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Second Quarter,
Fiscal Year Ending March 31, 2024

Results Briefing

November 13, 2023
Morinaga & Co., Ltd.

About forward-looking statements

This material contains forward-looking statements such as forecasts, plans, and targets for the Company including its consolidated subsidiaries. These statements are based on judgments and assumptions made on the basis of information currently available to the Company, and may differ from actual results and developments in the future.

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森永製菓株式会社

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Hello, everyone. This is Ota. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing for Q2 of the fiscal year ending March 2024 today.

From what I explained six months ago, sales, operating income, and net income have exceeded the plan.

Although raw material price hikes and yen depreciation still had a significant impact, we were able to offset them with price revisions and increased sales, resulting in higher sales and profits than planned both in domestic and overseas.

However, as I will explain later, in H2 of the year, we will accelerate investments for further growth and the establishment of a management foundation, so we plan to see increased sales and decreased profits in H2 alone.

In addition, this fiscal year is the final year of the 2021 Medium-Term Business Plan, so I would like to give you the status update including its progress.

Consolidated Results for FY2023 Q2

Record-high 1H net sales and all levels of profit/income;
steady progress toward a V-shaped recovery in business performance.

(Billion yen)	FY23 Q2	Y/Y change		vs. forecast ⁺²	
Net sales	109.6	+11.2	111.4%	+3.6	103.4%
Gross profit (gross profit margin)	46.1 (42.1%)	+5.3 (+0.6pt)	113.0%	-	-
Operating income (operating income margin)	14.1 (12.9%)	+3.9 (+2.5pt)	138.5%	+2.2	119.1%
Ordinary income	14.3	+3.9	137.1%	+2.1	118.0%
Profit attributable to owners of parent	10.2	+3.7	155.8%	+1.8	122.2%
EBITDA^{*1}	18.8	+3.7	124.2%	-	-

森永製菓株式会社 *1 Simplified EBITDA: operating income + depreciation and amortization *2 Figures announced May 2023
* The yen conversion rate at overseas subsidiaries that underpins our forecasts is ¥134.85=\$1USD,
Our initial assumption was ¥133.

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First, here are the consolidated results for Q2.

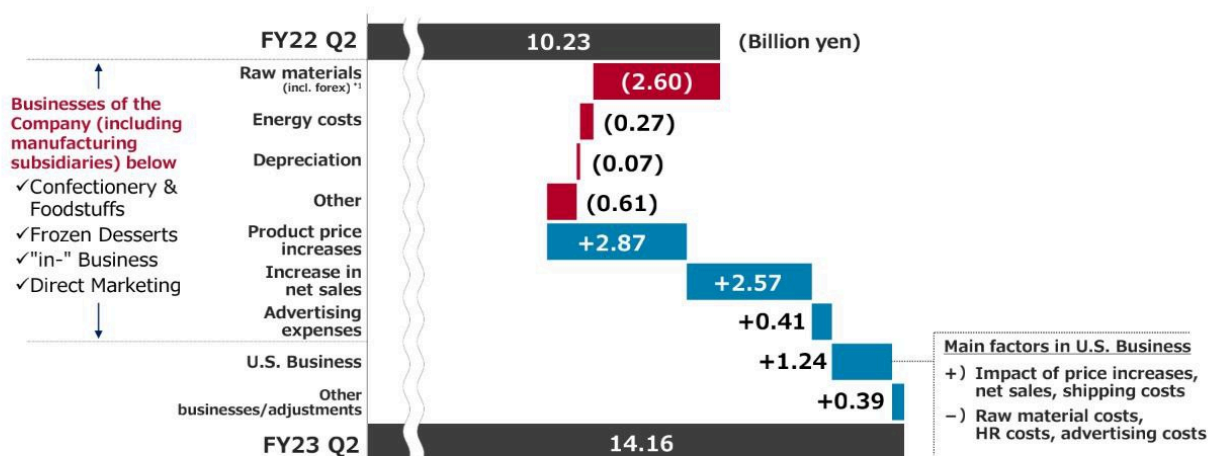
Net sales were JPY109.6 billion, an increase of JPY11.2 billion over the previous year, or 111.4% of the previous year's sales, and JPY3.6 billion higher than the forecast announced six months ago in May.

Operating income was JPY14.1 billion, an increase of JPY3.9 billion from the previous year, and JPY2.2 billion higher than the forecast. The operating margin was 12.9%, an improvement of 2.5 percentage points from the previous year.

We achieved record high figures for H1 of the year in terms of net sales and all phases of income.

FY2023 Q2 Results: Factors in Change in Consolidated Operating Income

Cost impact of raw materials, etc. was more than offset by product price revisions and an increase in net sales, especially in Confectionery & Foodstuffs and Frozen Desserts Business. Profit contribution of U.S. Business also increased.



森永製菓株式会社 *1 Actual funding rate in FY2022 2Q: \$1USD = ¥118.04; ¥134.84 in FY2023 2Q

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This shows factors in change in consolidated operating income. Factors causing a decrease in income are shown in red above, and factors causing an increase in income are shown in blue below.

Increase in raw materials and energy cost had about JPY2.9 billion impact. Main items in other include investment in DX and human resources including labor cost and wage increase. In total, red part amounted to around JPY3.5 billion, which was offset by price revision and topline increase. Moving to the lower part of the chart, there was a significant earnings contribution by the U.S. Business. These resulted in the total profit increase of approximately JPY3.9 billion.

As we have included at the bottom, outside the column, the exchange rate for Q2 of this fiscal year was JPY134.84 per US dollar, actual funding rate, compared to JPY118.04 per US dollar for the previous year, which was about JPY17 weaker than the previous year.

FY2023 Q2 Results: Summary by Business

Net sales increased in all domestic and overseas businesses.
Both net sales and operating income driven by strong performance in Confectionery & Foodstuffs, Frozen Desserts, United States Business and Operating Subsidiaries.

(Billion yen)	Net sales			Operating income		
	FY23 Q2	Y/Y change		FY23 Q2	Y/Y change	
Confectionery & Foodstuffs ^{*1}	35.9	+2.7	108.1%	1.6	+1.6	—
Frozen Desserts	27.9	+3.0	112.3%	4.5	+1.1	130.0%
"in-" Business ^{*1}	17.8	+0.1	100.4%	4.6	(0.4)	92.3%
Direct Marketing	5.3	+0.2	104.2%	0.4	+0.1	129.2%
Operating Subsidiaries	8.2	+1.5	121.4%	0.5	+0.2	198.0%
Other	0.6	+0.1	107.1%	(0.3)	(0.3)	—
Domestic Total	95.9	+7.5	108.5%	11.4	+2.2	123.8%
United States ^{*2*3}	9.4	+2.8	142.4%	2.0	+1.3	256.3%
China, Taiwan, Exports, etc.	4.2	+0.9	124.4%	0.4	+0.1	136.8%
Overseas Total	13.6	+3.6	136.3%	2.4	+1.3	220.7%
Consolidated Total	109.6	+11.2	111.4%	14.1	+3.9	138.5%

森永製菓株式会社 ^{*1} Sugar confectionery, chocolates, and other products under the "in" brand are included in Confectionery & Foodstuffs

^{*2} Includes income from exports to the U.S. from China and Taiwan

^{*3} Year-on-year net sales on a local currency basis is 129.8%

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Next is a summary by business segment.

All businesses, both domestic and overseas, reported increases in revenues, particularly double-digit or greater increases in revenues from Frozen Desserts, Business and operating subsidiaries, and overseas.

In terms of profit, the increase in Confectionery & Foodstuffs, Frozen Desserts, and the U.S. Business are largely responsible for the increase.

Key Topics in Domestic Market: Confectionery



Here are the topics for the domestic and US markets for the past six months, including the situation after the price revision in March of this year. Monthly SRI data and YoY comparison at the storefront are graphed by month.

First of all, in the domestic confectionery - biscuit market, the overall market was 103.6% compared to the previous year, while the Company's market growth was 124.4%, which is much higher than the growth of the market, as shown in the red line. The *Morinaga Biscuits* brand had record sales in September of this year in terms of moving annual total. Existing products, centering on *MOON LIGHT*, are performing well, and the *PREMIUM Series*, which was launched in September and has a high unit price of JPY280 compared to the existing product's JPY220, is also contributing greatly to the strong turnover at stores.

Next is *HI-CHEW*. The candy market as a whole continued its strong performance from last year, and as you can see there, the overall market was 118.3% and that of *HI-CHEW* was 117.2% compared to the previous year. Compared to the year before, the overall market was 127% and that of *HI-CHEW* was 129%. Like *Morinaga Biscuits*, *HI-CHEW* also achieved record sales in total brand sales. The rollout of *HI-CHEW Day* in August was also well received, and as shown here, the popular *Fantasy Mix* in the US, also made a significant contribution to the rollout in Japan.

Next, *Carré de chocolat* and *DARS*. *Carré de chocolat* suffered a large YoY drop due to a product launch timing in September, and also struggled in H1 of the year as a whole, but the SRI data for October, the most recent month in which the launch was staggered, was 118% YoY. For *DARS*, we launched a new concept product. Pictures of *Handy Sweets* and *Flavor Series* are shown here. They made a significant contribution, with SRI data at 127% in H1 of the year vs. last year, and shipments also strong at 123%.

Key Topics in Domestic Market: Frozen Desserts

Y/Y Change in Sales Value



Apr-Sep cumulative sales value (Y/Y)	
Morinaga	114.2%
Market	111.8%

- Outperformed market even after the 2nd price revision in a year, especially in the *Jumbo* group
- *Ita Choco Ice*: "Summer only" quality and new product sold well
- *ICEBOX*: Purchase rate grew on back of strategy to expand eating occasions

森永製菓株式会社 Source: INTAGE Inc. SRI+ estimated sales value



Apr-Sep cumulative sales value (Y/Y)	
Choco Monaka Jumbo	112.3%
Market	111.8%

- Positive response to this spring's quality renewal
- Buzz created through increased media exposure by strengthening PR activities contributed to store turnover



Apr-Sep cumulative sales value (Y/Y)	
Vanilla Monaka Jumbo	117.4%
Market	111.8%

- Strong store turnover as a result of promoting unique quality, especially through stand-alone TV commercials

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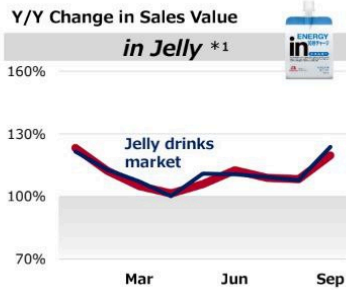
Next, Frozen Desserts.

Although H1 of the year was really outrageously hot in summer, both the market as a whole and our company performed well, with the overall market totaling 111.8% from April to September, and our company's frozen desserts, shown in red, was 114.2%, which is higher than the market average.

Jumbo Group, of course, is a big driver in H1 of the year. In addition, *Ita Choco Ice* and *ICEBOX* also performed well. Looking at shipments in H1 of the year, *Ita Choco Ice* was 141% and *ICEBOX* was 123% of the previous year's shipments.

Similarly, figures on the right are for *Choco Monaka Jumbo* and *Vanilla Monaka Jumbo*. As for *Choco Monaka Jumbo*, product renewal this spring has been well received, and in-store turnover is also increasing. *Vanilla Monaka Jumbo*, which struggled a bit last year, has recovered this year, and the introduction of commercials for the product has also helped to increase in-store turnover, resulting in an SRI data of 117% compared to the previous year.

Key Topics in Domestic and U.S. Markets



Apr-Sep cumulative sales value (Y/Y)	
in Jelly	109.5%
Market	110.3%

- Strong store turnover, especially in convenience stores channel
- *Energy Glucose Boost* and *Full-o-Fruit* captured new consumption situations, helping to expand target



Apr-Sep cumulative sales value (Y/Y)	
Morinaga Collagen Drink	99.9%
Morinaga Aojiru	127.7%
Market*3	101.9%

- Given the impact of reopening, carefully considered the timing of advertising in 1H
- Number of subscription customers increased slightly



Jan-Jun cumulative sales value (Y/Y)	
HI-CHEW	114.2%
Market	115.7%

- Store stocking ratio increased steadily
- Multiple price revisions implemented in recent years for both the market and *HI-CHEW*; maintained double-digit growth on a sales value basis

Source: *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 Aug due to data released) *3 Apr-Aug cumulative sales value *4 IRI

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Next, *in Jelly*, Direct Marketing and *HI-CHEW* in the US, which are the areas of our focus.

As for *in Jelly*, the impact of the previous year's special demand was significant, and shipments fell below the previous year's level at 99% in H1 of the year, but in SRI data, as shown here, it enjoys nearly double-digit growth, continuing steady sales in the stores.

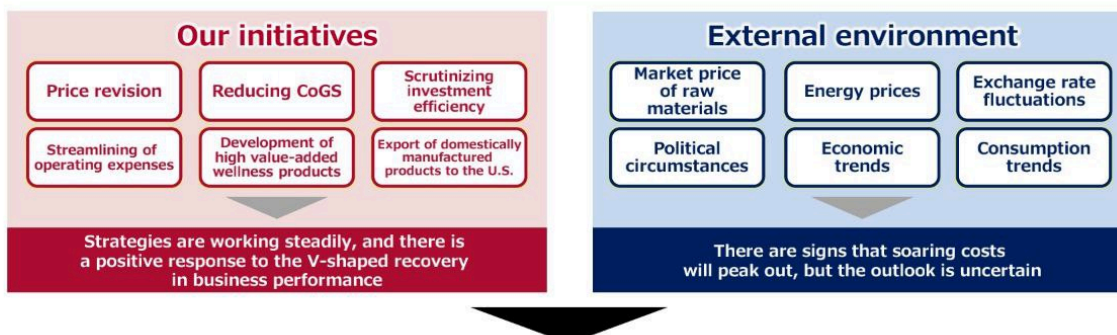
Next is Direct Marketing, which includes a comparison with the growth of the mail order health food market. *Morinaga Collagen Drink* were almost on par with the previous year, while *Morinaga Aojiru* was 128%.

Next is *HI-CHEW* in the US. The market as a whole continues to be strong, but so does *HI-CHEW* for the most part. In comparison to the year before the previous year, the overall market was 134% and *HI-CHEW* was 155%.

I will explain more about the respective efforts in these focus domains: *in Jelly*, Direct Marketing, and the U.S. Business later.

Awareness of and Response to the Business Environment

Steady progress is being made in countermeasures, but the outlook for the external environment remains uncertain. We will accelerate the pace of investment for further growth and building business foundations in the next medium-term business plan and beyond.



Revising our results forecasts for this fiscal year, incorporating investments aimed at improving growth and responsiveness to change

Next is the forecast for the fiscal year ending March 2024.

The awareness of and response to the business environment section includes a description of the Company's own initiatives and the external environment.

Each of the Company's own initiatives are actively and promptly implemented. The measures to offset the sharp rise in raw material prices in H1 of the fiscal year are working well, and we feel that we are on track for a V-shaped recovery in profits, our biggest goal for the current fiscal year, but the outlook for the external environment is still uncertain.

We will further strengthen our investments in H2 of the year to achieve further growth and build a management foundation for the next medium-term management plan and beyond, incorporate these investments into our figures, and then revise our forecast for the current fiscal year in light of the current and future situation.

Consolidated Results Forecast for FY2023

Full-year sales and profit to increase compared to both the previous year and initial forecasts (record-high net sales).
2H sales to increase but profit to decrease due to prior investments for the next medium-term business plan.

(Billion yen)	FY2023 forecast	Y/Y change		vs. initial forecast	
Net sales	210.0	+15.7	108.0%	+6.0	102.9%
Gross profit (gross profit margin)	85.3 (40.7%)	+8.7 (+1.3pt)	111.4%	+3.4	104.2%
Operating income (operating income margin)	18.7 (8.9%)	+3.5 (+1.1pt)	122.7%	+1.4	108.1%
Ordinary income	19.1	+3.4	121.2%	+1.3	107.3%
Profit attributable to owners of parent	13.6	+3.6	135.2%	+1.4	111.5%
EBITDA^{*1}	28.2	+2.9	111.5%	+1.3	104.6%

森永製菓株式会社 *1 Simplified EBITDA: operating income + depreciation and amortization
* The yen conversion rate at overseas subsidiaries that underpins our forecasts is ¥139.58=1USD (this is the average rate for Jan to Dec 2023; the actual average rate for Jan to Sep was ¥138.11 and our assumed average rate for Oct to Dec is ¥144). Our initial assumption was ¥133. Copyright (C) Morinaga & Co., Ltd. All rights reserved. 11

We have revised our earnings forecast for the current fiscal year, which was announced in May.

Net sales are expected to be JPY210.0 billion, an increase of JPY15.7 billion over the previous year, a rate of 108%, or JPY6.0 billion higher than the forecast announced in May. Sales are expected to be record-high. Operating income is expected to be JPY18.7 billion, an increase of JPY3.5 billion from the previous year and an increase of JPY1.4 billion from the forecast. Net income is expected to be JPY13.6 billion, an increase of JPY3.6 billion from the previous year and an increase of JPY1.4 billion from the forecast.

FY2023 Results Forecast: 1H·2H and Full year Summary

■ Net sales

(Billion yen)	Results	1H				2H				Full year					
		Y/Y change	vs. initial forecast	Forecast	Y/Y change	vs. initial forecast	Forecast	Y/Y change	vs. initial forecast						
Domestic Total	95.9	+7.5	108.5%	+1.9	102.1%	86.3	+2.1	102.5%	+2.2	102.7%	182.3	+9.7	105.6%	+4.2	102.4%
Overseas Total	13.6	+3.6	136.3%	+1.6	113.8%	14.0	+2.4	120.2%	+0.1	101.0%	27.7	+6.0	127.6%	+1.8	106.9%
Consolidated Total	109.6	+11.2	111.4%	+3.6	103.4%	100.3	+4.4	104.6%	+2.3	102.4%	210.0	+15.7	108.0%	+6.0	102.9%

■ Operating income

(Billion yen)	Results	1H				2H				Full year					
		Y/Y change	vs. initial forecast	Forecast	Y/Y change	vs. initial forecast	Forecast	Y/Y change	vs. initial forecast						
Domestic Total	11.4	+2.2	123.8%	+1.4	113.9%	3.4	(0.7)	84.3%	(0.7)	84.5%	14.9	+1.6	111.6%	+0.8	105.4%
Overseas Total	2.4	+1.3	220.7%	+0.6	132.3%	1.0	+0.1	109.6%	(0.3)	71.9%	3.4	+1.4	171.0%	+0.2	106.6%
Consolidated Total	14.1	+3.9	138.5%	+2.2	119.1%	4.5	(0.5)	90.6%	(0.9)	83.9%	18.7	+3.5	122.7%	+1.4	108.1%

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Here are H1 results and revised H2 forecast, side by side with comparisons to the previous year results and the forecast at the beginning of the year. These figures are for net sales and operating income, domestic total, overseas total, and consolidated total.

Looking at sales figures alone, one may sense a slowdown in H2 of the year compared to the previous year, but originally the plan for this fiscal year was skewed toward H1, especially in Japan, given the high baseline in H2 of the previous year.

As explained earlier, the results of H1 of the fiscal year were favorable, with the effect of the price revision as planned and figures that exceeded the market average growth in almost all categories, even exceeding the ambitious targets.

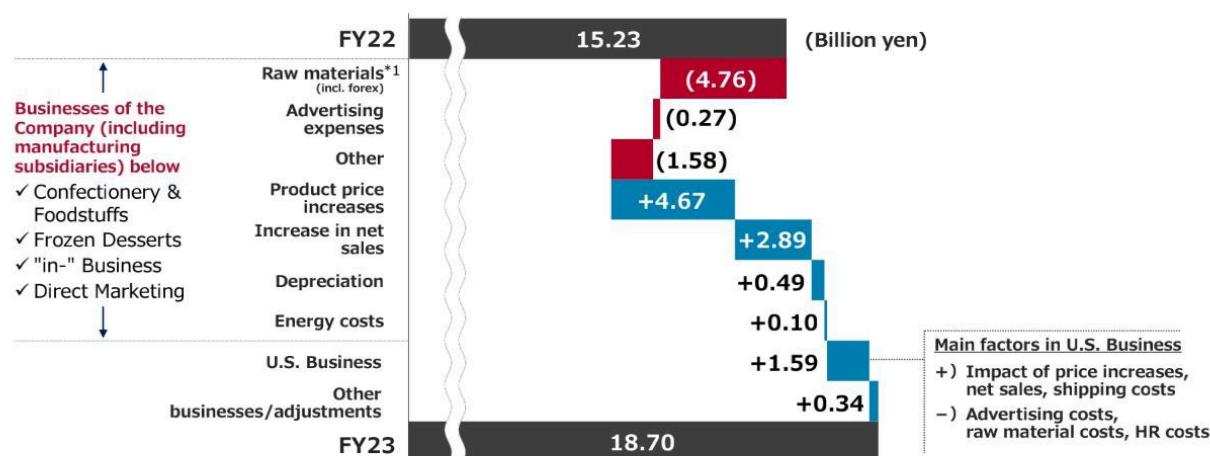
Looking at the sales forecast comparison against the initial forecast, the domestic H1 results are 102.1% and H2 forecast is 102.7%, with H2 also expected to exceed the original plan.

Also overseas, in the U.S. Business, on a local currency basis, excluding the effect of exchange rates, H1 results were 130% of the previous year's level and H2 forecast is 127%, so H2 of the year is not expected to see a significant slowdown compared to the strong H1. However, in the U.S. Business, amid concerns of a recession in the US economy, we have significantly increased advertising expenses from the plan at the beginning of H2 in order to achieve sustainable growth in the next fiscal year and beyond. Therefore, if you see H2 alone, we expect a profit decrease compared to the initial forecast.

Operating income for H2 of the consolidated total is expected to decrease compared to the previous year and to initial forecast due to a smaller revenue increase compared to H1 and an increase in investment in additional strategic advertisement, R&D, DX, and human resources.

FY2023 Results Forecast: Factors in Change in Consolidated Operating Income

Energy costs will improve, but raw material costs will continue to be impacted, including by the ongoing depreciation of the yen.
 This will be more than offset by improved profitability on the back of price revisions as well as an increase in net sales. Operating income will also increase due to higher profit contribution from the U.S. business.



森永製菓株式会社 *1 Actual funding rate in FY22 : \$1USD = ¥128.09; FY23 Forecast funding rate ¥138

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Next are the factors that may cause operating income to increase or decrease in the full-year forecast.

Raw materials are expected to increase by about JPY4.8 billion, including foreign exchange, and advertising investment is also expected to increase by JPY0.27 billion per year for domestic market, and if we include the US and overseas, advertising expenses are expected to increase by about JPY0.8 billion per year for the entire company.

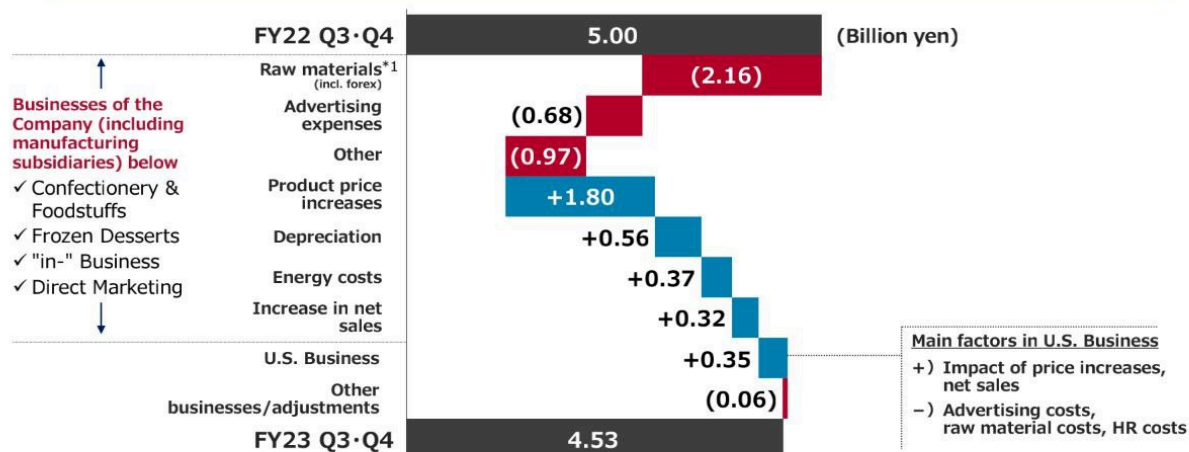
The price revision and sales increase will cover these impacts, and the US business is expected to make a large contribution to profits, resulting in a total increase of approximately JPY3.5 billion.

Intangible investments in advertising, R&D, and DX for the current fiscal year are expected to total approximately JPY1.9 billion higher than the previous year. Each of these items, which differed significantly from the assumptions at the beginning of the period, will be explained later.

As for the funding exchange rate, the full-year forecast is JPY138 to the US dollar, and the actual rate for the previous fiscal year was JPY128.09 to the US dollar.

FY2023 Results Forecast: 2H Factors in Change in Consolidated Operating Income

Raw material costs will continue to be impacted, including by the ongoing depreciation of the yen, but this will be more than offset by improved profitability on the back of price revisions as well as an increase in net sales. Operating income will decrease due to prior investment in businesses and business foundations for the next medium-term business plan.



森永製菓株式会社 *1 Actual funding rate in FY22 Q3/Q4 : \$1USD = ¥134.72; FY23 Q3/Q4 Forecast funding rate ¥142

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Next is a table of these increase/decrease factors, for H2 of the year only.

In H2 of the last fiscal year, operating income was JPY5 billion, but in H2 of the current fiscal year, we expect a total of JPY3.8 billion as negative factors, shown in red, due to the soaring cost of raw materials, increased strategic advertising expenses, and increased expenses for DX, human resource investment, R&D, and other items, as in H1 of the year. This will be covered by price revisions, the effect of increased sales, and the US business, but we will not be able to reverse all of these effects, resulting in a profit decline of approximately JPY0.5 billion in H2 alone.

The estimated exchange rate for H2 of the fiscal year is JPY142 to the US dollar, compared with the actual rate of JPY134.72 for the previous fiscal year.

FY2023 Results Forecast: Factors in Change in Consolidated Operating Income — Key Topics

Factors in Change in Consolidated Operating Income* ¹				
(Billion yen)	New forecast (as of Nov)	Previous (as of May)	Difference	Main factors
Raw materials (incl. forex)	(4.76)	(5.35)	+0.59	+) Mitigated impact of soaring costs for some raw materials -) Foreign exchange impact due to weakening yen* ²
Energy costs	+0.10	(1.38)	+1.48	+) Improvement in the unit price of electricity
Advertising expenses	(0.27)	+0.28	(0.55)	-) Additional investment in Direct Marketing and "in-" Business
Other	(1.58)	(0.08)	(1.50)	-) DX investment for building business foundations -) HR costs/labor costs (allowance for performance-linked bonuses) -) Product/raw material mix -) Cost of disposing unsold stock

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*2 Exchange rate sensitivity: Depreciation of 1 yen per U.S. dollar would negatively affect operating income by slightly less than ¥0.1 billion per year

Here are the four items that have significant changes in amount from the initial forecast announced in May.

Although the impact of raw material and energy costs have been reduced from the initial forecast, impact from additional advertising investment in direct marketing and in- Businesses in H2 of the fiscal year, and the four main factors in other in the bottom are the primary reason for difference. Those factors include additional investment in DX, labor cost increase due to the investment in human resources, and product/raw material mix including sluggish shipment performance of *in Jelly*. In addition, we expect to incur some costs for the disposal of unsold stocks.

FY2023 Results Forecast: Summary by Business

Confectionery & Foodstuffs, Frozen Desserts, Unites States Business and Operating Subsidiaries will drive performance, in comparison both to the previous year and to the initial forecasts. In the “in-” and Direct Marketing Business, additional advertising investment is planned with the aim of accelerating growth in the next medium-term business plan.

(Billion yen)	Net sales				Operating income					
	FY2023 forecast	Y/Y change		vs. initial forecast	FY2023 forecast	Y/Y change		vs. initial forecast		
Confectionery & Foodstuffs* ¹	77.0	+2.7	103.7%	+2.1	102.8%	2.9	+1.4	194.1%	+1.3	177.8%
Frozen Desserts	44.0	+3.5	108.8%	+1.5	103.7%	4.3	+0.9	126.9%	+0.6	115.3%
“in-” Business* ¹	31.4	+0.8	102.8%	(1.0)	97.0%	6.4	(0.6)	91.3%	(0.7)	89.0%
Direct Marketing	11.0	+0.8	107.6%	+0.3	102.6%	0.4	(0.2)	65.5%	(0.4)	50.9%
Operating Subsidiaries	17.3	+1.7	111.0%	+1.2	107.4%	1.3	+0.4	136.7%	+0.3	128.8%
Other	1.2	(0.0)	98.0%	+0.1	106.1%	(0.6)	(0.4)	—	(0.3)	—
Domestic Total	182.3	+9.7	105.6%	+4.2	102.4%	14.9	+1.6	111.6%	+0.8	105.4%
United States* ²⁺³	20.0	+5.4	136.5%	+1.3	106.5%	3.0	+1.6	207.9%	(0.1)	96.6%
China, Taiwan, Exports, etc.	7.7	+0.7	109.2%	+0.6	108.1%	0.4	(0.1)	75.3%	+0.3	410.9%
Overseas Total	27.7	+6.0	127.6%	+1.8	106.9%	3.4	+1.4	171.0%	+0.2	106.6%
Consolidated Total	210.0	+15.7	108.0%	+6.0	102.9%	18.7	+3.5	122.7%	+1.4	108.1%

森永製菓株式会社 *1 Sugar confectionery, chocolates, and other products under the “in” brand are included in Confectionery & Foodstuffs
*2 Includes income from exports to the U.S. from China and Taiwan
*3 Year-on-year net sales on a local currency basis is 128.5%

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Next is the full-year forecast by business segment.

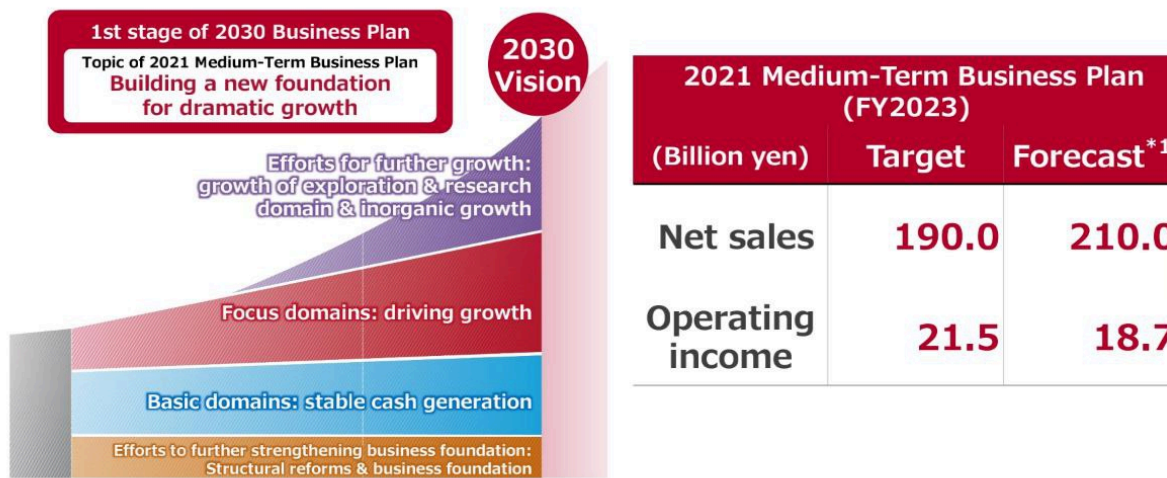
Looking at the year as a whole, the contributions from Confectionery & Foodstuffs, Frozen Desserts, business subsidiaries, and the U.S. Business have been significant, both in comparison to the previous year and in comparison to the initial forecast.

As explained earlier, we are planning additional advertising for “in-” and Direct Marketing, especially in H2 of the year, in anticipation of further acceleration of growth in the next Medium-Term Business Plan, and expect a decrease in profit.

This concludes an explanation of Q2 results and the revision of the full-year forecast.

Progress on Business Targets: Net Sales and Operating Income

Net sales are expected to far exceed the 2021 Medium-Term Business Plan target. Operating income is expected to fall short of the target despite efforts for a V-shaped recovery responding to changes in the environment.



森永製菓株式会社 *1 Results forecast as of Nov 10, 2023 for FY2023

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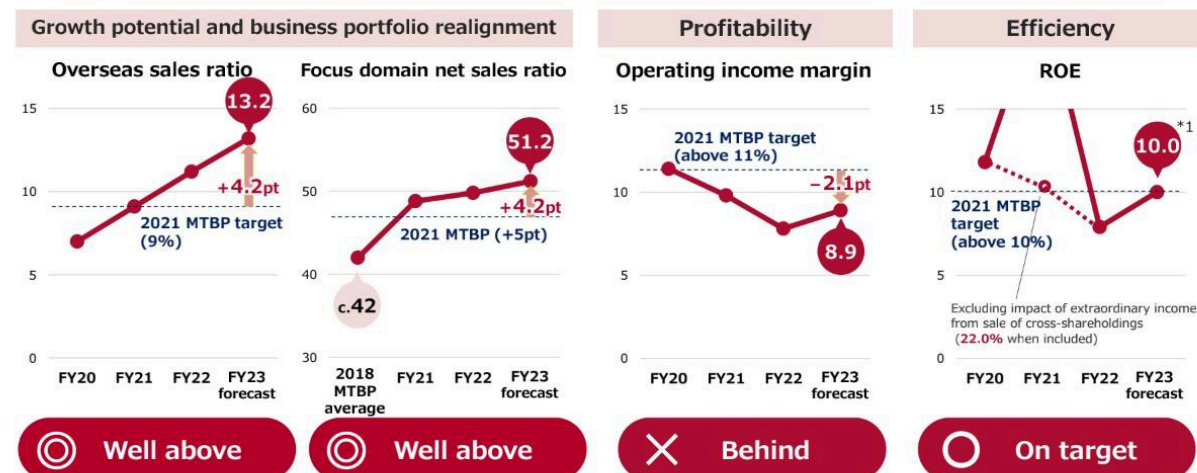
This is the final year of the 2021 Medium-Term Business Plan, and I would like to explain the progress and prospects of the plan as of this point in time, as well as measures to be taken.

Sales are expected to be JPY210 billion, above the plan by JPY20 billion, far exceeding the mid-term target. However, operating income is expected to fall short by JPY2.8 billion to JPY18.7 billion, as the Company would be unable to offset all the major impacts in the business environment, including the sharp rise in raw material prices.

Including the forecasted raw material price hikes for the current fiscal year, the total amount of cost increase over the three years of the 2021 Medium-Term Business Plan is expected to exceed approximately JPY14 billion.

Progress on Business Targets: KPIs

Both the overseas sales ratio, which show growth potential, and the focus domains' sales ratio are expected to far exceed the 2021 Medium-Term Business Plan targets. Operating income margin is behind schedule, while ROE is expected to recover to the target level.



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Next is the outlook for key management indicators for the 2021 Medium-Term Business Plan.

First, the ratio of overseas sales to total sales is expected to be 13.2% this fiscal year, well above the mid-term target of 9%, thanks to the large growth in the U.S.

Next, the sales ratio of focus domains is expected to be 51.2% this fiscal year, which is also expected to significantly exceed the mid-term target, which was planned to be plus five percentage points from the average of 42% in the 2018 Medium-Term Business plan.

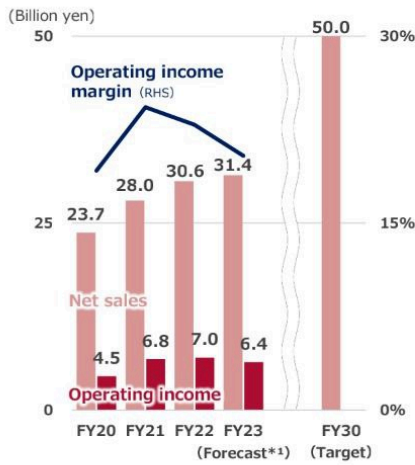
However, operating income, as explained earlier, is expected to fall short, as we would be unable to counteract all the major impacts in the business environment.

We will aim to restore ROE to the target level of 10% this fiscal year with a strong will.

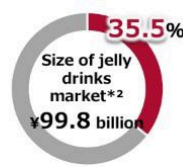
Focus Domains: "in-" Business

Steady growth as a highly profitable business, centered around *in Jelly*, a pioneer in jelly drinks.

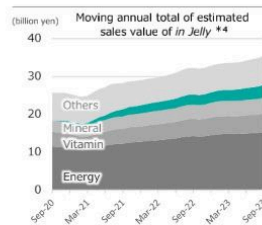
Progress on 2030 Target



1 Expansion of jelly drinks



- Led the market with the top share for jelly drinks
- Captured new demand through efforts to promote consumption situations and expand target consumers
- Purchase rate increased significantly during the 2021 Medium-Term Business Plan period
Moving annual total **14.7%** in Sep 2023 (+3.4 pt from Mar 2021)*3



Energy Glucose Boost launched in September 2020

- ✓ "Energy for thinking"
- ✓ Captured consumption situations that are different from existing "energy" products

➔ Growing to be next largest after vitamins and minerals

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*1 Results forecast as of Nov 10, 2023 for FY2023 *2 Source: INTAGE Inc. SRI+ estimated sales value Nov 2022 – Sep 2023
*3 Source: INTAGE Inc. purchase rate Apr 2020 - Mar 2021, Oct 2022 – Sep 2023
*4 Source: INTAGE Inc. SRI+ estimated sales value Oct 2019 – Sep 2023

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I would like to explain four focus domains and a basic domain of Confectionery & Foodstuff Business.

First is the *in Jelly* of the "in-" Business.

During the period of the 2021 Medium-Term Business Plan, we were able to recover in one year from the large drop in sales in FY2020 due to the pandemic, and to grow the revenue above the level of pre-pandemic period.

Purchase rate and moving annual total sales are shown on the page. Thanks to our effort to appeal variety of consumption situations and expand target customers, the business grew significantly. In particular, *Energy Glucose Boost*, energy for concentration and thinking, which was launched in September 2020 to recover from the large drop in demand during the pandemic, has seen gradual market penetration, steadily expanding the consumption situations. *Energy Glucose Boost* has grown to next largest after *Vitamins* and *Minerals*.

Focus Domains: "in-" Business

Expanded and strengthened the "in" brand to meet various health needs.

2 Expansion of bars

External environment

- While the market for nutritionally balanced foods is strong, the protein bar market slowed slightly and competition intensified
- Demand for protein and food convenience are expected to continue growing

Our initiatives

- Succeeded in brand reaffirmation among consumers through advertising featuring an MLB player
- Strengthened communicating the value of unique and superior quality to capture demand



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3 New brands

- Development is progressing under the themes of creating a new norm in nutritional intake and creating advanced future foods
- Trial launches of "in" brand products are underway to verify acceptance

Nutritional spread
(on bread for breakfast)



in Spread

Hunger management



in Tansan

Snack



in Biscuit

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Next is the development of other "in" brand outside of *in Jelly*.

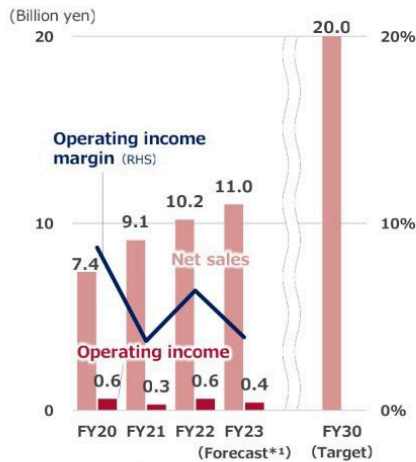
First, *in Bar*. As shown there, the growth of the protein bar market has slowed somewhat and competition has increased. Amid such a circumstance, shipments of *in Bar* in H1 of the year were 107% of the previous year's level and 113% of the in-store SRI. Successful advertising featuring Nootbaar, among other factors, resulted in strong sales.

Also, we have launched three products under "in" brand as part of creating a new norm of nutritional intake. We are still in the test launch phase, but we have high expectations for the future and will continue to work on the creation of the new norm, expanding themes in other areas as well.

Focus Domains: Direct Marketing Business

Expanded business scale by improving customer experience value through strategic investment in advertising and utilization of customer data.

Progress on 2030 Target



*1 Results forecast as of Nov 10, 2023 for FY2023
 *2 Source: H.B. Foods Marketing Handbook 2018-2022, Fuji Ketzai (Category for beauty-oriented products and collagen products/2016-2021 results), for the Morinaga Collagen Drink series, including products before and after updating.)
 *3 Source: Morinaga's shipment value Moving annual total Apr 2020 - Mar 2021, Oct 2022 - Sep 2023

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1 Evolution of existing business

- Net sales have grown for 18 consecutive years
Ongoing efforts for further expansion and long-term retention of subscription customers
- Renewed direct marketing system, and promoted the establishment of a platform for utilizing data



Growth as potential second core product: 256% compared to Mar 2021*3

2 Measures for further business growth

- Expanded range of food products in Morinaga Direct Store
- Expanded sales of *Morinaga Collagen Drinks* overseas



Launch of exclusive direct marketing products

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Next is the Direct Marketing Business.

We have been strategically increasing advertising investment to acquire subscription customers in the last fiscal year. In this fiscal year, we plan to make additional advertising investment in H2, resulting in a full-year sales forecast of JPY11 billion. This advertising investment is aimed at acquisition of subscription customers and will contribute to increased sales and profits in the next fiscal year and beyond, rather than this fiscal year.

we are committed to a steady expansion of business to achieve our 2030 sales target of JPY20 billion.

The lower right-hand corner shows measures for further business growth to expand the range of food products, with the picture of caramel baum and other exclusive direct marketing products.

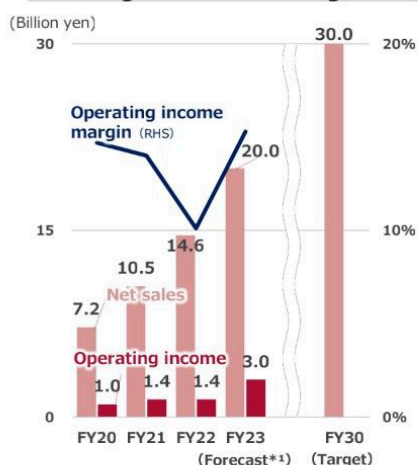
Also, the overseas expansion of *Morinaga Collagen Drink* is now mainly in China and Thailand.

For the Direct Marketing Business, we are also considering potential alliances and M&A to explore inorganic growth.

Focus Domains : United States Business

HI-CHEW has grown dramatically during the 2021 Medium-Term Business Plan, contributing to both sales and earnings.

Progress on 2030 Target



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*1 Results forecast as of Nov 10, 2023 for FY2023 *2 Source: IRI Jan 2020 - Dec 2020, Jul 2022 - Jun 2023

*3 Source: IRI Jun 2020, Jun 2023 *4 Based on Morinaga data Sep 2020, Sep 2023

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1 Expansion of *HI-CHEW* brand

External environment

- Sugar confectionery market: Price revisions, growth (139.5%*2 moving annual total Jun 2023 compared to Dec 2020)
- Risk of economic recession in the U.S.

Our initiatives

Sales

- Store stocking ratio continues to increase throughout the U.S.
69% as of Jun 2020 → 77.6% as of Jun 2023*3
- Promoted increase in SKUs handled per store

Marketing

- Expansion of SKUs to capture new demand
- Promotions aimed at increasing brand recognition and loyalty
Brand recognition: 54% as of Sep 2023 (+8 pt compared to Sep 2020)*4

→ Differentiated products are being received well; demand continues to grow



Next is the U.S. Business, which continues to perform well.

In the 2030 Business Plan, we have positioned the U.S. as priority market since FY2021, concentrating investment and aggressively developing the business there. The sales forecast for the current fiscal year is now at the level of JPY20 billion. Originally, the target for the current fiscal year, the final year of the 2021 Medium-Term Business Plan, was JPY10 billion in sales. So, although foreign exchange rates are of course a variable factor, I think it is fair to say that sales have grown much faster than expected.

As shown, our various initiatives have been effective, and our store stocking ratio has continued to expand, SKUs have been expanded, and recognition rates have steadily increased. However, the recognition rate is still 54%, the market share is still just over 1.2% at present, and we believe that we can still achieve sustainable growth in terms of various indicators.

In addition, we newly established the *HI-CHEW* Global Branding Office in April of this year, and we are now examining the future production system from a global perspective.

The promotion office is truly the organization that plans and promotes *HI-CHEW*'s global strategy. We intend to accelerate our *HI-CHEW* expansion strategy not only in the U.S., but also other parts of the globe.

Focus Domains: United States Business

Aiming to create a market for *Chargel* and expand business base leading up to 2030.

2 Create jelly drinks market

Sales

- Proceeded to introduce *Chargel* to Japanese supermarkets
Ongoing efforts to **promote the product** to local supermarkets and sporting goods stores

Marketing

- Product sampling at sports events
Promoted **brand awareness and product understanding** by strengthening advertising and promotional activities



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3 Exploring options for a "third arrow"

- Developed products utilizing the sales network built for *HI-CHEW*
- Launch of *HI-SOFT* (salted caramel chews made in Japan) in autumn 2023



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Next, creation of a new jelly drinks market for *Chargel* in the U.S..

We are not at the stage of presenting specific numbers or results yet, but we are getting a good response from the sampling and other activities.

E-commerce sales are increasing, and Japanese supermarkets, mainly on the West Coast, have begun to handle the product, with some successful sales. *HI-CHEW* also started out from the merchandise at Japanese supermarkets and over time has grown to such a large business.

I recently spoke with the president of Morinaga America, Inc. when he was in Japan. He has been involved with *HI-CHEW* launch in the U.S. since the early days and is one of the key players and big contributor in the field. He himself made a strong comment that he felt fairly confident, after working on *Chargel* for the past year.

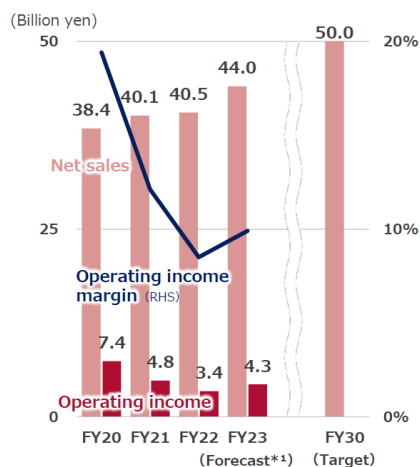
However, in the U.S., this type of product format is still largely unfamiliar and nearly unknown to buyers and consumers alike. It will take time, but we are thinking that a major investment, an advertising and marketing investment for the time being, will be necessary at some point. We believe that we will accelerate the effort somewhere in the future.

Also, in exploring the candidate for third arrow, we launched salted caramel flavor under the *HI-SOFT* brand this fall. As we have mentioned many times, this is an initiative that takes advantage of *HI-CHEW*'s sales and marketing capabilities, which have a strong presence in the candy section of US supermarkets. We have heard that the turnout has been strong. This is another area that we are excited about.

Focus Domains: Frozen Desserts Business

Achieve stable business growth by differentiated products that harness confectionery technology, and improve profitability from the previous year's low.

Progress on 2030 Target



森永製菓株式会社 *1 Results forecast as of Nov 10, 2023 for FY2023

1 Evolving of "freshness marketing"

- Expanded new "Chocolate Wall" technology for maintaining freshness
- Explored the value of crisp texture through sensibility research
- Communicated information on quality and emotional value through various media



2 Capture customers from adjacent markets

- Captured demand for desserts with differentiated products that harness confectionery technology
 - Establish *Ita Choco Ice* and *The Crepe* as year-round items
 - Implemented new initiatives to expand brand contact points in spring and summer

3 New market creation with technological advantage

- Taking on the challenge of tapping into potential demand by utilizing proprietary technology



Frozen hotcakes



Ice for mixing with alcoholic beverages

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Next, the last area of Focus Domains, is the Frozen Desserts Business.

The sales forecast for this fiscal year is JPY44 billion, and I would say that we have reached the point where we can see the achievement of our 2030 target of JPY50 billion at the fastest speed among our focus domain businesses.

Currently, SRI's market share is over 11% in the September moving annual total and has risen to third place in market share. More than a decade ago, we were ranked at seventh, so the leaps we have made in the last few years or last decade have been remarkable.

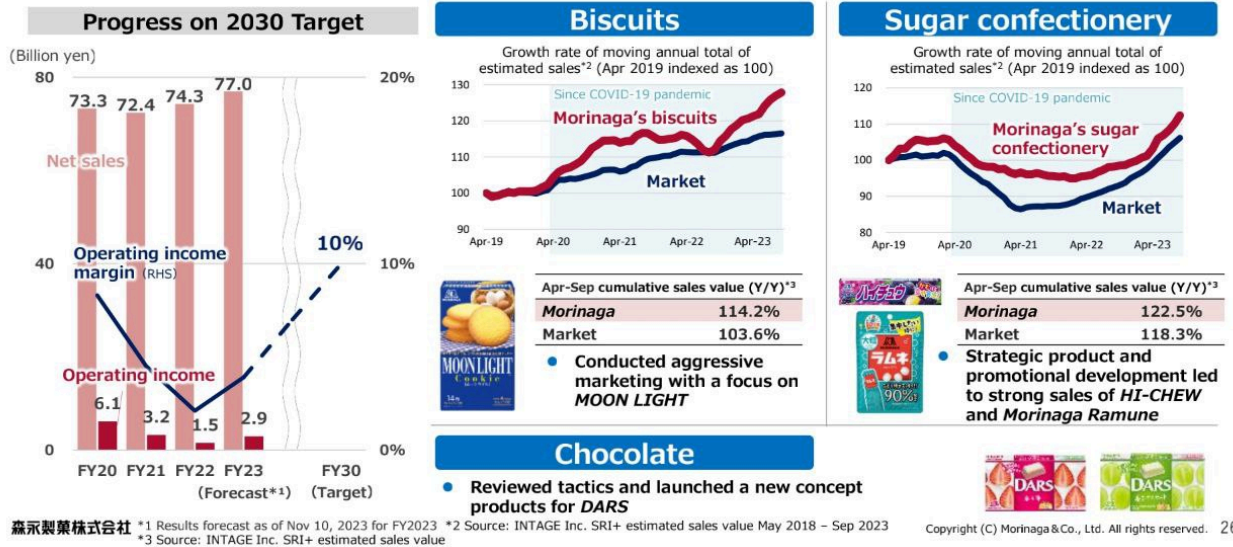
In the most recent SRI for the month of October alone, the difference with the second ranked player is 0.1%, and we are steadily catching up with them.

Jumbo group is the biggest driver in this business. We are committed to further expansion through the evolution of "freshness marketing".

In the area of acquiring customers in adjacent markets, we are focusing on *Ita Choco Ice* and *The Crepe*. In the area of creating new markets with our technological advantage, please look at the lower part of the slide, we are working on tapping the demand for frozen pancakes and *ICEBOX* for mixing with alcoholic beverages.

Basic Domains: Confectionery & Foodstuffs Business

Improve profitability through category mix and development of high value-added products.



Next is the Confectionery & Foodstuff Business, under Basic Domains.

The business has set a profit margin target for 2030, but this time, it has been most affected by the soaring cost of raw materials, and as shown in the graph on the left, the profit margin has been suppressed over the past two years, with an operating profit margin of 2% in the last fiscal year.

We have explained before that we are trying to recover it with two price revisions for some products and also to increase the sales composition of biscuits and candies in order to improve profitability. In the SRI graph, the figures for the four years starting in 2019, has been favorable, outpacing the growth of the market.

Although the operating margin in this fiscal year's forecast is 3.8%, a significant improvement from the 2% in the previous year's results, we believe that further structural reforms will be necessary to achieve the 2030 target.

Sustainability Information Update

Global Environmental Conservation

- Joined the TNFD Forum in August 2023*1



Taskforce on Nature-related Financial Disclosures

Indices, Evaluation, and Awards

- Selected for the first time as a constituent of leading ESG investment indices
FTSE4Good Index Series
FTSE Blossom Japan Index*2



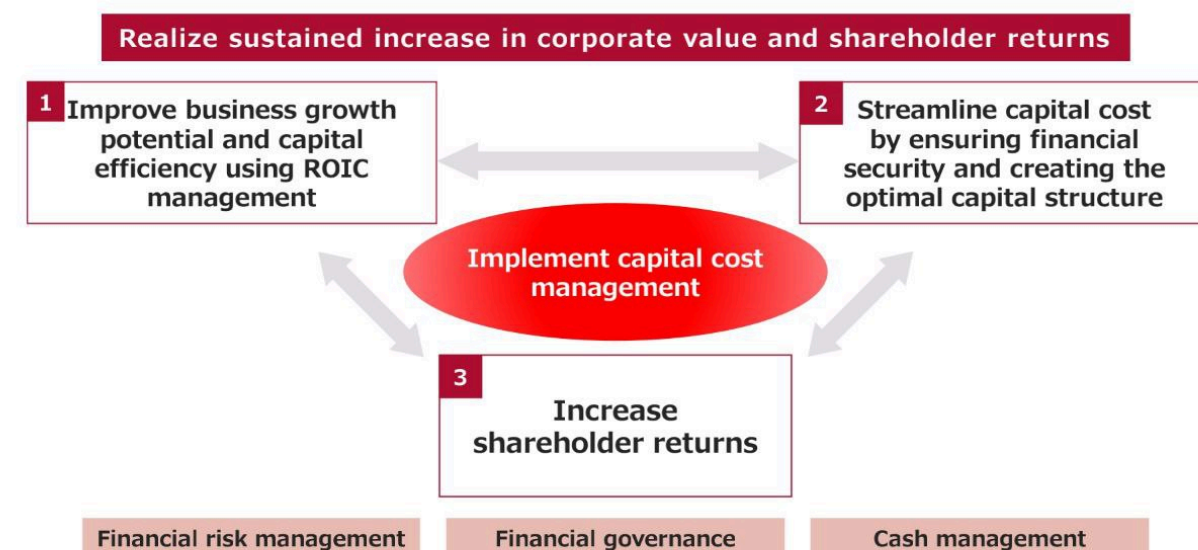
森永製菓株式会社 *1 Reference source: Morinaga website (<https://www.morinaga.co.jp/company/english/sustainability/governance/initiative/>)
*2 Reference source: Morinaga website (<https://www.morinaga.co.jp/company/english/sustainability/governance/evaluation.html>) Copyright (C) Morinaga & Co., Ltd. All rights reserved. 27

Next, as an update to our sustainability information, we have included one slide in addition to the various sustainability initiatives we have already announced.

One is our willingness to participate in the TNFD Forum, a nature-related financial disclosure task force that covers biodiversity in addition to climate change, this August.

Then, this year, the Company was selected for the first time as a component of the FTSE, a leading ESG investment index. I think it is fair to say that our company's efforts to date have been well received.

Medium- and Long-Term Financial Strategy



Next is our Medium- and Long-Term Financial Strategy.

This concept, which I first explained here a year ago, is being further updated, and the entire management is sharing this idea.

In the rest of the document, in the reference information section, we have included several slides that explain in a little more detail, including ROIC-oriented management, so please refer to them.

In any case, we will strive to achieve sustainable growth in corporate value and continuous and stable shareholder returns by managing the business with the awareness of the cost of capital.

Shareholder returns

As a way of implementing management with an awareness of the cost of capital, strengthen shareholder returns based on the financial strategy.

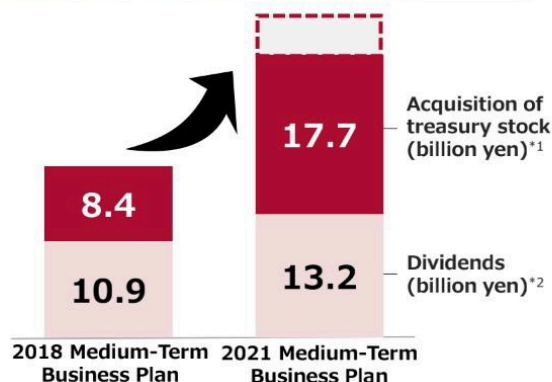
Cumulative 3-year total of the 2021 Medium-Term Business Plan

Shareholder return:

¥30.9 billion + extra^{*1,2}

Announced additional repurchase of treasury stock on November 10
Maximum repurchase amount

¥4.55 billion^{*3}



● Stock split

A **two-for-one** stock split is planned with a record date of **December 31, 2023**.

The purpose of the stock split is to improve the liquidity of the Company's shares and to further expand the investor base

森永製菓株式会社 *1 Total of cash dividends paid and treasury stock acquired (up to May 16, 2023) between Apr 2021 and Mar 2024
*2 Amount of appropriated surplus for the relevant accounting periods

*3 Some or all of the acquisition may not be carried out depending on market trends and other factors

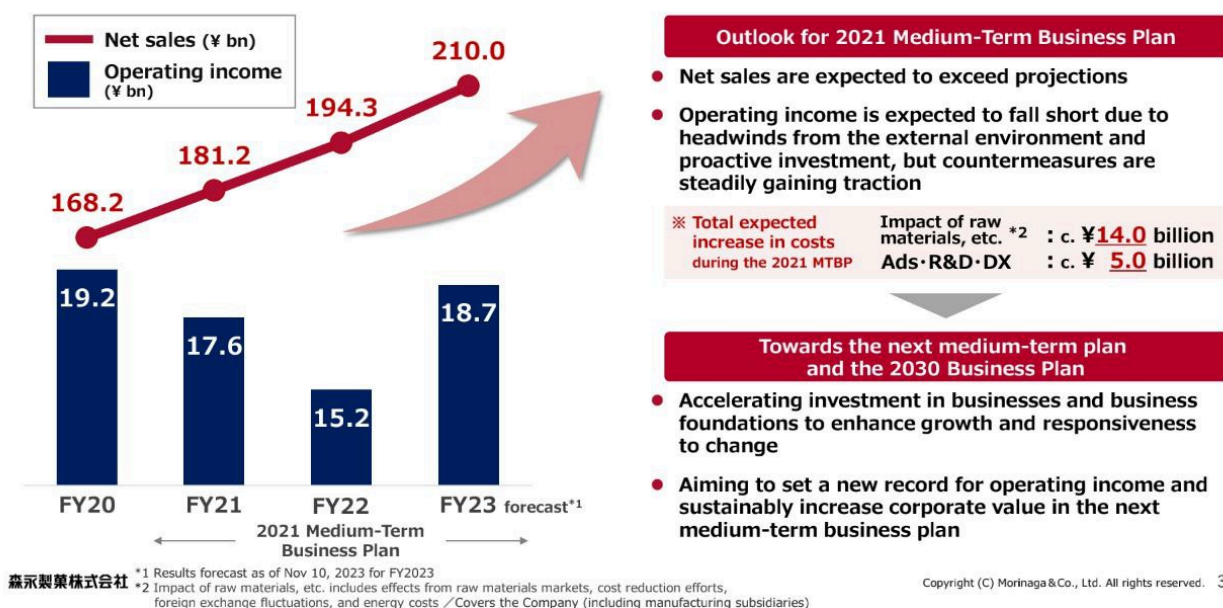
Here are the details of our shareholder return.

We recently announced a new share repurchase on November 10.

Total shareholder return for the three years of the 2021 Medium-Term Business Plan is JPY30.9 billion + extra, and the portion of + extra will be added to the current amount. Together with dividends, this represents a significant increase compared to the three years of the 2018 MTP.

The Company also announced a stock split. The ratio will be 1:2 with a base date of December 31 of this year.

Towards Realizing the 2030 Business Plan



The last slide, toward realizing the 2030 Business Plan, shows the results for FY2020, before implementation of 2021 MTP, with the sales and operating income for the three years of the 2021 MTP.

We were able to achieve a V-shaped recovery in sales after a major decline due to the pandemic, and we now expect to achieve record sales for the third year in a row.

However, for operating income, highlighted in red in the middle of the right-hand column, costs and expenses are expected to increase by more than JPY19 billion in total compared to FY2020, due to JPY14 billion increase of raw material and other costs, as well as an increase in intangible investment for strategic advertisement, R&D and DX of around JPY5 billion in the three-year period.

Under such circumstances, we expect to recover to the point where our profit forecast for this fiscal year reaching JPY18.7 billion, slightly short of the actual profit of JPY19.2 billion for FY2020, which amounts less than JPY0.5 billion shortage at this point.

However, although we are forecasting lower profits in H2 of the year, SRI data for October, which is the start of H2, shows that H1 momentum is continuing in frozen desserts, biscuits, and other segments.

The YoY ratio of October sales of frozen desserts was 108% for the market and 130% for the Company, while the overall market for biscuits was 103% and 118% for *Morinaga Biscuits*.

In H2 of this fiscal year, we will continue to vigorously pursue various initiatives to bring our results as close as possible to JPY19.2 billion, which is the level of FY2020.

In any event, despite the very difficult environment and headwinds of the past three years of the 2021 MTP, we have been able to significantly increase intangible investments with strong will to achieve future growth and the 2030 vision, and we feel that the Company is certainly getting stronger.

We plan to announce the new MTP, 2024 Medium-Term Business Plan in May next year. The discussions are almost at final stage and the figures are being compiled. As mentioned here, we would like to achieve record

operating income during the next mid-term period and aim for sustained improvement in corporate value toward achieving the 2030 Business Plan.

That is all. Thank you for listening.

Cautionary statement regarding 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.