

**Third Quarter,
Fiscal Year Ending March 31, 2023**

Results Briefing

**February 10, 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.

Today's Main Points

- **Higher net sales and lower profit in third quarter and 1Q–3Q**
 - 1Q-3Q net sales up 106.6% year on year, solid performance in Japan and overseas.
 - Mounting impact of cost increases on CoGS became more apparent, but 1Q-3Q gross profit was flat year on year at 99.7%, thanks to higher net sales and price revision effects. Operating income declined to 79.6% year on year, but surpassed previous forecast*¹.
- **Trends after price revisions mostly as expected; solid progress with measures to absorb cost increases**
 - For brands that had price revisions in 1H, although there was some variation depending on market positioning, the impact on sales volume was as expected.
 - Percentage of cost increases covered by higher net sales and price revisions improved from 55% in 1Q to 77% in 3Q.
- **Record-high*² net sales forecasted for second consecutive year; upward revision of full-year profit forecasts**
 - Focus domains “in-” Business and United States Business continued to drive net sales. Net sales of Confectionery & Foodstuffs Business turned positive in Q3.
 - Previous profit forecasts revised upward on progressive price revision effects (+¥500 million in operating income).
- **Share buyback and cancellation of treasury shares based on financial strategy**
 - A share buyback of ¥10 billion was completed in October 2022. Canceled 5.4 million treasury shares*³ in November 2022.
 - Resolved today (February 10, 2023) to proceed with another share buyback and cancellation of treasury shares*⁴.

*1 Forecast announced on November 10, 2022. The same shall apply hereinafter.

*2 Revenue recognition standard is applied retroactively (prior to FY2020/3, based on company's estimate). The same shall apply hereinafter.

*3 Ratio to total number of shares issued and outstanding before retirement is 9.96%.

*4 For details, please refer to the “Notice Regarding Decision on Matters Concerning Repurchase of Treasury Shares and Cancellation of Treasury Shares” disclosed on February 10, 2023.

Fiscal Year Ending March 31, 2023
Third Quarter
Financial Results
(April 1 through December 31, 2022)

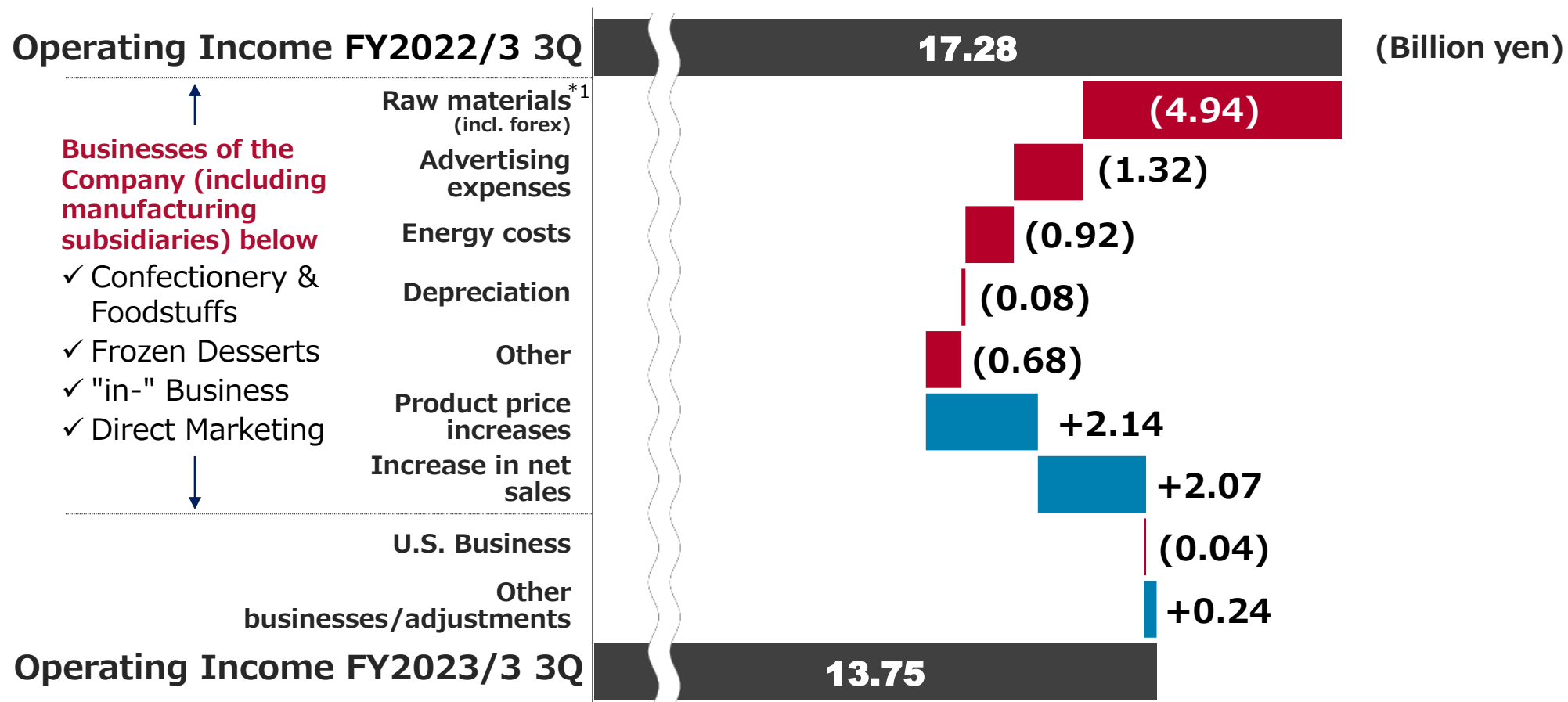
Consolidated Results for 3Q FY2023/3

In addition to continued growth in focus domains, 3Q Confectionery & Foodstuffs Business sales turned positive. Gross profit was unchanged year on year despite higher costs of raw materials, etc. Operating income was down due to strategic investments in advertising and increased distribution costs on sales volume growth.

(Billion yen)	3Q FY2023/3	Y/Y change	
Net sales	147.8	+9.2	106.6%
Gross profit 〔gross profit margin〕	59.4 〔40.2%〕	(0.1) 〔(2.8ppt)〕	99.7%
Operating income 〔operating income margin〕	13.7 〔9.3%〕	(3.5) 〔(3.2ppt)〕	79.6%
Ordinary income	13.9	(3.9)	78.4%
Profit attributable to owners of parent	8.8	(3.7)	70.8%
EBITDA ^{*1}	21.2	(3.3)	86.6%

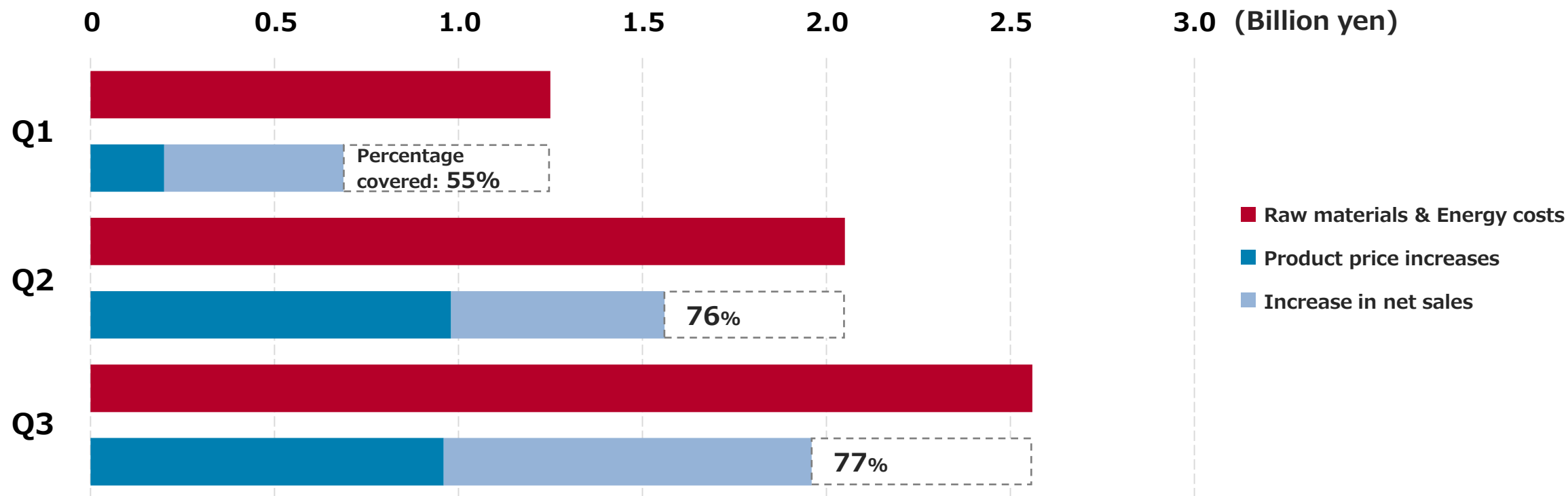
3Q FY2023/3 Results: Factors in Change in Consolidated Operating Income

Impact of soaring raw material prices (including forex) and energy costs increased in 3Q, but steady progress in countermeasures through higher net sales and price revisions.



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

Impact of soaring costs increasing as the fiscal year progresses, but the coverage ratio is rising as the effects of measures to absorb cost increases improved.

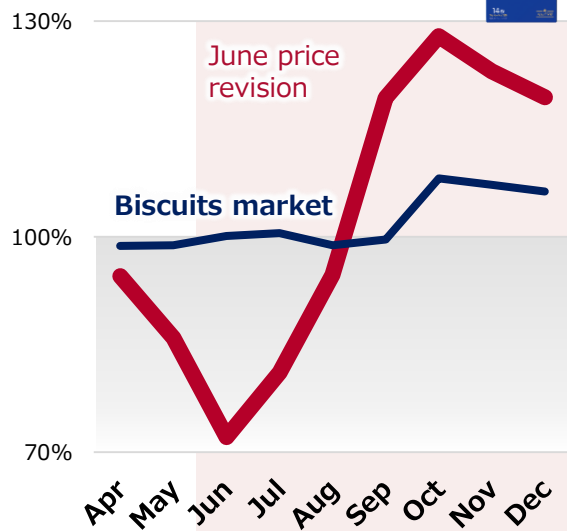


*Total for Confectionery & Foodstuffs, Frozen Desserts, “in-” Business, and Direct Marketing businesses of Morinaga & Co. (parent and manufacturing subsidiaries). Impact (effect) calculated on a year on year basis.

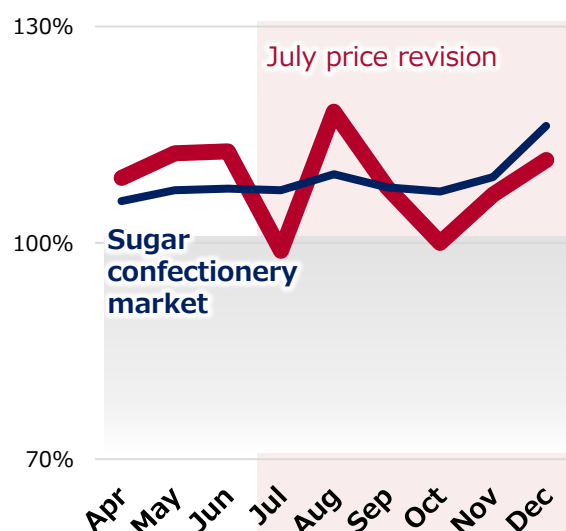
3Q FY2023/3 Market Conditions 1: Confectionery

Y/Y Change in Sales Value

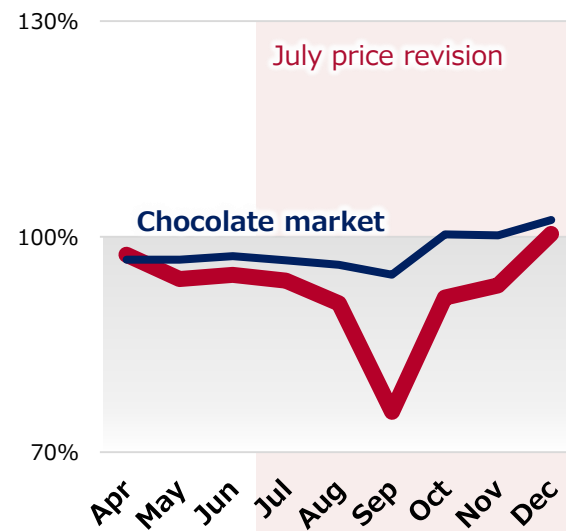
Morinaga Biscuits



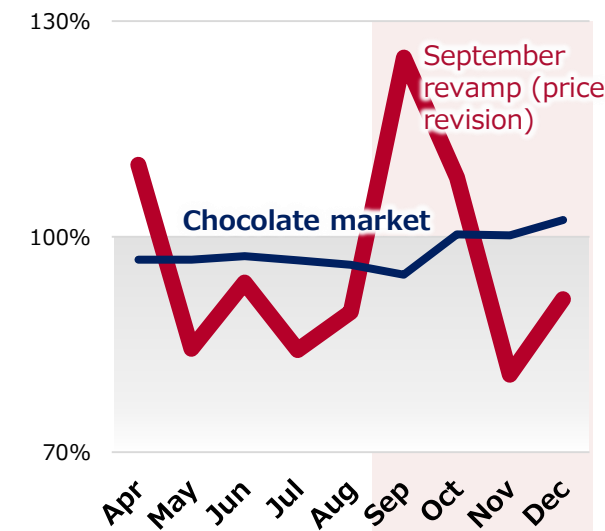
HI-CHEW



Carré de chocolat



DARS



Market

- Brisk sales due to sustained demand growth during COVID-19 pandemic

- Market is up year on year and recovering from impacts of COVID-19

- The pure chocolate market continued to struggle, while overall the chocolate market was flat year on year in 3Q

Morinaga

- Sustained brisk sales after supply-demand constraints in 1H were resolved
- Sales strongly outperformed market in 3Q due to successful promotions (mainly of *Moonlight*) and new products

- Sustained brisk sales in all product types (stick, pouch, packet), leveraging strength of diverse product textures
- New products and wintertime limited-edition versions of core products sold well in 3Q

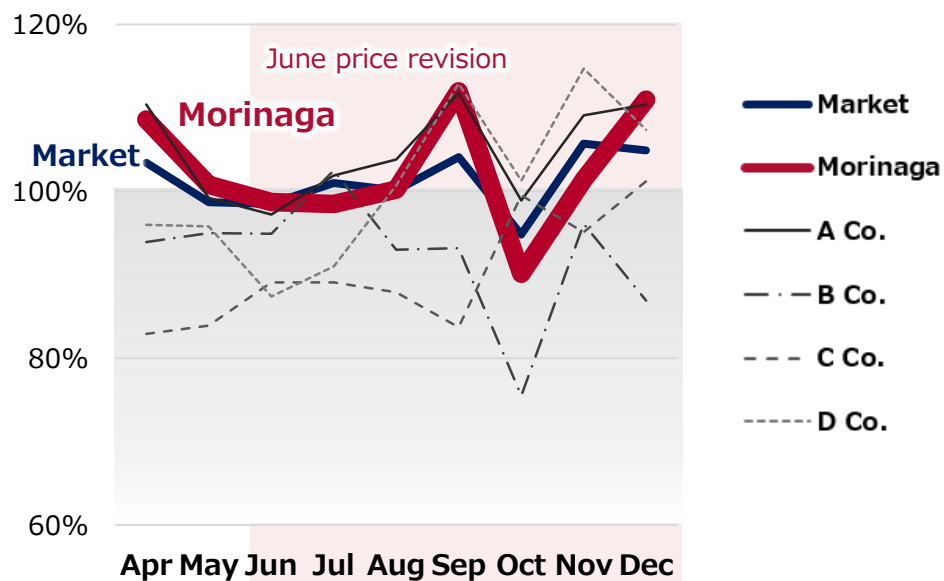
- September was affected by high hurdles due to new products launched last year
- Strengthened value appeal as a top brand of high-quality chocolate in 3Q to compensate for price gap versus competitors after price revision

- Price revised in September in line with product quality improvements
- Held "DARS Day" promotions in 3Q; brisk sales of core products, but sales of premium products were weak

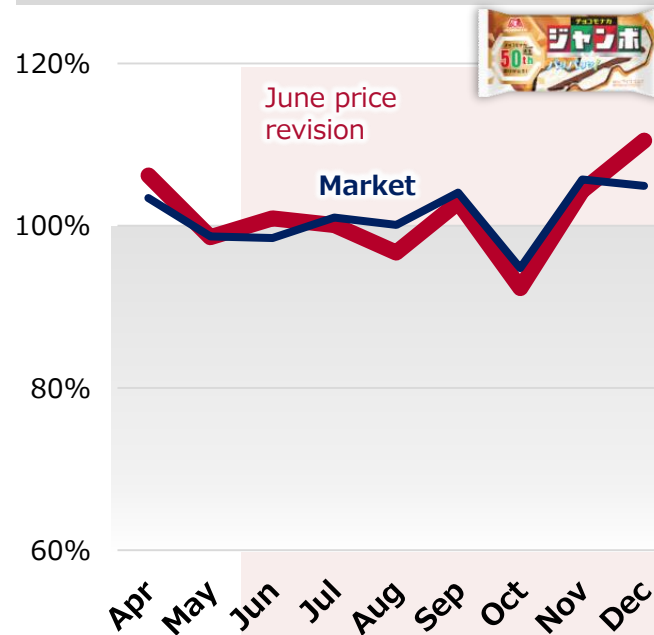
3Q FY2023/3 Market Conditions 2: Frozen Desserts

Y/Y Change in Sales Value

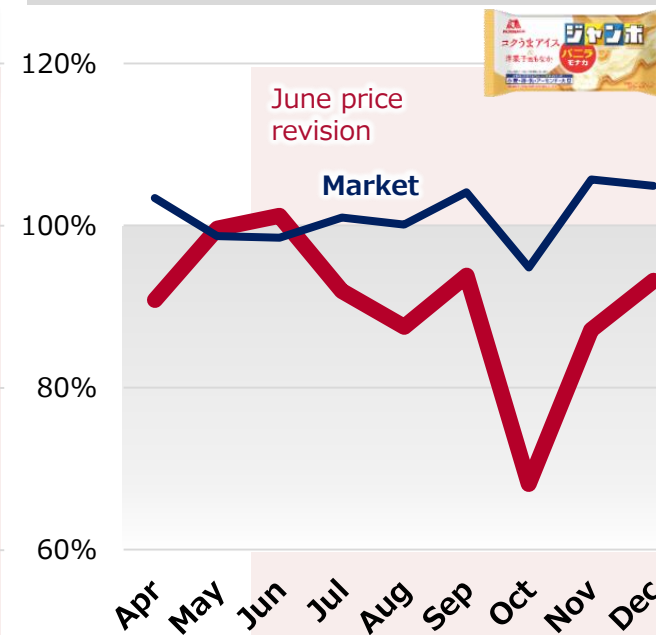
Frozen desserts market



Choco Monaka Jumbo



Vanilla Monaka Jumbo



Market

- Frozen desserts market was impacted by unseasonable weather in October, but sales remained solid in 3Q

Morinaga

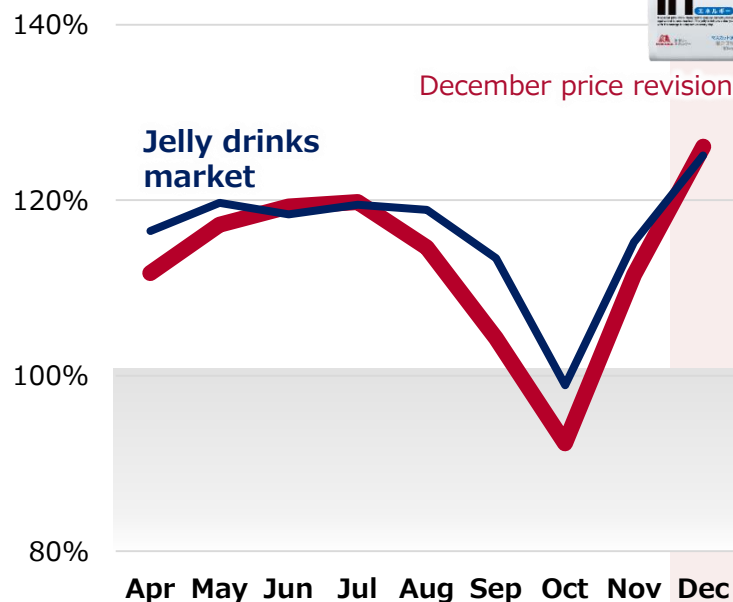
- Despite price revisions implemented before the mid-summer season, 1Q-3Q sales outperformed the market
- Strong sales in December, due in part to companies revising prices in the fall

- Strong sales of Choco Monaka Jumbo** due to 50th anniversary promotions, **even after the upward price revision**. Impacted by unseasonable weather in October, **but sales up year on year in 1Q-3Q** on brisk sales of limited-edition products in November onward
- Vanilla Monaka Jumbo** is slightly lagging behind the market, partly because of the price revision, but aiming for recovery driven by wintertime limited-edition products

3Q FY2023/3 Market Conditions 3: Jelly Drinks, Direct Marketing, United States

Y/Y Change in Sales Value

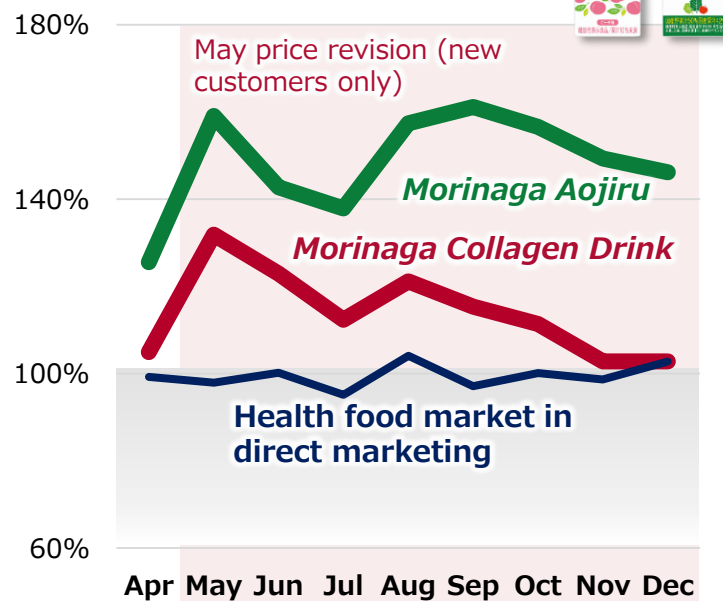
*in Jelly**1



- | | |
|----------|--|
| Market | <ul style="list-style-type: none"> The jelly drinks market is brisk, well above of year-earlier levels |
| Morinaga | <ul style="list-style-type: none"> 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 |

Y/Y Change in Net Sales

Direct marketing*2



- | | |
|----------|---|
| Market | <ul style="list-style-type: none"> The health food market in direct marketing was flat year on year |
| Morinaga | <ul style="list-style-type: none"> 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 |

Y/Y Change in Sales Value

HI-CHEW in U.S.*3



- | | |
|----------|---|
| Market | <ul style="list-style-type: none"> Non-chocolate candy market remains firm |
| Morinaga | <ul style="list-style-type: none"> Even after the price revision, the market trend held firm and sales continued to outpace the market |

3Q FY2023/3 Results: Summary by Business

In Japan, the "in-" Business continued to drive an increase in net sales. Operating income for Confectionery & Foodstuffs and Frozen Desserts fell due to effects of significantly higher costs. Overseas net sales and operating income increased, with the United States Business driving net sales growth.

(Billion yen)	Net sales			Operating income		
	3Q FY2023/3	Y/Y change		3Q FY2023/3	Y/Y change	
Confectionery & Foodstuffs*1	54.1	+0.7	101.3%	0.9	(2.2)	30.7%
Frozen Desserts	32.8	(0.6)	98.0%	3.4	(1.9)	64.6%
"in-" Business*1	25.1	+2.7	112.0%	6.4	+0.3	104.4%
Direct Marketing	7.7	+1.0	115.3%	0.4	+0.0	119.9%
Operating Subsidiaries	11.0	+1.2	112.2%	0.6	+0.1	133.5%
Other	0.8	(0.1)	98.9%	0.1	+0.0	112.5%
Domestic Total	131.7	+4.9	103.9%	12.1	(3.5)	77.4%
United States*2	10.8	+3.3	144.0%	1.2	(0.1)	96.5%
China, Taiwan, Exports, etc.	5.2	+1.0	122.3%	0.5	+0.2	141.7%
Overseas Total	16.1	+4.3	136.2%	1.7	+0.1	106.2%
Consolidated Total	147.8	+9.2	106.6%	13.7	(3.5)	79.6%

Fiscal Year Ending March 31, 2023

Results Forecast

***Forecast has been revised**

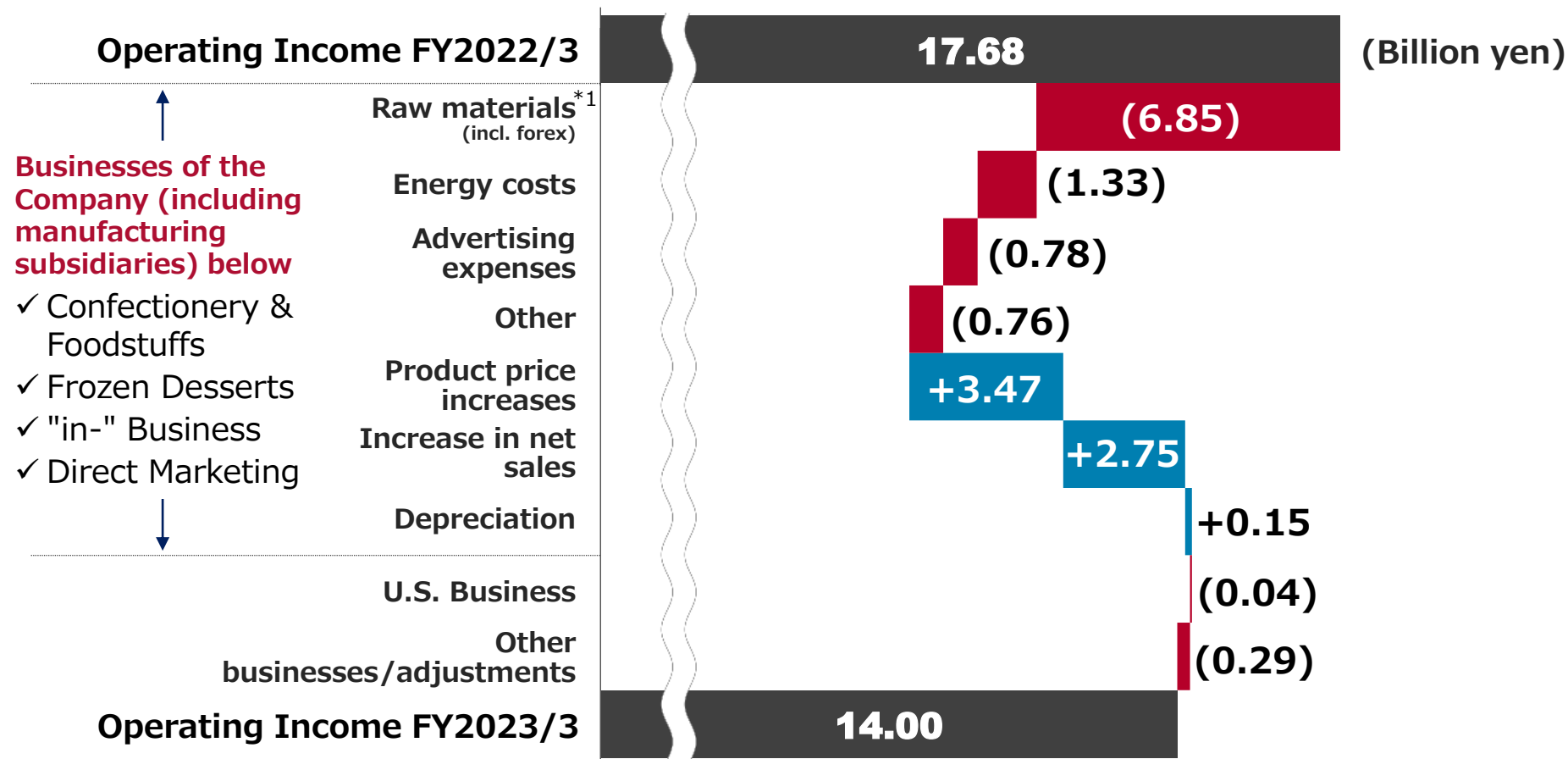
Consolidated Results Forecast for FY2023/3

Record-high net sales forecasted for the second consecutive year. Operating income forecast revised upward.

(Billion yen)	FY2023/3 forecast*2	Y/Y change		vs. previous forecast	
Net sales	193.5	+12.3	106.8%	(0.8)	99.6%
Gross profit 〔gross profit margin〕	76.0 〔39.3%〕	+0.2 〔(2.5ppt)〕	100.3%	+0.1	100.1%
Operating income 〔operating income margin〕	14.0 〔7.2%〕	(3.6) 〔(2.6ppt)〕	79.2%	+0.5	103.7%
Ordinary income	14.6	(3.6)	80.0%	+0.6	103.9%
Profit attributable to owners of parent	8.9	(18.8)	32.0%	+0.4	104.7%
EBITDA*1	24.2	(3.5)	87.6%	+0.3	101.4%

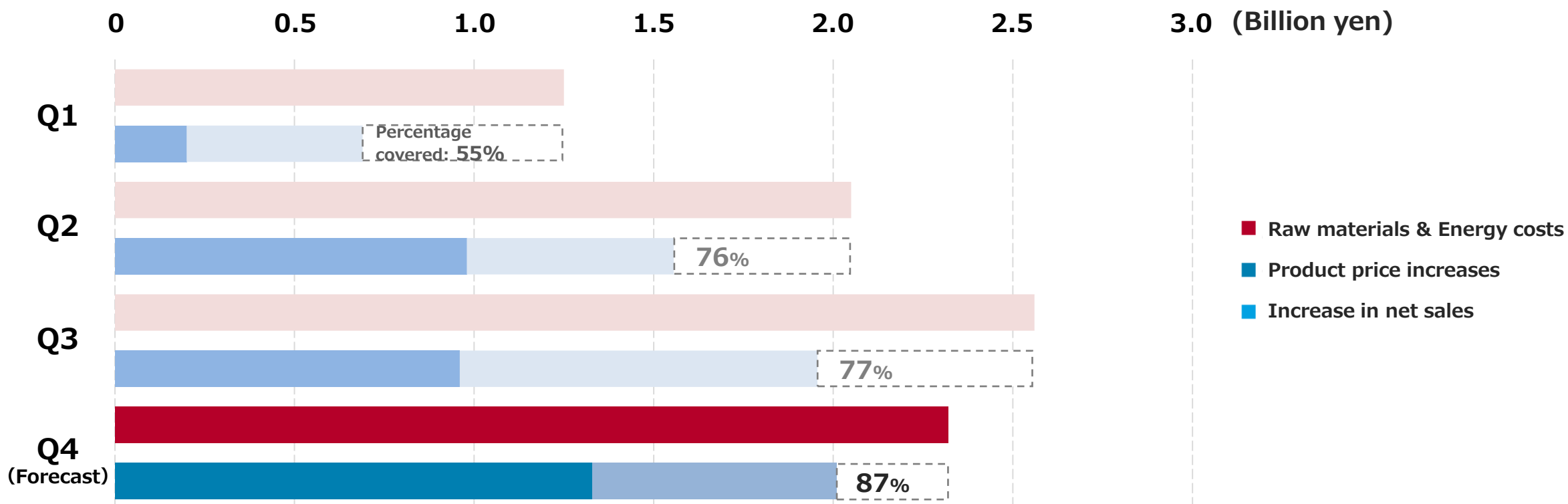
FY2023/3 Results Forecast: Factors in Change in Consolidated Operating Income

Raw material prices (including forex impacts) and energy costs were slightly lower than our November 2022 assumptions. We revised our consolidated operating income forecast upward by ¥500 million, including the additional effects of price revisions, etc.



Percentage of cost increases covered by higher net sales and price revisions (4Q forecast)

Percentage of cost increases covered expected to further increase in 4Q.



*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.

Price Revision Schedule for the Short Term

Confectionery & Foodstuffs and Frozen Desserts businesses plan second price revision in FY2023/3 as a countermeasure for soaring raw material and energy costs. Will continue to watch market trends and take action as needed.

Business		Planned start date of price revision	Percentage price increase	Main product items
Domestic	Confectionery & Foodstuffs	Shipments from March 1, 2023	<u>3.0%</u> - <u>21.2%</u>	Sugar confectionery, biscuits, chocolate, snacks, food products (with some exceptions)
	Frozen Desserts	Shipments from March 1, 2023	<u>5.3%</u> - <u>9.1%</u>	Various (with some exceptions)
	Direct Marketing	Shipments from February 1, 2023	<u>4.1%</u> - <u>6.4%</u>	Various drink products

Progress with Financial Strategy

Progress with Financial Strategy

Swiftly implement financial measures, based on updated financial strategy

1. Utilize liabilities for optimal capital structure

- **Issue sustainability bonds (issue amount: ¥9.0 billion)** as part of Green Project, etc., to realize 2030 Vision
- **Renewed long-term borrowings (total amount: ¥10.0 billion)** in consideration of medium- to long-term needs for funds

2. Streamline balance sheet with awareness of capital efficiency

- **Resolved to make additional contribution of ¥5.0 billion to retirement benefit trust** as a way to improve capital efficiency through an off-balance sheet transaction^{*1}

3. Shareholder returns

- **Repurchased treasury stock (purchase price: ¥10.0 billion)** in March–October 2022
- **Retired treasury stock (5.4 million shares) (9.96%^{*2} of outstanding shares)**
- Resolved today (February 10, 2023) to proceed with **another share repurchase and retirement of treasury stock**^{*3}, consistent with the wording of our shareholder returns policy (“flexible acquisition of Company shares will be considered as required.”)

*1 Scheduled for March 2023

*2 Percentage of outstanding shares before cancellation

*3 For details, please refer to the timely disclosure of "Notice Regarding Decision on Matters Concerning Repurchase of Treasury Stock and Cancellation of Treasury Stock" on February 10, 2023.

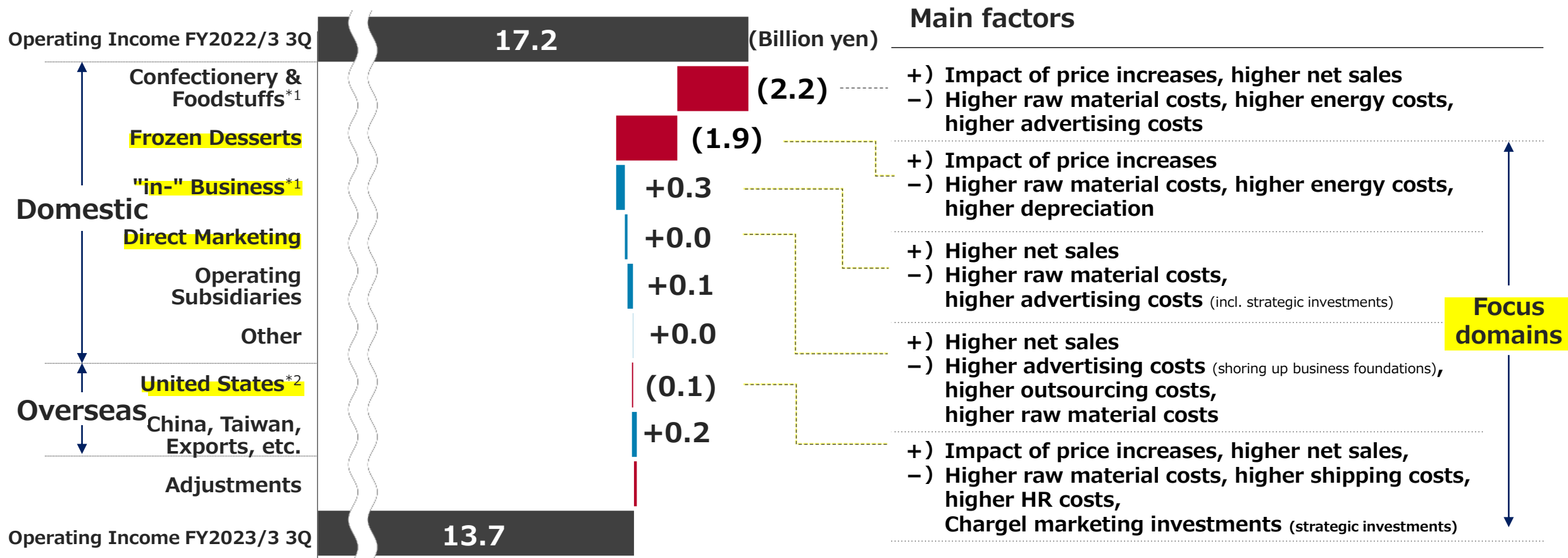
Reference Data

3Q FY2023/3 Results: Balance Sheet

(Billion yen)	End-3Q FY2023/3	vs. end- FY2022/3	Main factors
Current assets	117.1	+5.1	·Cash and deposits (9.9) ·Notes and accounts receivable–trade +8.0 ·Raw materials and supplies +4.4
Noncurrent assets	103.5	+1.3	·Machinery, equipment and vehicles (1.3)
Total assets	220.6	+6.3	—
Current liabilities	58.6	(11.5)	·Current portion of long-term loans (10.0)
Long-term liabilities	33.2	+20.3	·Long-term loans +10.0 ·Bonds payable +9.0
Total liabilities	91.9	+8.8	—
Shareholders' equity	116.7	(4.3)	·Retained earnings (13.4) ·Treasury stock +9.2*1
Accumulated other comprehensive income	10.6	+1.7	·Foreign currency translation adjustments +1.9
Non-controlling interests	1.2	+0.1	—
Total net assets	128.7	(2.4)	—
Total liabilities and net assets	220.6	+6.3	—
Shareholders' equity ratio	57.8%	(2.9ppt)	—

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

The "in-" Business, Direct Marketing Business, and United States Business offset higher costs and strategic investment through sales growth. The Confectionery & Foodstuffs Business was strongly impacted by soaring raw material and energy costs.



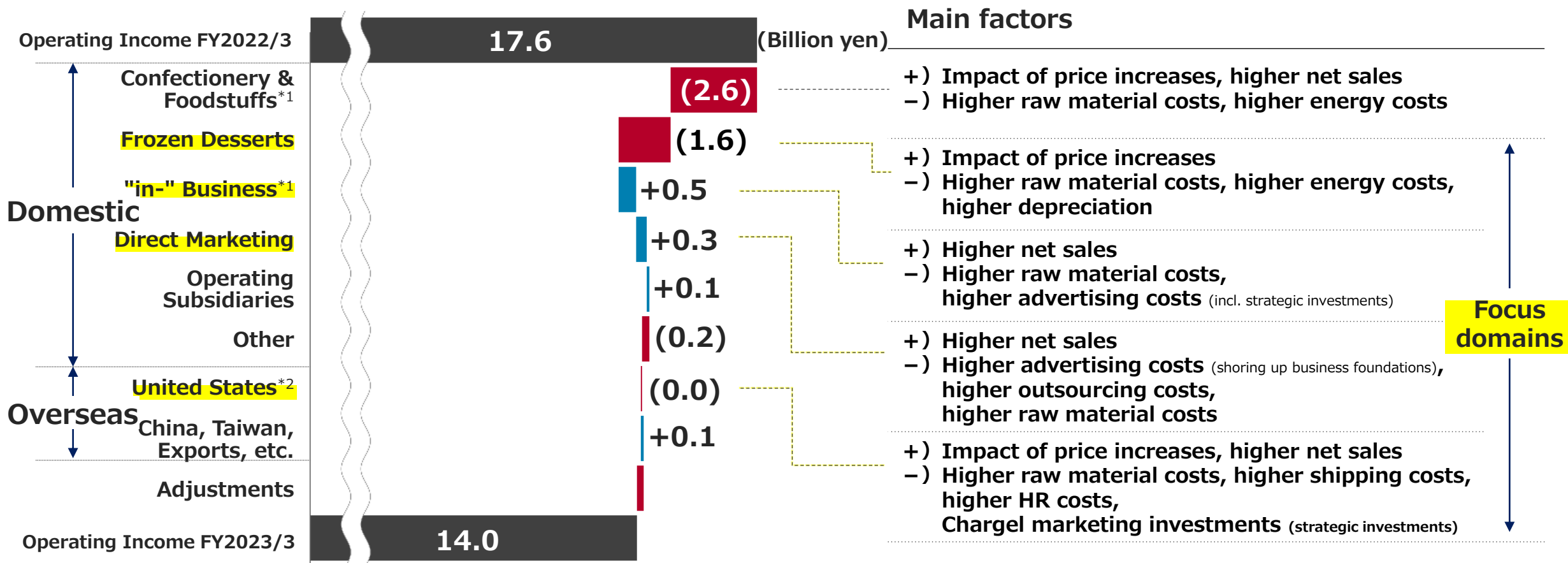
FY2023/3 Results Forecast: Summary by Business

In Japan, we expect sales growth in all businesses, led by the “in-” Business, but lower operating profit due to the impact of increased costs. We expect higher sales and operating profit overseas, with the United States Business continuing to drive net sales growth.

(Billion yen)	FY2023/3 forecast	Net sales				Operating income				
		Y/Y change	vs. previous forecast	Y/Y change	vs. previous forecast	Y/Y change	vs. previous forecast	Y/Y change	vs. previous forecast	
Confectionery & Foodstuffs*1	73.6	+1.2	101.6%	(0.6)	99.1%	0.6	(2.6)	18.8%	(0.2)	70.6%
Frozen Desserts	39.9	(0.2)	99.3%	(0.5)	98.7%	3.2	(1.6)	67.3%	+0.0	101.0%
“in-” Business*1	31.3	+3.3	111.6%	+0.7	102.1%	7.3	+0.5	108.4%	+0.7	110.3%
Direct Marketing	10.3	+1.2	113.1%	+0.1	100.6%	0.6	+0.3	193.8%	+0.1	126.8%
Operating Subsidiaries	15.4	+1.6	111.8%	+0.3	102.2%	0.9	+0.2	116.8%	+0.1	108.8%
Other	1.2	(0.0)	95.4%	(0.1)	88.8%	(0.4)	(0.2)	—	+0.0	—
Domestic Total	171.8	+6.9	104.2%	(0.3)	99.8%	12.3	(3.5)	78.2%	+0.7	105.8%
United States*2	14.6	+4.1	138.9%	(0.7)	95.6%	1.4	(0.0)	96.6%	(0.0)	96.6%
China, Taiwan, Exports, etc.	7.0	+1.3	121.6%	+0.2	102.4%	0.4	+0.1	139.4%	+0.1	122.1%
Overseas Total	21.7	+5.4	132.8%	(0.5)	97.7%	1.8	+0.0	104.5%	+0.0	101.8%
Consolidated Total	193.5	+12.3	106.8%	(0.8)	99.6%	14.0	(3.6)	79.2%	+0.5	103.7%

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

Cost increases for the “in-” Business and Direct Marketing Business are expected to be covered by sales growth. Profit decline in Confectionery & Foodstuffs Business expected in FY2023, but profitability to be improved through price revisions.



Major Domestic Brands — Net Sales Year on Year

Business	Brand	3Q results (Y/Y)
"in-" Business	<i>in Jelly</i>	118
	<i>in Bar</i>	93
Direct Marketing	<i>Morinaga Collagen Drink</i>	113
Frozen Desserts	<i>Jumbo Group</i>	100
	<i>ICEBOX</i>	111
	<i>Ita Choco Ice</i>	83
	<i>The Crepe</i>	—

Business	Brand	3Q results (Y/Y)
Confectionery & Foodstuffs	<i>Morinaga Biscuits</i>	101
	<i>HI-CHEW</i>	111
	<i>Morinaga Ramune</i>	109
	<i>Carré de chocolat</i>	92
	<i>DARS</i>	96
	<i>Chocoball</i>	101
	<i>Morinaga Amazake</i>	91
	<i>Morinaga Cocoa</i>	99

Domestic Market Y/Y Change in Sales Amount

