

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.



**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.

森永製菓株式会社

Copyright (C) Morinaga & Co., Ltd. All rights reserved.

Hello, everyone. I am Takagi, Chief Financial Officer of MORINAGA. Thank you very much for taking time out of your busy schedules to attend our financial results briefing for Q3 of the fiscal year ending March 31, 2023.

Starting this fiscal year, we will disclose financial results presentation materials and hold financial results presentation meetings for Q1 and Q3 in addition to H1 and full year. We will make every effort to enhance disclosure.

First, I will review the key points of Q3 financial results, followed by an explanation of specific details.

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.

森永製菓株式会社

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 2

Page two summarizes the key points of today's financial results.

In Q3 of the current fiscal year, both non-consolidated and cumulative sales and profits increased and decreased.

Net sales were strong both domestically and internationally, growing 106.6% YoY on a cumulative basis, with a particularly strong growth of 109.3% in Q3 alone, a relatively high rate of growth. Profits continued to be significantly affected by the rising cost of goods sold, but the gross profit amount for the cumulative Q3 was almost the same as the previous year due to the effects of price revisions and increased sales. Operating income exceeded the full-year operating income forecast announced on November 10, 2022, despite a 79.6% YoY decrease in operating income in Q3 year-to-date period.

The effect of the price revision has been generally in line with our expectations. Steady progress is being made on measures to absorb cost increases. The impact on volume has been generally within expectations.

Today, we have revised our full-year forecasts. Net sales are expected to reach a record high for the second consecutive fiscal year. Profitability has been revised upward from the previous forecast in light of the steady realization of price revisions and other factors.

We are also strengthening shareholder returns based on the updated basic policy of our financial strategy.

By October of last year, the Company had completed a JPY10 billion share buyback and retired 5.4 million shares of treasury shares in November. Furthermore, the Board of Directors today approved a resolution to repurchase treasury shares additionally. Shareholder returns, including treasury shares and dividends, are expected to be at a record-high level this fiscal year on a cash flow basis.

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%

森永製菓株式会社 *1 Simplified EBITDA: operating income + depreciation and amortization

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 4

Now, let me explain in detail.

First, here are the profit and loss results for Q3.

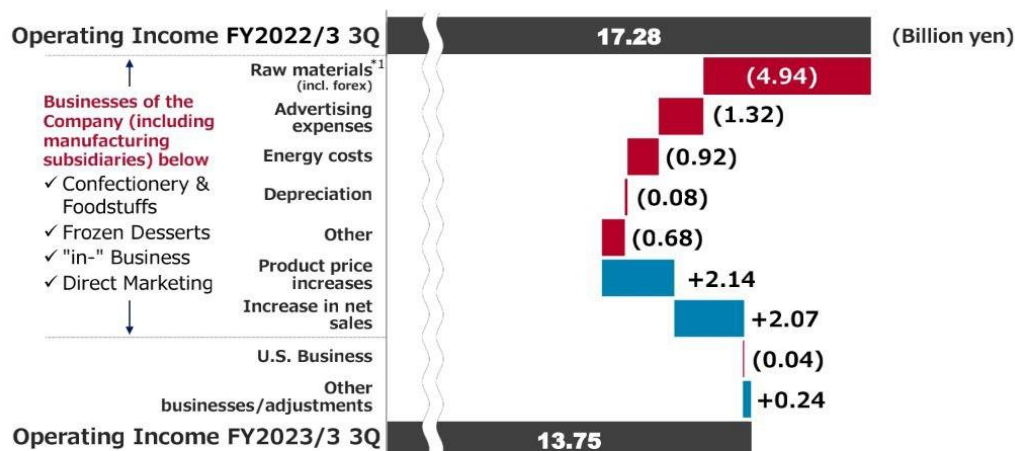
Net sales were JPY147.8 billion, an increase of JPY9.2 billion, a rise of 6.6%, from the same period last year. In addition to growth in businesses positioned as focus domains in the 2030 Business Plan, the confectionery & foodstuffs business began to increase revenues in Q3.

Gross profit remained largely unchanged from the previous year due to the effects of increased sales and price revisions, although gross profit continued to be significantly affected by rising costs.

Next, operating income was JPY13.7 billion. Strategic advertising expenses were allocated mainly to priority areas that are growing rapidly, and logistics and other costs increased in line with sales expansion. This resulted in a JPY3.5 billion decrease in profit and an operating margin of 9.3% compared to the same period last year.

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.



森永製菓株式会社 *1 Actual funding rate in FY22/3 3Q: \$1USD = ¥107; ¥123 in FY23/3 3Q

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 5

The next factor is the increase or decrease in operating income. Factors contributing to the decrease in income are shown in red and factors contributing to the increase in income are shown in blue.

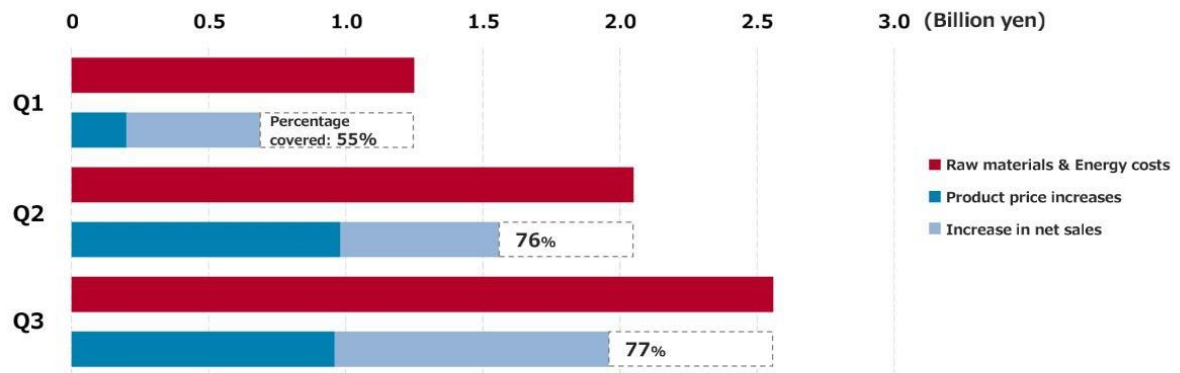
First, there was a JPY4.94 billion increase in costs due to the impact of raw material-related price hikes, including the impact of yen depreciation. This is 67% of the JPY7.34 billion forecast for the full year announced last November. In addition, the impact of higher energy costs is JPY920 million.

On the other hand, price revision and sales increase effects amounted to JPY2.14 billion and JPY2.07 billion, respectively, indicating steady progress in the countermeasures.

These are shown on the next page by quarter.

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.

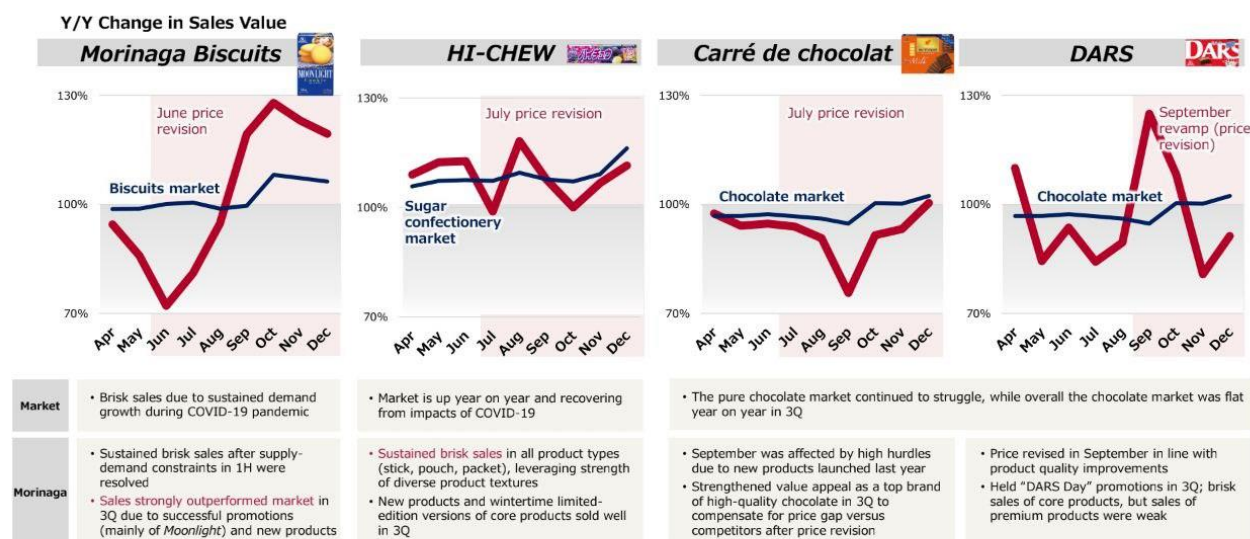
森永製菓株式会社

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 6

Cost escalation effects, including raw material price and energy cost escalation, are shown in red, while price revision effects and revenue increase effects are shown in blue.

As you can see, costs are increasing as the term progresses, but at the same time, coverage is increasing due to steady progress in countermeasures.

3Q FY2023/3 Market Conditions 1: Confectionery



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

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 7

Next, we will look at sales by category and by brand.

First, the overall effect of the price revision was within expectations. Trends remain the same, with some unevenness by category and brand, but progress is steady in total. Products with strong brands are expected to have a particularly small volume impact.

As for confectioneries in Japan, volume decreased during the month of the price revision, but *HI-CHEW* and *Morinaga Biscuits*, brands with favorable market trends and dominant positions in the market, are performing well as you can see.

In the field of chocolate, where market trends continue to be sluggish, we implemented a price revision ahead of competitors, as a box type. *Carré de chocolat* suffered because of it. Sales of *DARS* products were slightly affected by the struggle for higher-priced products.

3Q FY2023/3 Market Conditions 2: Frozen Desserts

Y/Y Change in Sales Value



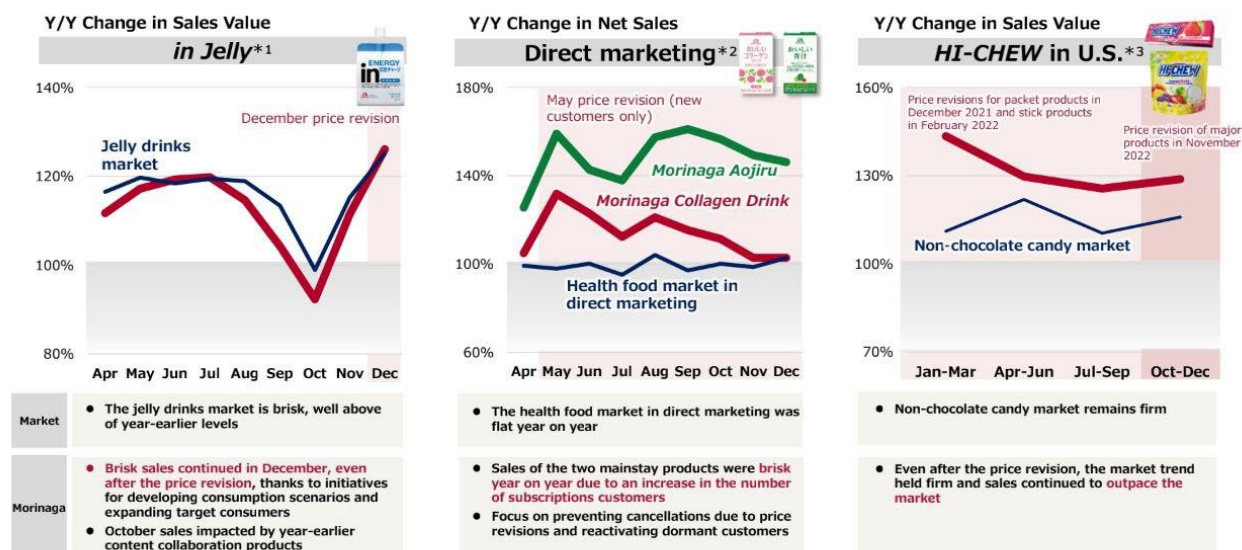
Market	<ul style="list-style-type: none"> Frozen desserts market was impacted by unseasonable weather in October, but sales remained solid in 3Q
Morinaga	<ul style="list-style-type: none"> Despite price revisions implemented before the mid-summer season, 1Q-3Q sales outperformed the market Strong sales in December, due in part to companies revising prices in the fall
	<ul style="list-style-type: none"> 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

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

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 8

According to the sales data, the *Jumbo Group's* sales volume has decreased, but it has been on a recovery trend since December last year. In terms of our sales amount, we have maintained 100% of the previous year's level for the cumulative third quarter.

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



森永製菓株式会社 (Source: *1 INTAGE Inc. SRI+ estimated sales value *2 Japan Direct Marketing Association; direct marketing net sales of health products *3 IRI) Copyright (C) Morinaga & Co., Ltd. All rights reserved. 9

As for *in Jelly*, there is no impact on the quantity before and after the price revision. The volume base continued to be strong, exceeding the previous year's level.

In the direct marketing business, the number of subscription customers continued to increase. In relation to the price revision for existing customers scheduled for February 2023, there was a slight increase in the number of cancellations last December, although within the expected range.

As for *HI-CHEW* in the US, growth continued to significantly exceed that of the previous year.

Overall, as for our future pricing policy, even if raw material prices peak out, we will continue to focus on profitability and curb cheap sales that damage value.

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%

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 resulting from exports to the U.S. from China/Taiwan

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 10

Looking at performance by business segment based on these factors, *in Jelly* continued to drive revenue growth. The confectionery & foodstuffs business and the frozen desserts business reported a decrease in profit, largely due to the impact of soaring costs.

Business subsidiaries in Japan are also recovering their performance along with the recovery of human flow.

Overseas, the US business drove sales growth, resulting in an overall increase in both sales and income overseas.

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%

森永製菓株式会社

*1 Simplified EBITDA: operating income + depreciation and amortization

*2 The yen conversion rate at overseas subsidiaries used for our forecasts is 1USD = ¥131 (1USD = ¥132 used for previous forecast)

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 12

Next, I would like to explain our revised forecast for the fiscal year ending March 31, 2023.

The Company has revised its full-year forecast for the fiscal year ending March 31, 2023, and is disclosing it today.

Net sales are expected to be slightly below the previously announced forecast, although both domestic and overseas sales continue to be strong compared to the same period last year.

On the other hand, profits are expected to exceed the previously announced forecast by about JPY500 million due to the steady realization of the effects of price revisions and a slight easing trend in raw material price hikes. I mentioned this with regard to operating income.

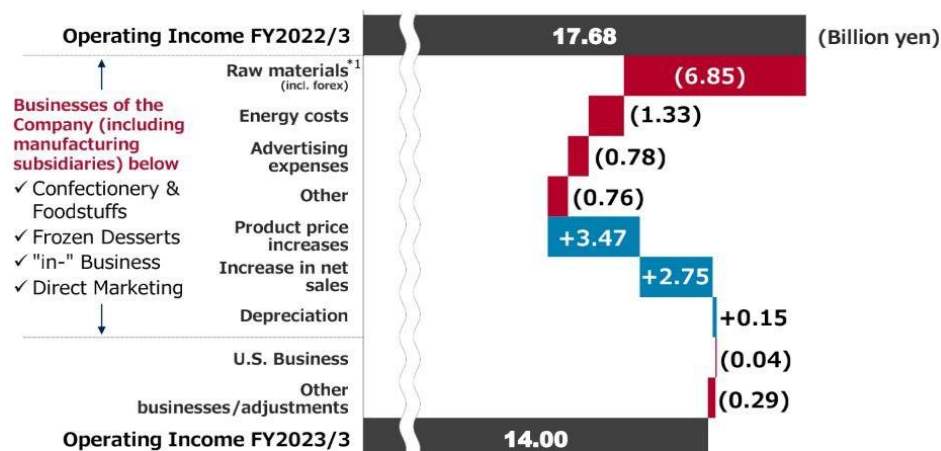
Despite this situation, we are still aware of the uncertainties in the business environment. In particular, the sharp rise in raw material and energy prices, combined with the yen's depreciation, has created a headwind of approximately JPY10 billion over the past two years from changes in the external environment alone.

Under these circumstances, we are facing the challenge of declining profitability. We will take every possible measure.

Among these, the business groups that we have positioned as priority areas have achieved top-line growth. We expect that top-line growth in a difficult environment will provide momentum for improving profitability when the headwinds subside.

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.



森永製菓株式会社 *1 Actual funding rate in FY22/3 : \$1USD = ¥110; FY23/3 Forecast funding rate ¥128

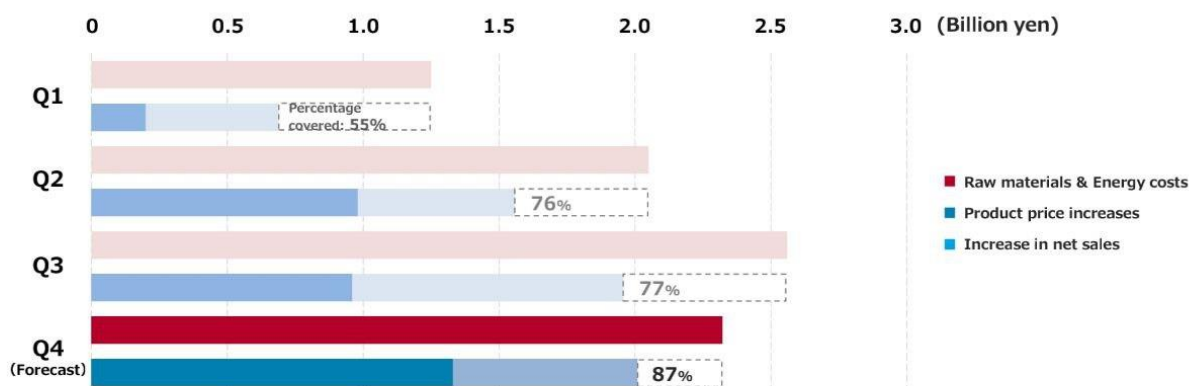
Copyright (C) Morinaga & Co., Ltd. All rights reserved. 13

The following are the factors that may cause operating income to increase or decrease in the full-year forecast that was revised today.

Although there are no major structural changes, we have reorganized the quarterly trends on the following page.

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.

森永製菓株式会社

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 14

In Q4, we expect the impact of cost increases to be less than in the previous quarter, and the coverage rate of cost increases to be even higher due to the countermeasures. We recognize that the situation is improving.

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

Price revisions are scheduled to be implemented for the second time this fiscal year in the confectionery & foodstuffs and frozen desserts businesses. As you can see, the timing and price revision rates are as shown.

We will continue to monitor market trends and consider taking action as necessary.

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

森永製菓株式会社

^{*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.

Copyright (C) Morinaga & Co., Ltd. All rights reserved. 17

Finally, I would like to explain the progress of various measures based on our financial strategy.

First, in Q3 of the current fiscal year, we issued JPY9 billion in sustainability bonds with the intention of using financial leverage to achieve an optimal capital structure. The Company also renewed JPY10 billion in long-term borrowings.

As a second point, we are streamlining our balance sheet to improve capital efficiency. The Board has already resolved to contribute an additional JPY5 billion to the retirement benefit trust. The contribution is scheduled to be executed in March of this year.

As for the third point, regarding shareholder returns, as mentioned above, we expect shareholder returns, including treasury shares and dividends, to be at a record-high level on a cash flow basis this fiscal year.

In accordance with the 2030 Business Plan, we will continue to vigorously implement management with an awareness of the cost of capital.

Thank you very much for your attention.

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.