

Fiscal Year Ended March 31, 2017

Results Briefing

May 25, 2017

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.

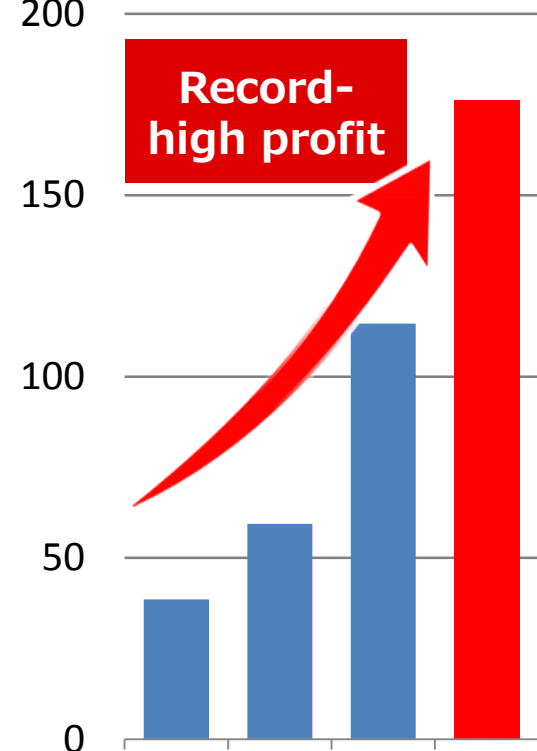
Consolidated Results (April 2016 through March 2017)

- Net sales : Sales in the mainstay Food Manufacturing business rose.
- Income : Record highs for operating income, ordinary income and net income.

	Year ended March 2017	Previous year	Y/Y change (%)	(Million yen)
Net sales	199,479	181,868	+17,611 (109.7%)	
Operating income	17,612	11,456	+6,156 (153.7%)	
Ordinary income	18,325	12,062	+6,263 (151.9%)	
Profit attributable to owners of parent	11,115	8,092	+3,023 (137.4%)	

Changes in operating income

(100 million yen)



FY2014 FY2015 FY2016 FY2017

Consolidated Segment Information (April 2016 through March 2017)

(Million yen)

Segment (Component ratio)	Net sales Y/Y change (%)	Segment income (Y/Y change)
Food Manufacturing (95.1%)	189,610 (110.0%)	17,310 (+6,447)
Food Merchandise (3.4%)	6,858 (110.4%)	536 (+14)
Real Estate and Services (1.2%)	2,457 (96.1%)	709 (+31)
Other Services (0.3%)	552 (83.0%)	60 (+6)

Food Manufacturing

■ Net sales

- Strong domestic sales of frozen desserts and health products
 - Sales of *in Jelly* series remained strong (Y/Y change: 123%)
- Overseas sales increased further in each area
 - Sales in U.S. (Y/Y change: 147%)

■ Income

Positive factors

- Price falls of raw materials (external factor)
- Cost reduction effect resulted from improvement of production efficiency, revision of products standards, etc.
- Among domestic subsidiaries, improvement in profitability in China and Indonesia markets

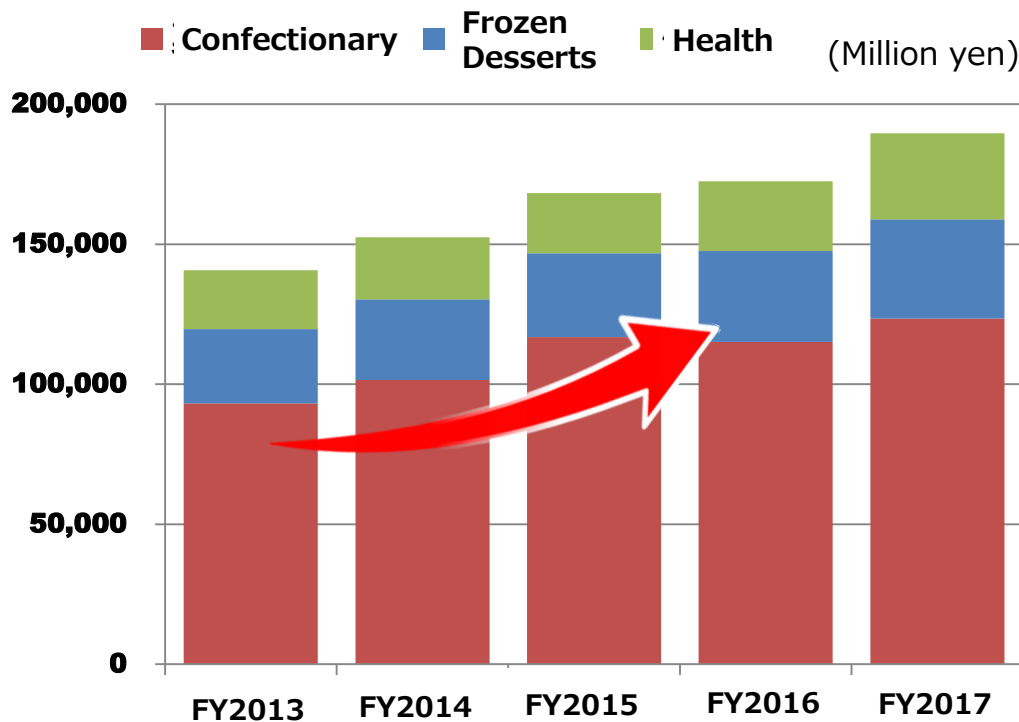
Food Manufacturing Net Sales and Operating Income

(April 2016 through September 2016)

(Million yen)

	Net Sales			Operating income		
	Year ended March 2017	Y/Y change	Y/Y change (%)	Year ended March 2017	Y/Y change	Y/Y change (%)
Consolidated Net sales	199,479	+17,611	109.7%	17,612	+6,156	+53.7%
Food Manufacturing	189,610	+17,179	110.0%	17,310	+6,447	+59.3%
Confectionery & Foodstuffs	123,437	+8,292	107.2%	7,605	+4,274	+128.3%
Frozen Desserts	35,437	+3,056	109.4%	3,995	+582	+17.1%
Health Products	30,735	+5,830	123.4%	5,709	+1,590	+38.6%
Sales by business sites	Year ended March 2017	Y/Y change		Y/Y change (%)		
Domestic sales	175,212	+14,205		108.8%		
Overseas sales	14,398	+2,974		126.0%		
Overseas sales ratio	7.2%	+0.9P				

Growth Factor for Net Sales in Food Manufacturing



MORINAGA & CO., LTD

■ Confectionery

Strong domestic confectionery business

Strengthening of existing brands

Source: SRI Morinaga

- Confectionery: Concentrate resources into staple products focusing on brand enhancement
- Foodstuff: Amazake sold well Y/Y change: 176%

Continued development of high value-added products

- Creation of consumer needs by “appealing health” focused on high-cacao-content products

Expansion of sales volumes in overseas business

- Favorable sales of the U.S. retailing

■ Frozen desserts

Continued fosterage of Monaka categories

Favorable sales of *Jumbo G* Y/Y change: 104%

■ Health

in Jelly showed significant growth capturing summer demand.

Captured consumer needs for summer heat and common cold measures

Increase in new users through emphasis on the functionality

Domestic : Confectionary & Foodstuffs

Development of products with high unit cost and high added value

Item number reduction

Revision of products standards

Strengthen development of products emphasizing "health benefit"

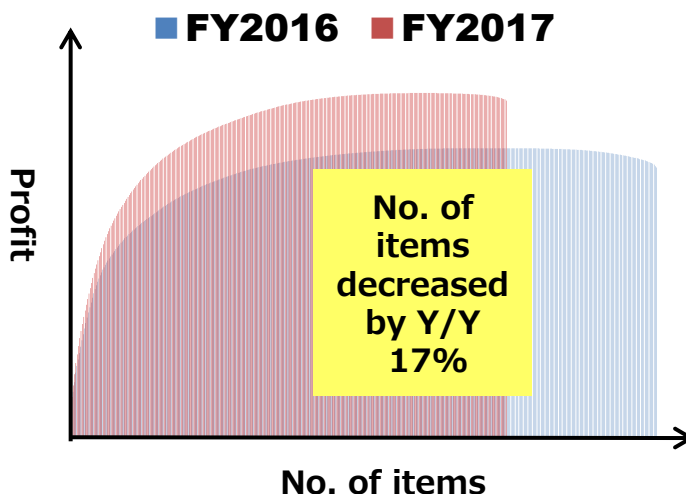
Select brands to place priority

Continue changes of packaging and standards to meet consumer needs

More efforts to attract more attention to the new brand in market

Continue reduction mainly in seasonal products / low profit products

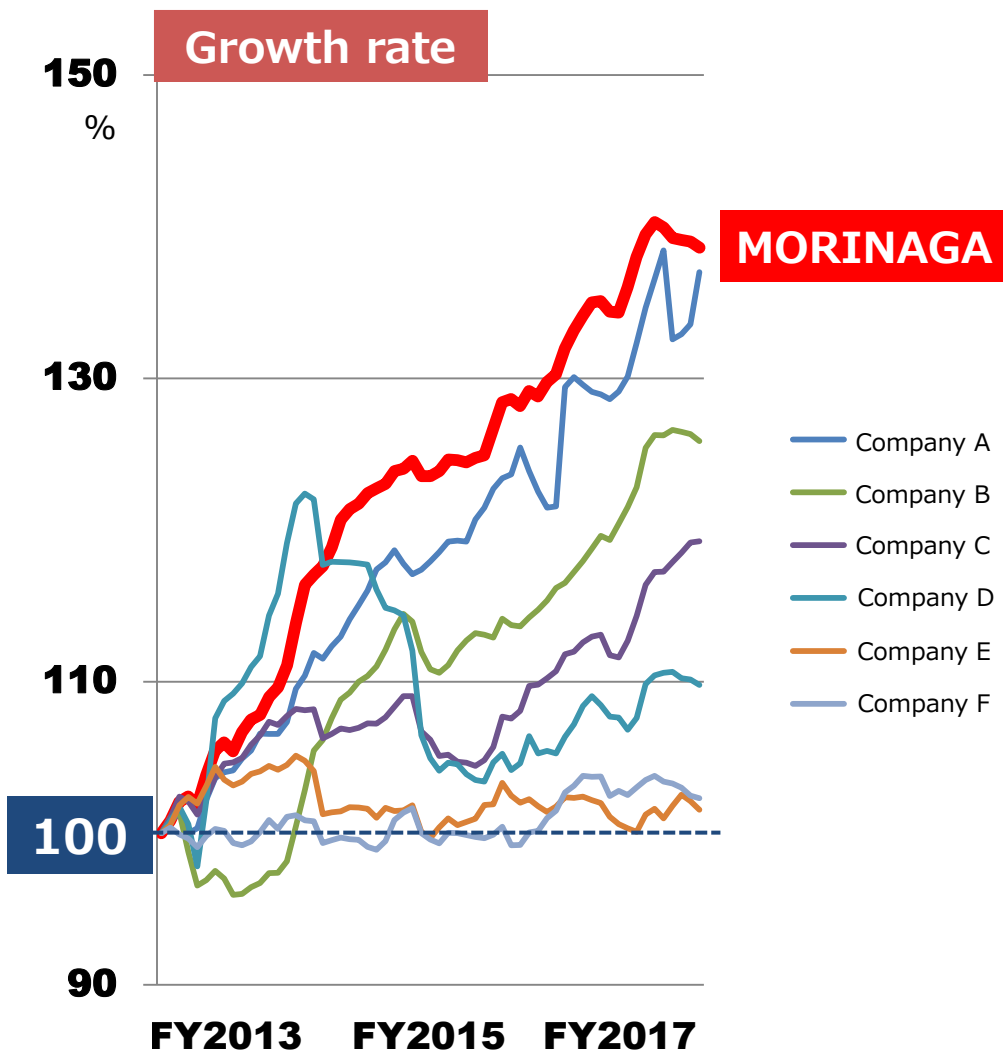
Continue response to solve challenges of profitability of present items



Alternative raw materials
Change of ingredients

Cutting cost, while maintaining quality

Domestic : Frozen Desserts



*Growth rate with FY2012 sales as 100

Comparison with growth rate of the ice market for 3 years

- Market G rate : **119%**
- Morinaga's G : **139%**

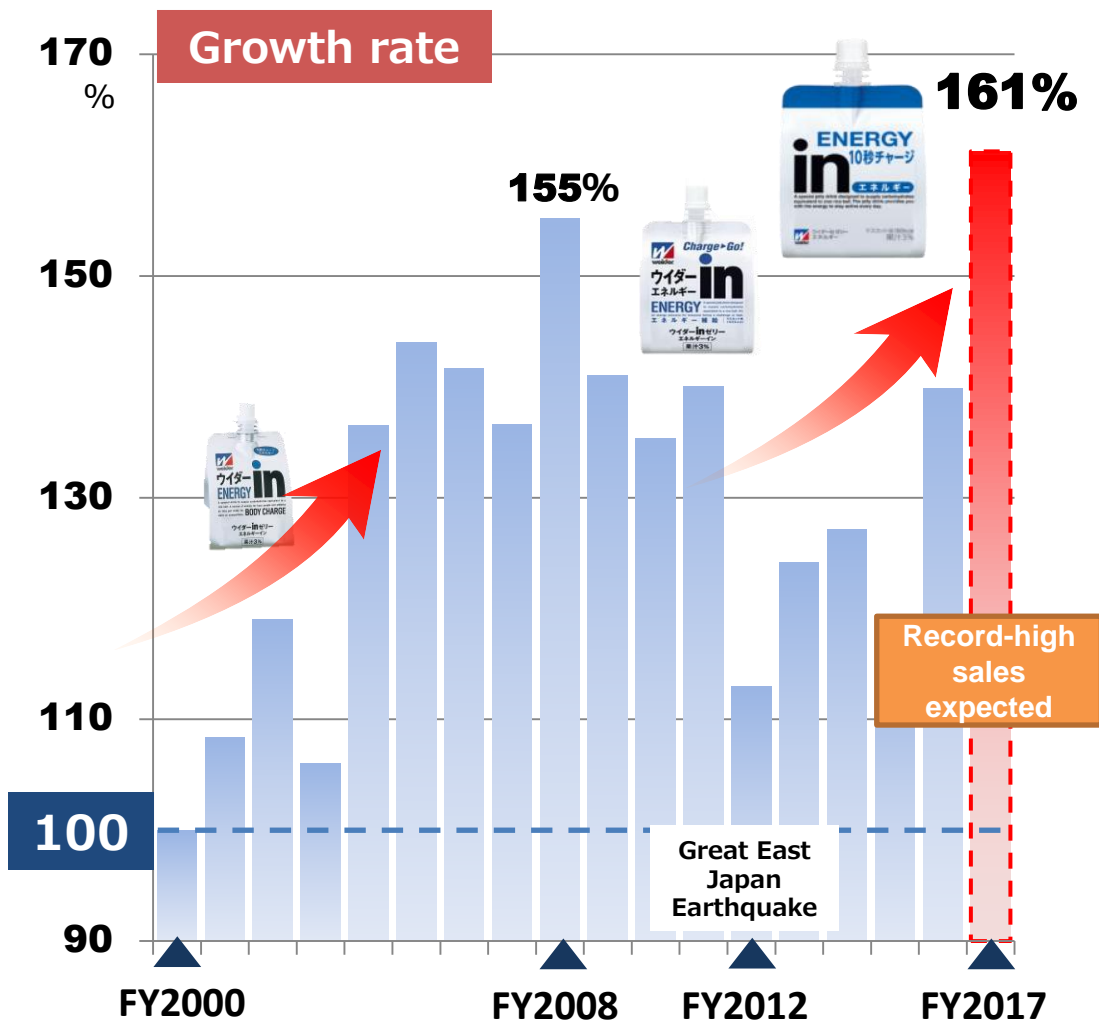


Sales increase for consecutive 16 years
Effective promotion



Y/Y 115% increase
Strengthening strategy against competitors by each area

Domestic : in Jelly



*Growth rate with FY2000 sales as 100

Brand image reinforcement

Recharge in 10 second

Appealing through functions

- Vitamin : Prevent colds
- Protein : Running
- Mineral : Cosmetics

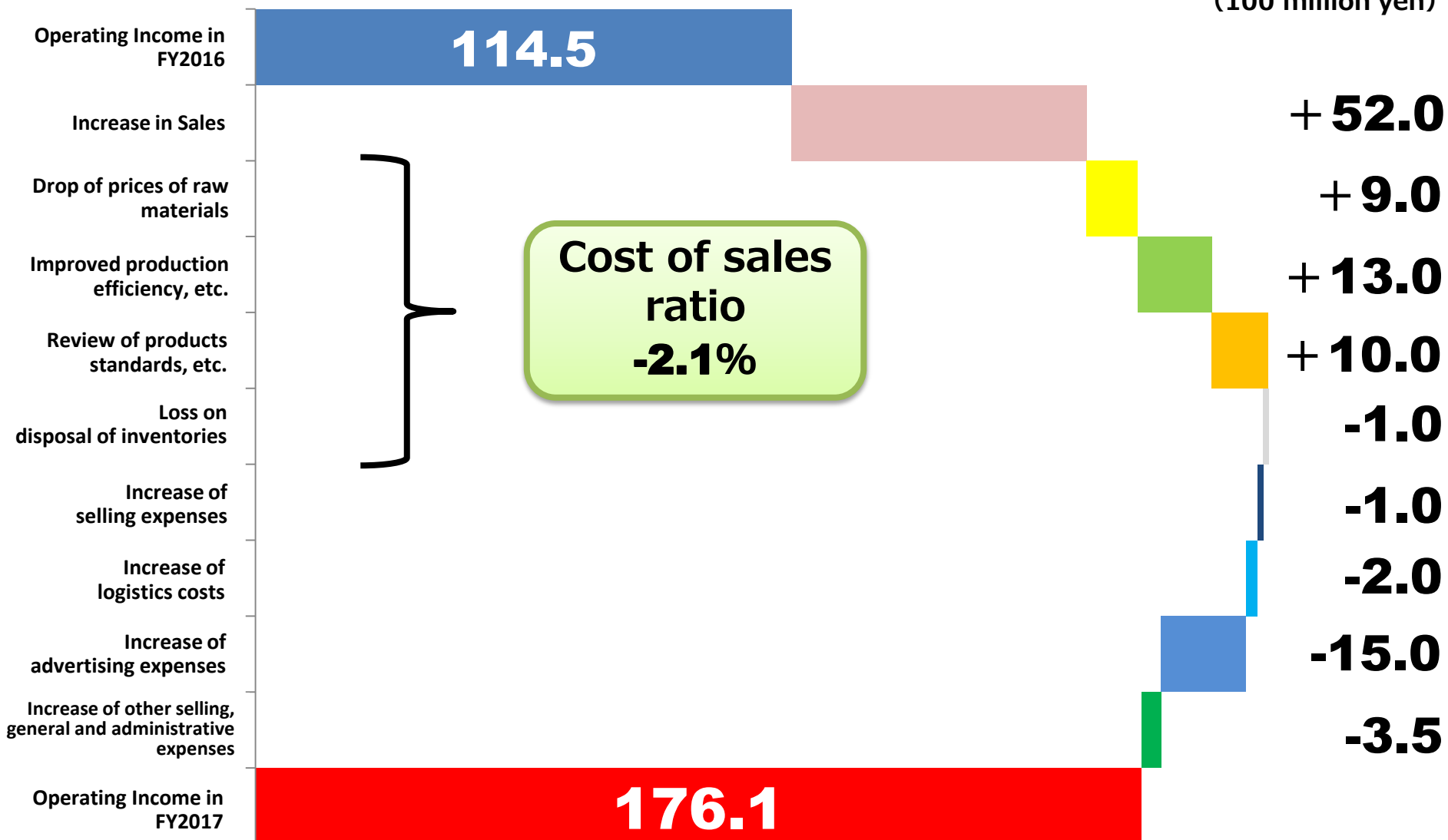
Sales by Category (April 2016 through March 2017)

(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	1,234	1,151	+83 (107%)			
Caramel, candy	281	272	+9 (103%)	100	<i>Milk Caramel</i> <i>HI-CHEW</i>	98 101
Biscuits	228	230	-2 (99%)	100	<i>Morinaga Biscuits</i>	97
Chocolate	291	277	+14 (105%)	104	<i>Chocoball</i> <i>DARS</i>	97 101
Snack	148	144	+4 (103%)	97	<i>Ottotto</i>	111
Cocoa	63	52	+11 (122%)	110	<i>Milk Cocoa</i>	123
Other (include powdered juice)	221	174	+47 (127%)			
Frozen Desserts	354	323	+31 (109%)	104	<i>Jumbo group</i>	104
Health	307	249	+58 (123%)		<i>Weider in Jelly</i>	123

Factors in Change in Consolidated Operating Income

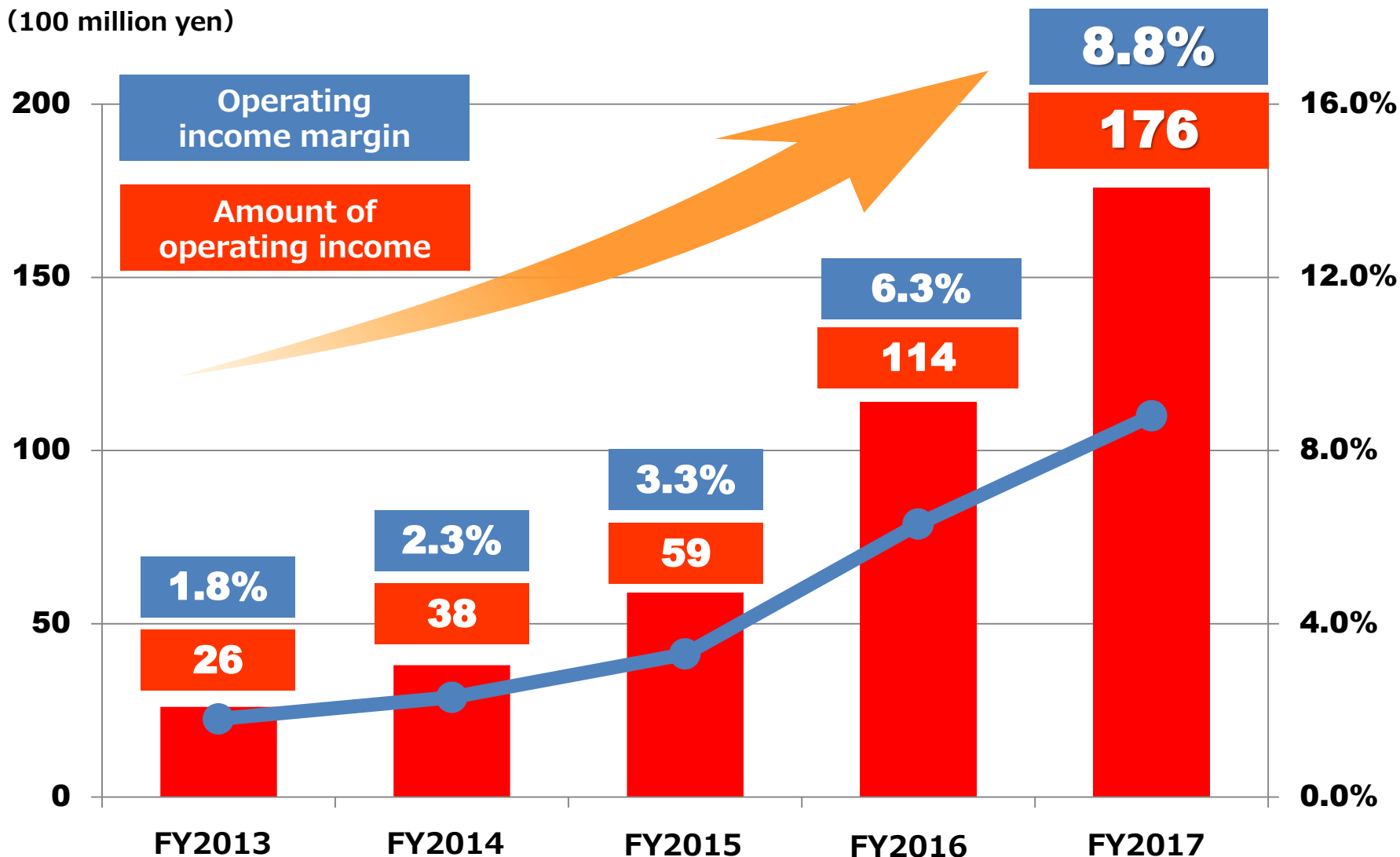
(100 million yen)



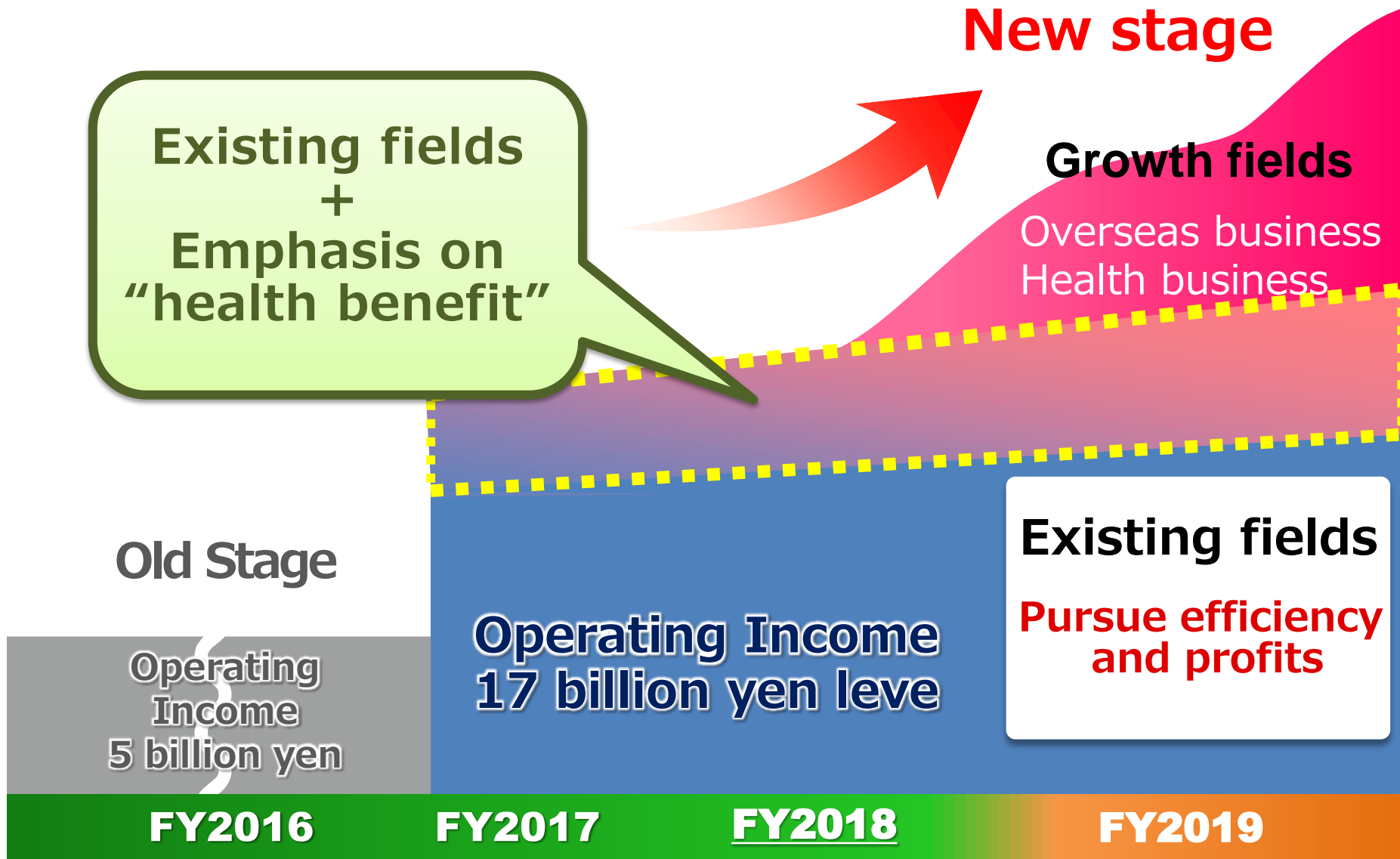
Future Responses

Business Results

(100 million yen)



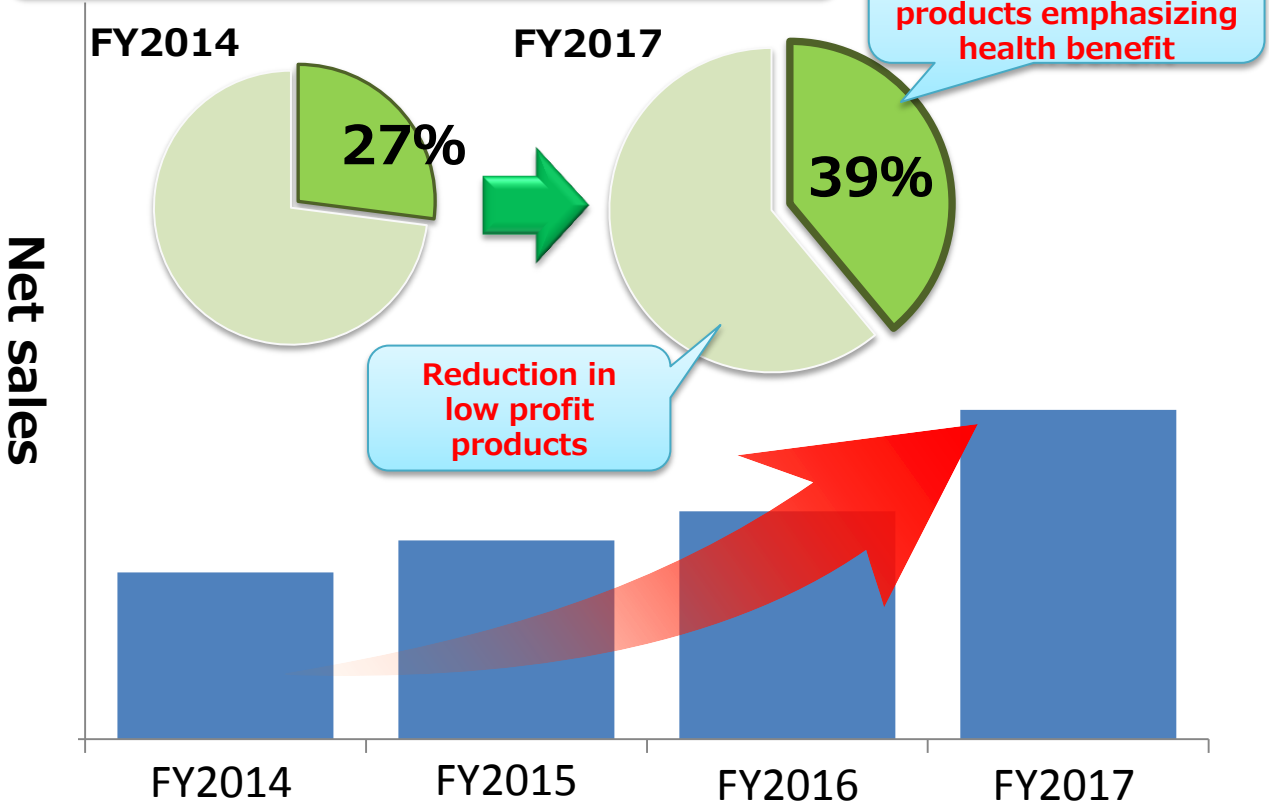
Achieving stable growth of profitability



Growth on market on the theme of health

 <p>131%</p>	 <p>123%</p>
 <p>123%</p>	 <p>176%</p>
 <p>Sold in last year Smash hit!</p>	 <p>Renewal in last year</p>

Transition in a share of products emphasizing health benefit



* Products : Confectionery & foodstuffs, and health products sold in Japan (excluding Frozen Desserts)

Increased demand for value-added products focusing "health benefit"

Growth Strategy: *in Jelly*

Needs for products with higher functions

Simplified food

High function

Expansion of cheer pack market

New products

Increase in SKU

Market share maintenance or expansion

Increase in utilization scenario

Acquisition of new users is required

New products

User increase



Growth fields : Sales trend of overseas business

(100 million)

Areas (convert into Yen)	Result in FY2015	Result in FY2016	Result in FY2017	Y/Y change (%)	FY2018 Plan	Y/Y change (%)
United States	26	27	40	147%	53	134%
Indonesia	72	45	56	124%	61	109%
China, Taiwan, Exports	38	41	47	115%	60	127%
Total	138	114	143	126%	175	122%

Overseas sales ratio	7.8%	6.3%	7.2%	+0.9P	8.6%	+1.4P
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Overseas business : Engagements in the U.S.

Start of sales

Mainly selling in Japanese-affiliated stores/Asian corners in the West Coast



Territorial cultivation and active marketing

January 2016

Candy counters of American stores



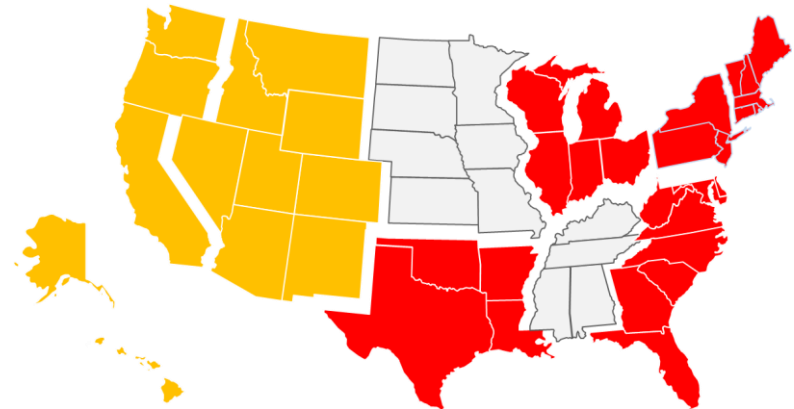
Measures for 2016

American stores: Expansion of sales floor and product portfolio
 Costco: Strengthening of in-store promotion in holiday seasons such as Easter, Halloween, etc.

Sales increased by **147%** (Y/Y)



Average weekly sales Y/Y comparison: increase to **more than 120%**



Promotion to gain more attention to HI-CHEW

Contract with MLB player



Sampling



TV ads



Recognition rate in prioritizes area: Increased by 20%



Overseas business : Engagements in China

To U.S.



Import Product Business
Importing products from Japan for sales in China

HI-CHEW Business
Manufacturing HI-CHEWs in China for sales in China and export to U.S. and Asia countries



For improvement in earning base

HI-CHEW Business

- ✓ Cultivation of new sales channel
- ✓ Thorough implementation of strategy for each area

Import Product Business

- ✓ Full-fledged development of special-purpose products
- ✓ Reduction in time to market

E-Commerce Business

- ✓ **HI-CHEW:** Development of special-purpose products
- ✓ **Imported products:** Development of baby routes

Overseas business : Engagements in Southeast Asian area

<Indonesia>

Strengthening of brand promotion of Morinaga

- Strengthening sales of "HI-CHEW" in major cities
- Strengthening measures for "CHEW²BALL" GT markets and product export

Strengthening of confectionery category

- Strengthening brand development of HI-CHEW product range
- Promotion through sampling, websites and TV ads



Leading chains decided to introduce the products



Communicating pleasantness of the products to young generation

<Southeast Asia>

Strengthening of market development



Enhancement of brand awareness
Expectation of market expansion

"CHEW²BALL"
Increase in activities for GT market

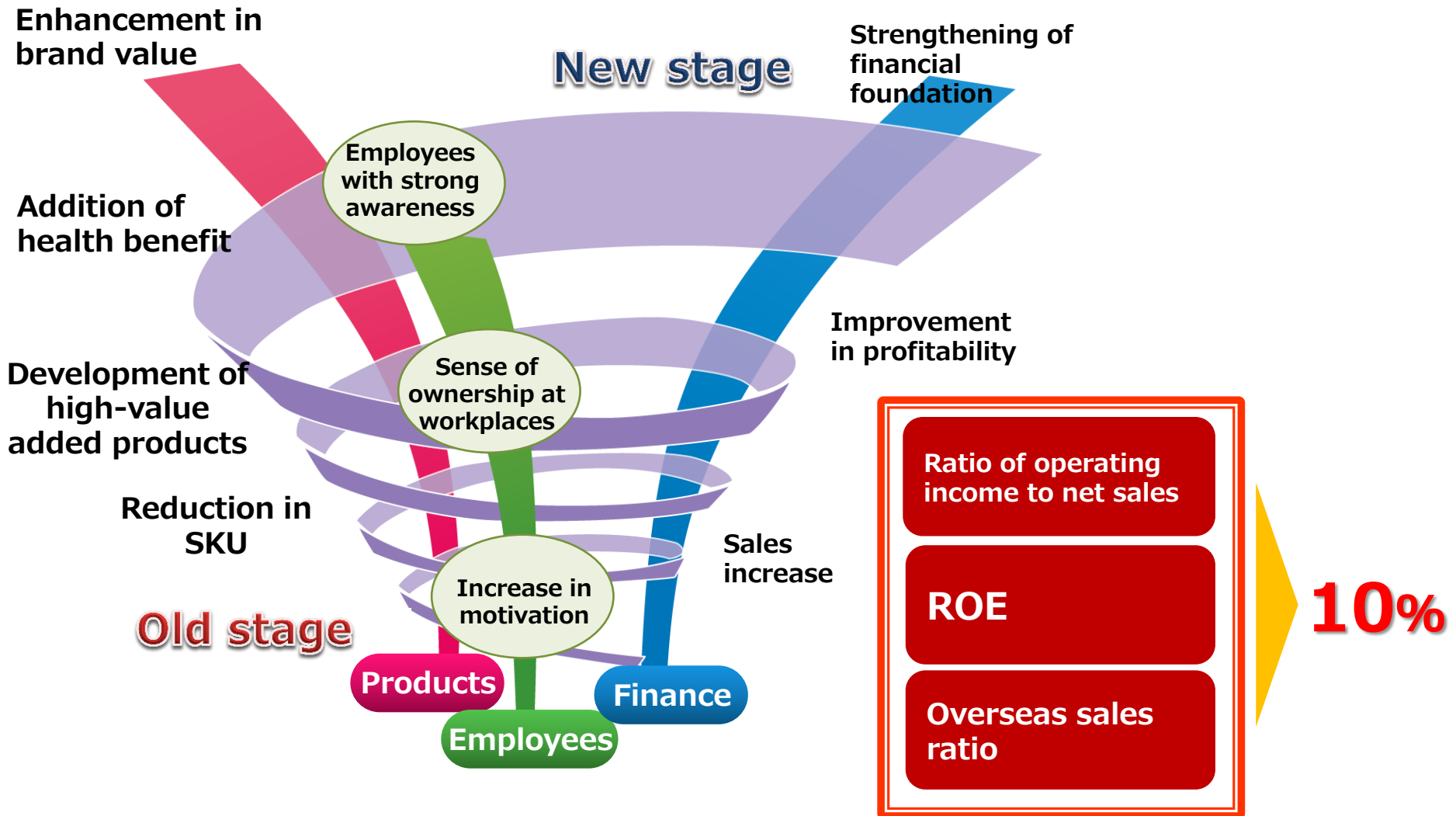
Acceleration of penetration of HI-CHEW brand



Trends in Consolidated Financial Indicators

	FY2015	FY2016	FY2017
Operating Income Margin	3.3%	6.3%	8.8%
ROE (Net Income/Equity Ratio)	6.0%	11.5%	13.6%
ROA (Ordinary Income/ Total assets)	4.4%	7.6%	10.5%
EPS (Net income per share)	73.1	155.5	213.6
Overseas Sales Ratio	7.8%	6.3%	7.2%

Toward establishment of strong management foundation



Results Forecast

(April 2017 through March 2018)

Consolidated Results Forecast (April 2017 through March 2018)

- **Net sales** : Expansion of sales volumes in health fields and overseas business.
- **Income** : Response to external factors of rise in personnel expenses, logistics costs, etc. with revenue increase and review of product standards.

(Million yen)

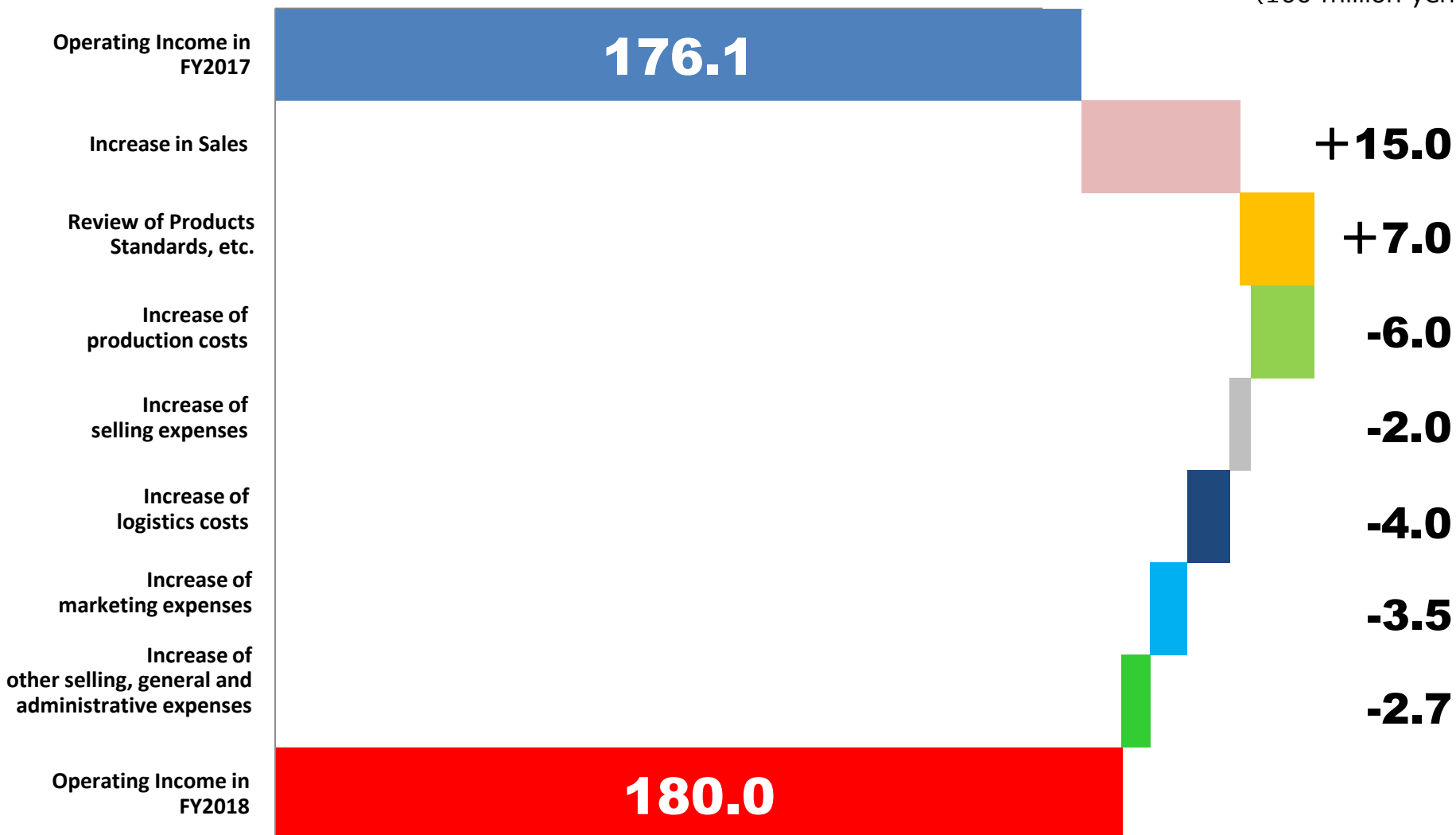
	Year ending March 2018	Result in previous fiscal year	Y/Y change (%)
Net sales	205,000	199,479	+5,521 (102.8%)
Operating income	18,000	17,612	+388 (102.2%)
Ordinary income	18,500	18,325	+175 (101.0%)
Net income attributable to owners of parent	12,600	11,115	+1485 (113.4%)

**Operating
income
margin
8.8%**

**Overseas
sales ratio
8.6%**

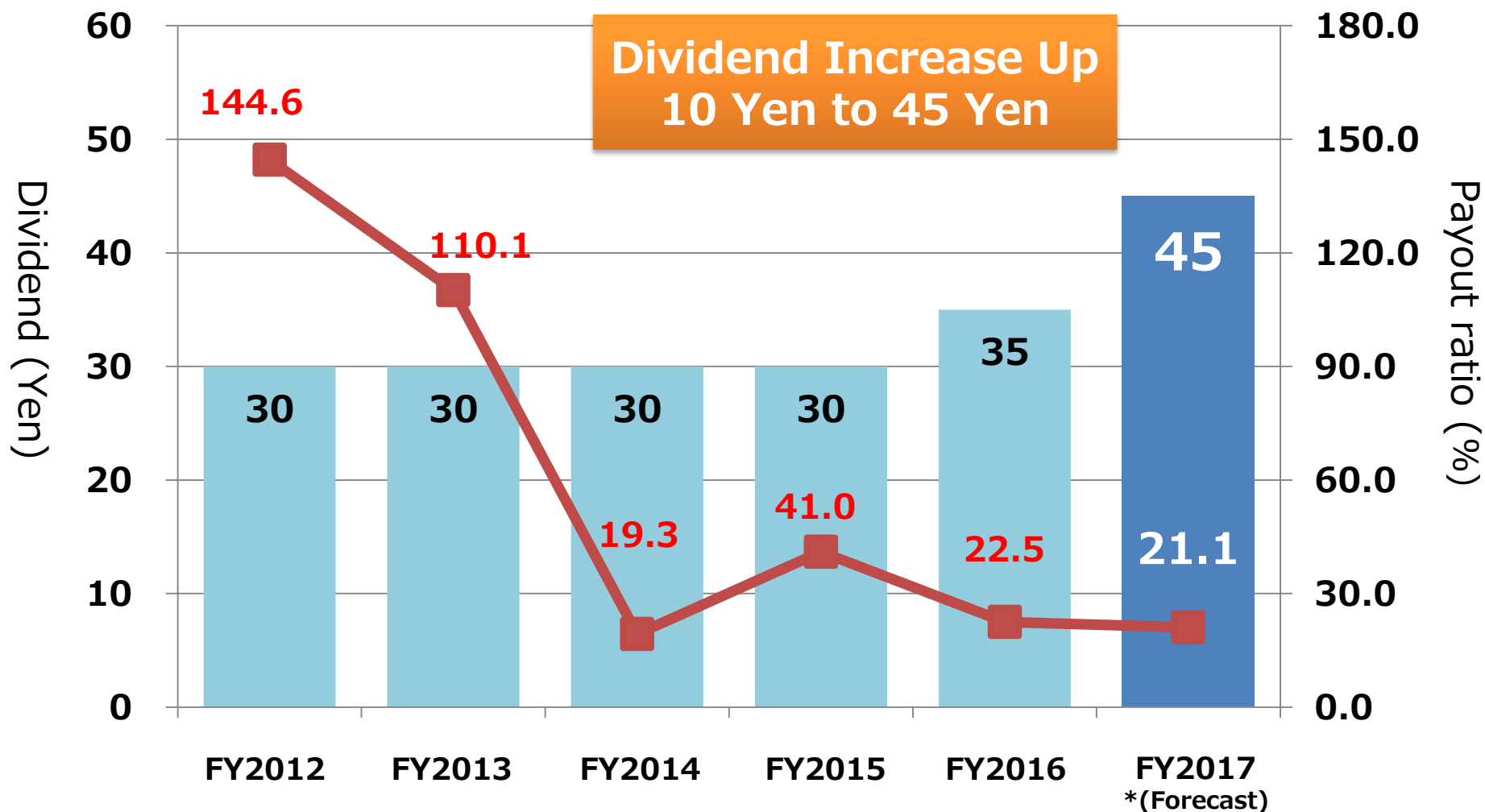
Factors in Change in Consolidated Operating Income

(100 million yen)



Return to shareholders

Return to shareholders



*The resolution of the shareholders meeting scheduled to be held on June 29, 2017.