

**Fiscal Year Ended March 31, 2023**

# **Results Briefing**

**May 16, 2023**

**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.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# **Fiscal Year Ended March 31, 2023 Financial Results (April 1, 2022 through March 31, 2023)**

# Consolidated Results

Net sales hit a record high for the second straight year, driven by sustained brisk results in the focus domains of the "in-" Business and the United States Business. Operating income decreased on the impacts of soaring costs for raw materials and energy, along with strategic investments in advertising. The decrease in net income includes the impact (roughly ¥15.0 billion)\*<sup>1</sup> of the sale of cross-shareholdings booked a year earlier.

(Billion yen)	FY2023/3	Y/Y change		vs. forecast* <sup>3</sup>	
Net sales	194.3	+13.1	107.2%	+0.8	100.5%
Gross profit 〔gross profit margin〕	76.6 〔39.4%〕	+0.8 〔(2.4ppt)〕	101.1%	+0.6	100.7%
Operating income 〔Operating income margin〕	15.2 〔7.8%〕	(2.4) 〔(2.0ppt)〕	86.1%	+1.2	108.8%
Ordinary income	15.7	(2.5)	86.4%	+1.1	107.9%
Profit attributable to owners of parent	10.0	(17.7)	36.2%	+1.1	113.0%
EBITDA* <sup>2</sup>	25.3	(2.4)	91.4%	+1.0	104.6%

\*1 Net total of extraordinary income and income taxes

\*2 Simple calculation method used for EBITDA: operating income + depreciation and amortization

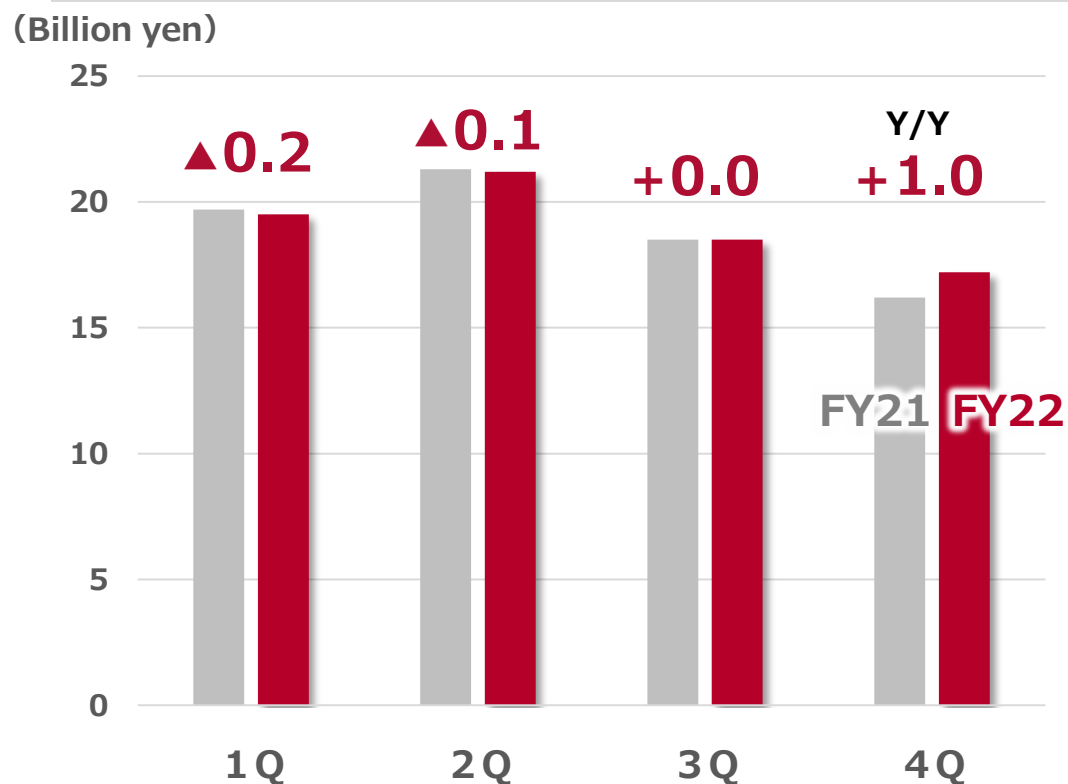
\*3 Figures announced February 2023

\*4 The yen conversion rate at overseas subsidiaries that underpins our forecasts is ¥131=\$1USD

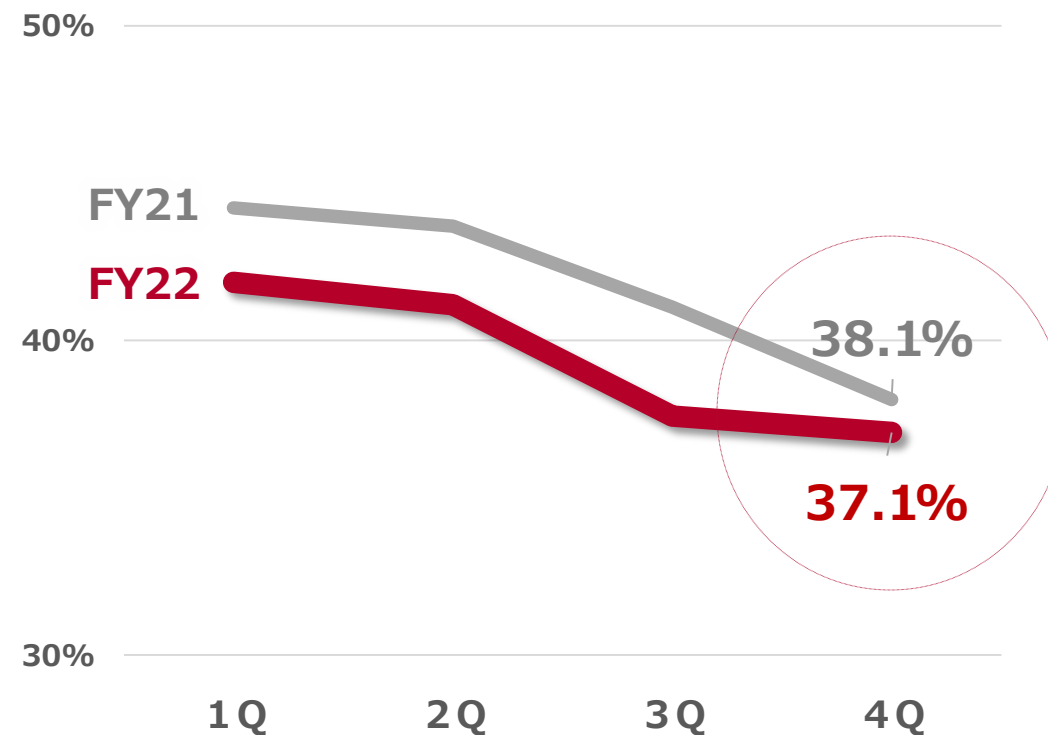
# Quarterly Profit Trend

Gross profit turned positive in 4Q, boosted by higher sales in the Confectionery & Foodstuffs and Frozen Desserts businesses. The year-on-year difference in the gross profit margin narrowed in 4Q.

### Gross profit

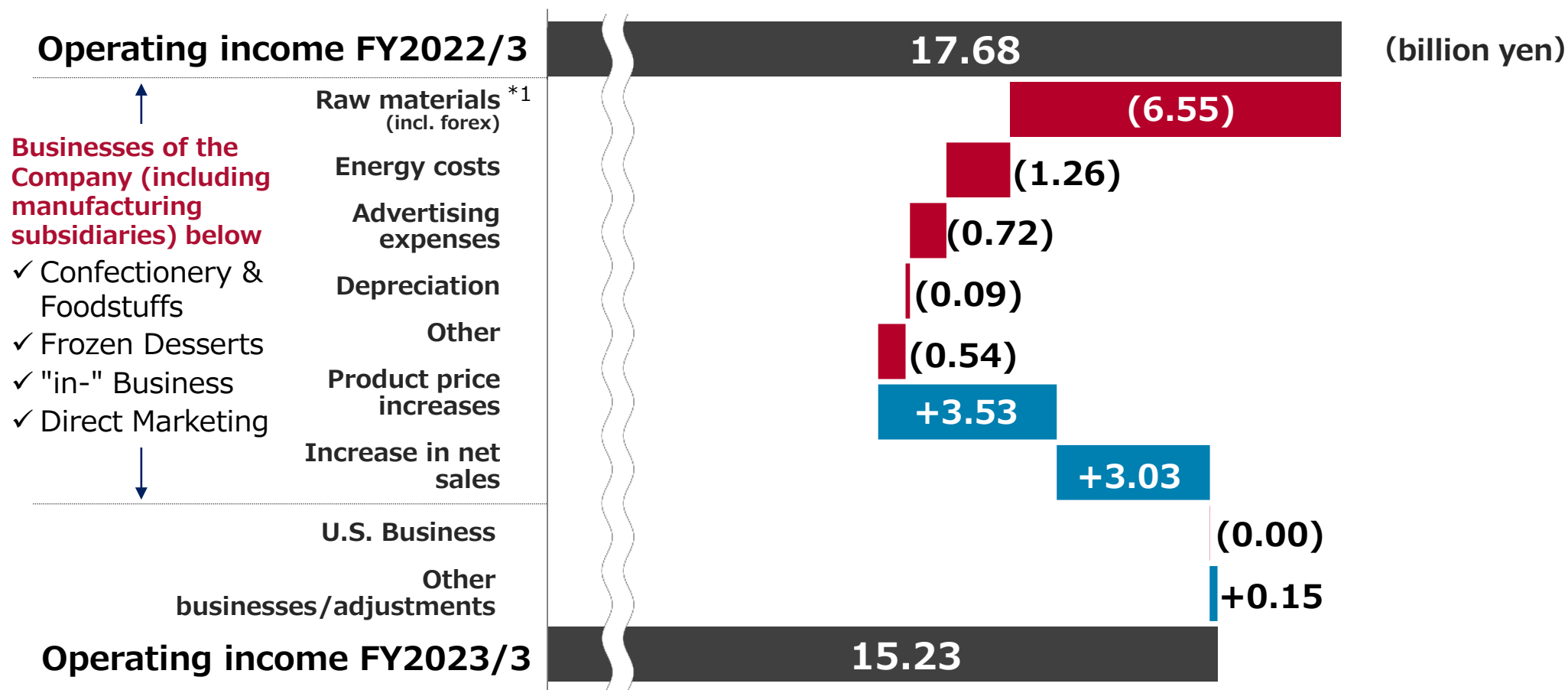


### Gross profit margin



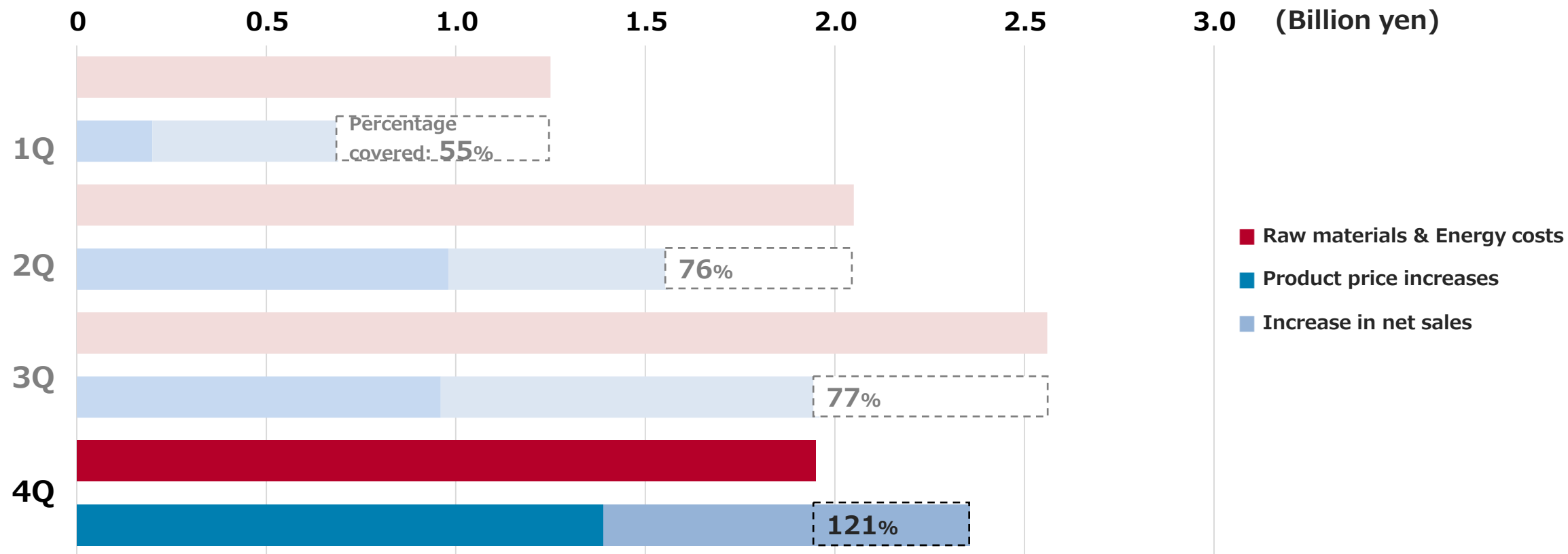
# Factors in Change in Consolidated Operating Income

Despite improvements in profitability from higher net sales and price revisions, operating income declined on soaring raw material prices (including forex impacts) and energy costs, as well as investments in advertising targeting future growth.



# Percentage of cost increases covered by higher net sales and price revisions

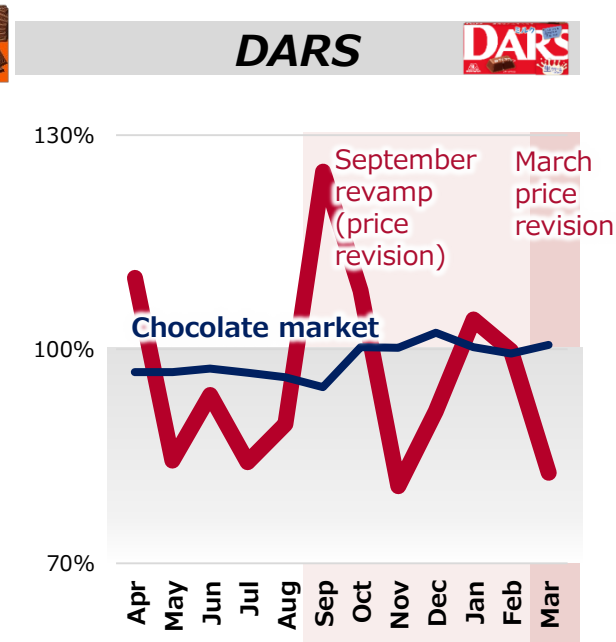
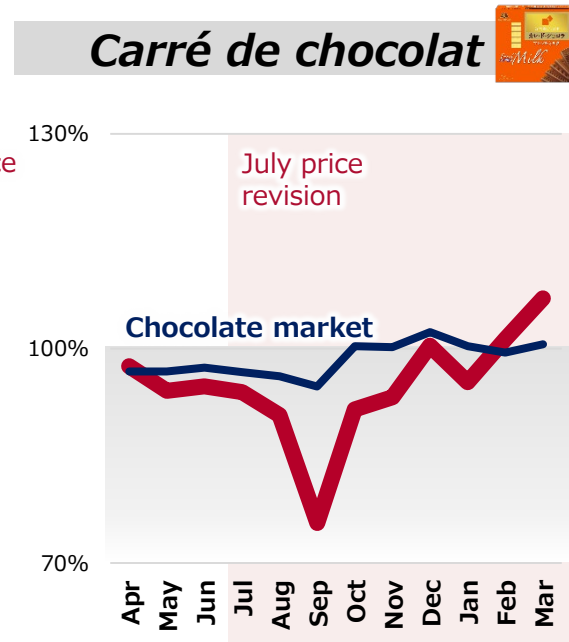
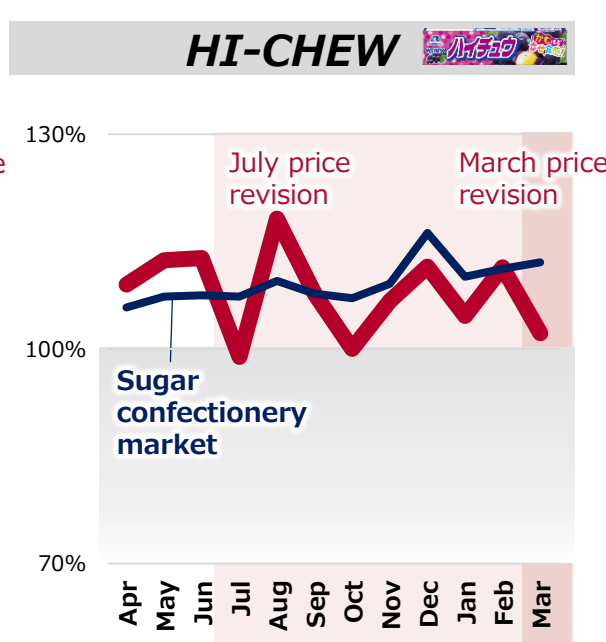
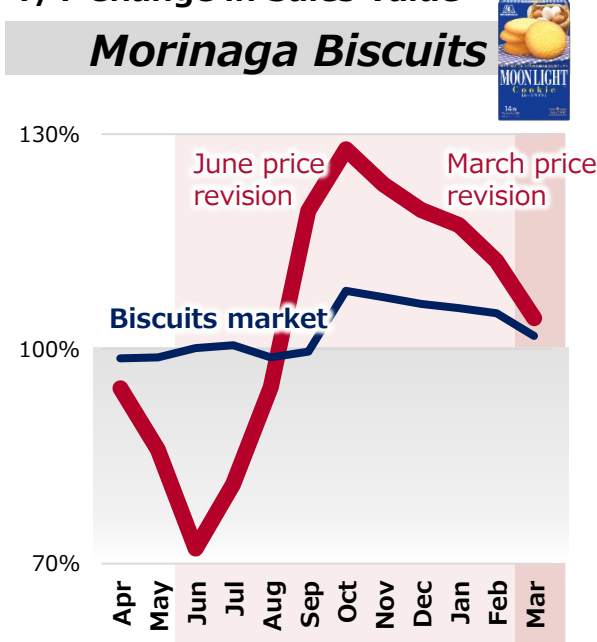
In 4Q, we were able to cover soaring costs with price revisions and higher sales.



\*Total for Confectionery & Foodstuffs, Frozen Desserts, "in-" Business, and Direct Marketing businesses of Morinaga & Co. (parent and manufacturing subsidiaries). Impact (effect) calculated on a year on year basis.

# Market Conditions : Confectionery

## Y/Y Change in Sales Value



**Market**

- Pandemic-driven demand remained firm

- Buoyed by a recovery in the movement of people, the market recovered and was up year on year

- The chocolate market overall was flat year on year in 2H
- The pure chocolate market continued to struggle

**Morinaga**

- Sales were brisk after supply-demand constraints in 1H eased
- Sales **greatly outpaced the market** in 2H due to promotions mainly of *Moonlight*, and the success of new products
- Sales remained above the year-earlier level even after the price revisions in March

- Sales remained strong owing to the launch of products and promotions focusing on mouthfeel texture
- Sales remained above the year-earlier level even after the price revisions in March

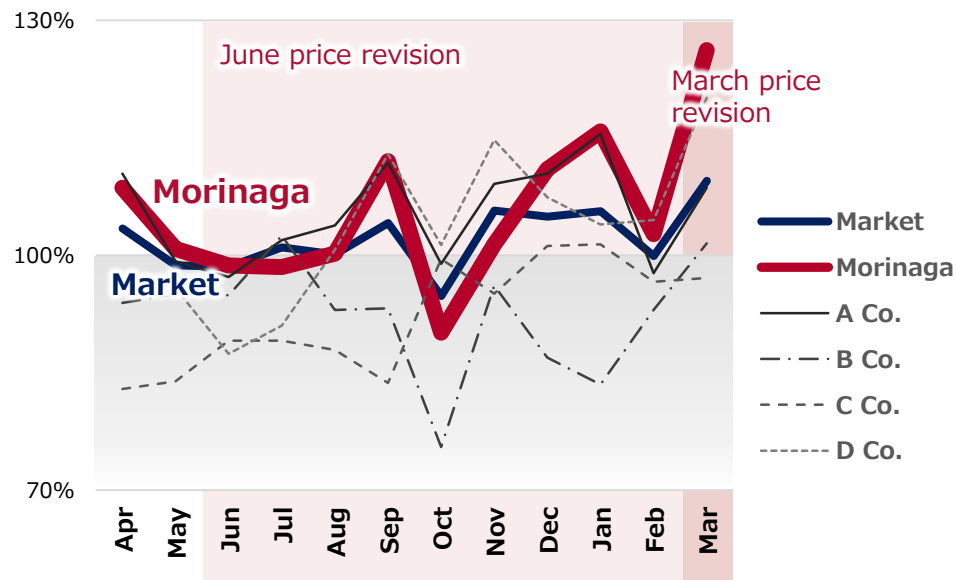
- September sales faced the high hurdle of a year-earlier new product launch
- Even though sales struggled due to the price gap with competitors after 1H price revisions, we further promoted the product's value as a top brand of high-quality chocolate from 2H onwards

- We raised prices in September in line with product quality improvements
- We ran "*DARS Day*" promotions in 3Q; sales were brisk for core products, but weak for high-priced items
- The trend in sales after the March price revisions bears watching

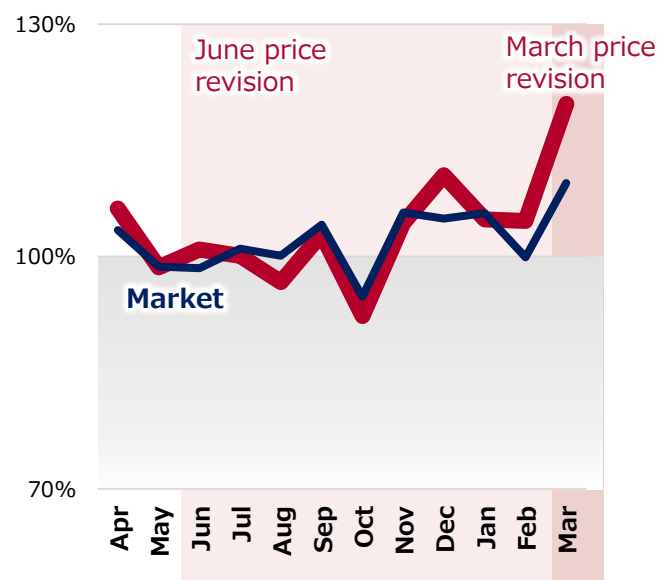
# Market Conditions : Frozen Desserts

## Y/Y Change in Sales Value

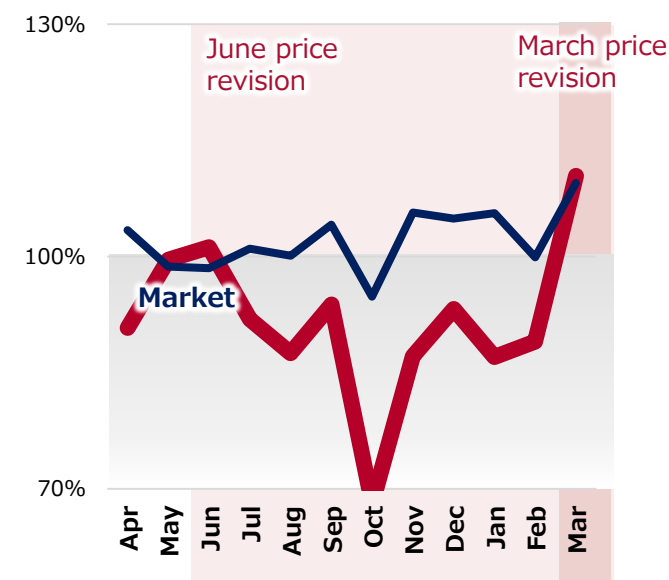
### Frozen desserts market



### Choco Monaka Jumbo



### Vanilla Monaka Jumbo



Market

- The market was affected by unseasonable weather in October, but remained firm over the course of the year

Morinaga

- Even though sales temporarily struggled after we raised prices ahead of the midsummer season, along with the impact of unseasonable weather, they recovered from December onwards partly because other companies also revised their prices after autumn
- Sales were brisk even after the March price revisions

Morinaga



- **Choco Monaka Jumbo**
  - **Strong sales even after the price revisions** due to 50th anniversary promotions
  - Unseasonable weather had an impact in October, but brisk sales from November onwards were driven by limited edition products
  - Having made product quality improvements to coincide with the price revisions in March, **sales remained strong**



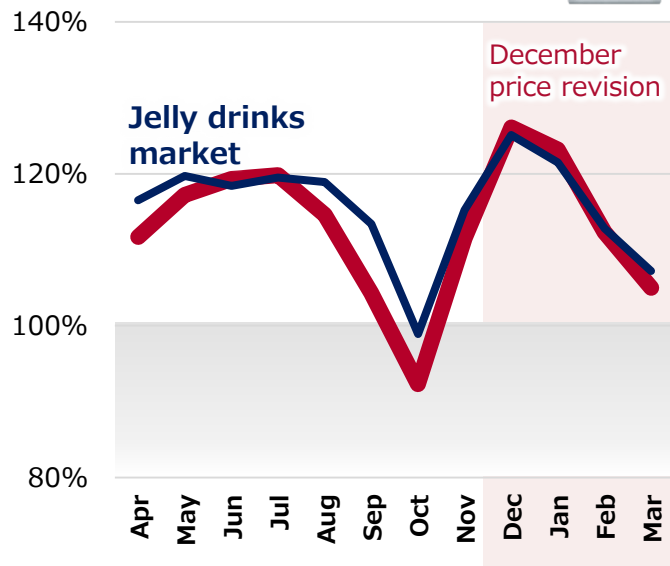
- **Vanilla Monaka Jumbo**
  - Lagged behind the market partly because of the price revisions in June
  - After redesigning the packaging to coincide with the price revisions in March, sales **switched to a recovery trend**



# Market Conditions : Jelly Drinks, Direct Marketing, United States

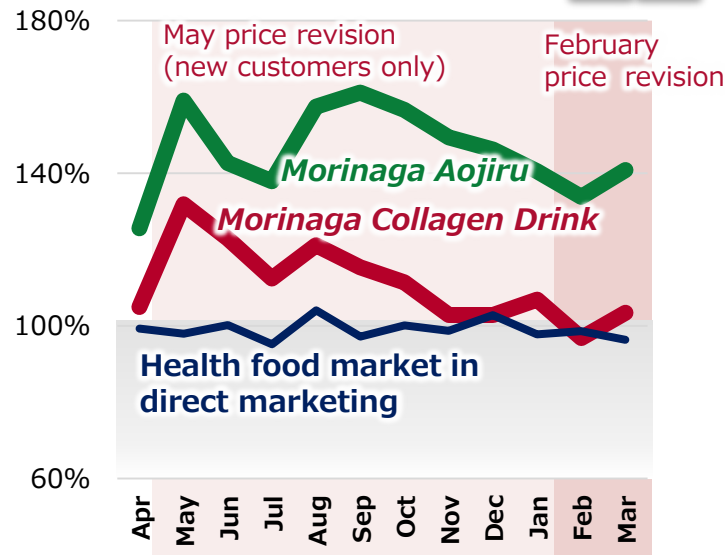
Y/Y Change in Sales Value

*in Jelly*\*1



Y/Y Change in Net Sales

Direct marketing\*2



Y/Y Change in Sales Value

*HI-CHEW* in U.S.\*3



Market

- The jelly drinks market is brisk, well above of year-earlier levels

- The health food market in direct marketing was flat year on year

- Non-chocolate candy market remains firm

Morinaga

- Brisk sales continued in December, even after the price revision, thanks to initiatives for developing consumption scenarios and expanding target consumers
- October sales impacted by year-earlier content collaboration products

- Sales of the two mainstay products were brisk year on year due to an increase in the number of subscriptions customers
- Focus on preventing cancellations due to price revisions and reactivating dormant customers

- Even after the price revision, the market trend held firm and sales continued to outpace the market

# Summary by Business

In Japan, net sales grew in all businesses, mainly in the "in-" Business and the Confectionery & Foodstuffs Business. Operating income was impacted by weaker profit in the Confectionery & Foodstuffs and Frozen Desserts businesses. Overseas, sales growth continued in the United States Business. Operating income absorbed rising costs as we continued to invest in growth.

(billion yen)	Net sales			Operating income		
	FY2023/3	Y/Y change		FY2023/3	Y/Y change	
Confectionery & Foodstuffs* <sup>1</sup>	74.3	+1.9	102.6%	1.5	(1.7)	47.2%
<b>Frozen Desserts</b>	40.5	+0.4	100.8%	3.4	(1.4)	71.0%
<b>"in-" Business*<sup>1</sup></b>	30.6	+2.6	109.2%	7.0	+0.2	103.1%
<b>Direct Marketing</b>	10.2	+1.1	112.6%	0.6	+0.3	193.4%
Operating Subsidiaries	15.6	+1.8	113.2%	0.9	+0.2	126.4%
Other	1.2	+0.0	100.8%	(0.2)	(0.0)	—
<b>Domestic Total</b>	<b>172.6</b>	<b>+7.7</b>	<b>104.7%</b>	<b>13.3</b>	<b>(2.5)</b>	<b>84.6%</b>
<b>United States*<sup>2*3</sup></b>	<b>14.6</b>	<b>+4.1</b>	<b>138.9%</b>	<b>1.4</b>	<b>(0.0)</b>	<b>99.8%</b>
China, Taiwan, Exports, etc.	7.0	+1.3	121.8%	0.5	+0.2	169.3%
<b>Overseas Total</b>	<b>21.7</b>	<b>+5.4</b>	<b>132.8%</b>	<b>2.0</b>	<b>+0.2</b>	<b>112.7%</b>
<b>Consolidated Total</b>	<b>194.3</b>	<b>+13.1</b>	<b>107.2%</b>	<b>15.2</b>	<b>(2.4)</b>	<b>86.1%</b>

# Balance Sheet at End-FY2023/3

By executing a financial strategy that is mindful of capital costs, we have greatly reduced net cash compared to the end of the previous fiscal year

**Reduction in net cash – ¥29.3 billion**

End-FY2022/3: ¥46.6 billion → End-FY2023/3: ¥17.3 billion

**Reduction in cash and deposits – ¥20.3 billion**

End-FY2022/3  
¥56.6 billion → End-FY2023/3  
¥36.3 billion

Cash and deposits

Total assets

Interest-bearing debt

Liabilities

Shareholder equity

Issuance of sustainability bonds  
+ ¥9.0 billion

Reduction in liabilities by contributing funds to the retirement benefit trust  
– ¥5.0 billion

Buyback and cancellation of treasury shares  
Buyback – ¥11.1 billion  
Cancellation 6.05 million shares\*1

# Fiscal Year Ending March 31, 2024 Results Forecast

# Awareness of Operating Environment and Basic Approach

Double down on the building of a new foundation for dramatic growth in the final year of the 2021 Medium-Term Business Plan, and transition to the next medium-term plan with a view to achieving our 2030 Business Plan.

## 1st stage of 2030 Business Plan

Topic of 2021 Medium-Term Business Plan  
**Building a new foundation for dramatic growth**

**2030 Vision**

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

Focus domains: Driving growth

Basic domains: Stable cash generation

Efforts to further strengthening business foundation:  
 Structural reforms & business foundation

## Changes in the external environment

Soaring raw material costs

Soaring energy costs

Weak yen

End of COVID-19

## Our initiatives

Maintain policy of strategic investments in pursuit of **medium- and long-term growth**

Price revisions

Streamlining of operating expenses

Reducing CoGs

Scrutinizing investment efficiency

Developing high value-added/wellness products

Exporting domestically manufactured products to the U.S.

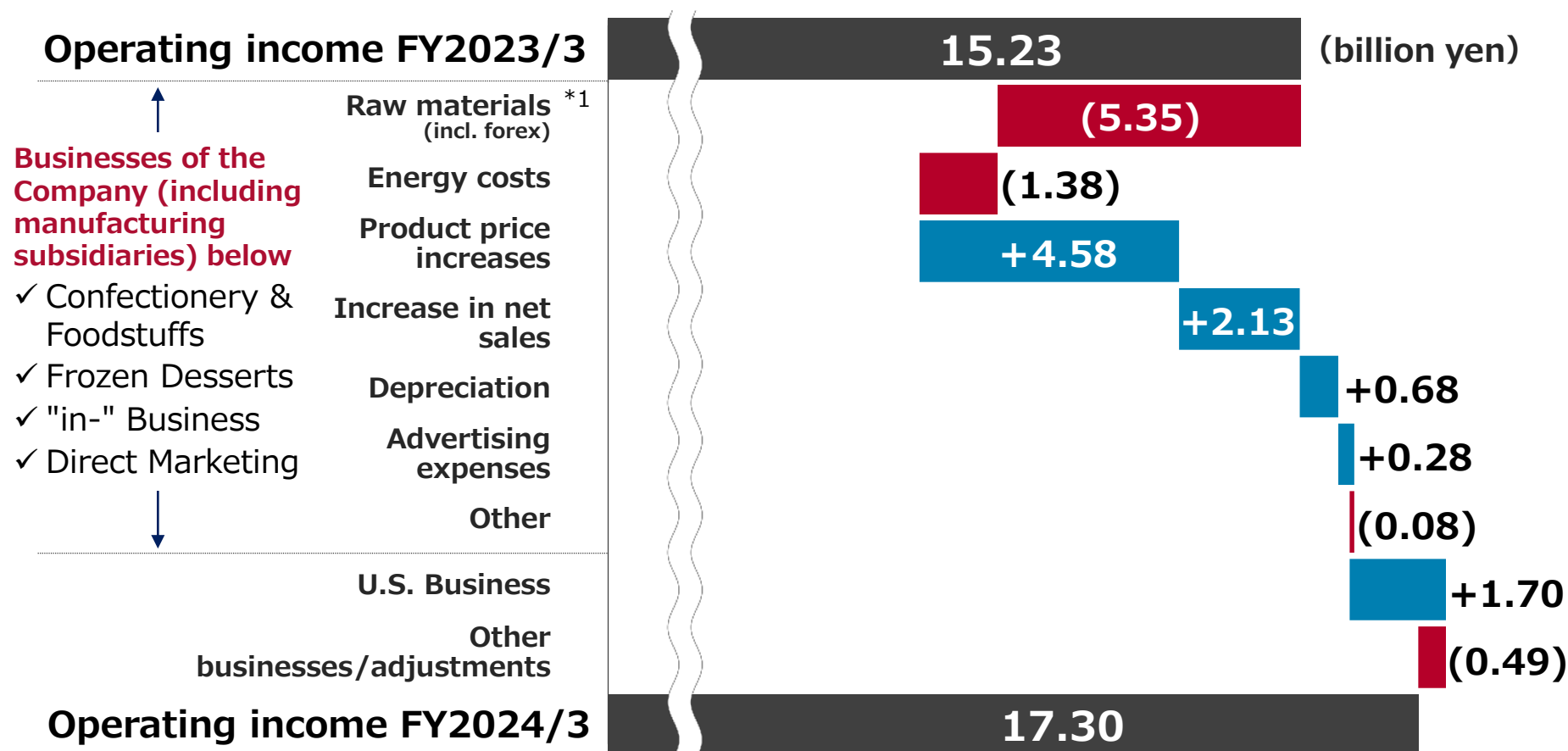
# Results Forecast for FY2024/3

As we respond strongly to the adverse operating environment, we are targeting growth in net sales and income. We are forecasting record-high net sales for the third year in a row.

(billion yen)	FY2024/3 forecast	Y/Y change	
<b>Net sales</b>	<b>204.0</b>	<b>+9.7</b>	<b>105.0%</b>
<b>Gross profit</b> 〔gross profit margin〕	<b>81.9</b> 〔40.2%〕	<b>+5.3</b> 〔+0.8ppt〕	<b>106.9%</b>
<b>Operating income</b> 〔operating income margin〕	<b>17.3</b> 〔8.5%〕	<b>+2.1</b> 〔+0.7ppt〕	<b>113.5%</b>
<b>Ordinary income</b>	<b>17.8</b>	<b>+2.1</b>	<b>113.0%</b>
<b>Profit attributable to owners of parent</b>	<b>12.2</b>	<b>+2.2</b>	<b>121.3%</b>
<b>EBITDA<sup>*1</sup></b>	<b>26.9</b>	<b>+1.6</b>	<b>106.6%</b>

# Factors in Change in Consolidated Operating Income

We will pivot to profit growth across all of our domestic mainstay businesses combined by leveraging price revisions and higher net sales growth to overcome headwinds from soaring raw material and energy costs. Combined with profit growth in the United States Business, we are targeting an increase in consolidated operating income.



# Summary by Business

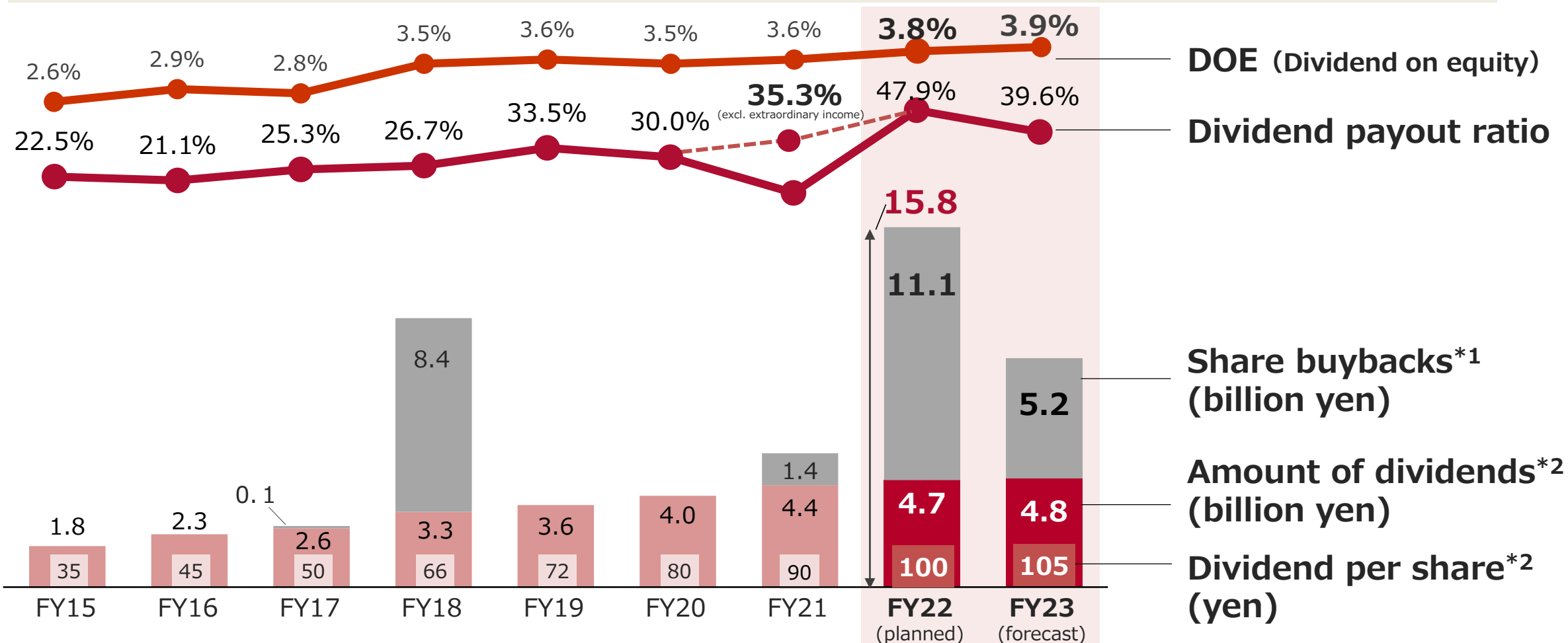
In Japan, we forecast growth in net sales and operating income in each mainstay business and at our operating subsidiaries. Overseas, we forecast sustained growth in sales and year-on-year profit growth of more than double in the United States Business.

(billion yen)	Net sales			Operating income		
	FY2024/3 forecast	Y/Y change		FY2024/3 forecast	Y/Y change	
Confectionery & Foodstuffs* <sup>1</sup>	74.9	+0.6	100.9%	1.6	+0.1	109.1%
Frozen Desserts	42.5	+2.0	104.9%	3.7	+0.3	110.1%
"in-" Business* <sup>1</sup>	32.4	+1.8	106.0%	7.1	+0.1	102.5%
Direct Marketing	10.7	+0.5	104.8%	0.8	+0.2	128.8%
Operating Subsidiaries	16.1	+0.5	103.3%	1.0	+0.1	106.2%
Other	1.1	(0.1)	92.4%	(0.3)	(0.1)	—
Domestic Total	178.1	+5.5	103.1%	14.1	+0.8	105.9%
United States* <sup>2*3</sup>	18.7	+4.1	128.2%	3.1	+1.7	215.1%
China, Taiwan, Exports, etc.	7.1	+0.1	101.0%	0.1	(0.4)	18.3%
Overseas Total	25.9	+4.2	119.3%	3.2	+1.2	160.4%
Consolidated Total	204.0	+9.7	105.0%	17.3	+2.1	113.5%



# Shareholder Returns

For FY2023/3, we plan to raise our dividend by ¥10 to ¥100 per share. Returns to shareholders, including share buybacks, have never been higher. For FY2024/3, we plan to raise the dividend by an additional ¥5 to ¥105 per share and flexibly consider carrying out share buybacks as needed.



**2021 Medium-Term Business Plan**

**Progress of and Outlook for**

**“Building a New Foundation for**

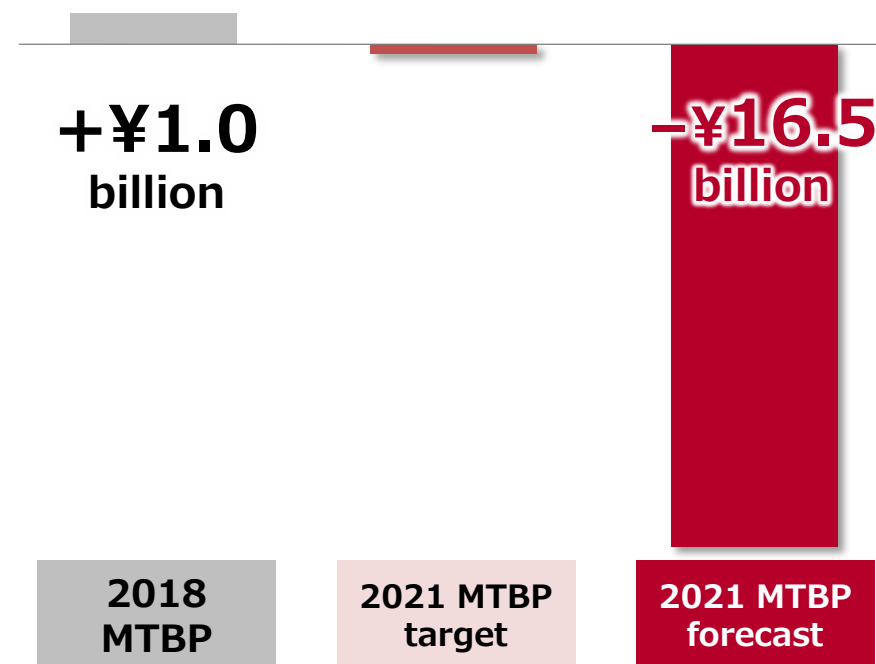
**Dramatic Growth”**

# Progress on Business Targets: Net Sales and Operating Income

We forecast net sales to exceed our 2021 Medium-Term Business Plan target by ¥14.0 billion one year ahead of schedule. We forecast operating income will fall short of target by ¥4.2 billion due to significantly higher increases in raw material prices, etc. since the time the plan was formulated.

2021 Medium-Term Business Plan (FY2024/3)		
	Target	Forecast
Net sales	¥190.0 billion	¥204.0 billion
Operating income	¥21.5 billion	¥17.3 billion

## Three-year period of 2021 Medium-Term Business Plan Impact of soaring raw material costs and energy prices

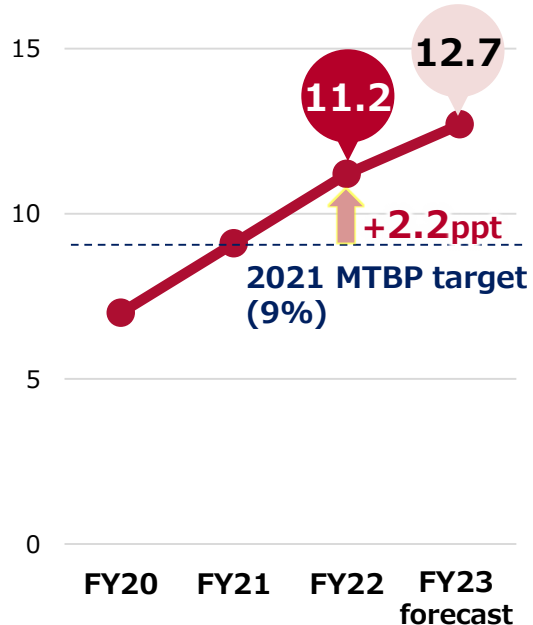


# Progress on Business Targets: KPIs

The overseas sales ratio and focus domain net sales ratio (growth potential indicators) are well above the 2021 Medium-Term Business Plan targets. The operating income margin is lagging behind target, and for ROE, we are targeting 10% in FY2024/3.

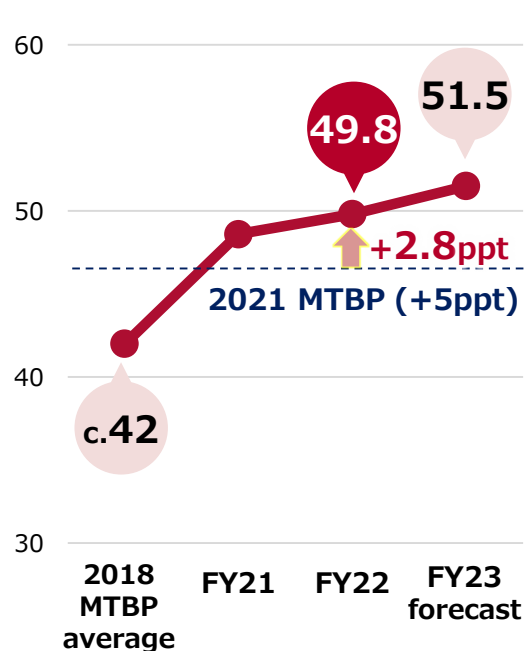
## Growth potential and business portfolio realignment

### Overseas sales ratio



Well above

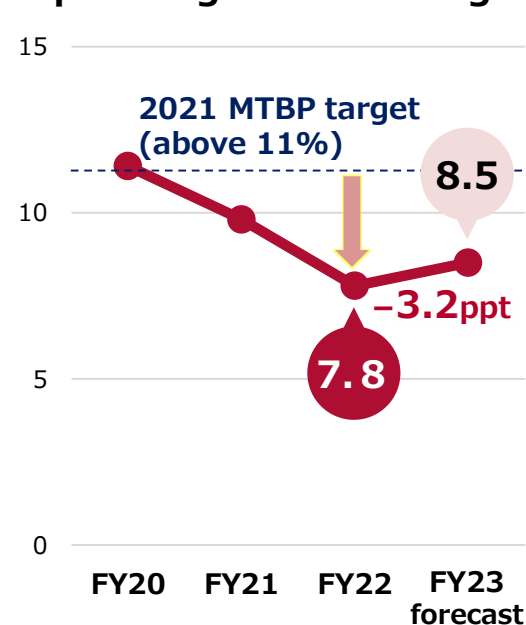
### Focus domain net sales ratio



Well above

## Profitability

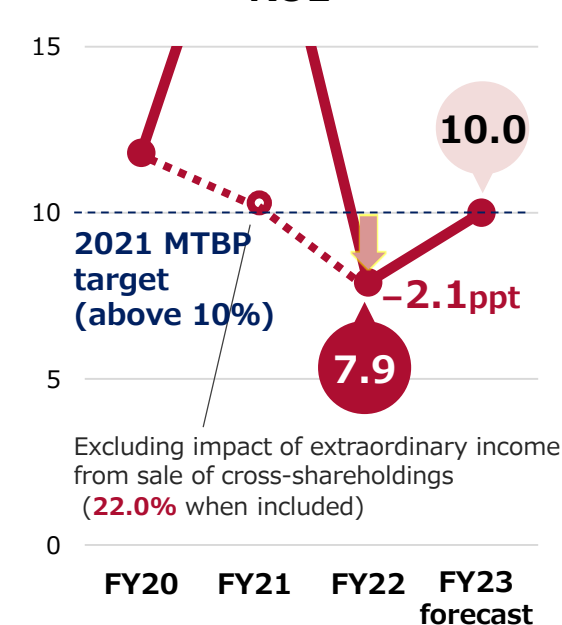
### Operating income margin



Behind

## Efficiency

### ROE

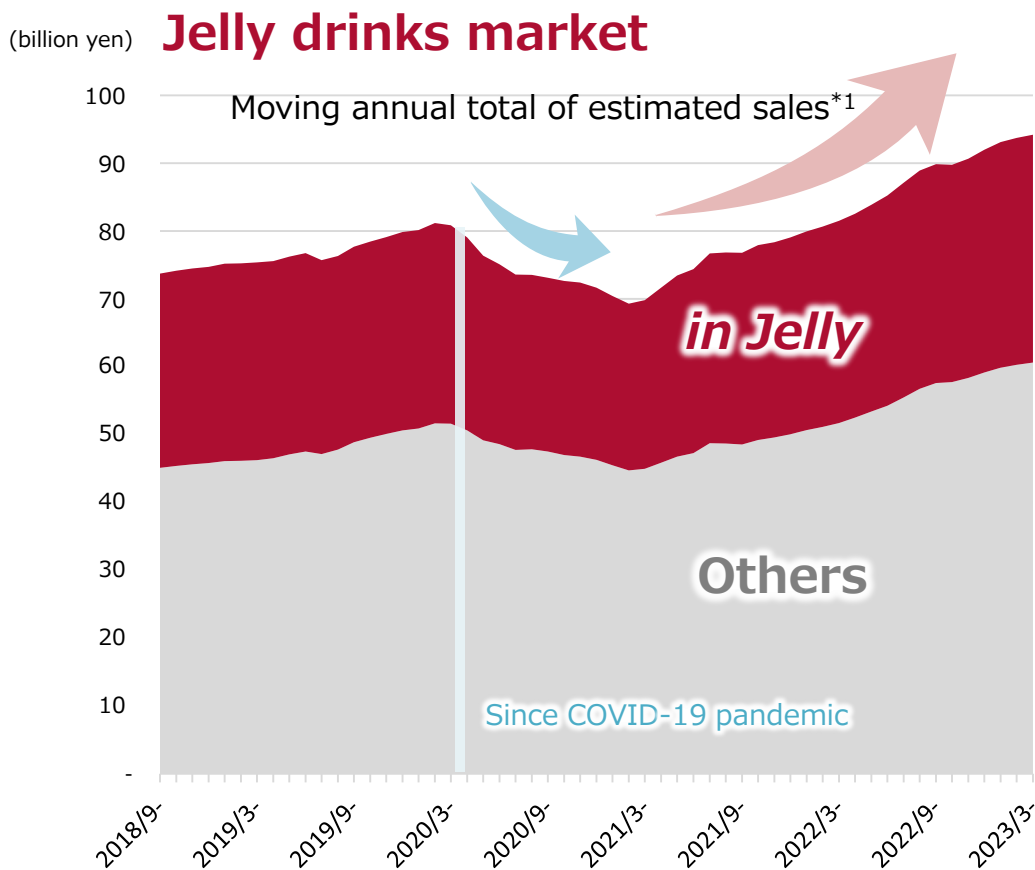


On target in FY23

# Focus Domains: "in-" Business

Having tapped new demand to counteract changes in the operating environment during the COVID-19 pandemic, sales remain brisk.

## 1 Expansion of jelly drinks



### Current status of *in Jelly*

- **FY2023/3 net sales: 114% Y/Y**  
Record-high net sales
- **Purchase rate: March 2023 moving annual total of 14.3%**  
(+0.2ppt from last year)\*2
- **Promoting consumption settings, expanding target consumers, and tapping new demand**  
- During work/study, snacking for women
- **Changes in people's needs as COVID-19 case numbers fall**  
- Brisk sales at convenience stores



# Focus Domains: "in-" Business

We will respond to changes in the operating environment, work on expanding target demographics and raising awareness about consumption scenarios, and nurture existing users.

## 1 Expansion of jelly drinks: Growth strategy going forward

### Near term

- (1) Responding to changes in consumer behavior brought about by COVID-19
  - Simplified food (breakfast/lunch)
  - Supporting activities of the "Do Sports" initiative
- (2) Responding to universal consumer behavior
  - During work or study
  - As a healthy snack (especially women)

### Medium-to-long term

Promoting a lifetime value strategy by expanding target demographics and creating consumption scenarios



# Focus Domains: "in-" Business

By meeting the various health needs of consumers, we will continue to expand and strengthen the "in" brand.

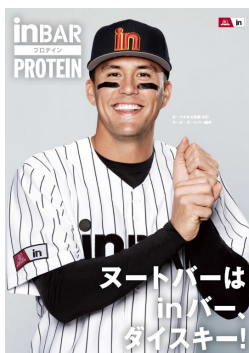
## 2 Expansion of bars

### Current status of in Bar

- In addition to the diversification of protein intake means, competition in the protein bar market is intensifying
- Despite revamping our lineup and launching new products, communicating product value still presents a challenge

### Up ahead

- We still anticipate growth in demand for protein and simplified food
- We intend to capture demand by improving our communication of product value in terms of both products and promotions



## 3 New brands

- We will press ahead with product development, focusing on the creation of "new common knowledge" in protein intake, and the creation of forward-looking foods of the future



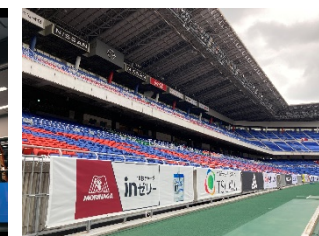
in Spread



in Tansan

## Strengthening the "in" brand

- Linking it more closely to the corporate brand
- Reinforcing its sports image



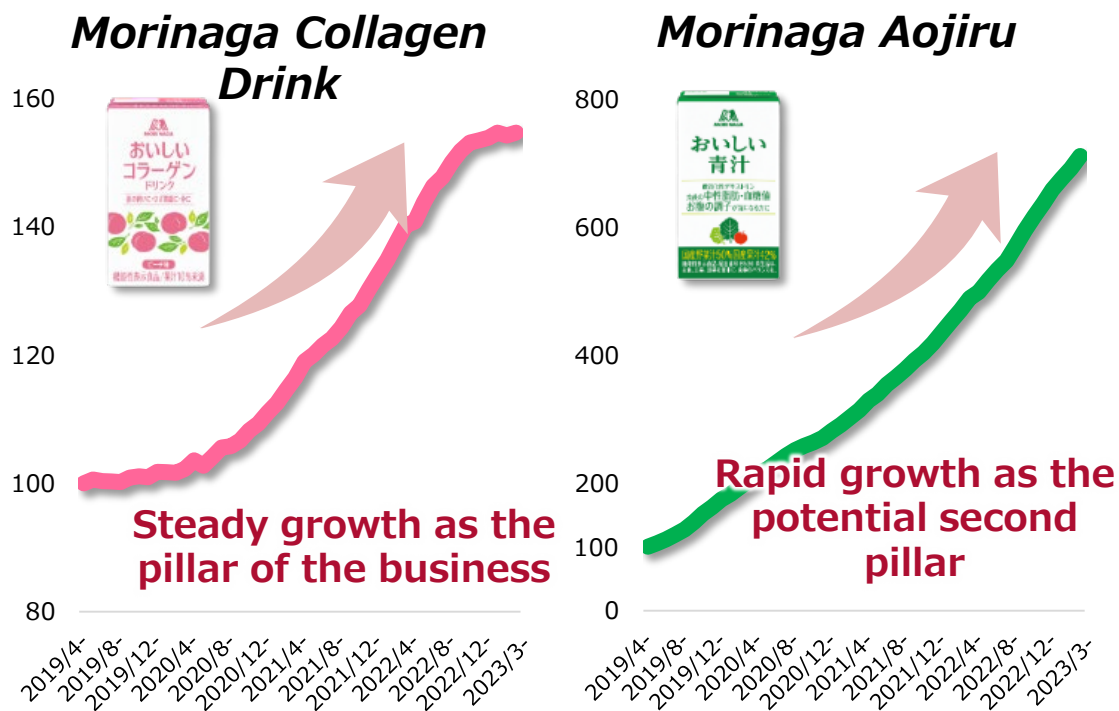


# Focus Domains: Direct Marketing Business

We will attract new customers by spending on strategic advertising and expand the business by gaining more subscription customers.

## 1 Evolution of existing business

**Net sales** April 2019 growth rate indexed as 100



### (1) Securing more new customers

- Ramp up online advertising
- Revamp products to boost appeal

### (2) Ongoing efforts to gain subscription customers

### (3) Currently revamping the direct marketing system and developing a data utilization platform

## 2 Measures for further business growth

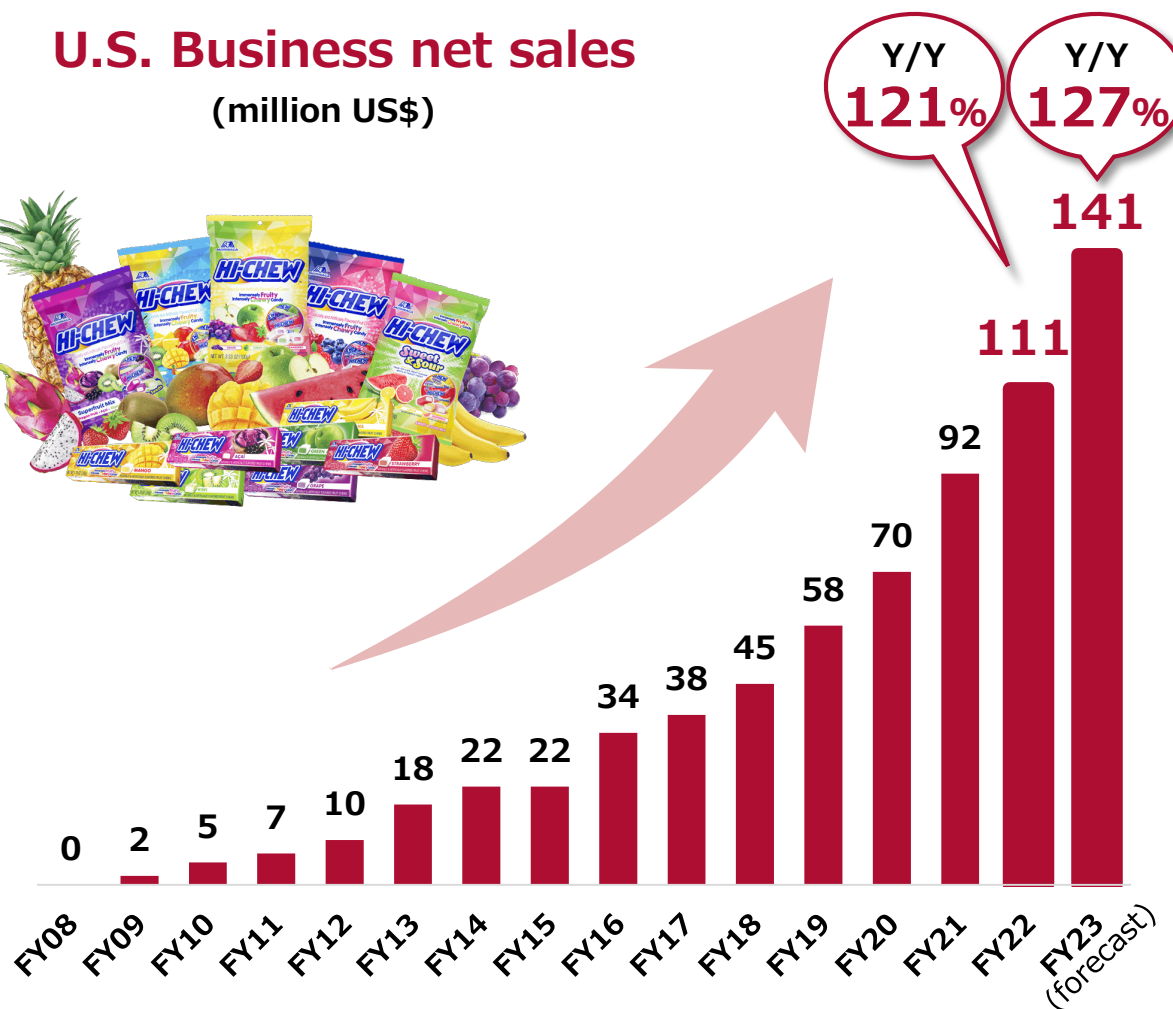
- Expand *Morinaga Collagen Drink* overseas
- Expand food domain in the Morinaga Direct Store
- Explore inorganic growth



# Focus Domains: United States Business

The 2021 Medium-Term Business Plan target for net sales of ¥10.0 billion in the United States Business was reached in the first year of the plan. For FY2023 we are targeting ¥18.7 billion.

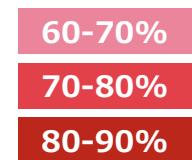
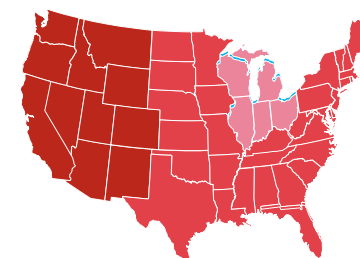
## U.S. Business net sales (million US\$)



## 1 Further acceleration in *HI-CHEW* brand expansion

### Current status

- FY2022 net sales: **¥14.6 billion (138.9% Y/Y)**  
- Rapid growth in 14 years since entering U.S. market in 2008  
- **Net sales target for final year of 2021 Medium-Term Business Plan achieved (¥10.0 billion)**
- **Store stocking ratio continues to increase in all regions**  
**70%** as of Jan 2021 → **77.4%** as of Dec 2022\*1



- **Store turnover is also brisk, at 114% Y/Y\*1**

# Focus Domains: United States Business

Targeting business growth with a view to 2030 by accelerating *HI-CHEW* growth and creating a market for *Chargel*.

## 1 *HI-CHEW*: Growth strategy going forward

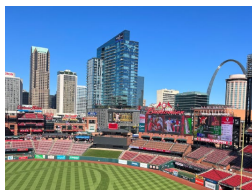
### (1) Sales

- Increase store stocking ratio nationwide
- Drive an increase in the number of SKUs handled per store

### (2) Marketing

- Launch products with new functions to gain new customers
- Run promotions to increase brand recognition and brand loyalty

Product sample giveaway at an event for the St. Louis Cardinals MLB team



*HI-CHEW Bites* went on sale in Jan 2023



### (3) Production

- Augment production line capacity at existing manufacturing sites in FY2023
- Also, currently examining ways to drastically beef up manufacturing capabilities

## 2 *Chargel*: Create jelly drinks market

### Current status

- Actively implementing various initiatives to increase brand recognition in the sporting landscape
  - Product sample giveaways at marathon and cycling events
  - Advertising and PR activities



### Up ahead

- Aim to clearly communicate the product's benefits and drive a better understanding and support of the brand among target consumers
  - ➔ Aim to be a well-known brand in the sports world

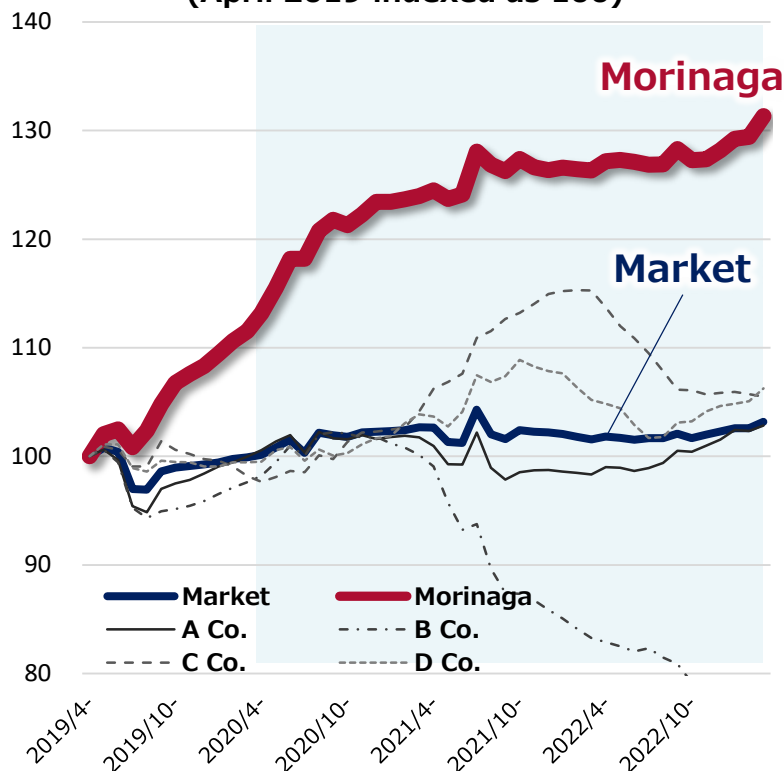
## 3 Exploring options for a "third arrow"

- Currently working towards the launch of a product manufactured in Japan in FY2023

# Focus Domains: Frozen Desserts Business

Even in a mature market, we will expand our share and steadily generate business growth with differentiated products by leveraging confectionery technology.

Growth rate of moving annual total of estimated sales\*1  
(April 2019 indexed as 100)



Moved up to 4th largest share as of March 2023

## 1 Evolving of "freshness" marketing

- Strong sales of *Choco Monaka Jumbo* reflecting success of 50<sup>th</sup> anniversary promotions
- Spring 2023: Chocolate—further improvements in quality  
Vanilla—increased appeal of quality attributes



## 2 Capture customers from adjacent markets

- Tapping demand with differentiated products with dessert-like qualities harnessing confectionery technology
  - *Ita Choco Ice* now available all year; has grown to become the 10<sup>th</sup> best-selling novelty product\*2
  - *The Crepe* now the 22<sup>nd</sup> best-selling item thanks to year-round sales (27<sup>th</sup> last year)\*2
  - Development of new high-value-added products



## 3 New market creation with technological advantage

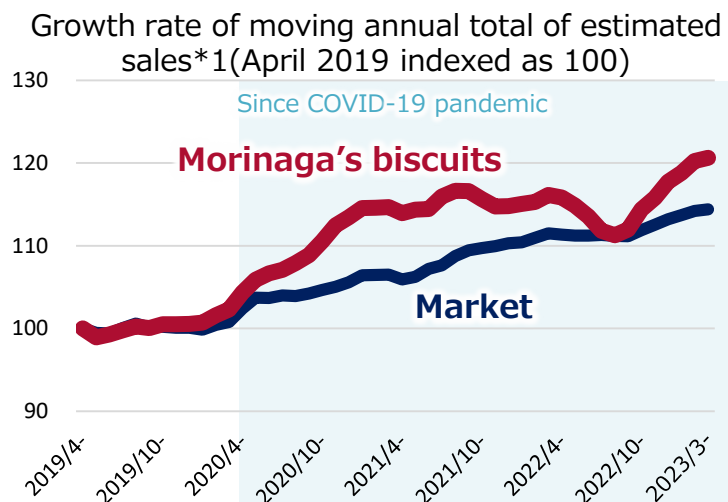
- *ICEBOX*: Testing the waters of the alcohol mixer market (currently gauging demand with a test launch)
- Developing products in the frozen food category (test launch of frozen hotcakes, etc.)



# Basic Domains: Confectionery & Foodstuffs Business

We intend to increase the sales weighting of biscuits and sugar confectionery in a bid to improve profitability.

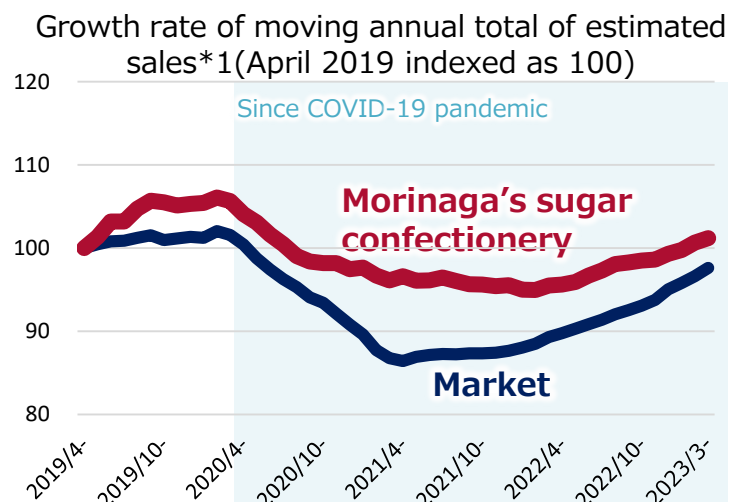
## Biscuits



### Morinaga Biscuits

- Having spent money on advertising, mainly for Moonlight, sales of the series overall have been brisk

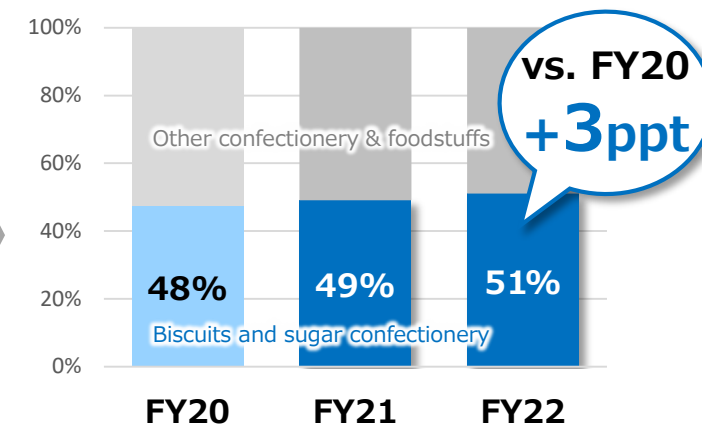
## Sugar confectionery



### HI-CHEW

- Sales have been brisk owing to products and promotions focusing on texture

## Sales weighting of biscuits and sugar confectionery



## Chocolate

- Reviewing tactics for *Carré de chocolat* and *DARS*
- Penetrating the market with new high-value-added products to meet wellness demand and cater to various eating scenes



# Basic Domains : Developing Wellness Products in Confectionery & Foodstuffs Business

Launching products to meet broad-ranging needs and contributing to improvements in business profitability with high-value-added products

Existing brands

## Morinaga Ramune (iron/calcium/vitamins)



Currently gauging demand with a test launch

## Morinaga Biscuits (50% less sugar)



## “in” (protein, immunity support)



New brands

## Power of Cacao (improved blood flow, bowel activity)

Food with functional claims



## MCT Style (burns body fat)

Food with functional claims



# “Health of Mind” Initiatives for Achieving our 2030 Vision

We have settled on six elements, “Kokoroku”, to define the “health of mind” that we provide to customers and employees. We aim to inform everyone in the Company of these elements so they can contribute to business activities and improve employee engagement.

## 2030 Vision



In the Morinaga Group, we have defined “wellness” as... a state where, based on a healthy **mind, body, and environment**, one can pursue and achieve a truly fulfilling, rich life.

**Become a corporation that continually provides health of mind, body, and the environment to customers, employees, and society.**

## “Kokoroku”: Six defining elements of “health of mind”



A stronger sense of lasting happiness comes from one or more of the following feelings

1. Smiling and feeling energetic
2. Feeling that one’s life is meaningful
3. Feeling connected to people
4. Feeling passionate
5. Feeling a sense of achievement
6. Relaxing and feeling at ease

Scope: Zero to positive feelings, not a pathological mental illness

A “health of mind” seminar was held for officers and all employees





# Case Example of Initiative Based on “Health of Mind”

We are taking a closer look at crisp textures through affective research to unravel their emotional value, and improving communication of this information to the public.



"An ice cream that makes everyone smile"

You can't help but smile when you eat a *Choco Monaka Jumbo*. Insatiably delicious ice cream brings happiness to people of all ages—something that'll be of enormous value to society in the future. Our aim is to provide a great-tasting ice cream sandwich that brings a smile to people's faces, which is why we'll never stop researching to improve the freshness and great taste of *Choco Monaka Jumbo*.



## Jumbo Smile project

- ① Communicating information about our initiative to **promote the crisp texture** of *Monaka Jumbo*
- ② Communicating information about our **affective research** on crisp textures



### Start of joint research with Professor Watanugi of Saitama University

We are attempting to **shed light on what impacts mouthfeel texture differences** have on physical activities and emotions by comprehensively and simultaneously understanding objective and subjective indicators from behavioral, physiological, and emotional points of view when a customer snacks on a *Monaka* ice cream sandwich with varying amounts of moisture in the wafer shell.

# Financial Strategy and Cash Allocation

We will invest in growth in the focus domains, as well as the building of a business foundation, and deliver shareholder returns in excess of stated targets.

## 3-year cumulative targets of 2021 Medium-Term Business Plan



## 3-year cumulative forecasts of 2021 Medium-Term Business Plan

**Capital investments: ¥49.0 billion**  
(+¥4.0 billion vs. target)

- Prioritize investments in focus domains and the building of a business foundation, whilst also carrying out maintenance and updates
- Up ahead, raise the weighting of growth investments

**Shareholder returns ¥30.9 billion\*1**  
(+18.9 billion vs. target)

- Deliver returns that greatly exceed the 2021 Medium-Term Business Plan target

(May 11: New **share buyback** announced and completed)

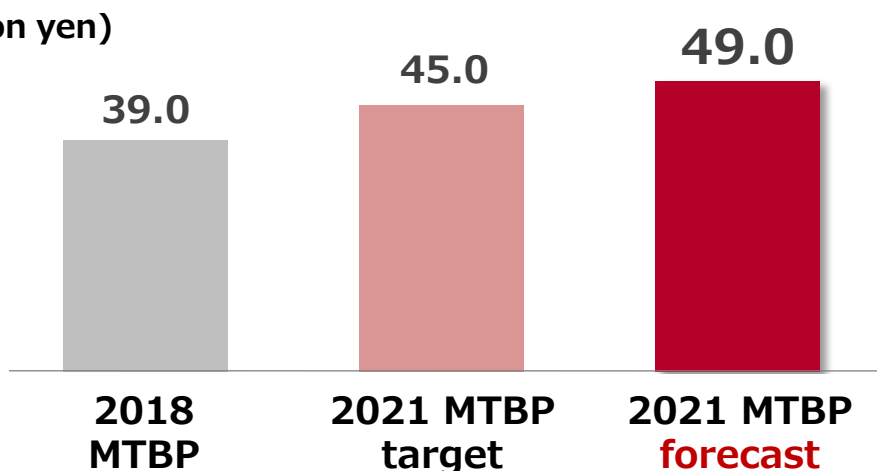


# Capital Investment and Depreciation & Amortization

In addition to growth investments in the focus domains, we will also invest in the building of a business foundation. In line with topline growth, the sales depreciation ratio has declined since FY2022/3

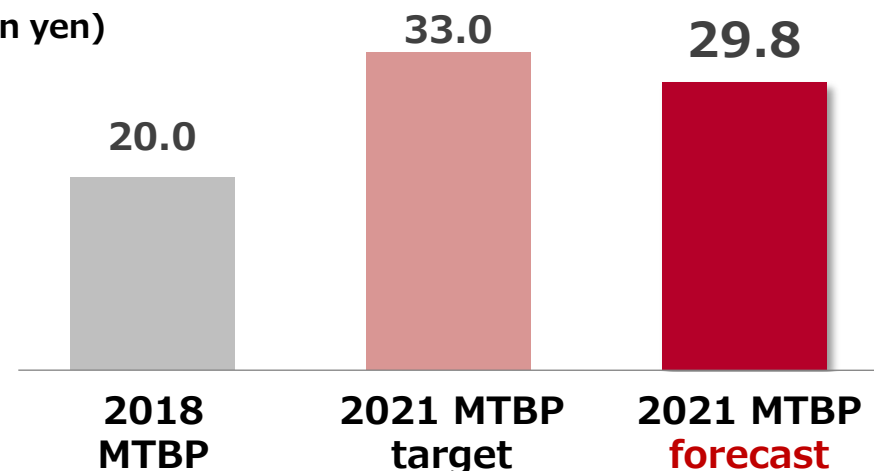
## Capital investment

(billion yen)



## Depreciation and amortization

(billion yen)



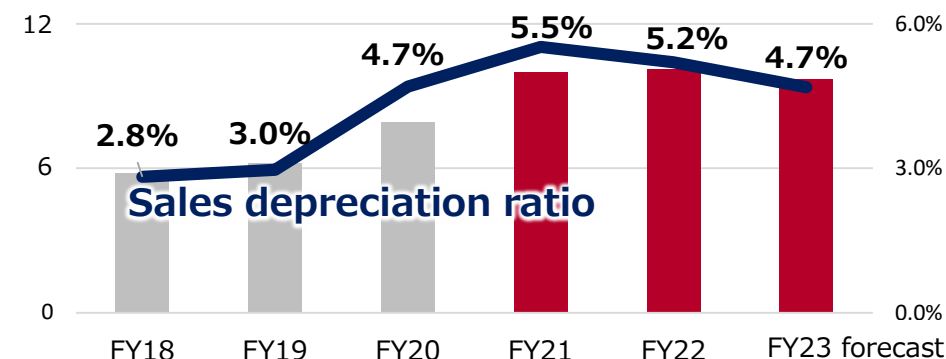
Businesses

Focus domains

Basic domains

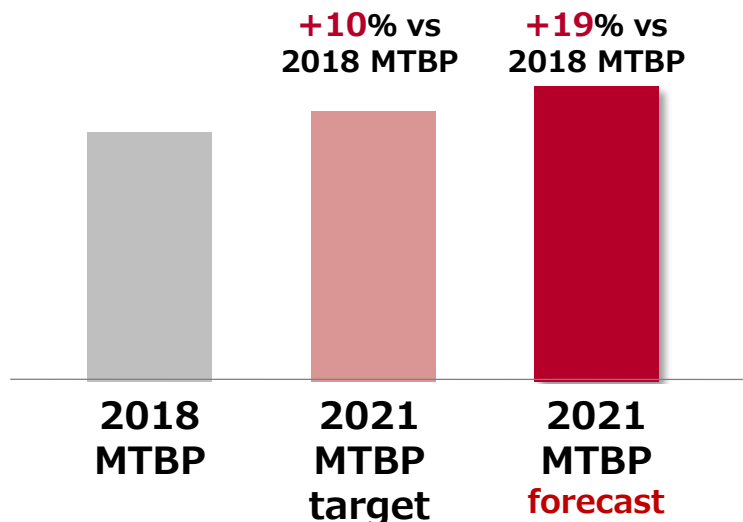
Business foundation

- U.S. Business: *HI-CHEW* production line expansion (Taiwan Morinaga)
- Frozen Desserts Business: New production line at Takasaki Factory No. 3 (Takasaki Morinaga)
- Confectionery & Foodstuffs Business: Biscuits production line expansion (Takasaki Morinaga)
- Confectionery & Foodstuffs Business: Oven equipment upgrades (Chukyo Factory)
- New R&D Center
- New head office building in Shibaura (¥9.0 billion earmarked; not included in 2021 Medium-Term Business Plan)



# Intangible Investments

## Advertising

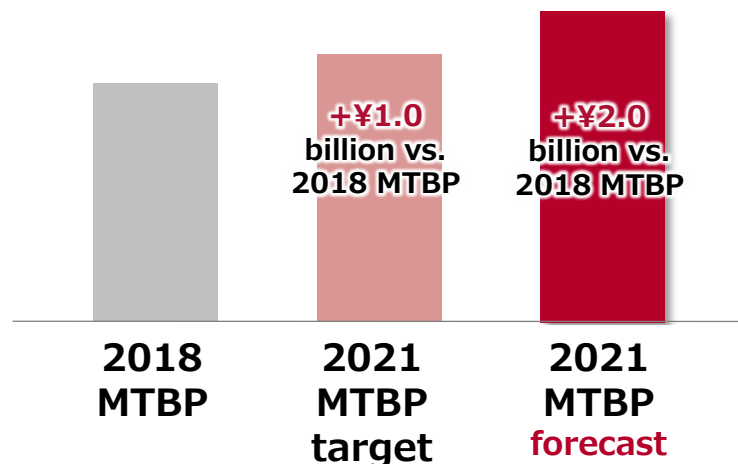


Investing in strategic advertising to spur growth in the focus domains

- Percentage in focus domains is **5ppt more than planned**



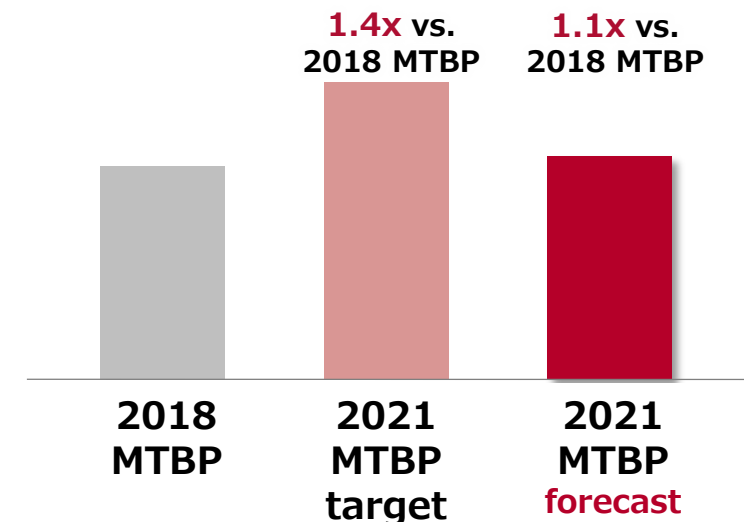
## R&D



Initiatives for generating new customer value with the aim of becoming a wellness company

- New R&D Center
- Further development of our three major technologies
  - Jelly drinks/frozen desserts/soft candy
- Addressing matters of sustainability
- Strengthening R&D functions in the U.S.
- Developing value for the wellness domain
- Creating new value with new development methods

## DX

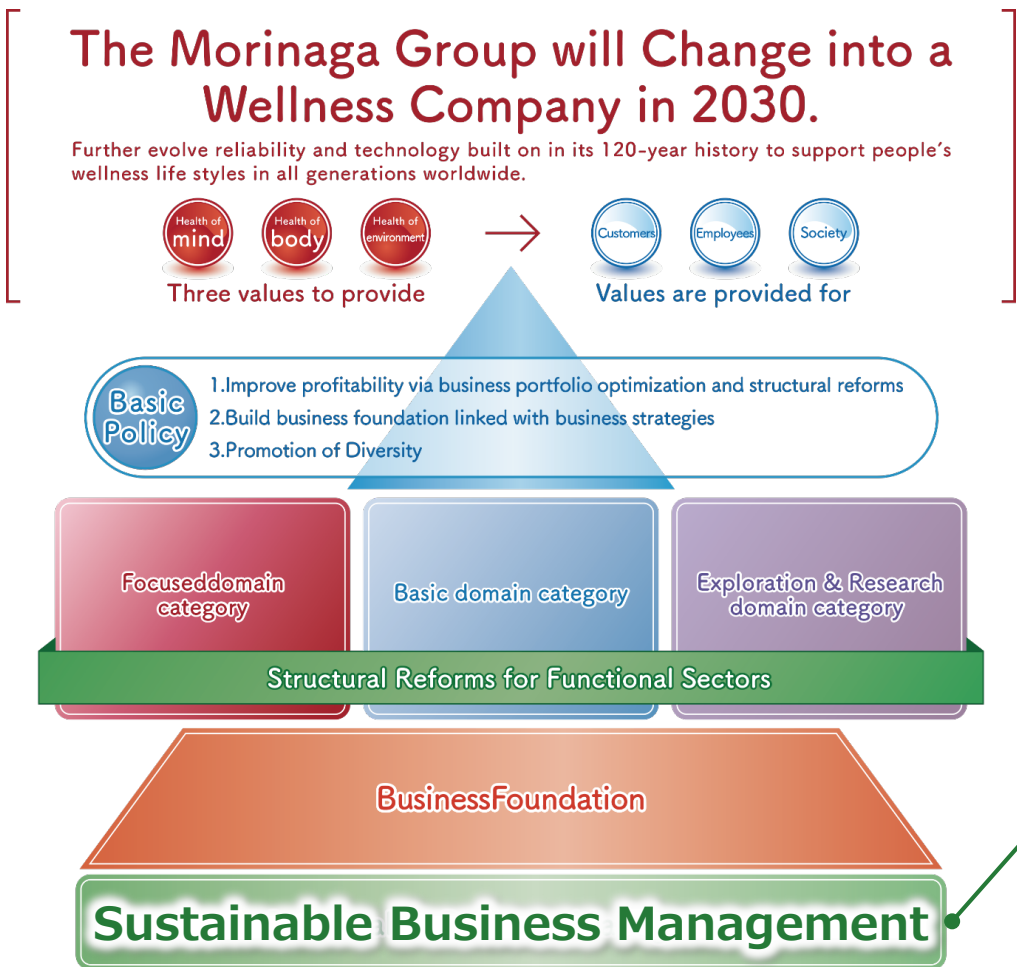


Promoting DX 1.0 with the aim of improving profitability by making operations more efficient

- Smart factory measures
  - Visualization of factory operations and the building of an analytic environment
- Revamping the direct marketing system and developing a data utilization platform
- Rebuilding the product development system
- Promoting the digitalization of accounting tasks and the adoption of cloud-based systems

# Towards Sustainable Management

We are engaging in line with financial and non-financial material issues with a view to achieving our Purpose and 2030 Vision.



## Morinaga Group Sustainability Policy

The Morinaga Group's Purpose is to “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.” By conducting our corporate activities to realize this Purpose, we aim to contribute to the creation of a sustainable society and achieve sustainable growth of the Morinaga Group.

## The Morinaga Group's Materiality



# Sustainability Information Update

## Diversity and inclusion of people

### Promoting health & productivity management

- Selected in the “White 500” 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program  
(selected in the large company category for the sixth year running)

- ① Health of mind initiatives
- ② Health of body initiatives
- ③ Development of working environments



- Japan Sports Agency Certified in 2023 as a “Sports Yell Company”

- Morinaga was certified as a company that actively undertakes measures aimed at promoting the health of employees through sport
- A trainer from the “in” Training Lab has developed a Morinaga factory exercise program for factory workers
- Alongside our efforts to continuously promote exercise, the fact that we encourage employees to carry out activities on a voluntary basis for the purpose of improving the health of all employees was rated highly



## Building sustainable value chains

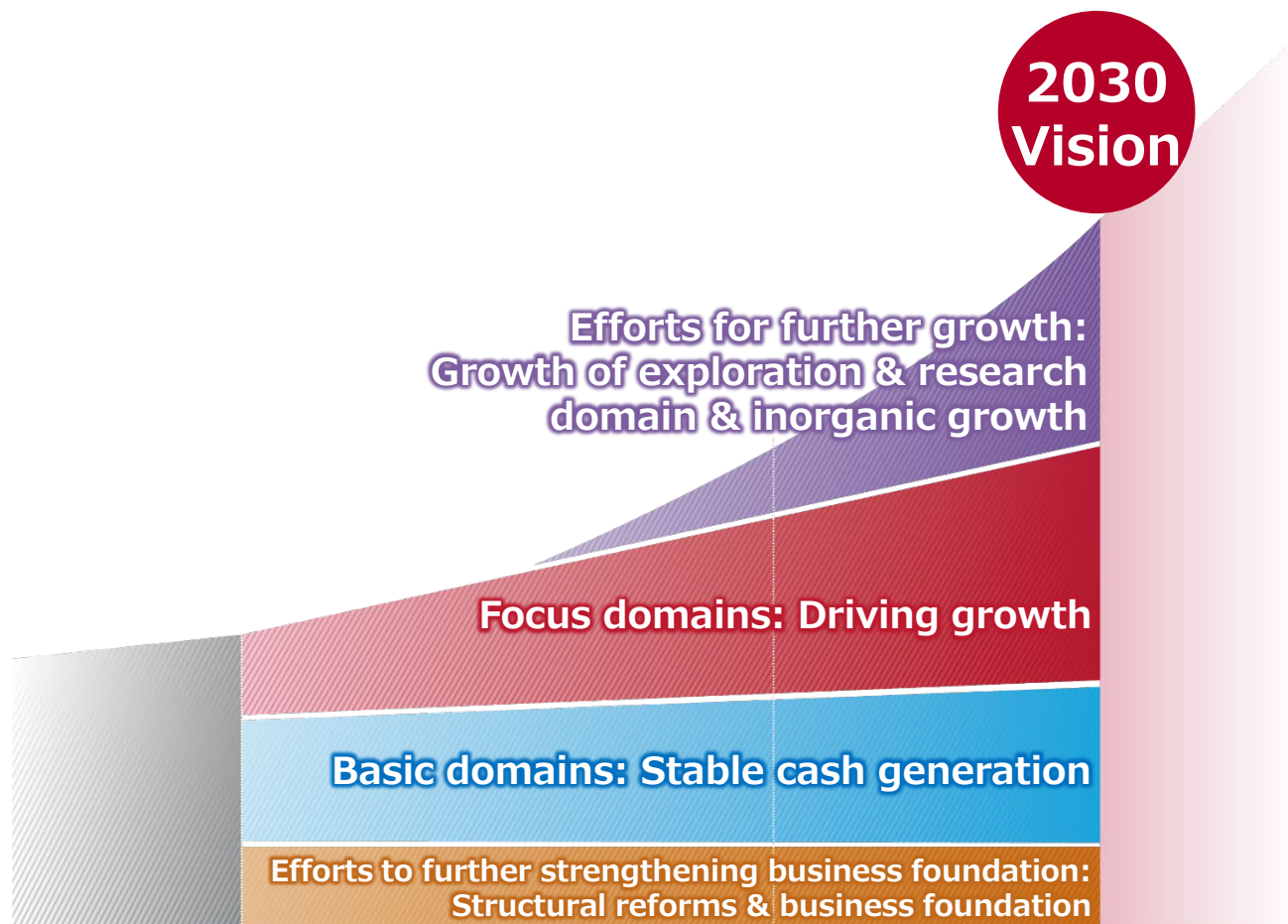
### Initiatives on business and human rights

- Revisions to Human Rights Policy
  - Amended in April 2023
  - Clear statement of the Morinaga Group’s approach to respecting human rights, in accordance with the United Nations’ Guiding Principles on Business and Human Rights
- Joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)
  - Participation as an inaugural member in October 2022
  - Establishment of an external human rights grievance mechanism





# Towards Realizing the 2030 Business Plan



## Outlook for 2021 Medium-Term Business Plan

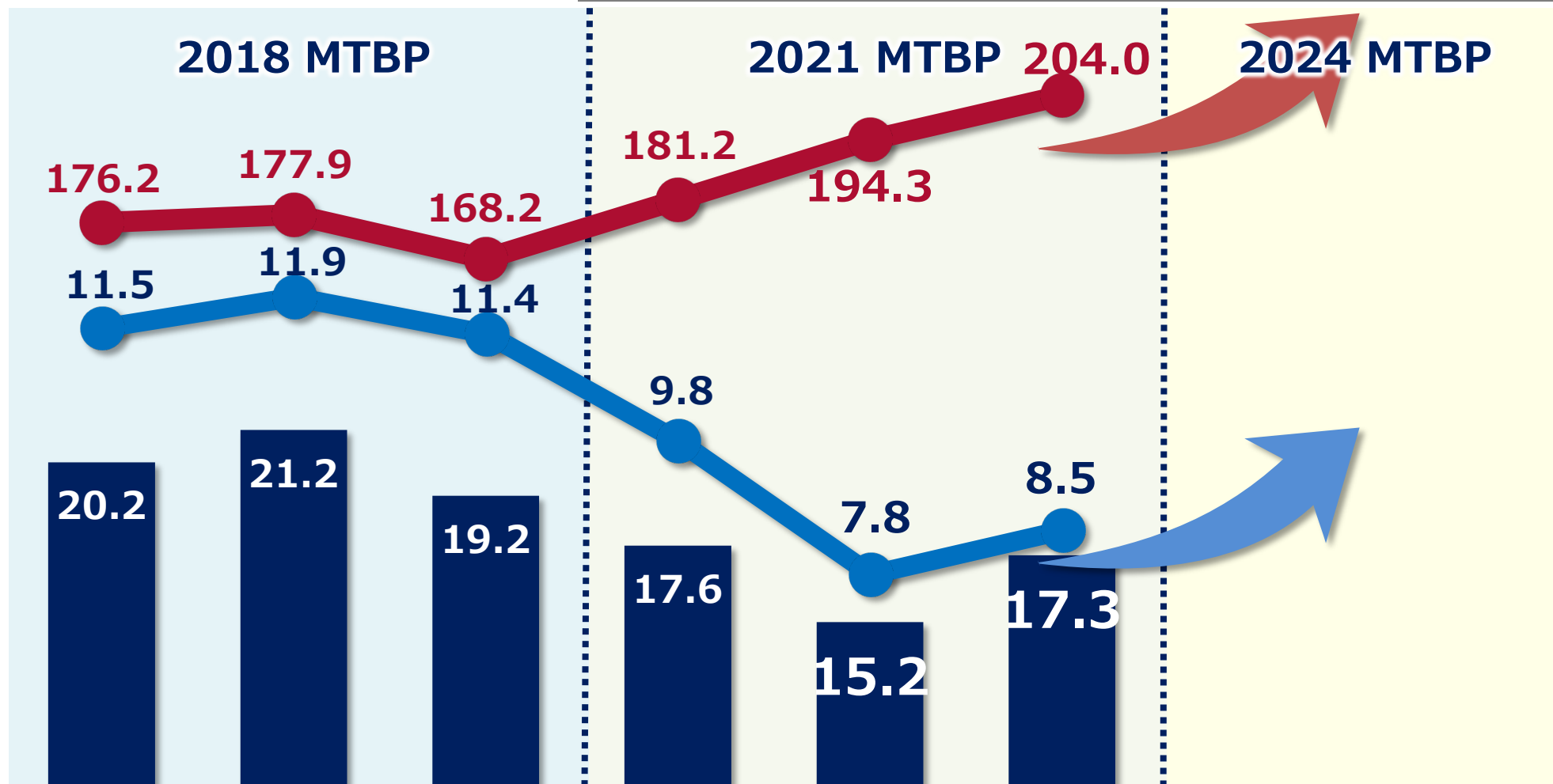
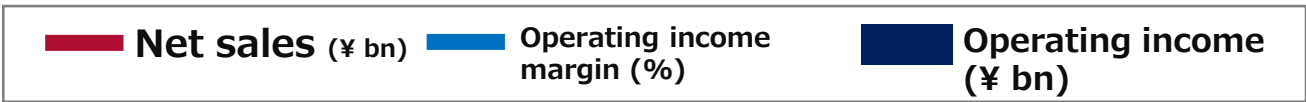
- Operating income will fall short of plan due to headwinds in the external environment, but net sales are on track to exceed our target, driven by growth in the focus domains
- Targeting a recovery in ROE to 10%



## Towards the next medium-term plan and the 2030 Business Plan

- Steady progress towards 2030 Targeting net sales of ¥300 billion
- Business-specific strategies will continue to be discussed and laid out in the 2024 Medium-Term Business Plan

# Morinaga Group Earnings\*1



**Impact of raw materials\*2**  
(billion yen)



\*1 The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) was applied from the beginning of the fiscal year ended March 31, 2022. Net sales for the fiscal year ended March 31, 2021 and earlier have been estimated by retrospectively applying the said accounting standard.  
\*2 The impact of raw materials includes not only the prices of raw materials, but efforts to reduce costs and fluctuations in foreign exchange rates/Morinaga and manufacturing subsidiaries

# Reference Data

# FY2023/3 Results: Business Segments

(billion yen)	Net sales			Segment income	
	Weighting	FY2023/3	Y/Y change	FY2023/3	Y/Y change
Food Manufacturing	95.4%	185.4	107.4%	14.8	85.0%
Food Merchandise	3.2%	6.2	105.8%	0.2	79.1%
Real Estate and Services	1.0%	1.9	100.4%	0.8	97.0%
Other	0.4%	0.6	104.6%	0.1	58.0%



# FY2023/3 Results: Balance Sheet

(Billion yen)	End-FY2023/3	vs. end-FY2022/3	Main factors
Current assets	101.3	(10.7)	<ul style="list-style-type: none"> <li>•Cash and deposits (20.3)</li> <li>•Raw materials and supplies +4.9</li> </ul>
Noncurrent assets	103.8	+1.6	<ul style="list-style-type: none"> <li>•Construction in progress +2.1</li> </ul>
<b>Total assets</b>	<b>205.2</b>	<b>(9.1)</b>	—
Current liabilities	51.2	(18.9)	<ul style="list-style-type: none"> <li>•Current portion of long-term loans (10.0)</li> <li>•Income taxes payable (9.6)</li> </ul>
Long-term liabilities	28.0	+15.1	<ul style="list-style-type: none"> <li>•Long-term loans +10.0</li> <li>•Bonds payable +9.0</li> <li>•Net defined benefit liability (4.6)</li> </ul>
<b>Total liabilities</b>	<b>79.3</b>	<b>(3.8)</b>	—
Shareholders' equity	115.4	(5.6)	<ul style="list-style-type: none"> <li>•Retained earnings (14.5)</li> <li>•Treasury stock +9.0*1</li> </ul>
Accumulated other comprehensive income	9.0	+0.1	<ul style="list-style-type: none"> <li>•Foreign currency translation adjustments +0.9</li> </ul>
Non-controlling interests	1.2	+0.1	—
<b>Total net assets</b>	<b>125.8</b>	<b>(5.3)</b>	—
<b>Total liabilities and net assets</b>	<b>205.2</b>	<b>(9.1)</b>	—
Shareholders' equity ratio	60.7%	+0.0ppt	—

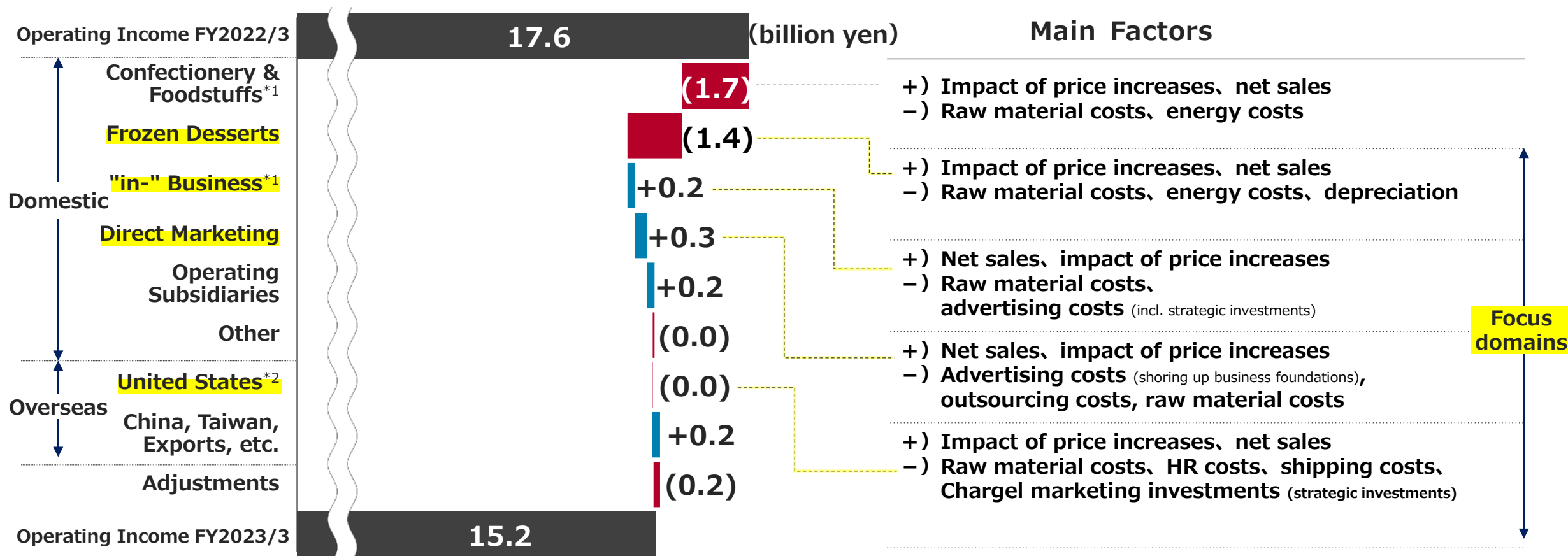
## FY2023/3 Results: Consolidated Statement of Cash Flows

The decline in operating cash flow was impacted by the payment of income taxes associated with the booking of extraordinary income generated by the sale of cross-shareholdings last fiscal year.

(Billion yen)	FY2023/3	Y/Y change	Main factors
Operating cash flow	(2.9)	(27.7)	<ul style="list-style-type: none"> <li>• Income before income taxes (25.4)</li> <li>• Income taxes paid (12.8)</li> <li>• Decrease in net defined benefit liability (4.8)</li> <li>• Change in inventories (3.4)</li> <li>• Sales of investment securities +21.7</li> </ul>
Investment cash flow	(14.2)	(23.5)	<ul style="list-style-type: none"> <li>• Sales of investment securities (24.5)</li> <li>• Acquisition of property, plant and equipment +2.0</li> </ul>
Free cash flow*1	(17.0)	(51.3)	—
Financial cash flow	(7.3)	(1.4)	<ul style="list-style-type: none"> <li>• Purchase of treasury stock (9.8)</li> <li>• Proceeds from issuance of bonds +8.9</li> </ul>

# FY2023/3 Results: Change in Operating Income by Business

Operating income in the “in-” Business, Direct Marketing Business, and United States Business was more or less on par with year-earlier levels as price revisions offset higher costs. Operating income declined in the Confectionery & Foodstuffs and Frozen Desserts businesses due to the impact of higher raw material costs and energy costs.

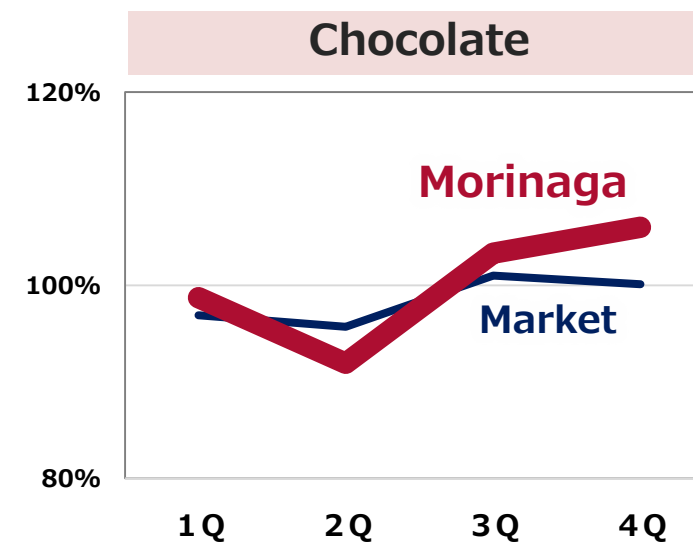
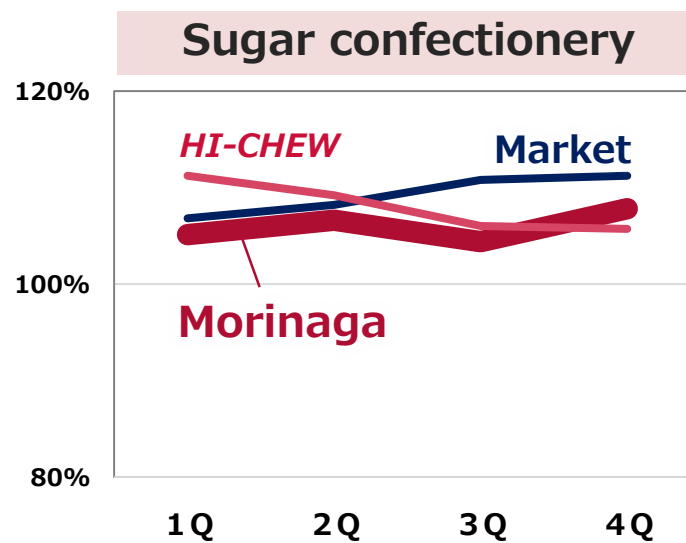
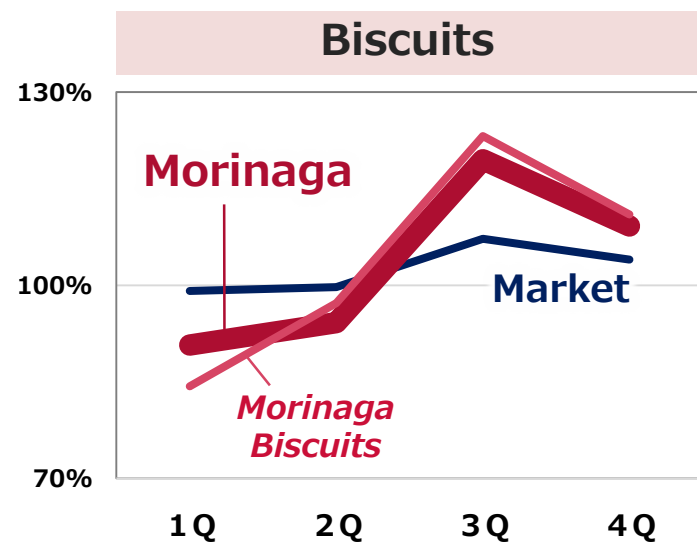
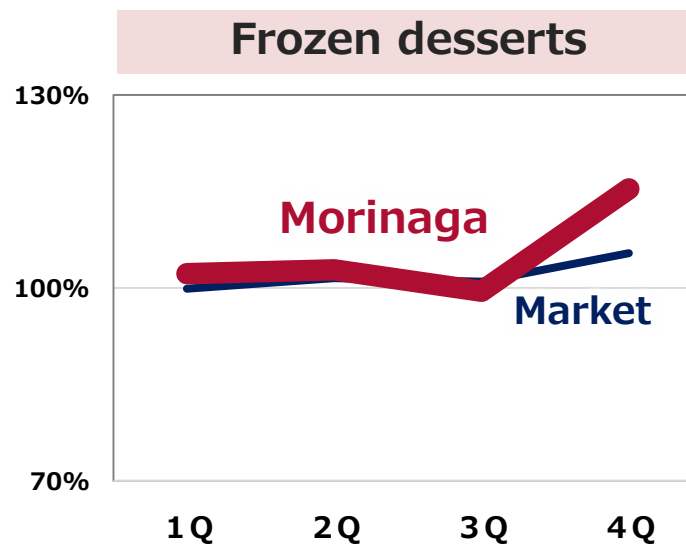
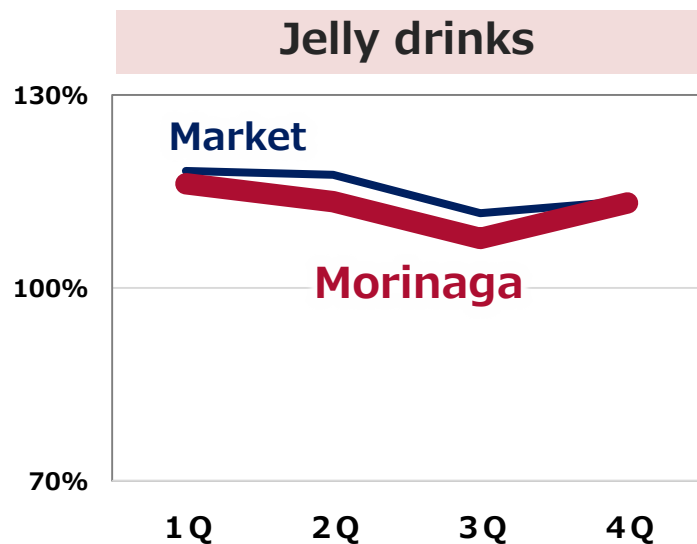


# Major Domestic Brands — Net Sales Year on Year

Business	Brand	Result (Y/Y)
"in-" Business	<i>in Jelly</i>	114
	<i>in Bar</i>	93
Direct Marketing	<i>Morinaga Collagen Drink</i>	110
Frozen Desserts	<i>Jumbo Group</i>	102
	<i>Ita Choco Ice</i>	94
	<i>The Crepe</i>	—
	<i>ICEBOX</i>	112

Business	Brand	Result (Y/Y)
Confectionery & Foodstuffs	<i>Morinaga Biscuits</i>	102
	<i>HI-CHEW</i>	112
	<i>Morinaga Ramune</i>	111
	<i>Carré de chocolat</i>	94
	<i>DARS</i>	100
	<i>Chocoball</i>	102
	<i>Morinaga Amazake</i>	92
	<i>Morinaga Cocoa</i>	99

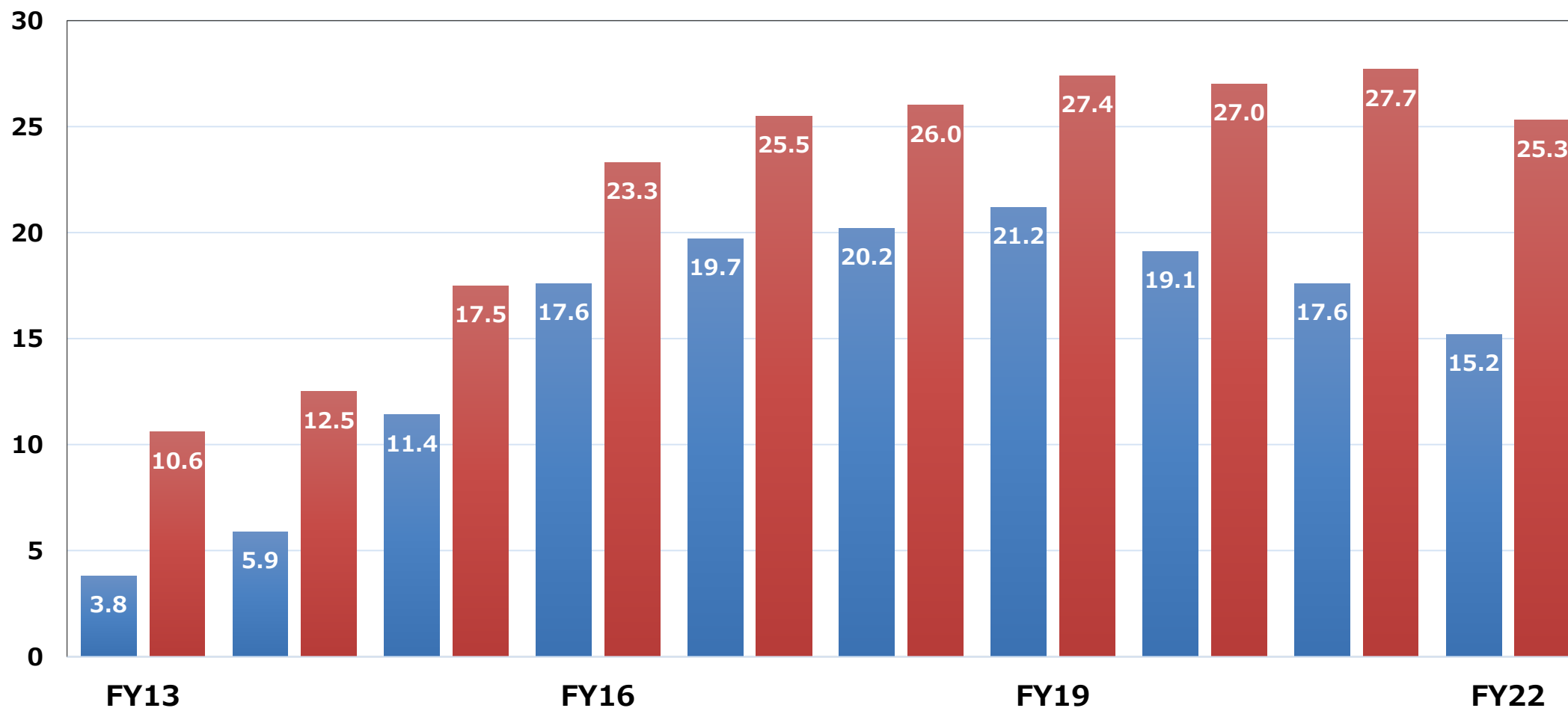
# Domestic Market Y/Y Change in Sales Value



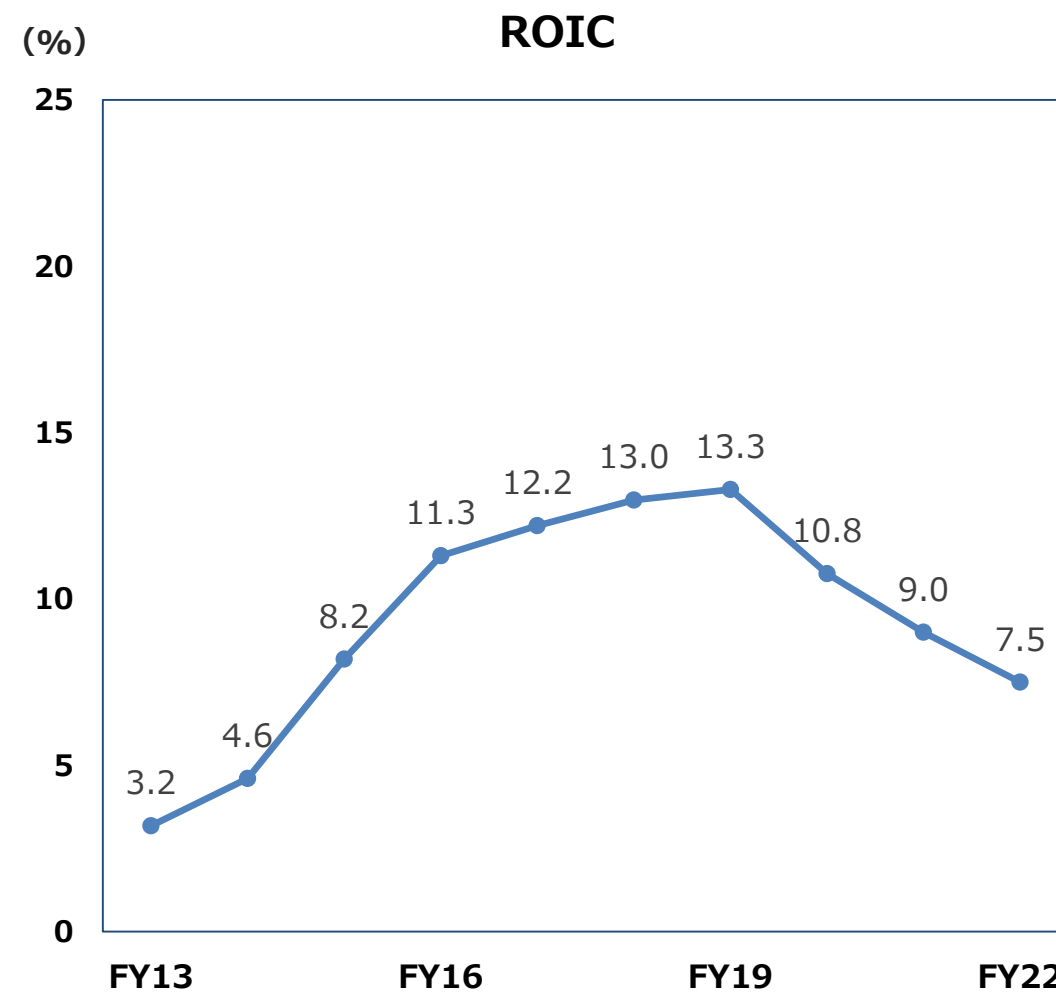
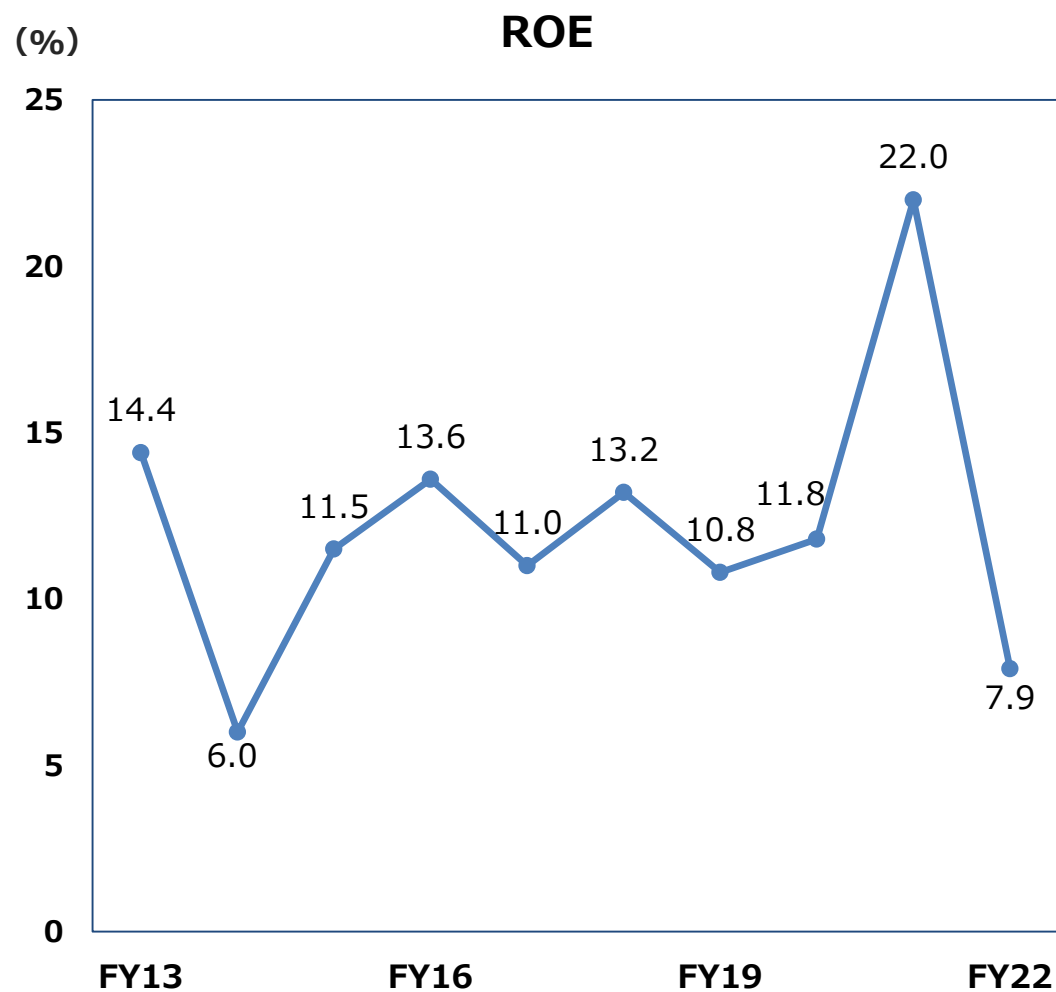
# Operating Income and EBITDA

(billion yen)

■ Operating Income ■ EBITDA



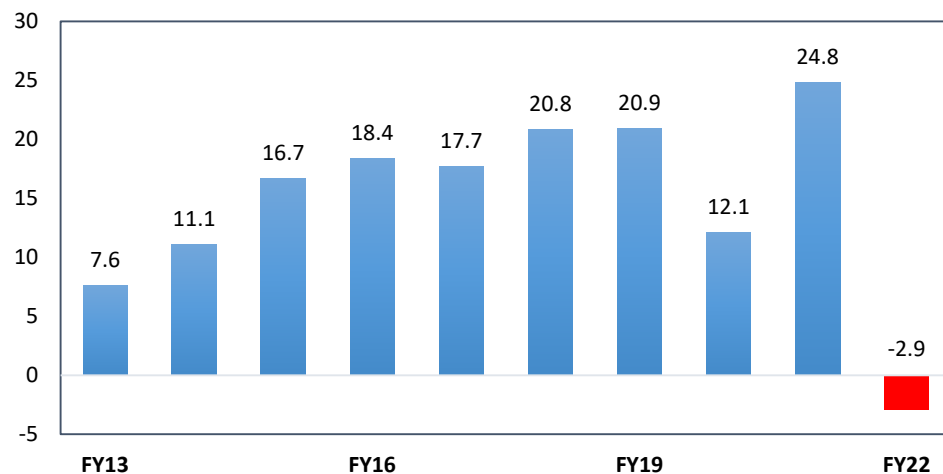
# Financial Indicators



# Financial Indicators

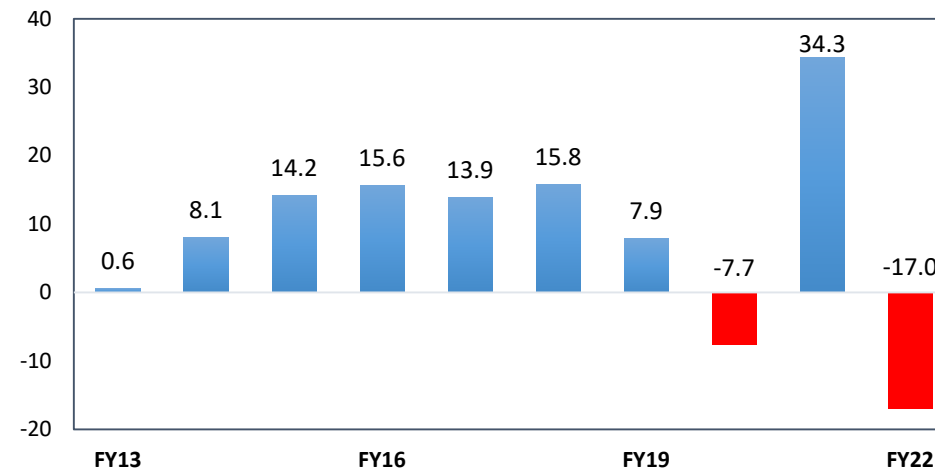
(billion yen)

## Operating cash flow



(billion yen)

## Free cash flow



FY13

FY16

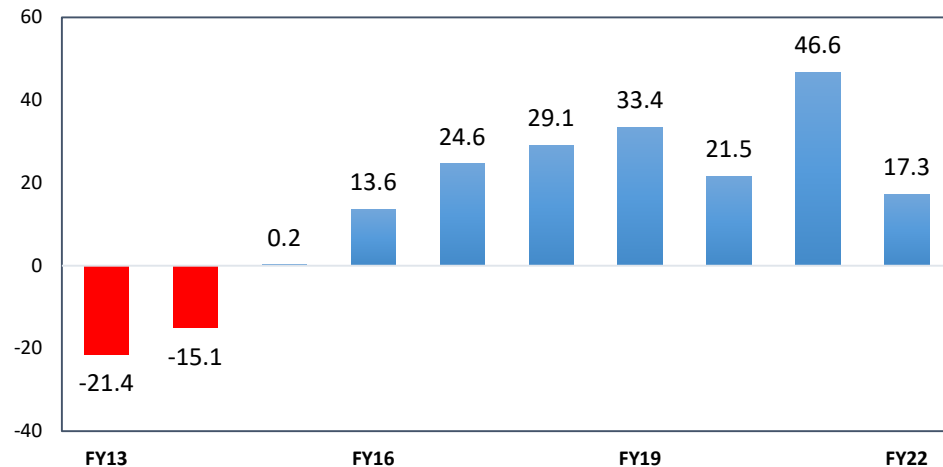
FY19

FY22

\*Payments into time deposits and proceeds from withdrawal of time deposits have been excluded from calculations

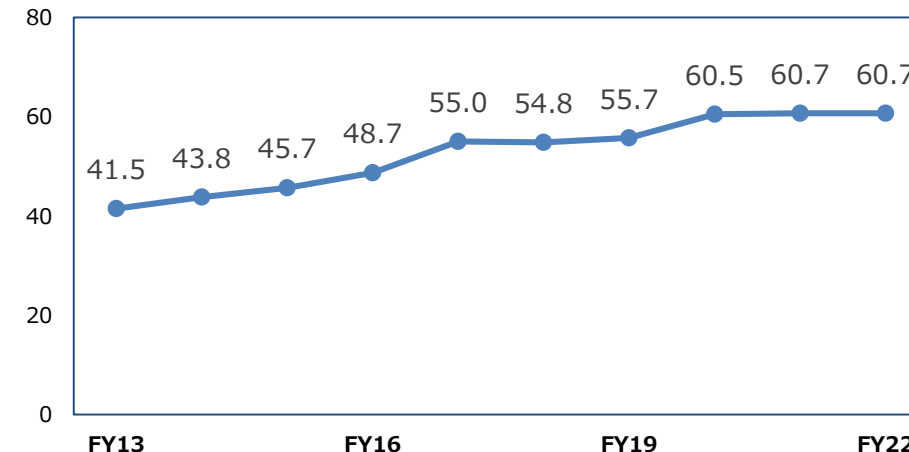
(billion yen)

## Net cash



(%)

## Shareholders' equity ratio



FY13

FY16

FY19

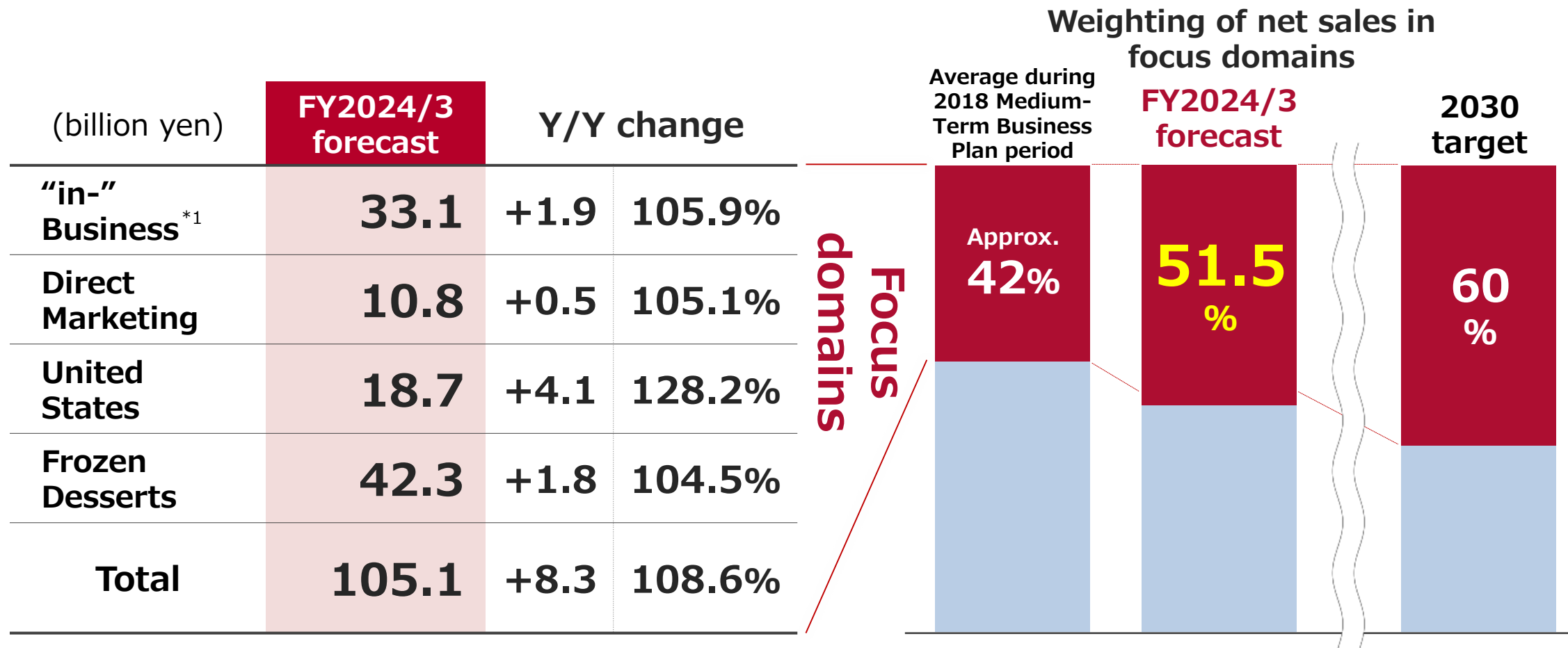
FY22

\*ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" has been applied from FY18  
 Figures from FY14 onward are figures after retrospective application of said accounting standard



# Net Sales of Focus Domains in 2030 Business Plan

Each focus domain business continues to grow, and we expect the focus domain net sales ratio to surpass 50%.



# FY2024/3 Results Forecast: Change in Operating Income by Business

We forecast operating income growth in all domestic mainstay businesses, with price revisions and higher sales outweighing the impact of rising costs. In the United States Business, strategic marketing investments will continue, and we forecast strong profit growth on the back of price revisions and higher sales.

