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Third Quarter,
Fiscal Year Ending March 31, 2025

Results Briefing

February 10, 2025
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.

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Takagi: Hello, everyone. I am Takagi from Morinaga & Co., Ltd. Thank you very much for taking time out of your busy schedule to attend our financial results briefing.

Let me first review the key points of the Q3 financial results and then provide a detailed explanation.

Overview



- **Record-high net sales for 1Q-3Q, operating income remains steady from the previous fiscal year**
 - [Net sales] 3Q: up 6.6% YoY; 1Q-3Q: up 7.8% YoY
Confectionery & Foodstuffs and Frozen Desserts Businesses continue to drive sales growth.
 - [Operating income] 3Q: up 0.9% YoY; 1Q-3Q: down 1.3% YoY
Even as impacts of soaring prices for raw materials, etc. became more apparent, recovery has been achieved in the 3Q as a result of higher net sales and effects of price revisions.
- **Developments after price revisions were generally in line with expectations; additional countermeasures will be implemented**
 - Impact of revisions implemented in September on sales volume of each brand was within expectations.
 - Additional price revisions, mainly for chocolate, will be implemented in February and March and measures will be taken to offset soaring cacao prices.
- **Record-high net sales and operating income forecast for the year (no change from previous forecast*1)**
 - [Net sales] 227.0 billion yen (up 6.4% YoY)
[Operating income] 21.3 billion yen (up 5.1% YoY)
 - In light of the results through the third quarter and other factors, change factors in operating income and forecasts for each business have been revised.

I would like to highlight three key points today.

The first is that net sales for the first nine months of the year were the highest ever, with the Confectionery & Foodstuffs Business and the Frozen Desserts Business continuing to drive growth. Operating income was almost on a par with the previous year, although the impact of the sharp rise in raw material prices, particularly for cacao-related products, became apparent. Compared to our internal plan as of last November, there are variations in performance across different business segments. However, both net sales and operating income are generally progressing as expected.

Secondly, we implemented a price revision last September in response to the sharp rise in raw material prices, but the impact on sales volume across our brands has remained within our expectations. In response to rising raw material costs, we will implement additional price revisions, primarily for chocolate products, this February and March.

The third key point is that our full year performance forecast remains unchanged from our previous projection in November. The Q3 results are generally in line with our expectations, with no significant deviations. While the impact of rising cacao prices is expected to increase slightly, we anticipate offsetting this by controlling and streamlining SG&A expenses, as well as increased profit contributions from our subsidiaries.

Consolidated Results for FY2024 Q3



Record-high net sales for 1Q – 3Q; profit remained steady from the previous fiscal year despite soaring prices for raw materials, etc.

(Billion yen)	FY24 Q3	Y/Y change	
Net sales	176.5	+12.8	107.8%
Gross profit (gross profit margin)	70.8 [40.1%]	+2.9 [(1.4pt)]	104.4%
Operating income (operating income margin)	19.4 [11.0%]	(0.2) [(1.0pt)]	98.7%
Ordinary income	19.8	(0.3)	98.4%
Profit attributable to owners of parent	13.6	(0.3)	97.3%
EBITDA *1	26.6	(0.1)	99.8%

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*1 Simple calculation method used for EBITDA: operating income + depreciation and amortization

*2 The yen conversion rate at overseas subsidiaries in FY2024 Q3: \$1USD = ¥151.29; ¥138.11 in FY2023 Q3

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First, let me explain the consolidated statement of income.

Net sales were JPY176.5 billion, an increase of JPY12.8 billion from the previous year. This represents a growth rate of 107.8%. Regarding gross profit, the effects of the price revisions, including those implemented in September, have been materializing as expected. However, the further surge in cacao prices during Q3, along with cost increases due to the weaker yen, could not be fully offset, resulting in a slight decline in the gross profit margin. Revenue growth led to an increase in gross profit.

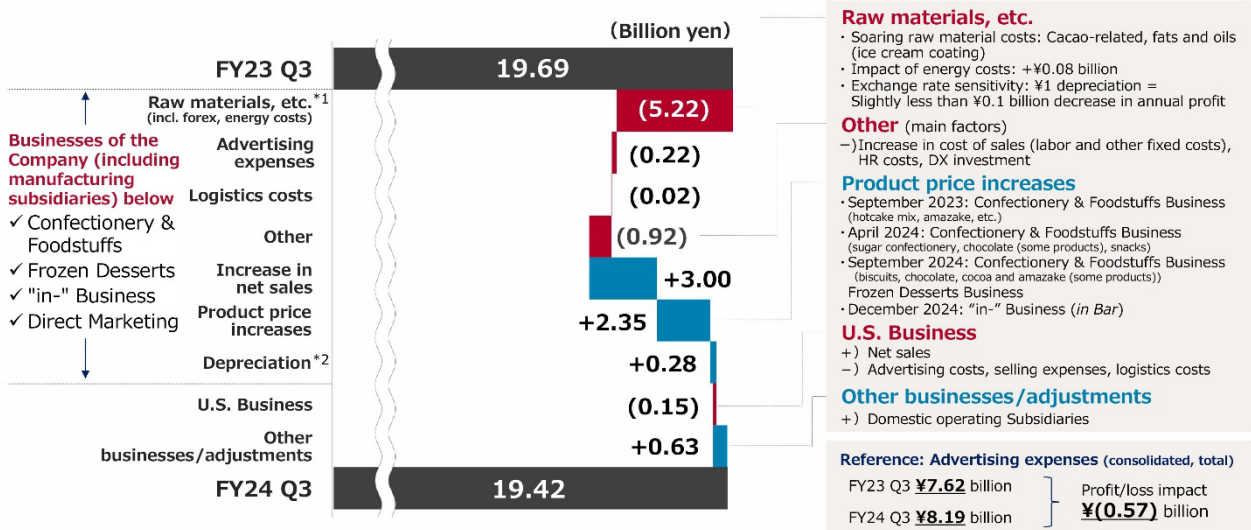
On the other hand, SG&A expenses increased due to higher spending on advertising, DX, and human capital. However, efficiency improvements in selling expenses and the absorption of fixed costs through revenue growth led to an improvement in the SG&A expense ratio.

As a result, despite the impact of rising raw material costs, operating profit and other profit levels at each stage remained largely in line with the previous year's levels.

FY2024 Q3 Results: Factors in Change in Consolidated Operating Income



Even as impacts of soaring prices for raw materials, etc. became more apparent, offsets were achieved as a result of higher sales and effects of price revisions



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*1 Actual funding rate in FY2024 Q3 : \$1USD = ¥149.35; ¥135.80 in FY2023 Q3 *2 Cost of sales recorded only

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Next, I will explain the factors behind the changes in operating income. Factors contributing to a decrease in income are shown in red, and factors contributing to an increase in income are shown in blue.

First, costs increased by JPY5.22 billion compared to the same period last year due to the surge in raw material prices, including the impact of the weaker yen. Raw materials are mainly influenced by cacao-related products and fats and oils. Additionally, within this amount, the further depreciation of the yen had a negative impact of approximately JPY1 billion on profits. We are working to offset these impacts primarily through revenue growth and the effects of price revisions.

FY2024 Q3 Results: Summary by Business



Confectionery & Foodstuffs and Frozen Desserts Businesses drove sales growth, while Food Merchandise contributed significantly to profits

(Billion yen)		Net sales			Operating income			Operating income margin	
		FY24 Q3	Y/Y change		FY24 Q3	Y/Y change		FY24 Q3	Y/Y change
Food Manufacturing	Confectionery & Foodstuffs ^{*1}	62.2	+4.1	107.2%	3.2	(0.4)	89.2%	5.3%	(1.0pt)
	Frozen Desserts ^{*1}	40.4	+3.2	108.6%	4.6	(0.5)	88.9%	11.4%	(2.6pt)
	"In-" Business ^{*1}	25.2	(0.1)	99.6%	6.5	+0.4	106.5%	25.8%	+1.7pt
	Direct Marketing	8.6	+0.5	105.8%	0.3	(0.2)	69.2%	4.2%	(2.3pt)
	Operating Subsidiaries, etc.	7.8	+0.8	111.5%	0.2	(0.0)	91.9%	3.2%	(0.7pt)
	Domestic Total	144.5	+8.6	106.3%	15.0	(0.7)	95.2%	10.4%	(1.2pt)
	U.S. Business ^{*2*3}	16.4	+1.6	110.7%	2.6	(0.2)	94.6%	16.4%	(2.8pt)
	China, Taiwan, exports, etc.	7.0	+1.2	120.2%	0.6	(0.0)	94.4%	9.0%	(2.5pt)
	Overseas Total	23.5	+2.8	113.4%	3.3	(0.2)	94.6%	14.2%	(2.8pt)
Subtotal	168.0	+11.3	107.2%	18.3	(1.0)	95.1%	10.9%	(1.4pt)	
Food Merchandise	6.4	+1.4	127.8%	1.0	+0.8	366.9%	16.1%	+10.5pt	
Real Estate and Services	1.4	(0.0)	97.2%	0.6	(0.0)	96.1%	44.9%	(0.5pt)	
Other	0.6	+0.1	112.7%	0.1	+0.0	102.7%	22.0%	(2.2pt)	
adjustments, etc.				(0.7)	(0.0)	—			
Total	176.5	+12.8	107.8%	19.4	(0.2)	98.7%	11.0%	(1.0pt)	

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* In order to clearly show the actual status of the Group's business management, the classification and aggregation methods have been changed from the fiscal year ending March 31, 2025. The figures for FY2023 Q3 have had the changes retroactively applied and are based on the new method.
^{*1} Sugar confectionery, chocolates, and other products under the "in" brand are included in Confectionery & Foodstuffs. Frozen desserts under the "in" brand are included in Frozen desserts.
^{*2} Includes income resulting from exports from China and Taiwan to the U.S. Business. ^{*3} Year-on-year net sales on a local currency basis is 101.0%

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Looking at results by business segment, the Confectionery & Foodstuffs Business and the Frozen Desserts Business continued to be the main drivers of revenue growth, and the Food Merchandise contributed to the increase in profits.

In the domestic Confectionery & Foodstuffs Business, sugar confectionery and chocolate have maintained strong performance, with sales volume continuing to grow even after the price revisions. As a result, we are driving revenue growth. On the other hand, mainly in the chocolate segment, rising cacao-related costs have had an impact, leading to a slight decline in the operating income margin.

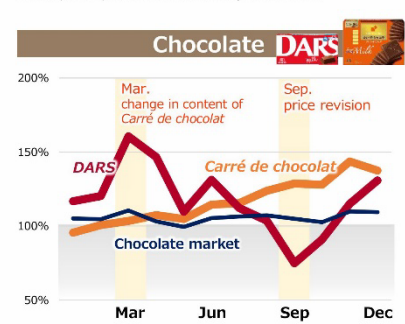
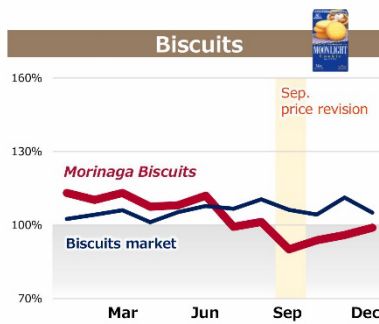
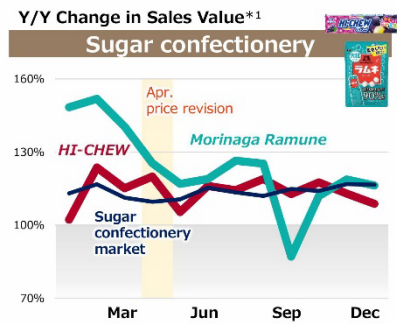
The Frozen Desserts Business grew at a pace exceeding the overall market. However, profitability slightly declined due to rising raw material costs.

Overseas sales continued to grow at a high rate, partly due to the effect of the weak yen. On a local currency basis, excluding the effect of foreign exchange rates, net sales in the U.S. Business were on par with the previous year. Due to strategic marketing investments for business growth, there was a slight decline in operating income.

In the Food Merchandise, as a measure to improve profitability in response to rising cacao raw material costs, we have implemented price revisions. Despite these circumstances, the demand for our core products, such as chocolate and cocoa powder, has expanded, leading to strong sales and resulting in increased both revenue and profit.

Key Topics in Domestic Market: Confectionery

* Most recent price revisions
 • Sugar confectionery, chocolates (some): March and April 2024
 • Biscuits, DARS, Carré de chocolat: September 2024



Apr-Dec cumulative sales value (Y/Y)	
HI-CHEW	114.0%
Morinaga Ramune	115.2%
Market	113.6%

- **HI-CHEW:** Sales remained strong even after price revisions. Capture of inbound demand also made a contribution
- **Morinaga Ramune:** Spread well due to measures to support test-takers. Purchase rates continued to increase

* Decline in September is due to no launch this year of new products that were launched the previous year

Apr-Dec cumulative sales value (Y/Y)	
Morinaga Biscuits	100.3%
Market	106.3%

- After the price revisions, sales fell behind the pace of the previous fiscal year due to a temporary decrease in in-store exposure opportunities, but store turnover steadily improved

Apr-Dec cumulative sales value (Y/Y)	
DARS	111.6%
Carré de chocolat	122.8%
Market	105.4%

- **DARS:** Store turnover was good even after price revisions. Sales were strong, particularly of core Milk and White products
- **Carré de chocolat:** Sales remained strong even after price revisions due to growing demand for high-cacao content

* The declines in September and October were due to effects from high hurdles caused by the release of new products in the previous year

Next, we will review sales trends.

In the Confectionery & Foodstuffs Business, the sugar confectionery and chocolate categories continued to perform well after the price revision. The biscuit category has slightly underperformed compared to the previous year since the price revision in September. However, it is currently showing signs of recovery, and the impact remains within our expectations.

Key Topics in Domestic Market: Frozen Desserts



* Most recent price revisions
Mainstay products: September 2024

Y/Y Change in Sales Value*1



Apr-Dec cumulative sales value (Y/Y)	
Morinaga	109.5%
Market	105.1%

- *Ita Choco Ice*: Television commercial emphasizing unique value aired. Purchase rates continued to increase.
- *The Crepe*: Store stocking ratio increased due to strong performance in spring and summer. Customer contact points increased due to the release of collaborative products and limited-time products.
- *ICEBOX*: Stimulated demand by emphasizing use as a mixer. Store stocking ratio increased substantially in the autumn and winter.

Apr-Dec cumulative sales value (Y/Y)	
Choco Monaka Jumbo	96.9%
Vanilla Monaka Jumbo	104.8%
Market	105.1%

- *Choco Monaka Jumbo*: Intermittently stimulated purchasing through release of winter-only products and consumer campaigns, etc.
- *Vanilla Monaka Jumbo*: Winter-only products were well received and sales remained firm even after price revisions.

* The decline in December was due to high hurdles caused by media exposure in the previous year.

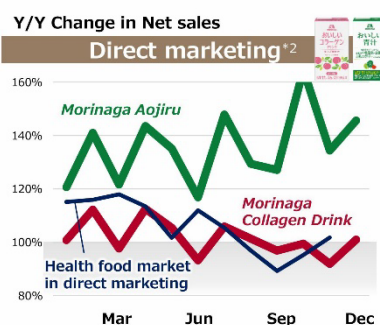
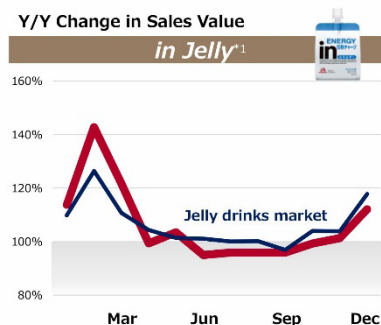
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*1 INTAGE Inc. SRI+ estimated sales value

In the Frozen Desserts Business, even after the price revision in September, the overall market remained strong, partly due to the lingering summer heat. During this period, our growth outpaced the market. In particular, products such as *Ita Choco Ice* and *The Crepe* have performed well, driven by strong quality appeals and limited-time products, which have led to an increase in the store stocking ratio and purchase rates.

Key Topics in Domestic and U.S. Markets

• Most recent price revisions
in Jelly: December 2022,
 Direct marketing: February 2023,
HI-CHEW in U.S.: November 2022



Apr-Dec cumulative sales value (Y/Y)	
<i>in Jelly</i>	99.0%
Market	102.6%

- Used release of limited products as a hook to reinforce store exposure in exam season
- The spread of influenza infections starting in mid-December also contributed to improved store turnover

Apr-Dec cumulative sales value (Y/Y)	
<i>Morinaga Collagen Drink</i>	100.7%
<i>Morinaga Aojiru</i>	129.7%
Market ³	101.6%

- New customer acquisition was sluggish due to economizing by consumers and rising CPO⁴ for offline advertising
- Reinforced online advertising

Jan-Sep cumulative sales value (Y/Y)	
<i>HI-CHEW</i>	99.5%
Market	104.2%

- Sales continued to struggle in the convenience store channel. The impact was substantial, as the channel accounts for a high proportion of our sales
- Efforts to increase SKUs handled and cultivate new sales channels made steady progress

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¹ INTAGE Inc. SRI+ estimated sales value ² Morinaga's shipment value; "Kenshoku Net Tsuhan" Shishutsu (Expenditure on Health Food Sold on the Internet) household survey, Statistics Bureau, Ministry of Internal Affairs and Communications (Until Nov due to data released) ³ Apr-Nov 2024 cumulative sales value ⁴ Cost Per Order ⁵ Circana (formerly IRI)

in Jelly remained unchanged from the same period of the previous year. Sales initiatives leveraging limited-time products for the exam season have been performing well. Since mid-December, the recovery trend has been driven in part by the spread of influenza.

In the Direct Marketing Business, sales of *Morinaga Aojiru* were strong, but sales of *Morinaga Collagen Drink* were at the same level as the previous year.

HI-CHEW in U.S. has been impacted by sluggish consumer demand in the key convenience store channel. As a result, performance has remained at the same level as the previous year. Efforts to expand SKUs, particularly in the food channel, as well as initiatives to develop new sales channels, are progressing steadily. While the current situation is somewhat at a plateau, we are focusing on strengthening sales activities, expanding brand touchpoints through strategic marketing investments and product development, while also considering increased production capacity with the launch of our new factory. We will achieve medium to long-term business growth.

Results Forecast for FY2024



No revision to the previous forecasts*¹ for net sales, operating income and below
 Net sales will reach a record high for the 4th consecutive year, and operating profit is also expected to reach a record high

(Billion yen)	FY2024 Forecast	Y/Y change	
Net sales	227.0	+13.7	106.4%
Gross profit (gross profit margin)	89.5 (39.4%)	+2.9 (1.2pt)	103.2%
Operating income (operating income margin)	21.3 (9.4%)	+1.1 (0.1pt)	105.1%
Ordinary income	21.7	+0.7	103.1%
Profit attributable to owners of parent	16.7	+1.6	110.2%
EBITDA*²	31.3	+1.6	105.4%

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 * The yen conversion rate at overseas subsidiaries that underpins our forecasts is ¥151.58=US\$1; ¥140.56 in FY2023

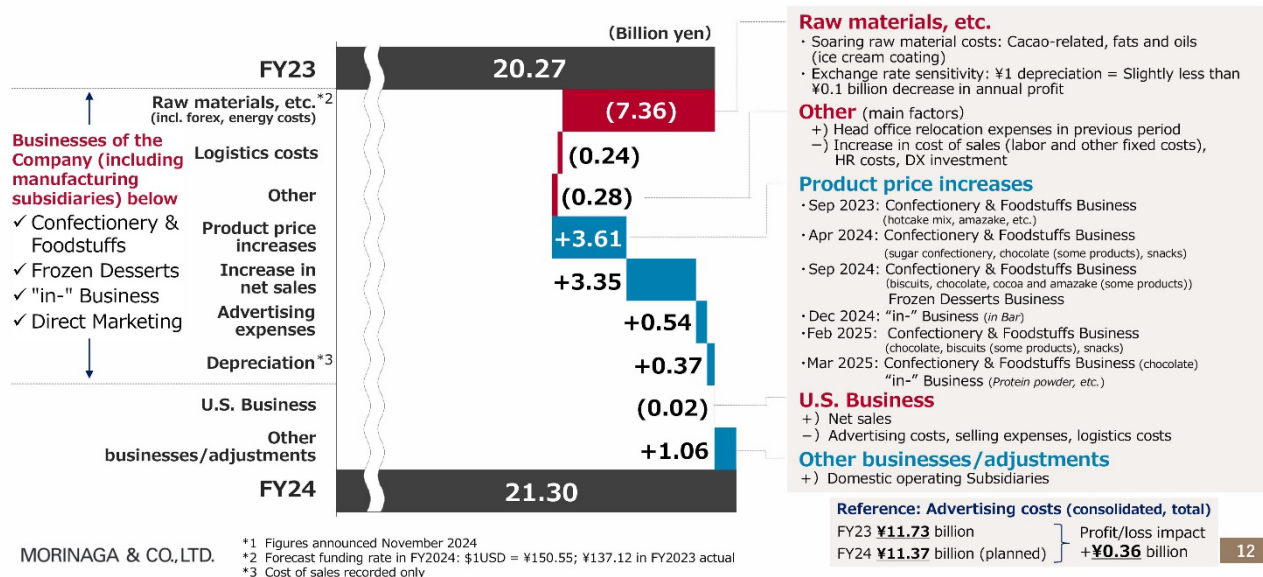
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Now I will go over the full year forecast for this fiscal year.

Compared to the performance forecast from last November, both consolidated net sales and operating income for Q3 have progressed largely as expected. There are no major deviations from the full year forecast on a consolidated basis. Accordingly, we have decided not to revise our full year forecast for net sales, operating income and below. We aim to achieve record-high net sales and operating income.

FY2024 Results Forecast: Factors in Change in Consolidated Operating Income

Although effects of soaring prices for raw materials, etc. are expected to expand beyond the previous forecast*¹, we will offset the increases through higher sales, effects from price revisions, and contributions to profit by Group companies



Next, let's review the changes in operating income.

Raw material costs, including the further surge in cacao prices, are expected to worsen compared to our performance forecast as of November. This represents a deterioration of approximately JPY0.9 billion. This is expected to be offset by controlling advertising expenses, optimizing logistics and selling costs, and increasing profit contributions from subsidiaries.

Going forward, we expect external conditions to become even more challenging due to rising raw material costs, exchange rate fluctuations, and prolonged global instability. In response, we will implement additional price revisions, primarily for chocolate products, in February and March of this year. We will also expand the price increase range depending on the product.

At this time, we have not announced our pricing policy for the next fiscal year. However, given the anticipated cost increases, we recognize the need to consider additional measures. We plan to respond strategically by carefully assessing the impact on consumer behavior and monitoring market trends, including competitor actions. We will continue to pursue a management approach focused on profitability.

Results Forecast for FY2024: Summary by Business



Confectionery & Foodstuffs and Frozen Desserts Businesses will drive sales growth for the year; higher sales and profit of Group companies will contribute to results

(Billion yen)		Net sales			Operating income			Operating income margin	
		FY2024 Forecast	Y/Y change		FY2024 Forecast	Y/Y change		FY2024 Forecast	Y/Y change
Food Manufacturing	Confectionery & Foodstuffs ^{*1}	83.5	+4.4	105.4%	3.8	(0.2)	94.1%	4.6%	(0.5pt)
	Frozen Desserts ^{*1}	48.8	+3.5	107.5%	3.9	(0.9)	82.7%	8.2%	(2.4pt)
	"in-" Business ^{*1}	31.7	+0.2	100.4%	7.5	+0.9	113.3%	23.7%	+2.7pt
	Direct Marketing	10.9	(0.0)	99.4%	0.3	+0.1	188.6%	3.6%	+1.7pt
	Operating Subsidiaries, etc.	10.8	+0.9	108.1%	0.8	+0.4	182.0%	8.3%	+3.4pt
	Domestic Total	185.7	+8.6	104.8%	16.5	+0.3	102.4%	8.9%	(0.2pt)
	U.S. Business ^{*2*3}	21.1	+2.0	110.2%	3.2	(0.0)	99.5%	15.3%	(1.6pt)
	China, Taiwan, exports, etc.	9.1	+1.7	121.4%	0.3	(0.1)	72.2%	3.7%	(2.5pt)
	Overseas Total	30.2	+3.6	113.3%	3.5	(0.2)	96.1%	11.8%	(2.1pt)
Subtotal	215.9	+12.1	106.0%	20.1	+0.2	101.3%	9.3%	(0.5pt)	
Food Merchandise		8.5	+1.6	123.0%	1.3	+1.0	347.0%	15.4%	+9.9pt
Real Estate and Services		1.8	(0.1)	95.2%	0.8	(0.0)	95.9%	44.0%	+0.3pt
Other		0.7	+0.0	100.3%	0.1	(0.0)	99.9%	19.3%	(0.1pt)
adjustments, etc.					(1.1)	(0.2)	—		
Total		227.0	+13.7	106.4%	21.3	+1.1	105.1%	9.4%	(0.1pt)

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^{*1} The Confectionery & Foodstuffs Business includes "in-" brand sugar confectionery, chocolate and other products, and the Frozen Desserts Business includes "in-" brand frozen dessert products.
^{*2} Includes income resulting from exports from China/Taiwan to the United States. ^{*3} The year-on-year change in net sales on a local currency basis is 102.2%

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The full year outlook for each business segment is as shown, with slight adjustments across various categories.

Lastly, we would like to inform you that at today's Board of Directors meeting, a resolution was passed regarding a change in the representative director.

Effective April 1 of this year, Representative Director, President Eijiro Ota will assume the role of Representative Director, Chairman CEO, while Director, Managing Executive Officer Shinya Mori will be appointed as Representative Director, President COO.

Thank you for listening.

Cautionary statement regarding forward-looking statements

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