

May 13, 2019

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Representative: Michio Miyahara,
President & Representative Director
(Code: 2264 First Section of the Tokyo Stock Exchange)

Notice Regarding Formulation of a New Medium-term Business Plan

Morinaga Milk Industry Co., Ltd. (the “Company”) hereby announces the formulation of a new Medium-term Business Plan, a three-year plan that runs from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022, as outlined below.

1. In formulating the new Medium-term Business Plan

The Group continued to address the management issues raised in the previous Medium-term Business Plan, which was announced in 2015, and strengthened the management base.

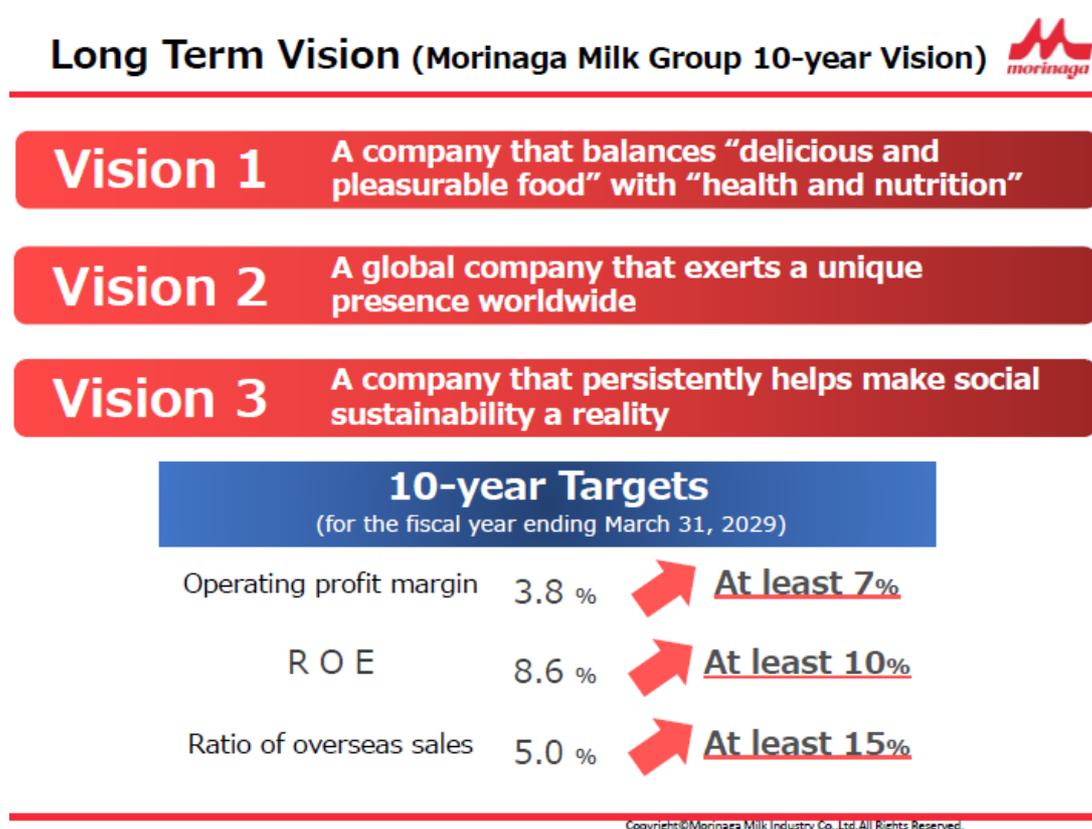
While we strived to provide and promote the value of products that meet the needs of customers, the Group also worked to streamline and improve efficiency by reviewing low-margin products to improve the product mix and facilitating low-cost operations. As a result, due to our business streamlining initiatives and other such factors, we have fallen short of our net sales and operating income targets of ¥640,000 million and ¥22,500 million, respectively, such as those that also constitute our quantitative targets on a consolidated basis for the fiscal year ending March 31, 2020, as set upon drawing up the Medium-term Business Plan. Nevertheless, the operating income result was substantially closer to the target level for the fiscal year ended March 31, 2019, one year ahead of the plan’s final fiscal year.

We have attained a measure of success with respect to achieving our targets and carrying out initiatives. Meanwhile, during this time we have also encountered drastic changes with respect to the external environment surrounding the food industry, and the dairy and milk industry. Having accordingly reviewed the plan drawn up to cover the initial five years, the Group has reconsidered its growth strategy geared to achieving further sustainable growth, and has decided to embark on the new three-year Medium-Term Business Plan beginning from the fiscal year ending March 31, 2020.

2. Long-term vision (Morinaga Milk Group 10-year Vision)

Prior to drafting the new three-year Medium-term Business Plan, we established the “Morinaga Milk Group 10-year Vision” looking one decade ahead. Under the vision, we have established targets for the fiscal year ending March 31, 2029, aiming to achieve an “operating profit margin of at least 7%,” an “ROE of at least 10%,” and a “ratio of overseas sales of at least 15%,” underpinned by a vision in terms of where the Morinaga Milk Group sees itself one decade ahead in terms of becoming “a company that balances ‘delicious and pleasurable food’ with ‘health and nutrition’,” “a global company that exerts a unique presence worldwide,” and “a company that persistently helps make social sustainability a reality.”

(Reference 1) Morinaga Milk Group 10-year Vision

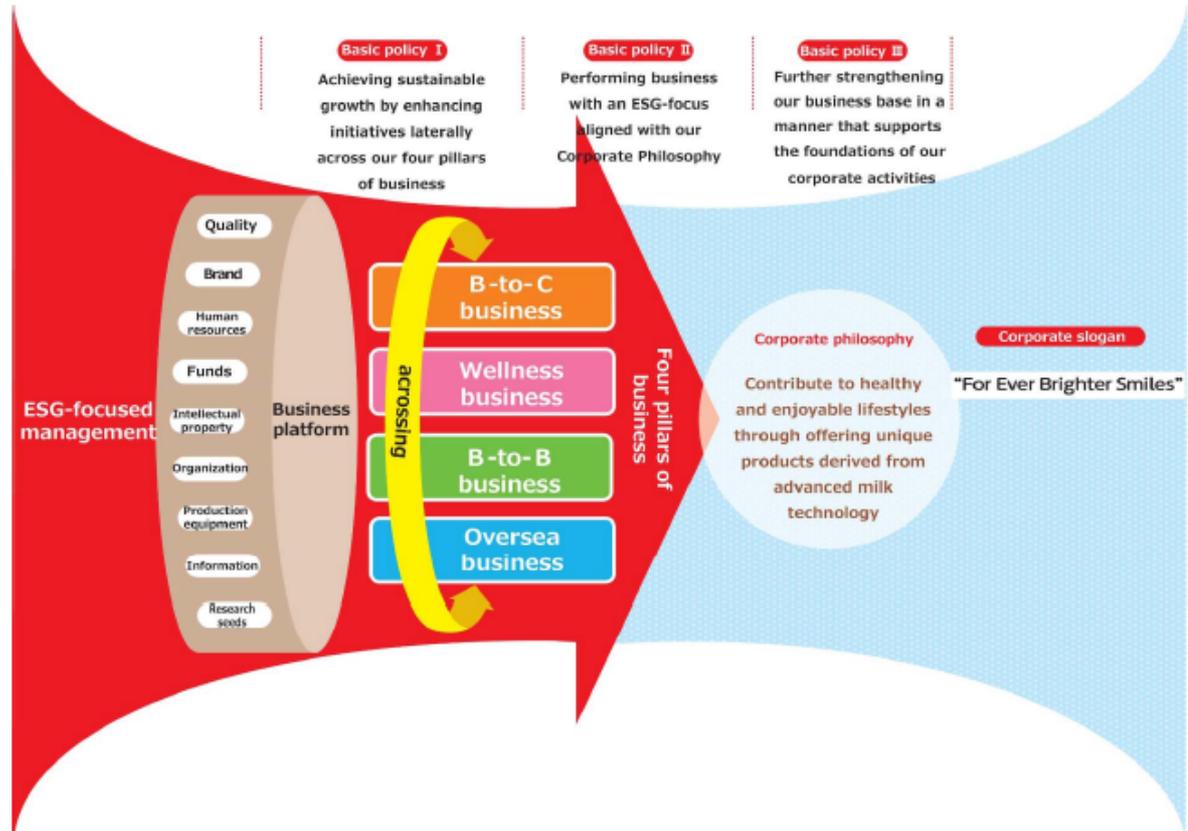


3. Basic policies of the Medium-term Business Plan

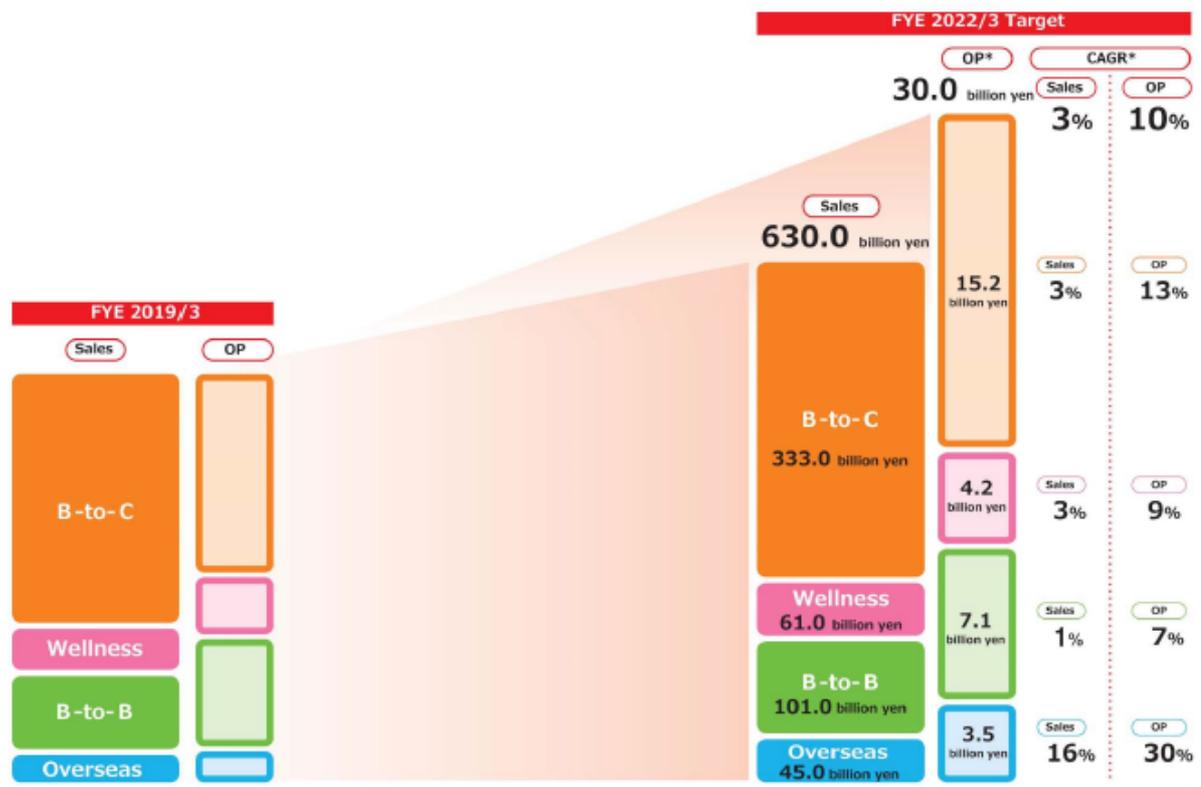
Underpinned by the Morinaga Milk Group 10-year Vision, we have set the next three years, extending through the fiscal year ending March 31, 2022, as a period during which we will establish a solid business platform. To that end, we have accordingly established the three basic policies of, 1) “achieving sustainable growth by enhancing initiatives laterally across our four pillars of business,” 2) “performing business with an ESG-focus aligned with our Corporate Philosophy,” and 3) “further strengthening our business base in a manner that supports foundations of our corporate activities.” We will also work to achieve our targets for net sales and operating income of ¥630,000 million and ¥30,000 million, respectively.

(References 2 and 3) Basic policies of the new Medium-term Business Plan

Basic policies of the new Medium-term Business Plan



Basic policies of the new Medium-term Business Plan



Our first basic policy is that of “achieving sustainable growth by enhancing initiatives laterally across our four pillars of business.” This has involved pursuing initiatives in each of the four pillars of business that make up our business portfolio under the previous Medium-term Business Plan, namely the 1) B-to-C business, 2) wellness business, 3) B-to-B business, and 4) overseas business realms. Going forward, we will redouble our efforts laterally across those four pillars of business in the fields of health, nutrition, and functionality, such as those that act as the basis of our ingredient and technological development capabilities, which are strengths of the Morinaga Milk Group, underpinned by the priority themes of, “further enhancing our main brands,” “accelerating development of bifidobacteria and proprietary seeds,” “developing overseas business,” and “building the foundations of next-generation healthcare business.”

Our second basic policy is that of “performing business with an ESG-focus aligned with our Corporate Philosophy.” This has involved establishing our Seven Priority Issues which will provide guidance over the next century in our ongoing efforts to act as a company that contributes to people’s health with the aim of helping bring about a sustainable society. We will engage in efforts involving the key performance indicators (KPIs) established to act as targets in addressing specific challenges across seven categories: health and nutrition, the environment, human rights, supply chains, nurturing the next generation, human resource development, and corporate governance.

Our third basic policy is that of “further strengthening our business base in a manner that supports the foundations of our corporate activities.” This will involve building a more efficient production system, in part by suspending production at the Kinki Plant in March 2020 and at the Tokyo Plant in March 2021, while also expanding the production line at the Kobe Plant and constructing a new building at the Tone Plant, which is all part of our reorganization of Group-wide production bases, as we previously announced. Moreover, in December 2019, we will transfer a portion of our beneficial interest in trust with respect to real estate holdings of the Group, thereby further enhancing asset efficiency and maximizing such value. We will also focus on making a difference in society through efforts extending beyond operational streamlining, such as those that involve strengthening our corporate brand, developing human resources, and engaging in research and development.

Furthermore, we will continue with our efforts to further strengthen our quality assurance system in order to provide customers with safety and reliability.

We are aiming to generate record-level earnings on the basis of the aforementioned vision and policies, and have accordingly positioned the fiscal year ending March 31, 2020 as an important year with respect to embarking on our a new phase of business.

.To create a society in which people can enjoy happiness and fulfillment, the Morinaga Milk group will continue to contribute to society by improving and delivering its unique values.

4. Other

Details of the Plan will be published on the Company's website at the time of the financial results presentation scheduled to be held on May 20, 2019.

Morinaga Milk Industry Co., Ltd. IR information: <https://www.morinagamilk.co.jp/ir/>

(Note) Matters concerning performance forecasts and future prospects

All plans, policies and statements in the disclosure materials of the Company other than past facts are based on management assumptions and opinions formed on the basis of information currently identified. Therefore, actual performance of the Company may differ from forecasts as a consequence of various factors. In addition, materials are disclosed for the purpose of giving the public a fuller understanding of the Company, not necessarily for recommending investment.

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