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Delicious, Fun, and Healthy



First Quarter, Fiscal Year Ending March 31, 2025

Results Briefing

August 8, 2024
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.

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1

Takagi: Hello, everyone. I am Takagi from Morinaga & Co., Ltd. Thank you very much for taking time out of your busy schedule to participate in Q1 financial results briefing for the fiscal year ending March 2025.

First, I will review key points of Q1 results, followed by an explanation of specific details.

Overview



- **Record high Q1 net sales and every level of profit**
 - Net sales increased by 11.4% YoY, driven by Confectionery & Foodstuffs, Frozen Desserts, and U.S. Businesses
 - Operating income increased by a high 16.2% YoY, with sales growth and the effects of price revisions offsetting the impact of soaring raw material costs, etc.
 - Profitability in the Confectionery & Foodstuffs Business improved, driven by growth in sugar confectionery
- **No revision to full-year results forecast**
 - Outlook for the external environment, such as raw material prices and exchange rates, remains uncertain
 - Promote flexible and agile response with agility to changes in the environment
- **Decision made to build second U.S. factory based on the 2024 MTBP**
 - Strengthen supply system by increasing production bases to accelerate global strategies centered on *HI-CHEW*

First, there are three points that I would like to convey to you today.

The first point is that both consolidated net sales and profits at all levels reached record highs for Q1 of the current financial year. Net sales increased in all businesses, with particularly strong growth in the Confectionery and Foodstuffs Business and Frozen Desserts Business, as well as in the U.S. Business. Consolidated net sales showed double-digit growth of 11.4% compared to the same period last year. Operating profit was also up 16.2% YoY to JPY6.7 billion, achieving double-digit growth. We made a good start to the 2024 Medium-Term Business Plan, MTBP.

The business has been affected by the rising cost of cacao-related raw materials. Soaring raw material costs were mainly offset by growth in sales and the positive effects of price revisions. The Confectionery and Foodstuffs Business was also affected by the raw material cost hikes, but strong growth in the highly profitable sugar confectionery category was the driving force, resulting in a significant improvement in the overall profitability of this business.

The second point is the full-year earnings forecast. Our performance in Q1 was robust, but we have not revised our forecasts, disclosed in May this year, at this time. We will implement effective measures in each of our businesses with the aim of achieving full-year sales growth, but we still need to take into account the possible decline in sales volume following the additional price revisions scheduled for this September.

The outlook for raw material markets and exchange rates is uncertain and unstable, and we need to closely monitor the impact of the current sharp fluctuations in stock prices and exchange rates on consumption trends.

Third point is the decision to build our second plant in the U.S. in accordance with the 2024 MTBP. In order to accelerate our global strategy centered on *HI-CHEW*, we will steadily strengthen our supply system by reinforcing our production bases, with the aim of increasing our corporate value over the medium to long term.

Consolidated Results for FY2024 Q1



Made a steady start for the first year of the 2024 MTBP, with record high Q1 net sales and all levels of profit.

(Billion yen)	FY2024 Q1	Y/Y change	
Net sales	56.9	+5.9	111.4%
Gross profit (gross profit margin)	23.5 [41.4%]	+2.3 [(0.2pt)]	110.7%
Operating income (operating income margin)	6.7 [11.8%]	+0.9 [+0.4pt]	116.2%
Ordinary income	6.9	+1.0	115.9%
Profit attributable to owners of parent	4.8	+0.5	112.9%
EBITDA^{*1}	9.0	+0.9	112.2%

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^{*1} Simple calculation method used for EBITDA: operating income + depreciation and amortization

^{*2} The yen conversion rate at overseas subsidiaries in FY2024 Q1: \$1USD = ¥148.61; ¥132.34 in FY2023 Q1

4

I will now explain about specific business results.

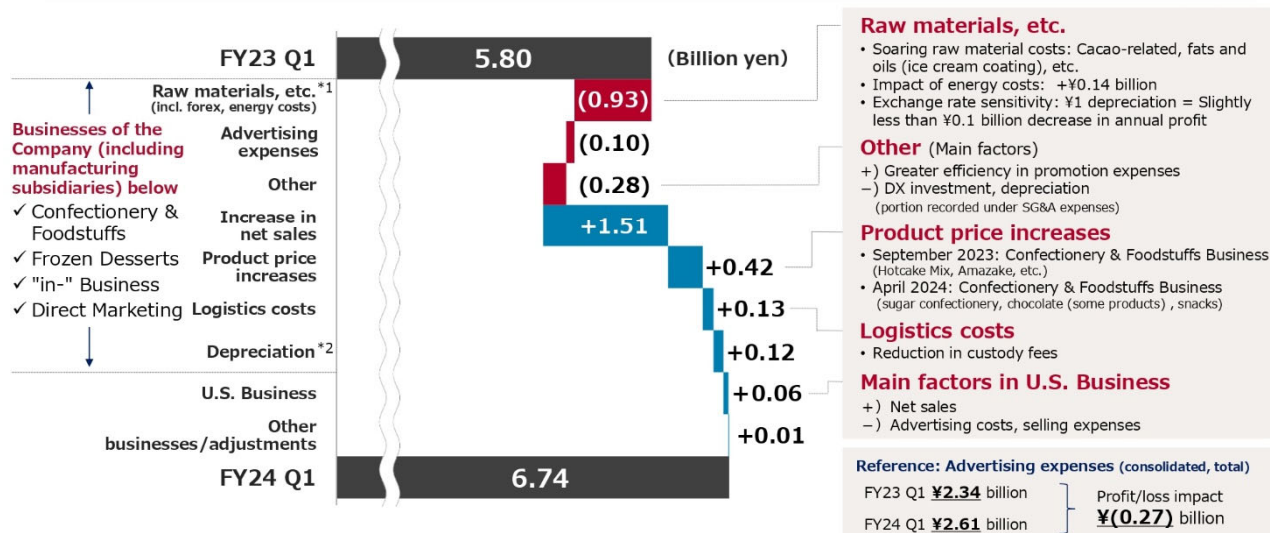
First, here are the consolidated results for Q1. Net sales were JPY56.9 billion, up JPY5.9 billion YoY, with a double-digit growth rate of 11.4%. As for gross profit, the effect of price revisions in response to rising costs was limited, resulting in a slight decline in the gross profit margin. Gross profit amount itself increased due to the growth in sales.

As for SG&A expenses, while advertising expenses and investment in intangible assets such as DX increased, SG&A ratio improved due to absorption of fixed costs resulting from increased revenue, a decrease in storage fees due to inventory reduction, and a decrease in selling expenses due to a reduction in overdue goods.

Operating profit amounted to JPY6.7 billion, up 16.2% compared to the previous year, and the operating profit margin improved by 0.4 percentage points to 11.8%. Profit attributable to owners of parent was JPY4.8 billion, up 12.9% YoY, with each stage of profit reaching a record high for Q1 and cumulative period.

FY2024 Q1 Results: Factors in Change in Consolidated Operating Income

Profit increased with sales growth and the effects of price revisions offsetting the impact of soaring raw material costs.



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*1 Actual funding rate in FY2024 Q1 : \$1USD = ¥141.71; ¥134.62 in FY2023 Q1 *2 Cost of sales recorded only

5

This shows the factors affecting changes in consolidated operating income. Factors contributing to a decrease in income are shown in red, and factors contributing to an increase in income are shown in blue.

Firstly, costs increased by JPY 0.93 billion due to higher raw material-related costs, including the impact of the weak yen and energy costs. Most of the raw material cost hikes are due to the impact of cacao-related products, oils and fats, sugar, etc.

The actual funding rate is 141.71 yen/\$, which is a depreciation of the yen from 134.62 yen/\$ of the same period last year. The Company's sensitivity to exchange rate fluctuations is affected by a depreciation of the yen by 1 yen, resulting in a decrease in profit of less than 0.1 billion yen per year. Energy costs are working in the direction of higher profits due to lower unit costs for utilities. Overall, the impact in Q1 was within the scope of the Company's plan.

These negative effects were offset by the growth in sales, resulting in an increase in profit. As for the outlook for Q2 onwards, the impact of rising raw material costs is expected to intensify further, particularly for cacao-related products and oils and fats. The outlook for raw material markets and foreign exchange rates is also uncertain, and in light of current trends, we are taking into consideration the possibility that the impact of these factors may be greater than planned at the beginning of the fiscal year.

FY2024 Q1 Results: Summary by Business



Net sales growth achieved in all businesses.

Increased profit was driven by improved profitability in the Confectionery & Foodstuffs Business.

(Billion yen)		Net sales			Operating income			Operating income margin	
		FY2024 Q1	Y/Y change		FY2024 Q1	Y/Y change		FY2024 Q1	Y/Y change
Food Manufacturing	Confectionery & Foodstuffs ^{*1}	19.1	+1.7	109.4%	1.5	+0.7	186.1%	8.3%	+3.4pt
	Frozen Desserts ^{*1}	13.4	+1.8	115.2%	1.4	(0.1)	94.7%	10.7%	(2.3pt)
	"in-" Business ^{*1}	8.4	+0.2	102.0%	1.9	+0.4	126.0%	23.6%	+4.5pt
	Direct Marketing	2.8	+0.2	107.8%	0.0	(0.2)	6.4%	0.5%	(7.7pt)
	Operating Subsidiaries, etc.	2.8	+0.3	113.4%	0.1	(0.1)	56.6%	4.8%	(4.9pt)
	Domestic Total	46.7	+4.1	109.7%	5.1	+0.7	117.1%	11.0%	+0.7pt
	U.S. Business ^{*2,3}	5.1	+1.0	123.4%	1.0	+0.1	106.2%	20.1%	(3.3pt)
	China, Taiwan, exports, etc.	2.4	+0.3	118.9%	0.3	+0.0	111.9%	14.0%	(0.9pt)
	Overseas Total	7.6	+1.4	121.9%	1.3	+0.1	107.6%	18.2%	(2.4pt)
Subtotal	54.4	+5.5	111.3%	6.5	+0.8	114.9%	12.0%	+0.3pt	
Food Merchandise	1.8	+0.3	119.6%	0.1	+0.1	384.6%	8.7%	+6.0pt	
Real Estate and Services	0.4	+0.0	100.1%	0.2	+0.0	106.9%	47.7%	+3.0pt	
Other	0.2	+0.1	116.3%	0.0	+0.0	122.6%	24.5%	+1.2pt	
adjustments, etc.				(0.2)	(0.1)	—			
Total	56.9	+5.9	111.4%	6.7	+0.9	116.2%	11.8%	+0.4pt	

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* In order to clearly show the actual status of the Group's business management, the classification and aggregation methods have been changed from the fiscal year ending March 31, 2025. The figures for FY2023 Q1 have had the changes retroactively applied and are based on the new method.
^{*1} Sugar confectionery, chocolates, and other products under the "in" brand are included in Confectionery & Foodstuffs, Frozen desserts under the "in" brand are included in Frozen desserts
^{*2} Includes income resulting from exports from China and Taiwan to the U.S. Business ^{*3} Year-on-year net sales on a local currency basis is 109.9%

6

Looking at results by business segment, sales growth was achieved in all businesses. In particular, the Confectionery and Foodstuffs, Frozen Desserts, and U.S. Businesses mainly contributed to the growth in sales of the entire consolidated group.

The domestic Confectionery and Foodstuffs Business recorded an increase in revenue and profit, with the operating profit margin in particular improving significantly by 3.4 percentage points YoY, to 8.3%.

The sugar confectionery category, which has relatively high profitability, continued to perform well after the April price revision, contributing to improved profitability. In the Frozen Desserts Business, sales of *Ita Choco Ice* and *The Crepe*, in particular, made a breakthrough as the store handling rate and purchase rate expanded through quality appeals and the introduction of limited-time-only products.

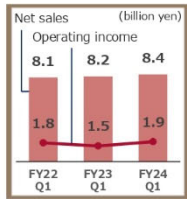
On the other hand, profitability has been declining due to the impact of rising raw material costs. Sales in the U.S. Business continued to grow at a high rate of 123.4% of the previous year's level, partly due to the effect of the weaker yen. Excluding exchange rate effects, growth in local currency terms was 109.9%.

The expansion of SKUs through the development of new products and variations with different capacities, the development of new sales channels to handle more products, and the handling of event products also contributed to the increase in sales. While the growth in revenue was evident, operating profit posted a slight increase due to higher advertising, sales promotion and other expenses, as well as the impact of higher ocean freight rates and raw material costs.

Progress on Business Strategies

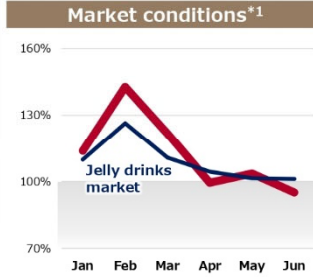
Next, I would like to explain some key points regarding the progress of our major business strategies and the direction of future initiatives.

Focused Domain: "in-" Business



- Demand for *Energy: Glucose Boost* remained firm even after the entrance exam season, driving growth for the brand overall.
- Strengthen brand exposure ahead of higher demand for sports due to the Paris Olympics effect, to stimulate purchasing during the peak demand period.

Growth of in Jelly products



Apr-Jun cumulative sales value (Y/Y)	
<i>in Jelly</i>	99.0%
Market	102.2%

- *Energy: Glucose Boost*
 - Instill product value as "energy for thinking" through initiatives during the exam season
 - Establishing it as the product to consume when you want to concentrate contributed to an increase in the overall purchase rate
- Launch promotion for 30th anniversary
Strengthen the promotion of consumption situations through new TV commercials
- ➔ Strengthen exposure during the peak demand period, using the greater demand for sports due to the Paris Olympics effect as a marketing hook



- Launch target-specific products to expand customer base



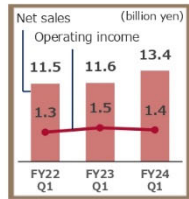
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*1 INTAGE Inc. SRI+ estimated sales value

Of our focused domains, in the "in-" Business, *Energy: Glucose Boost*, for which demand is firmly established even after the exam season, is driving the overall growth of the brand.

In this fiscal year, we will strengthen brand exposure following the rise in demand for sports due to the Paris Olympics effect. We will seek to stimulate purchasing during the peak demand period. We will develop measures based on our basic strategy of expanding consumption situations and targets.

Focused Domain: Frozen Desserts Business



- Sales growth driven by *Ita Choco Ice* and *The Crepe*, but profitability declined due to the impact of soaring raw material costs.
- Strengthen promotions to overcome the previous year's high hurdles and September's price revisions.

Net sales Y/Y



Jumbo Group 102%



Ita Choco Ice 140%



The Crepe 162%



ICEBOX 121%

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Market conditions*1



Apr-Jun cumulative sales value (Y/Y)

Choco Monaka Jumbo	98.0%
Vanilla Monaka Jumbo	106.2%
Morinaga	115.3%
Market	107.4%

* Reaction to the quality change and promotion effect in March 2023 for Choco Monaka Jumbo

*1 INTAGE Inc. SRI+ estimated sales value

Developmental evolution of "freshness marketing"

- Promotional activities to increase the purchase rate across all generations and to capture new demand
 - Ongoing dissemination of information about commitment to quality
 - Promotions for foreign visitors to Japan
- Vanilla Monaka: Strengthen in-store exposure using exclusive TV commercials as a marketing hook



Capture of customers from adjacent markets

- Grow sales by increasing both store stocking ratio and purchase rates thanks to occasional initiatives
 - Promotion of unique quality
 - Rollout of limited-time quality



Creation of new markets with technological advantages

- ICEBOX: Increase purchase rate, especially among consumers in their 30s and 40s, as a result of strengthening appeal as a mixer for eating situations



Clear cup, limited to convenience stores

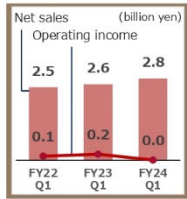


Test launch of ICEBOX Otsubu for chuuhai drinks

Next is the Frozen Desserts Business. Net sales increased by double digits, driven by products such as *Ita Choco Ice* and *The Crepe*. On the other hand, profitability has been declining due to the impact of rising raw material costs.

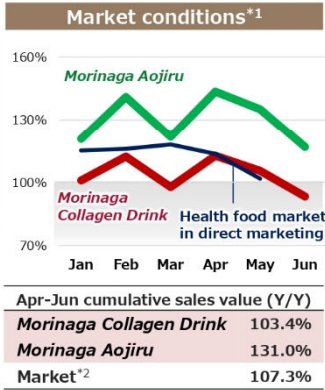
As part of our efforts this fiscal year, we plan to implement a price revision in September in order to improve profitability. We will strengthen our promotional activities to limit the impact of sales volume slowdown after the implementation. However, since Q2 of the previous year was very strong, we do not expect the growth rate in Q2 of this fiscal year to be as high as in Q1.

Focused Domain: Direct Marketing Business



- Despite some headwinds, sales grew in the health food market thanks to strategic investment in advertising.
- Strengthen online advertising and efforts for long-term retention to increase number of subscription customers.

Strengthening of existing Direct Marketing business



Apr-Jun cumulative sales value (Y/Y)	
Morinaga Collagen Drink	103.4%
Morinaga Aojiru	131.0%
Market ^{*2}	107.3%

- Increase number of subscription customers through strategic advertising
 - ➔ Continue to strengthen online advertising
 - Expand acquisition targets by promoting benefits to “knee joints”
 - ➔ Utilize customer lists to encourage dormant customers to purchase again
- Improve LTV^{*3}
 - Initiatives for long-term retention, such as strengthening inducements for the “One-year Subscription Course”
 - Promotion of cross-selling and up-selling
- Develop second pillar
 - Maintain strong growth for *Morinaga Aojiru*

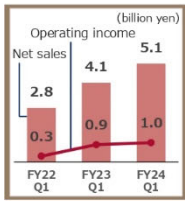


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^{*1} Morinaga's shipment value; "Kenshoku Net Tsuhan" Shishutsu(Expenditure on Health Food Sold on the Internet) household survey, Statistics Bureau, Ministry of Internal Affairs and Communications(Until Feb due to data released) ^{*2} Apr - May cumulative sales value ^{*3} LTV: Lifetime Value (customer lifetime value)

In the Direct Marketing Business, despite some headwinds in the health food market, the number of subscription customers is growing due to strategic investment in advertising, especially online. As for future efforts, we will continue to strengthen advertising investments with a view to long-term retention of subscription customers and expansion of business scale.

Focused Domain: U.S. Business



- Sales in major U.S.-based channels are showing signs of recovery. Expansion into new sales channels has also contributed to sales growth.
- Work on promoting the introduction of new SKUs, as well as on expanding brand contact points and improving store turnover through promotions.

Further sales expansion of HI-CHEW

Market conditions*1



Jan-Mar cumulative sales value (Y/Y)	
HI-CHEW	99.5%
Market	108.3%

* Coverage of Circana data in our HI-CHEW sales is approximately 50% (Internal estimate)

- **Efforts to increase store stocking ratio and SKUs**
 - Extend variations of new products and capacity differences
 - Actively exhibit at trade shows
 - Develop new sales channels
- **Launch products aimed at expanding brand contact points**
 - Launch of products for events
 - Launch brand extension products
- **Roll out promotions aimed at enhancing brand recognition and improving loyalty**



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*1 Circana (formerly IRI)

Next, I would like to discuss the U.S. Business. The increase in sales in the period from January to March was partly due to foreign exchange factors, but the development of new sales channels also contributed, and net sales on the local currency basis were 109.9% of the previous year's level. There are signs of a recovery in sales through major U.S.-based channels, but it is difficult to foresee an upturn in the consumption environment in the short term, and a certain amount of time is needed to build further relationships with distributors and other parties.

We believe that sustainable business growth can be achieved by continuing medium- to long-term initiatives, such as promoting the introduction of new SKUs, expanding brand contact points and improving store turnover through promotions.

Basic Domain: Confectionery & Foodstuffs Business



- Sales and profits increased due to continued strong performance in each category. Profitability improved, driven by sugar confectionery.
- Price revisions for chocolate and other products to be implemented in September to counter soaring raw material costs.

Net sales Y/Y



Sugar confectionery market conditions^{*1}



Business growth in sugar confectionery

- Sales volume grew even after April price revisions
 - HI-CHEW: Sales of core products remained strong even after logo change
 - Morinaga Ramune: Purchase rate increased even after the exam season, with its diverse values of "taste, fun, and functionality" being well received

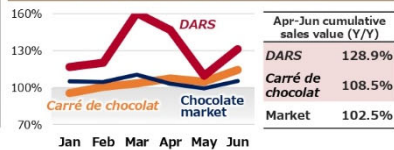
Biscuit market conditions^{*1}



Business growth in biscuits

- Sales of *MOON LIGHT* and other mainstay products remained strong
- Enhanced customer contact, using new products and limited designs as marketing hooks

Chocolate market conditions^{*1}



Improved return on capital in chocolate

- *DARS*: Improved brand recollection through rollout of extension products
- Efforts to capture summer demand



*1 INTAGE Inc. SRI+ estimated sales value

The Confectionery & Foodstuffs Business, our basic domain, achieved an increase in both sales and profits due to the continued strong performance of each category. Although affected by the rising cost of raw materials, the product mix has improved, especially driven by sugar confectionery, and overall profitability of the business has improved significantly.

As part of our efforts in the current fiscal year, we plan to revise prices in September to address soaring raw material costs. We will closely monitor the impact of these changes on sales volume and consumption trends in general. We will continue to promote the transformation of our category portfolio and aim to improve profitability while strengthening product development and initiatives that leverage our strengths.

Establishment of Global Production System for HI-CHEW



Decision made to build a second U.S. factory to accelerate global strategies centered on HI-CHEW. Aiming for further growth, especially in the U.S. Business, by strengthening the supply system and increasing production efficiency.

Morinaga America Foods, Inc. builds second factory

While the U.S. market for non-chocolate candy is projected to continue growing, Morinaga is expanding its production bases in anticipation of growth that exceeds that of the market.



Investment: Approx. **136** million USD (approx. ¥**19.6** billion)
 Financial plan: **Own funds**
 Product: **HI-CHEW** pouches
 Construction plan: **October 2024: Start of construction**
 January 2027: Start of operation



- ✓ Aiming to **strengthen the supply system** through coordination with the existing factory, and **increase production efficiency** by improving manufacturing equipment and introducing greater automation

We have decided to build our second U.S. factory. We will continue to steadily implement our key measures in accordance with the 2024 MTBP, with a view to business growth and increased corporate value over the medium to long term.

Thank you for your attention.

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