digital technology and the Internet of Things, IoT technology. I think it is fair to say that this is a way to prepare for the labor shortage that is expected in the medium to long term.

Point 3: logistics says, "We will suppress logistics cost rises, possibly by optimizing our Logistics Centers." In fact, we have already started considering the optimization.

Lastly, as for point 4: sales & marketing, we conducted an organizational change in April this year. We will continue to work on the optimization with an eye on changes in the market and distribution, but we also believe that strengthening our sales force is a key factor in sales.

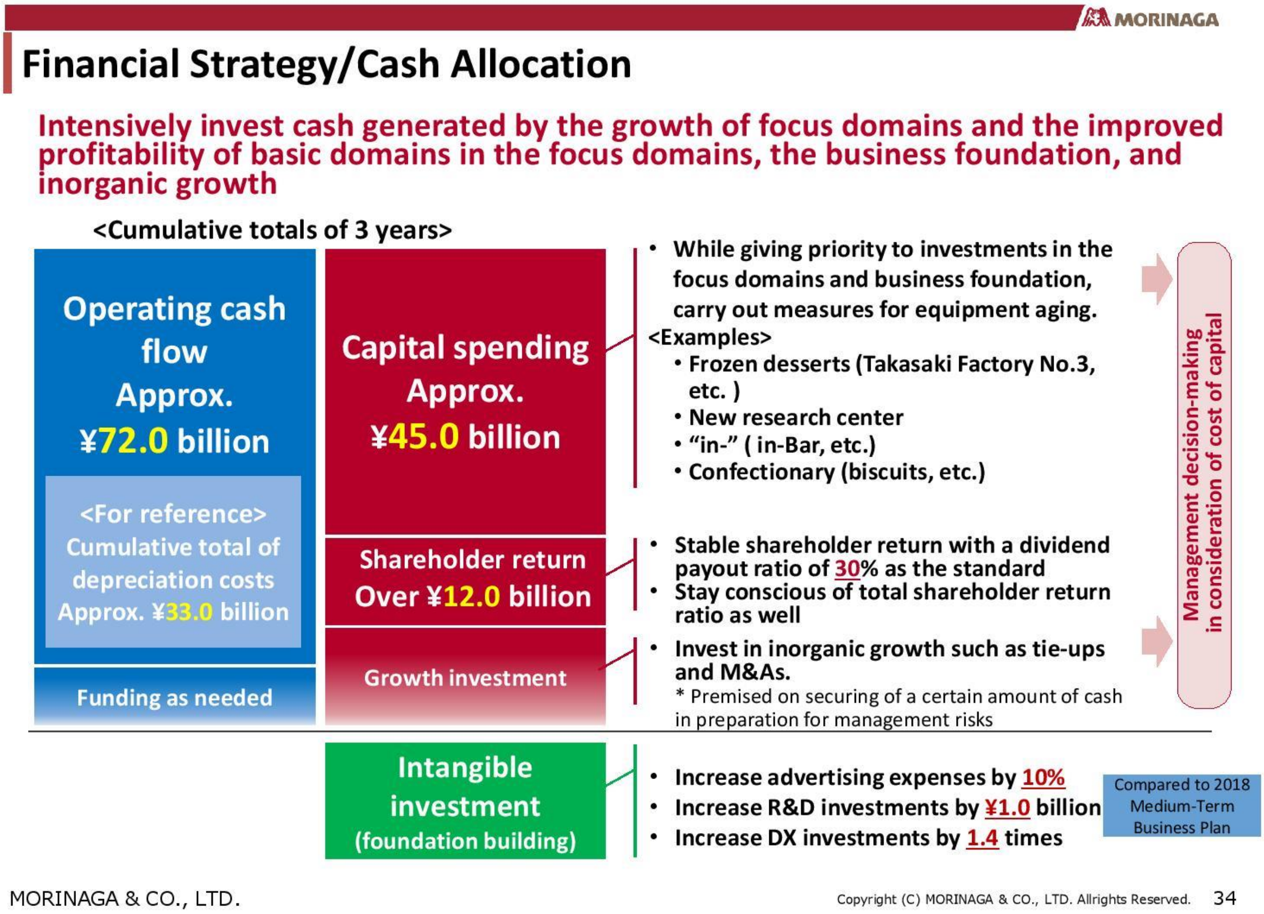


Next is the management foundation.

I would like to talk a little bit about R&D here.

We believe that R&D is the most important factor in achieving our vision for 2030. We will increase R&D investment.

A new research center will be opened next year. We aim to strengthen basic research and update key technologies. In addition, we will advance wellness research that includes the health of mind, as I earlier explained. Also, we will develop global research, such as R&D to meet local consumer needs. We would like to strengthen our R&D in these areas.



Next is our financial strategy.

This is the first time we presented our cash allocation plan, the plan for implementing the strategies that I have explained so far.

These figures are the total for the 3 years of the 2021 Medium-Term Business Plan. We expect a total operating cash flow of approximately JPY72 billion, far exceeding the JPY54 billion in the 3 years of the 2018 Medium-Term Business Plan.

In terms of cash outflows, capital investment will be about JPY45 billion. The details are set forth there: Takasaki Factory number 3 for Frozen Desserts, the new research center, "in-", and production lines for biscuits in Confectionery & Foodstuffs.

The amount of the capital investment was JPY39 billion for the 3 years of the 2018 Medium-Term Business Plan. The planned amount is more than that. As the capital investment in the 3 years of the previous 2015 Medium-Term Business Plan was JPY13.3 billion, so you can see how rapidly we have increased and taken measures, including countermeasures for aging.

On the other hand, I think it's fair to say that securing cash was tough and we were not able to conduct large-scale investment previously.

As a result, the cumulative total of depreciation costs will be about JPY33 billion. As the planned amount for the current fiscal year is JPY10.6 billion, the depreciation costs for each of the following 2 years of this Medium-Term Plan will be at the same level as or even higher than the costs for the current fiscal year.

In this context, we would like to return more than JPY12 billion to our shareholders, conducting to pay stable dividends with a target dividend payout ratio of 30%, and being aware of the total shareholder return ratio.

We will also invest firmly in growth to achieve our vision for 2030. Investment in inorganic growth will be one of conceivable measures, and in a sense, we plan to initiate alliances and M&As in an agile and proactive manner. In addition to the inherent cash reserves for this purpose, we will also raise funds as needed, as shown on the left.

Business Targets

2021 Medium-Term Business Plan Year ending March 2024	
Net sales	¥190.0 billion
Operating income	¥21.5 billion
<KPIs>	
Operating income to net sales ratio	11 % or higher
Overseas sales ratio	9 % or higher
Focus 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

2030 Business Plan Year ending March 2031	
Net sales	¥300.0 billion
<KPIs>	
Operating income to net sales ratio	12 % or higher
Overseas sales ratio	15 % or higher
Focus domains' sales ratio	60 %

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.

MORINAGA & CO., LTD.

 36

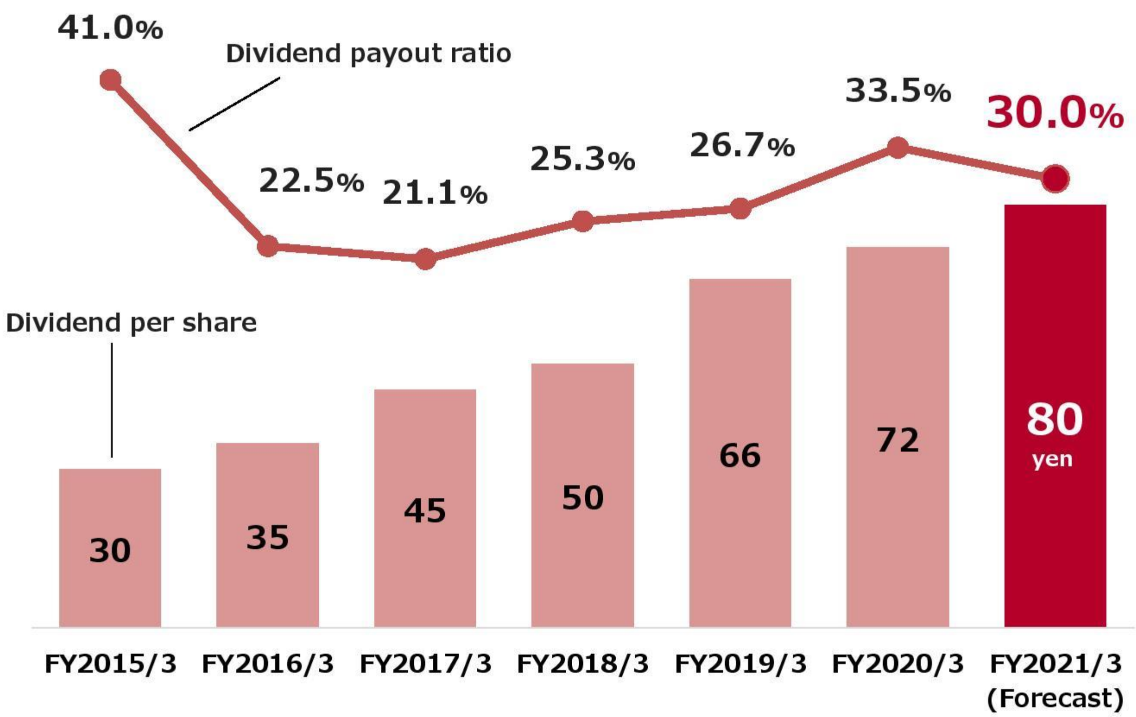
Next, we showed our business targets.

For the third year of the Medium-Term Business Plan, we target sales of JPY190 billion and operating income of JPY21.5 billion, exceeding the current record of JPY21.2 billion.

For the focused domain categories, as I explained, we plan to increase the sales ratio in the domains by 5 points over the 3 years.

And for the year ending March 2031, we set the sales target of JPY300 billion. At present, we have set 3 key performance indicators: an operating income margin of at least 12%, an overseas sales ratio of at least 15%, and a sales ratio of 60% in the focused domains.

Return to Shareholders



MORINAGA & CO., LTD.

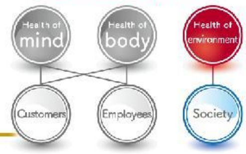
 37

Next is return to shareholders.

For the fiscal year under review, we plan to increase the amount of annual dividend by JPY8 per share to JPY80. This will be the sixth consecutive year of dividend increase.

Effort to ESG Issues

three values to provide



Values are provided for

- **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 CO_2 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 CO_2 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.

MORINAGA & CO., LTD. 39

Finally, as I mentioned earlier in the foundation of the vision for 2030, we have declared that we will be fully engaged in sustainable management by 2030.

This corresponds to providing value of the health of environment to society in the upper right corner of the page. We will contribute to the realization of a sustainable society.

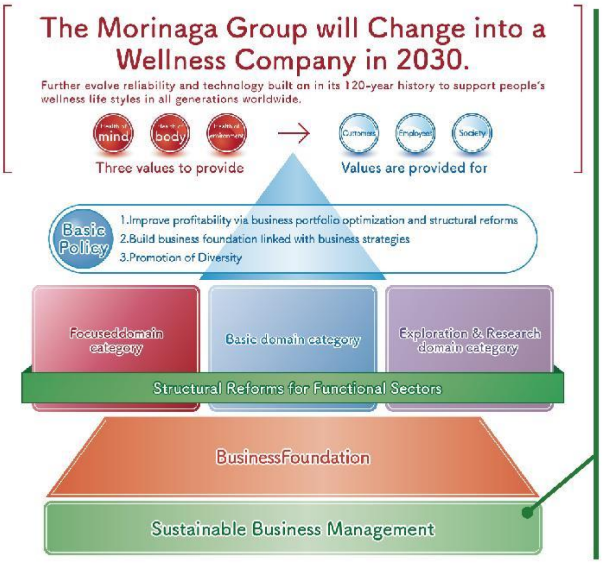
As part of our efforts to address ESG issues, we have already the targets for sustainable raw materials procurement, and today we also released a report on setting a target for reducing the use of plastics by 2030.

In addition, we will reduce CO2 emissions by 30% by FY2030. And we will aim to achieve virtually zero emission by FY2050.

In strengthening our company-wide promotion system, we established the Sustainable Business Management Department in April this year. Morinaga Sustainable - Project to Connect Smiles to the Future. I think it was part of the purpose. With Kyoro-chan, the bird-like mascot for Chocoball, as our ambassador, we are currently developing content on our website to encourage families to think about sustainability in an enjoyable way.

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.**



We have specified our **materialities (vitally 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

MORINAGA & CO., LTD.

 40

Toward sustainable management, this time, we have specified 5 materialities, which integrate management challenges from both the financial and non-financial aspects to attain the Purpose and the 2030 Vision. In September this year, we plan to publish an integrated report for the Morinaga Group.

In short, the 2021 Medium-Term Business Plan will be very tough in terms of operating income due to the large investment burden for several years, but we will take a variety of measures over the next 3 years to achieve the 2030 Vision.

We will continue to grow in terms of EBITDA while making solid investment, and our goal is to achieve a new record high in operating income in the third year. We regard this Medium-Term Plan as a passing point to the next stage of growth.

Although depreciation has been a topic of discussion this time, in terms of capital investment for the restructuring of domestic production, we believe that the amount has peaked. I am sure that changes in the environment will continue to occur, but we will work toward achieving the 2030 Vision through company-wide management, so we would like to ask for your support.

That is all from me. Thank you very much.

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.