

Fiscal Year Ended March 31, 2018

Results Briefing

May 23, 2018

MORINAGA & CO., LTD

About forward-looking statements

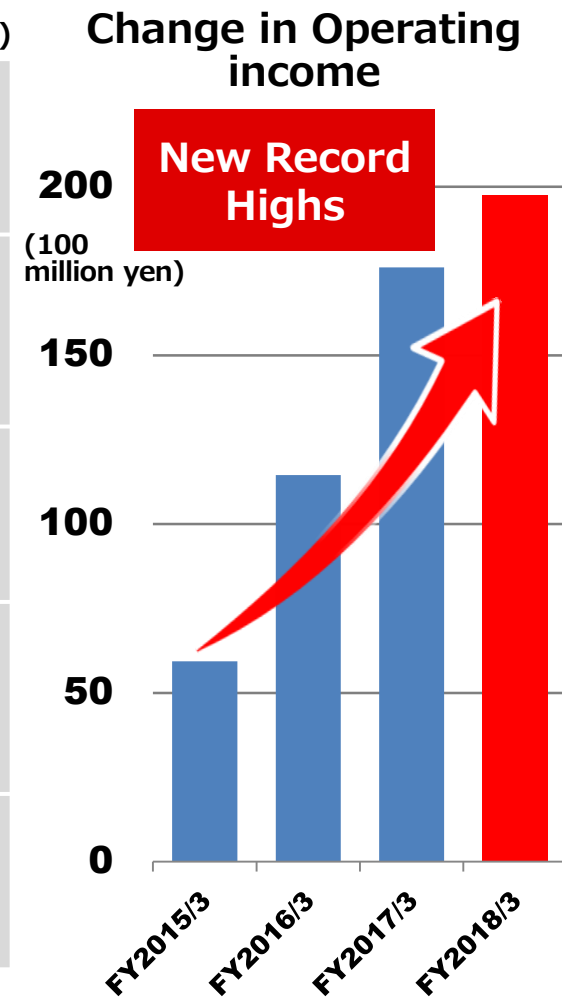
This material includes forward-looking statements, such as forecasts, plans, and targets for the Company and its consolidated subsidiaries. These statements are based on judgments and assumptions on the basis of information that the Company has obtained and may be different from actual results and developments in the future.

Fiscal Year Ended March 31, 2018 Financial Results (April 1, 2017 through March 31, 2018)

Consolidated Results (April 2017 through March 2018)

- Net sales: Growth in food manufacturing, a major business
- Income: New record highs for operating income and ordinary income

	Year Ended March 2018	Result in previous fiscal year	(Million yen) (Y/Y change)
Net sales	205,022	199,479	+5,543 (102.8%)
Operating income	19,751	17,612	+2,139 (112.1%)
Ordinary income	20,422	18,325	+2,097 (111.4%)
profit attributable to owners of parent	10,289	11,115	-826 (92.6%)



Consolidated Segment Information (April 2017 through March 2018)

(Million yen)

Segment (Component ratio)	Net sales (Y/Y change)	Segment income (Y/Y change)
Food Manufacturing (95.5%)	195,788 (103.3%)	19,276 (+1,966)
Food Merchandise (3.3%)	6,686 (97.5%)	534 (-2)
Real Estate and Services (1.0%)	2,036 (82.9%)	722 (+13)
Other Services (0.2%)	511 (92.5%)	68 (+8)

Food Manufacturing

■ Net sales

- Strong domestic performance for frozen desserts and health products
- Sustained strong performance of *in Jelly* series (Y/Y: 112%)

- Higher overseas income, excl. Indonesia
- USA (Y/Y: 109%)
- Indonesia (Y/Y: 65%)

■ Income

Positive factors

- Higher income from frozen desserts and health products
- Frozen Desserts (Y/Y: 105%)
- Health Products (Y/Y: 115%)

Real Estate and Services

- Lower income owing to sale of golf business subsidiary

Food Manufacturing Net Sales and Operating Income

(April 2017 through March 2018)

(Million yen)

	Net sales			Operating income		
	Year Ended March 2018	(Y/Y change)	(Y/Y change)	Year Ended March 2018	(Y/Y change)	(Y/Y change)
Consolidated Net sales	205,022	+5,543	102.8%	19,751	+2,139	+12.1%
Food Manufacturing	195,788	+6,178	103.3%	19,276	+1,966	+11.4%
Confectionery & Foodstuffs	123,309	-128	99.9%	8,136	+531	+7.0%
Frozen Desserts	37,067	+1,630	104.6%	4,250	+255	+6.4%
Health Products	35,411	+4,676	115.2%	6,889	+1,180	+20.7%

Sales by business sites	Year Ended March 2018	(Y/Y change)	(Y/Y change)
Domestic sales	182,419	+7,207	104.1%
Overseas sales	13,368	-1,030	92.8%
Overseas sales ratio	6.5%	-0.7P	

Sales Trend of Overseas Business

(Million yen)

Areas (converted into Yen)	Year Ended March 2016	Year Ended March 2017	Year Ended March 2018	(Y/Y change)
United States	2,737	4,016	4,378	+362 (109.0%)
Indonesia	4,539	5,616	3,652	-1,964 (65.0%)
China, Taiwan, Exports	4,147	4,765	5,337	+572 (112.0%)
Total	11,424	14,398	13,368	-1,030 (92.8%)
Overseas sales ratio	6.3%	7.2%	6.5%	-0.7P

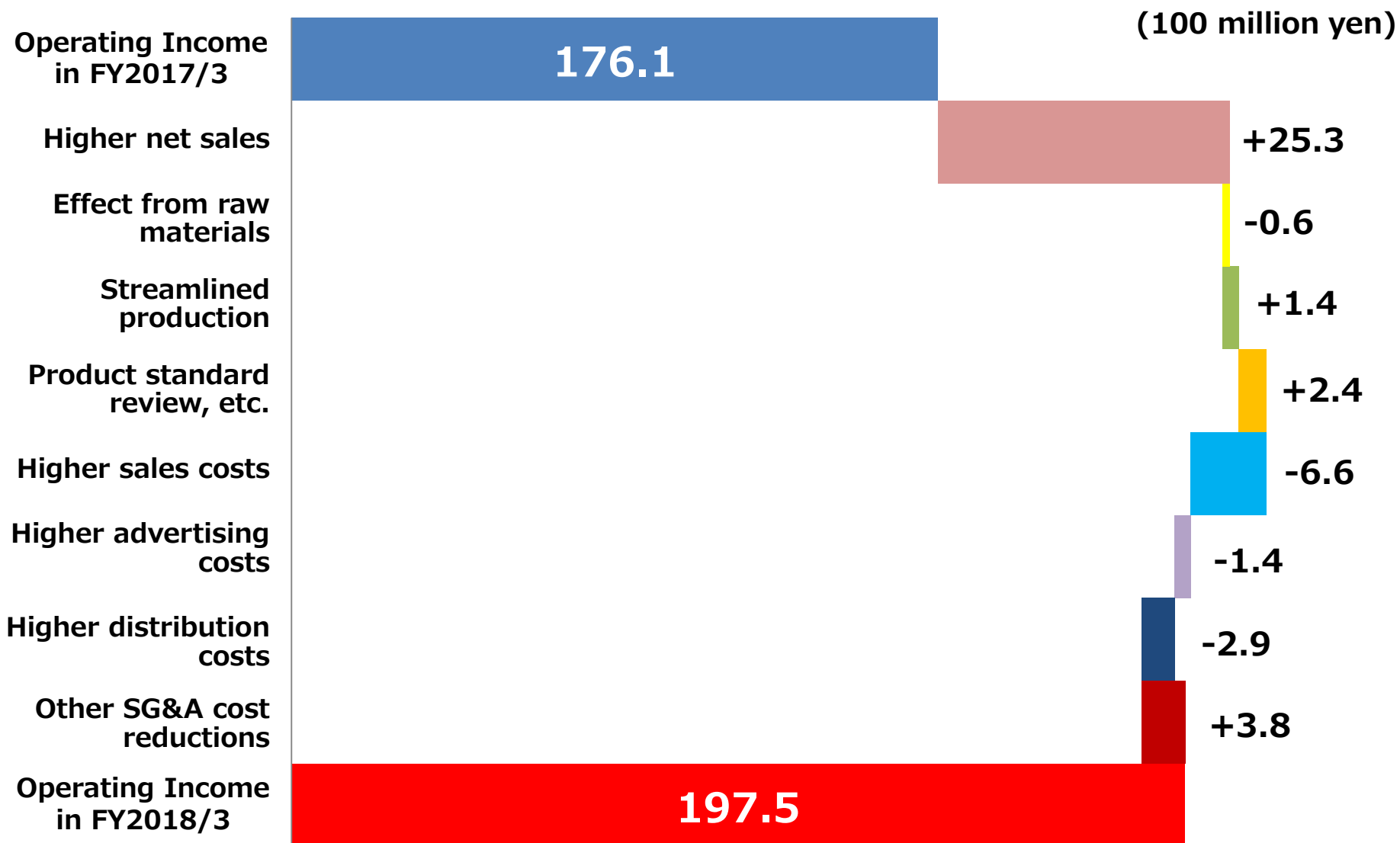
[Reference] Sales by Category

(April 2017 through March 2018)

(100 million yen)

Category	Consolidated Net sales			Market (Y/Y change) (%)	Morinaga's main brand (Domestic)	Sales (Y/Y change) (%)
	Current Year	Previous Year	(Y/Y change)			
Confectionary & Foodstuffs	1,233	1,234	-1 (100%)			
Caramel, candy	287	281	+6 (102%)	100	<i>Milk Caramel HI-CHEW</i>	98 100
Biscuits	226	228	-2 (99%)	98	<i>Morinaga Biscuits</i>	98
Chocolate	286	291	-5 (98%)	101	<i>Chocoball DARS</i>	123 103
Snack	157	148	+9 (106%)	101	<i>Ottotto</i>	102
Cocoa	59	63	-4 (94%)	91	<i>Milk Cocoa</i>	93
Other (includes powdered juice)	215	221	-6 (97%)			
Frozen Desserts	370	354	+16 (105%)	99	<i>Jumbo group</i>	106
Health products	354	307	+47 (115%)		<i>in Jelly</i>	112

Factors in Change in Consolidated Operating Income



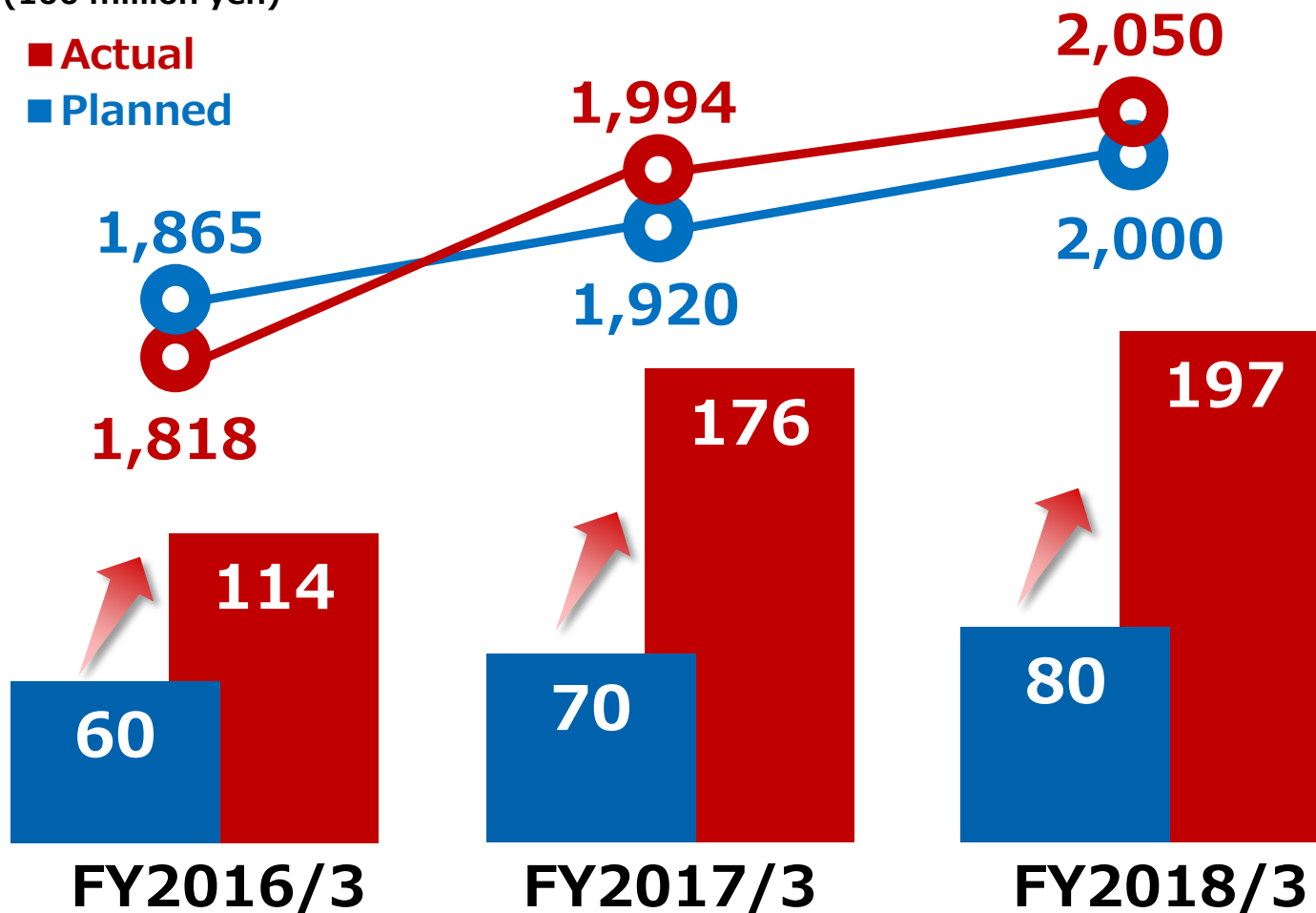
Review: 2015 Medium-term Business Plan

Achieved sales & operating income targets

(100 million yen)

■ Actual

■ Planned



FY2018/3 Results

Net sales
Operating
income margin
9.6%

ROE
11.0%

Overseas
sales ratio
6.5%

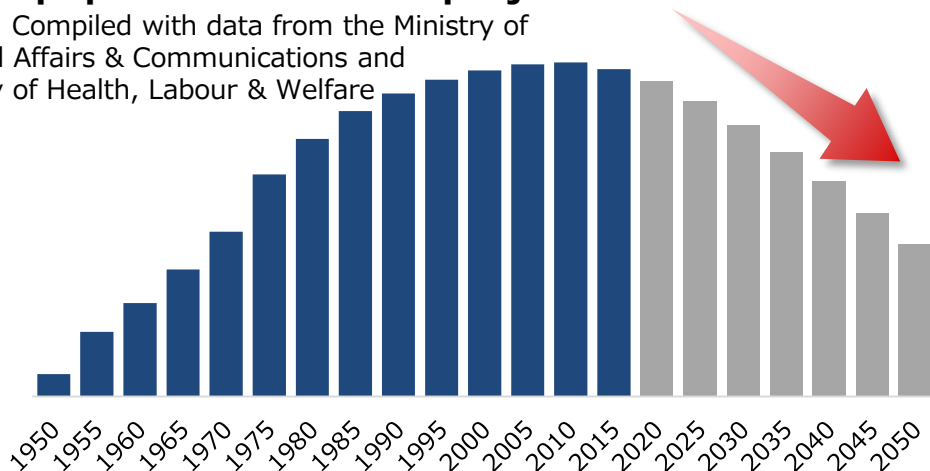
2018 Medium-term Business Plan

Changes to the External Environment

Fiercer competition as serious population decline begins

Japan population trends & projections

Source: Compiled with data from the Ministry of Internal Affairs & Communications and Ministry of Health, Labour & Welfare



- More single-person households
- More working women
- Smaller labor force

The Food Industry's Environment

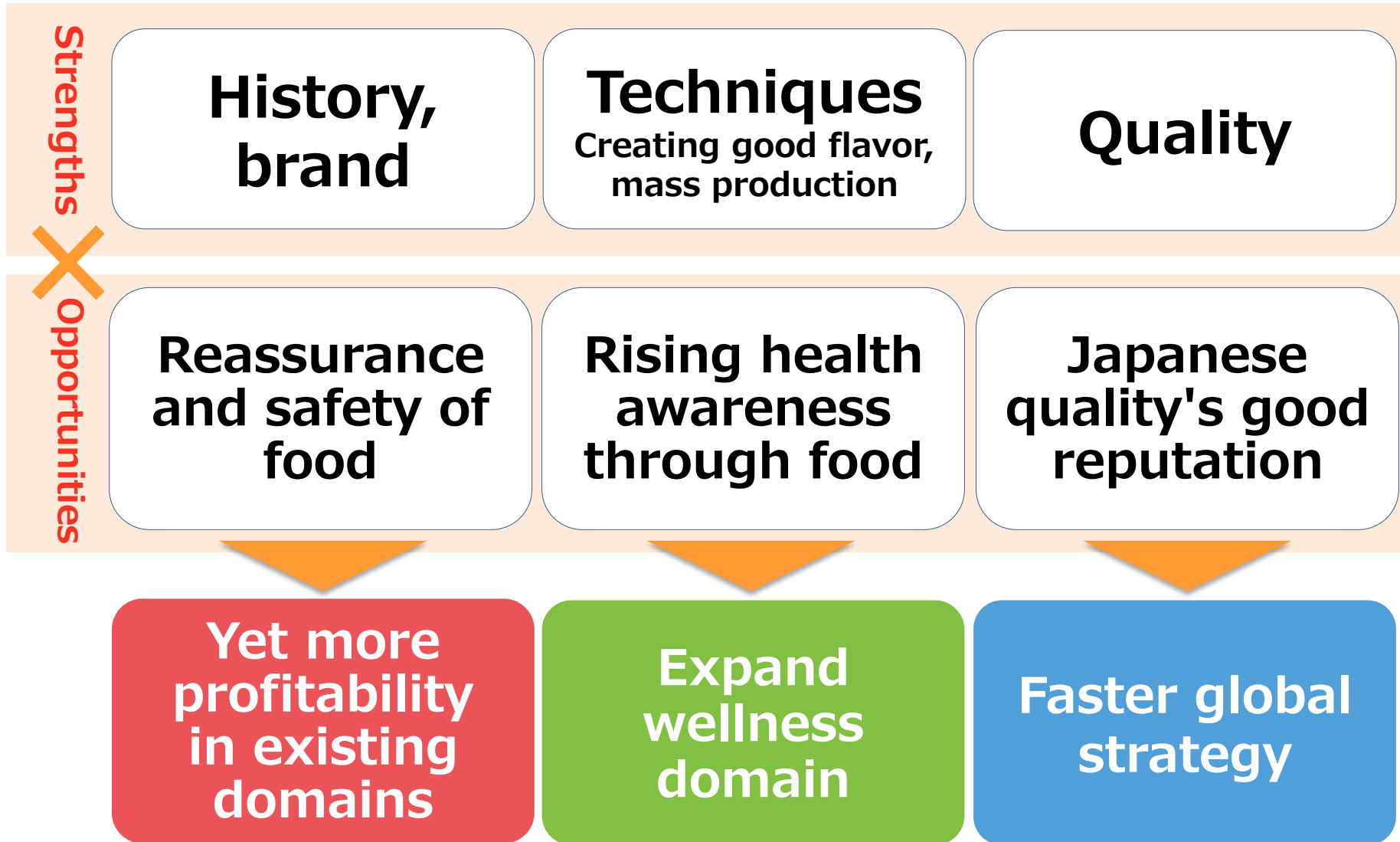


Soaring raw material prices

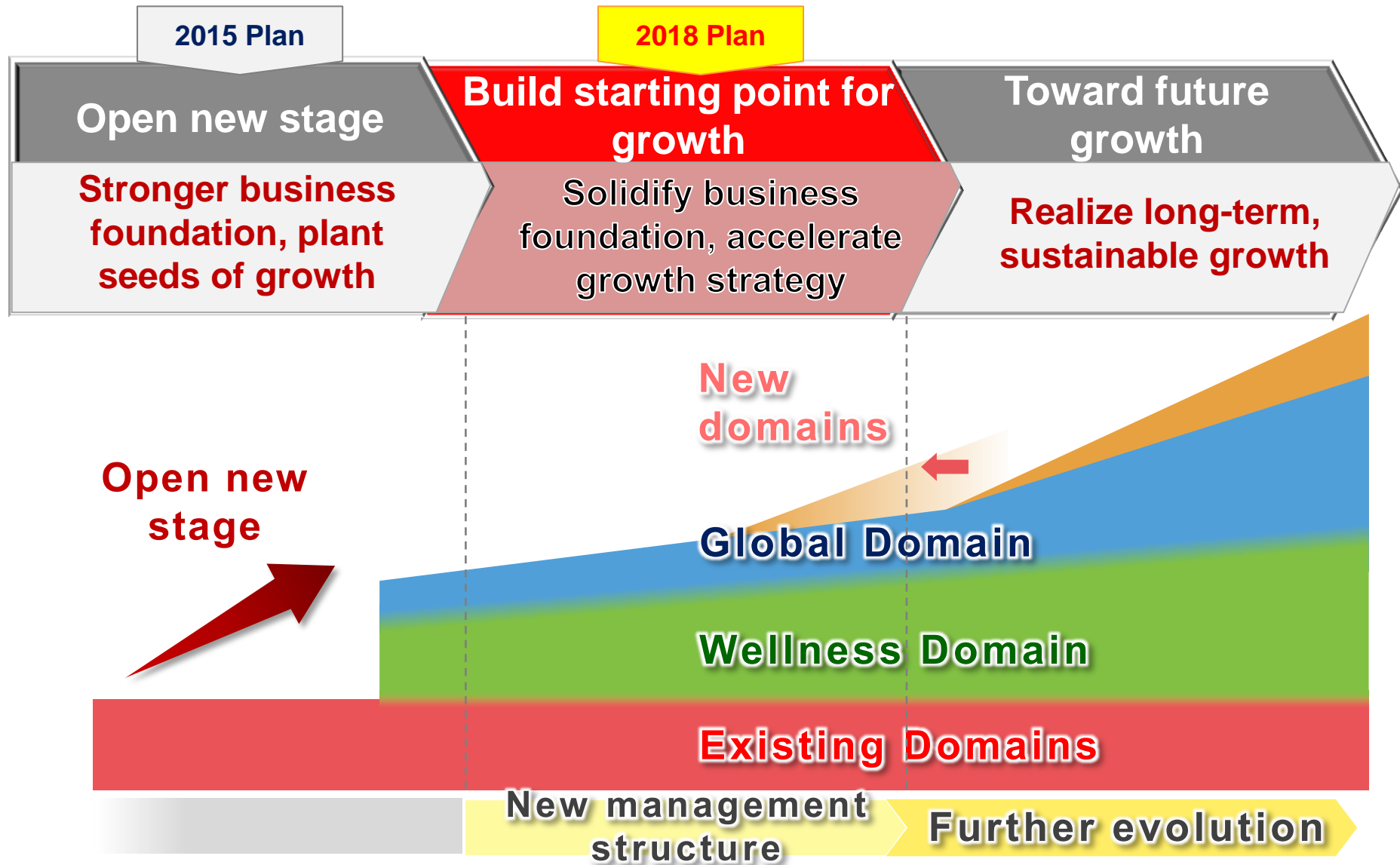
Higher labor & distribution costs

Greater health needs

To Achieve Stable Profit Growth



The 2018 Medium-term Business Plan's Place



Existing Domains

[Existing] Major Efforts (Confectionery & Foodstuffs/Frozen Desserts)

Streamline sales & gain profits by strengthening major brands



Steady growth in net sales

Channel strategy, diversified packaging

Yet more profitability

Manage number of items, review product standards, strong development of products with high added value

[Existing] Major Efforts (Confectionery & Foodstuffs/Frozen Desserts)

Start rebuilding a more efficient production system

< Issues to address >

▼ Achieve by rebuilding production system

Higher labor costs

Build lines operated by fewer workers

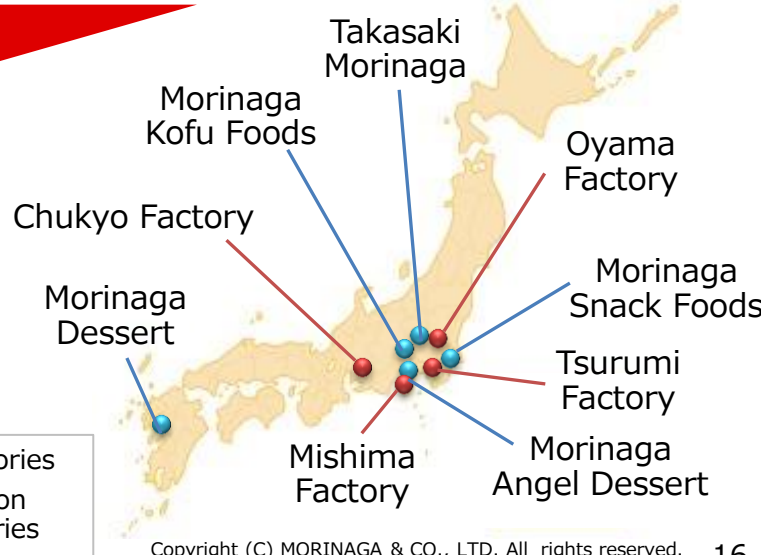
Aging equipment

Stronger production capacity

Diversifying client needs

Handle flexible production volume and items

By streamlining production of major confectionery brands, **lay a more stable revenue base**



Wellness Domain

[Wellness] Major Efforts (Basic Policy)

Address greater health needs combining our technology with materials

Expand wellness products



[Wellness] Major Efforts ("in" Brand)

Further strengthen "in" brand and make protein intake daily

Higher function

Need for enhanced functionality

Strengthen jelly drinks' position as "overwhelming No. 1"

Breakfast

in Sleeping in late in the morning

Promote function more

in Beauty

Sports

in Muscle training

Colds

in Poor health

Expand the eating scene

New

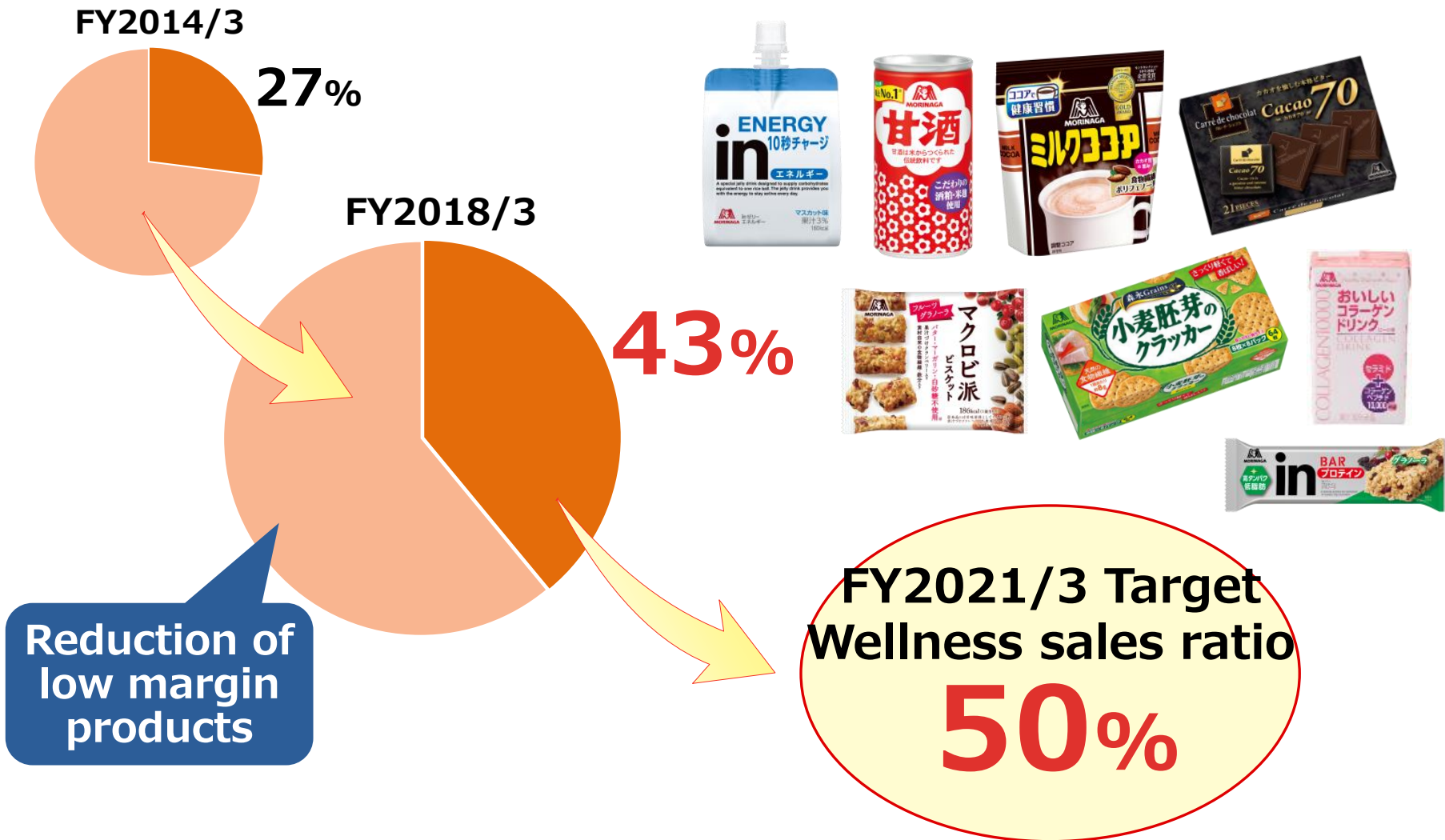
+

Make protein intake daily

New

→ More users

[Wellness] Major Efforts (Visualization of Changing Product Lineup Composition)



Coverage: Domestic confectionery, foodstuffs and health products (excluding frozen desserts)

Global Domain

[Global] Major Efforts (Basic Policy)

Faster growth in US market, brand education in China & Asia markets

US Market

- Expand business and boost profitability in the US, the most important market
- Open new markets beyond the US

China & Asia Markets

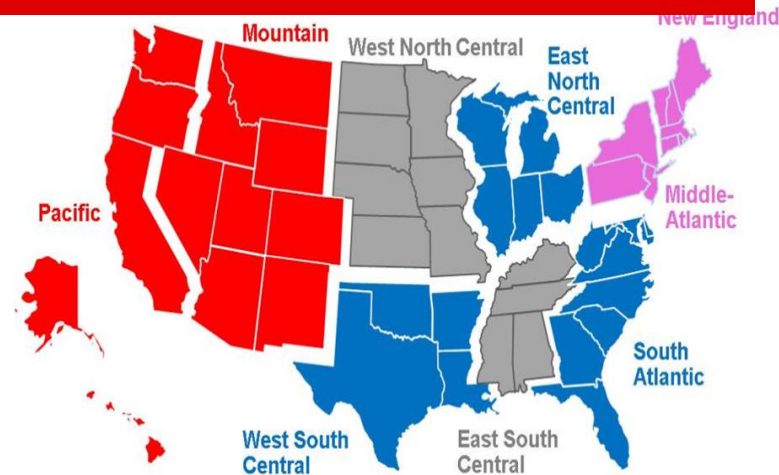
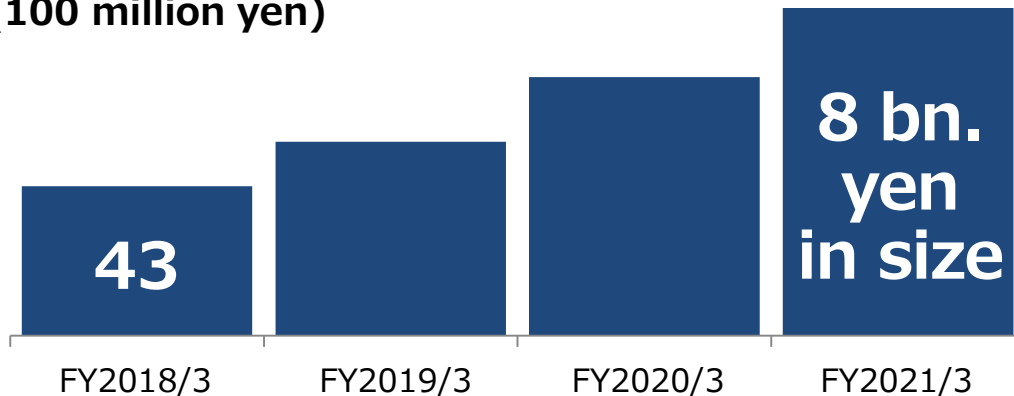
- In Indonesia, push business structure shift from powdered drinks to candy
- Roll out and develop outstanding brands amid affinity for Japanese brands



[Global] Major Efforts (US Market)

Expand business and boost profitability in the US, the most important market

(100 million yen)



Until Now

Tests to determine which promotions are effective

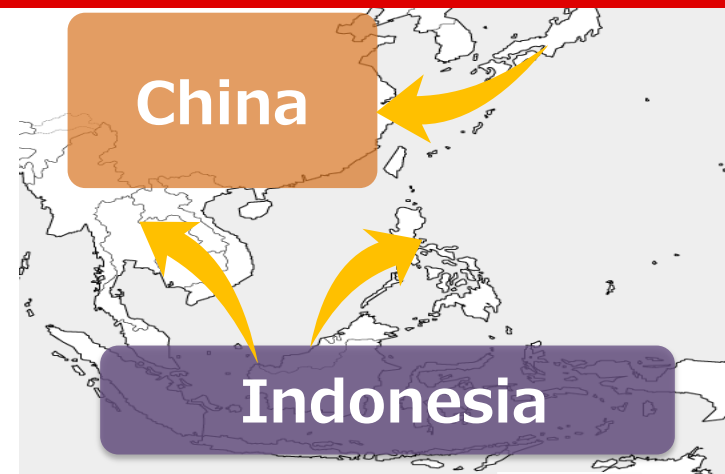
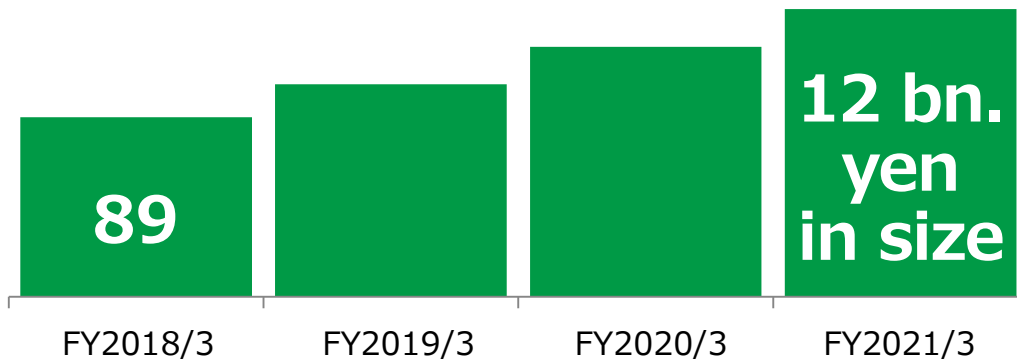
Next

Move to stage where we maximize ad spending effectiveness based on validation results

[Global] Major Efforts (China & Asia Markets)

Spread brands and expand sales channels in China and Asia

(100 million yen)



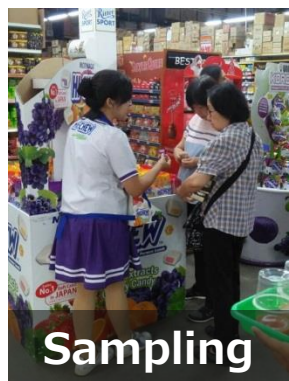
Indonesia

Stronger promotions to further spread **HI-CHEW** brands

MT market

(Halal certified)

GT market



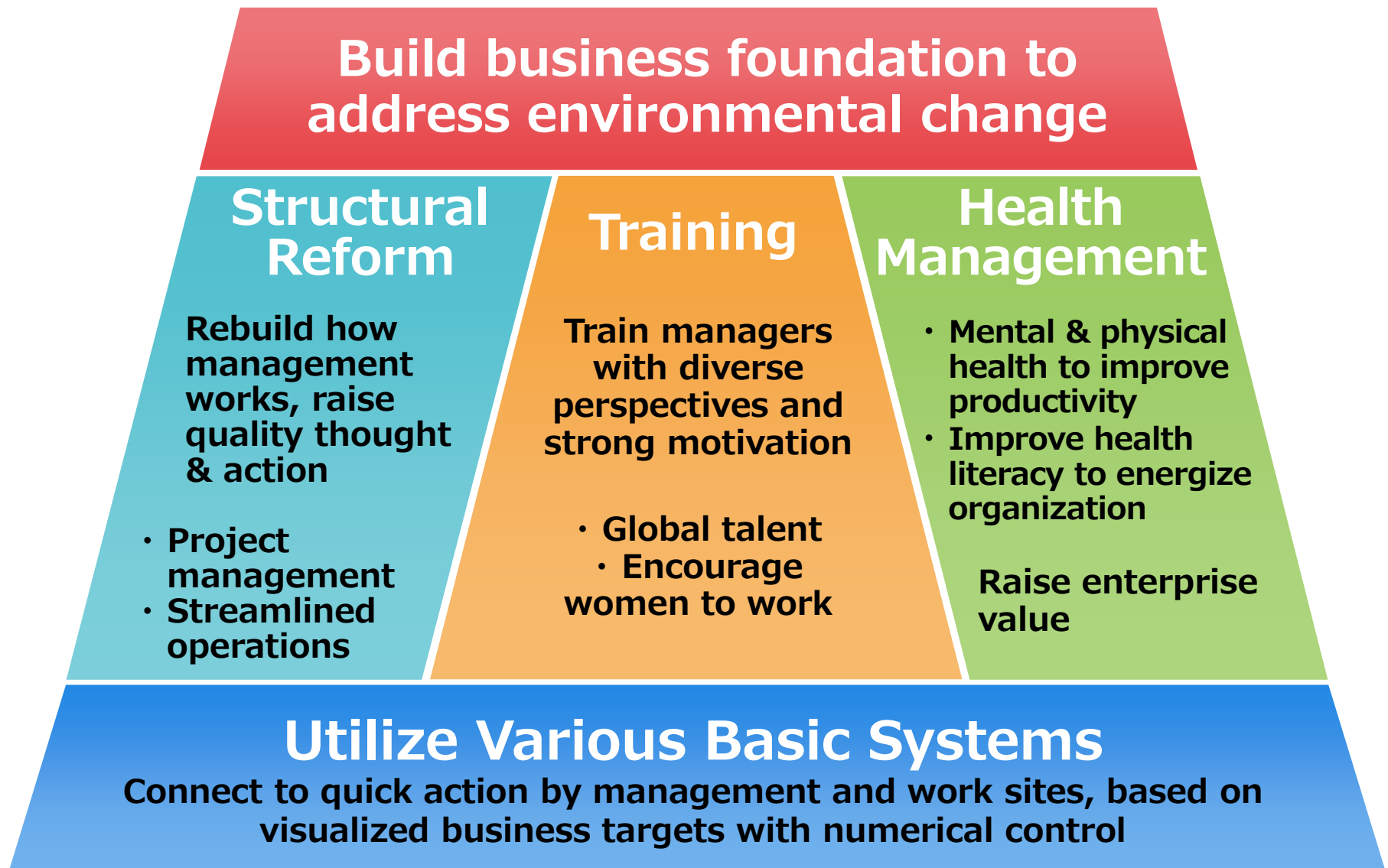
China

Further spread **HI-CHEW** brands and expand rollout of Japanese brands

Stronger EC sales

New Management Structure

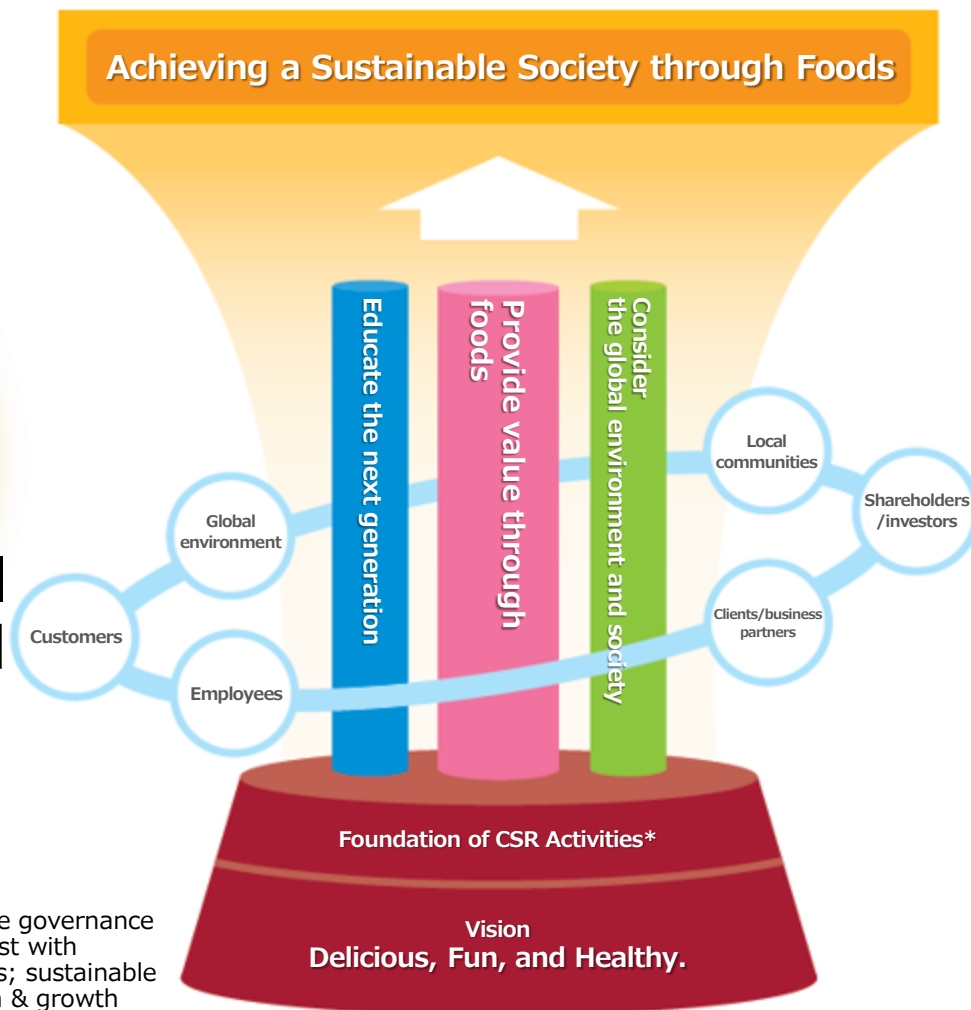
New Management Structure



CSR

Revise "CSR Basic Policy," Release More Information

Based on the Morinaga Group vision of "Delicious, Fun, and Healthy," we further CSR activities in partnership and collaboration with stakeholders, with the goal of solving social issues and achieving a sustainable society through foods.

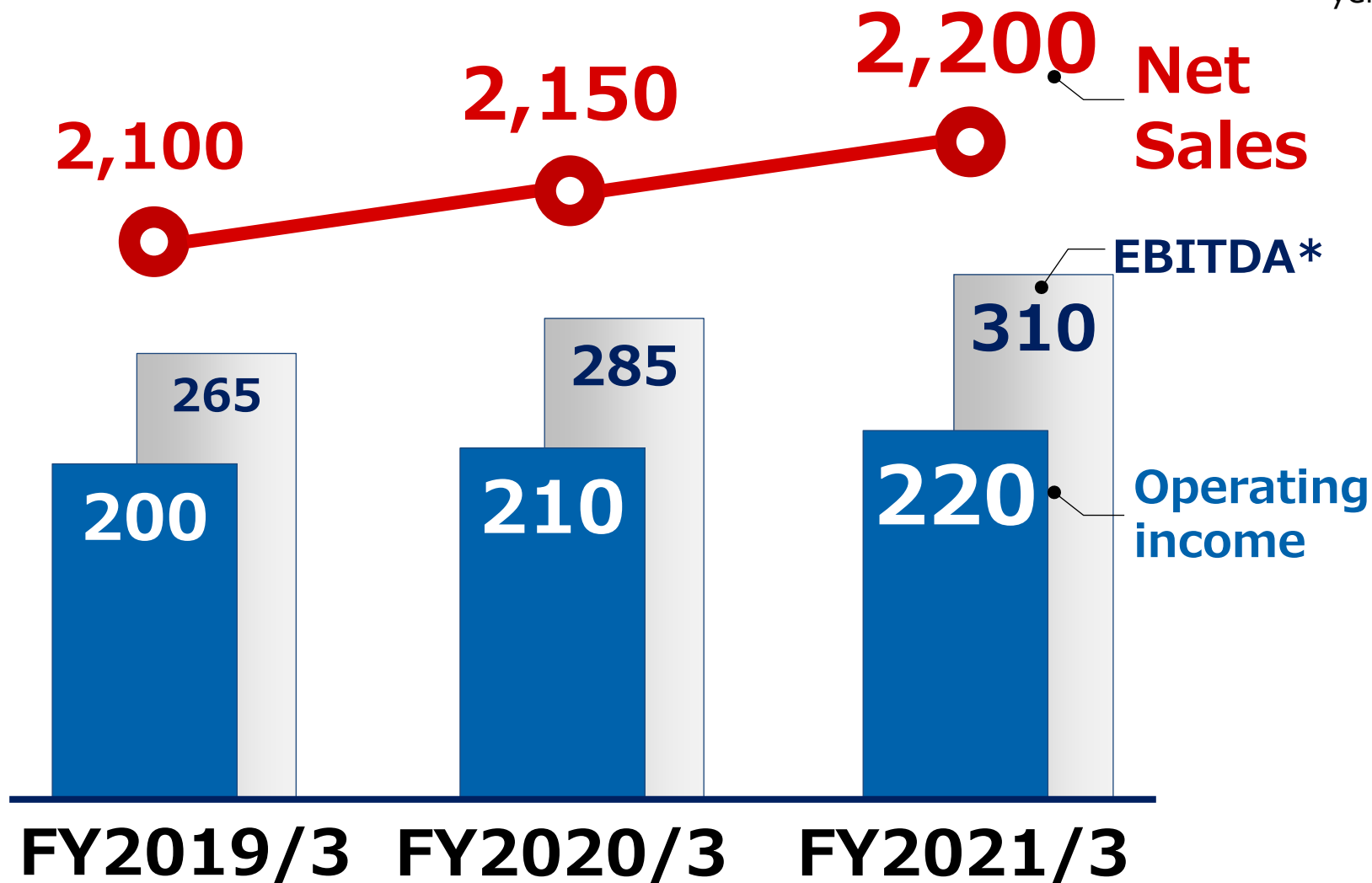


* Foundation of CSR activities: corporate governance & compliance; building sustainable trust with stakeholders; respect for human rights; sustainable supply chain management; motivation & growth

Business Targets

Business Targets

(100 million yen)



Key Business Indicators

		FY2018/3 Results	FY2021/3 Targets
Profitability	Operating income to net sales ratio	9.6%	10%
Growth	Wellness sales ratio <small>* Wellness products / (Domestic) Sales of confectionery/foodstuffs and health products</small>	42.5%	50%
	Overseas sales ratio	6.5%	10%
Efficiency	ROE	11.0%	10% or higher
Soundness	Shareholders' equity ratio	54.4%	50% or higher
Shareholder Return	Payout ratio <small>* Decided at June 28, 2018 general meeting of shareholders</small>	25.3%	30%

Cash Flow Utilization

We offer suitable return to shareholders by prioritizing investments in **improved productivity, stronger product development capabilities and accelerated growth**, premised on **building a solid financial foundation**.



Results Forecast

(April 2018 through March 2019)

Consolidated Results Forecast (April 2018 through March 2019)

- Net sales: Expanded size of wellness and global domains
- Income: Addressed higher labor, distribution and other costs attributable to external factors with higher net sales, product standards review, etc.

(Million yen)

	Year ending March 2019	Result in previous fiscal year	(Y/Y change)
Net sales	210,000	205,022	+4,978 (102.4%)
Operating income	20,000	19,751	+249 (101.3%)
Ordinary income	20,500	20,422	+78 (100.4%)
profit attributable to owners of parent	13,800	10,289	+3,511 (134.1%)

Operating
income
margin

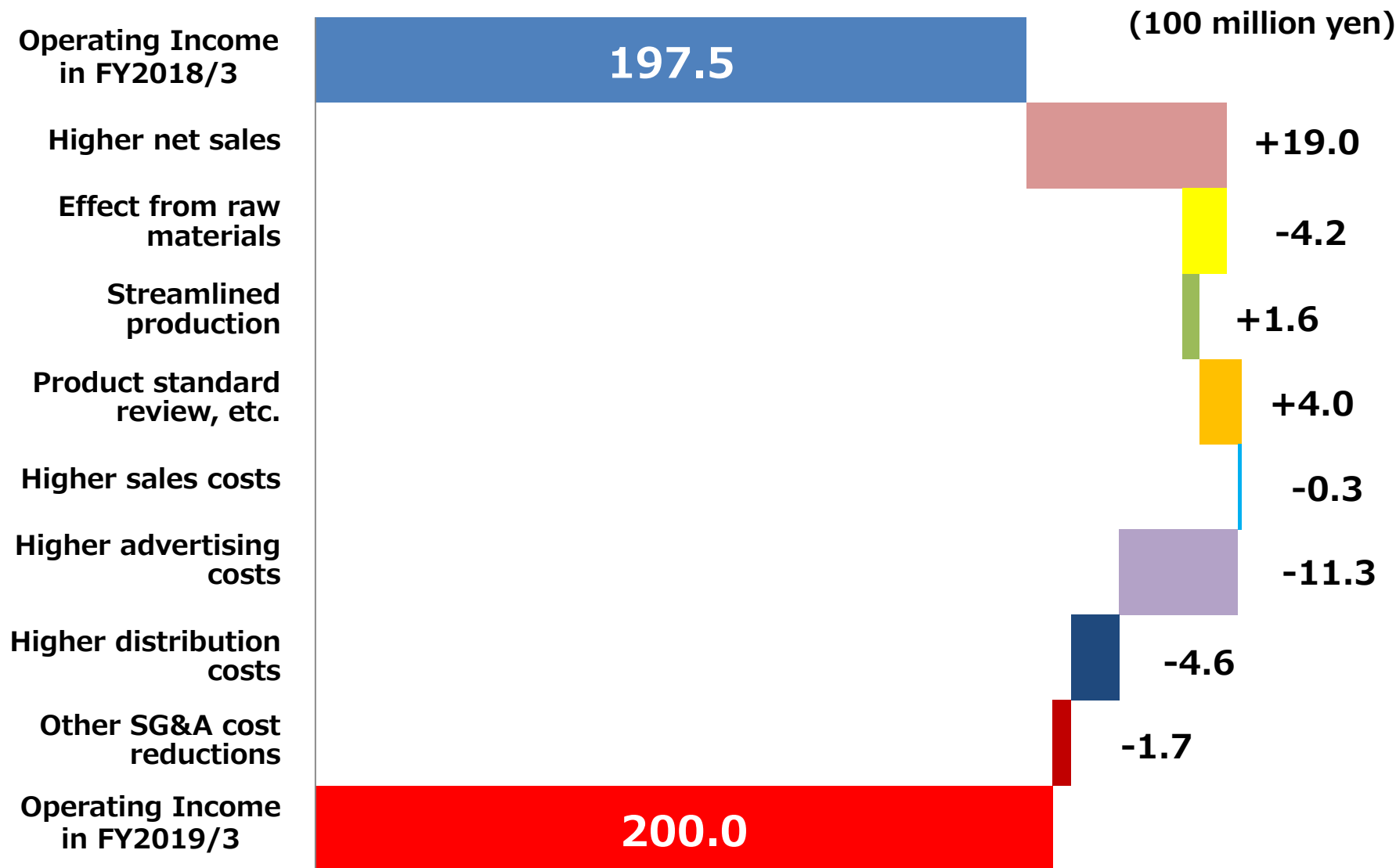
9.5%

Overseas
sales ratio

7.3%

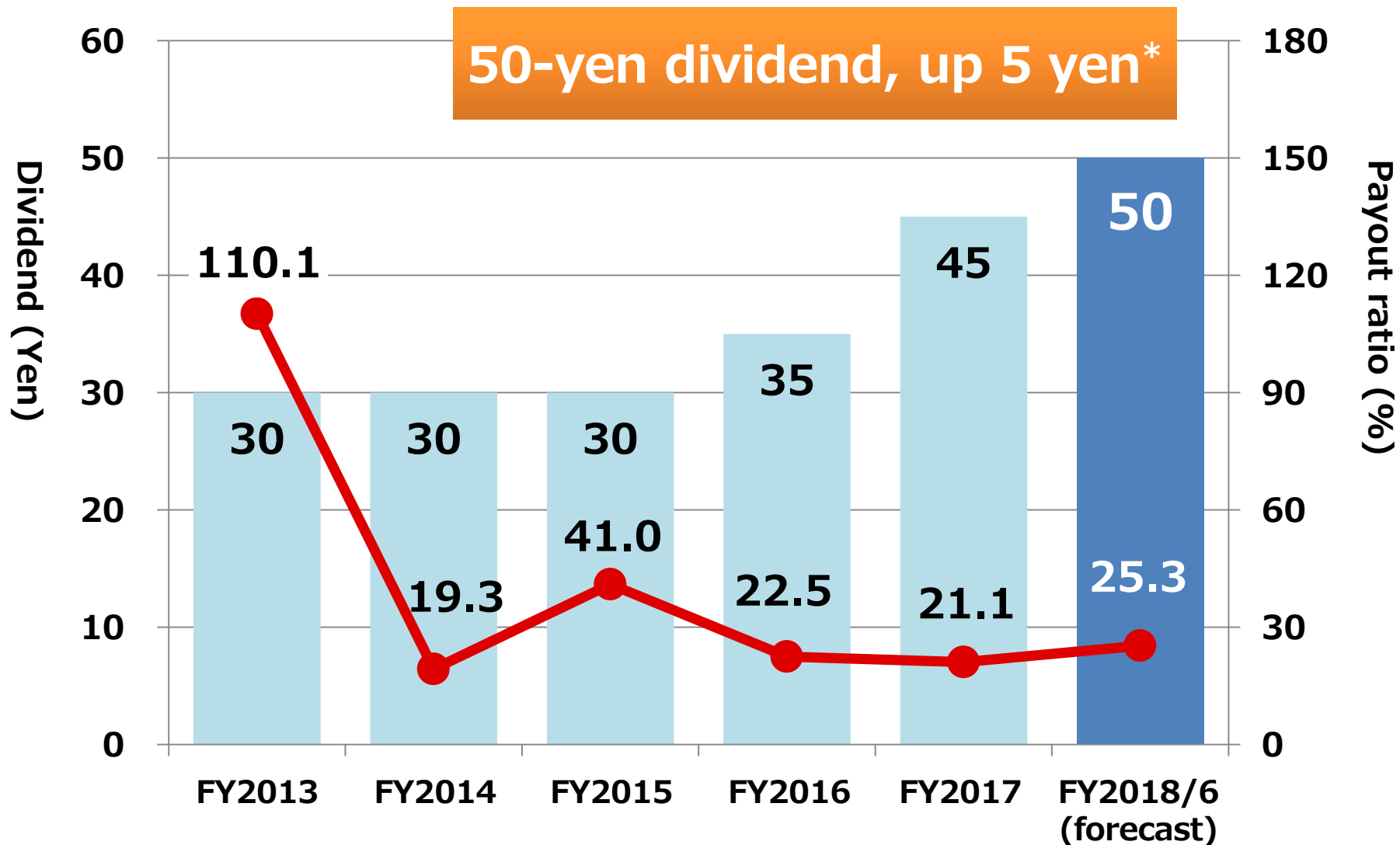
Factors in Change in Consolidated Operating Income

(April 2018 through March 2019)



Return to Shareholders

Return to Shareholders



* The resolution of the shareholders meeting scheduled to be held on June 28, 2018.