

Fiscal Year Ending March 31, 2016

Results Briefing

November 18, 2015
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.

Six Months Ended September 30, 2015 (2Q)

Financial Results

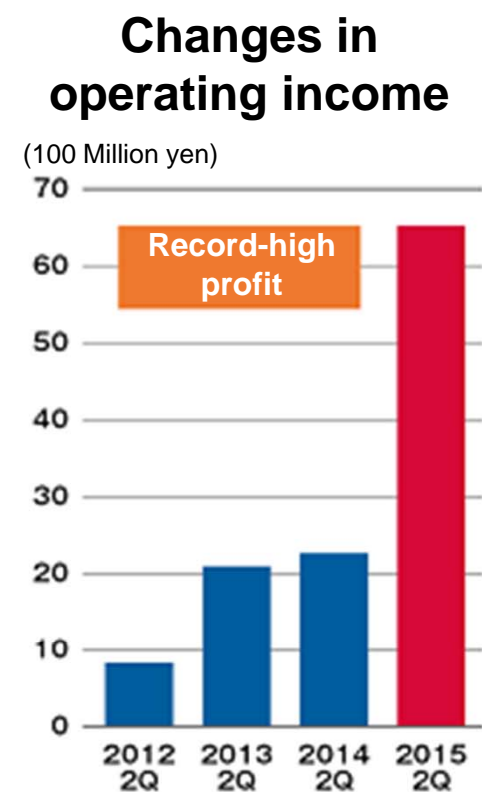
(April 2015 to September 2015)

Consolidated Results for 2Q 2015 (April 2015 to September 2015)

- Net sales: Growth in the mainstay Food Manufacturing segment
- Income: Record highs for both operating income and ordinary income, driven mainly by higher sales and efforts to improve the cost of sales ratio

(Million yen)

	2Q ended September 30, 2015	2Q ended September 30, 2014	Y/Y (%)
Net sales	91,851	88,993	+2,858 (103.2%)
Operating income	6,601	2,266	+4,335 (291.3%)
Ordinary income	6,930	2,587	+4,343 (267.9%)
Profit attributable to owners of parent	4,975	1,679	+3,296 (296.2%)



Segment Information (Consolidated) for 2Q 2015

(April 2015 to September 2015)

(Million yen)

Segment (Component ratio)	Net sales Y/Y change (%)	Segment income (Y/Y change)	
Food Manufacturing (95.3%)	87,536 (103.6%)	6,358 (+ 4,371)	Food Manufacturing ■ Net Sales <ul style="list-style-type: none"> - Satisfactory domestic results in the Confectionery & Foodstuffs, Frozen Desserts, Health Products segments - Strong sales of <i>in Jelly</i> ■ Income Positive factors <ul style="list-style-type: none"> - Increase in sales in food manufacturing segment - Strong results in the Frozen Desserts segment for domestic subsidiaries - Improvement in the cost of sales ratio - Cutback in selling expenses - Reduced advertising expenses - Reinforced product mix
Food Merchandise (2.9%)	2,677 (94.4%)	159 (+ 12)	
Real Estate and Services (1.4%)	1,304 (96.1%)	357 (- 19)	
Other Services (0.4%)	332 (100.1%)	46 (+ 12)	

Food Manufacturing Net Sales (April 2015 through September 2015)

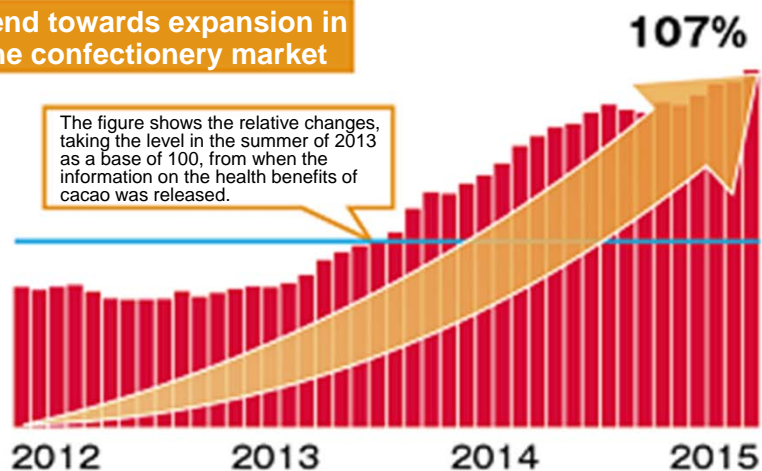
(Million yen)

	Net sales	Y/Y change	Y/Y change (%)
Consolidated net sales	91,851	+2,858	103.2%
Food Manufacturing	87,536	+3,070	103.6%
Confectionery & Foodstuffs	53,565	+412	100.8%
Frozen Desserts	20,101	+850	104.4%
Health Products	13,869	+1,808	115.0%
Domestic sales	82,222	+3,697	104.7%
Overseas sales	5,314	-626	89.5%
	2Q ended September 30, 2015	2Q ended September 30, 2014	
Overseas sales ratio	5.8%	6.7%	

Growth Factor for Net Sales in Food Manufacturing

Brand enhancement: Growth boosted by selection and concentration

Trend towards expansion in the confectionery market



* Source: SRI data
The sum of candy, biscuits, chocolate, and snack categories (%)

Domestic Market Growth Situation by Category	Y/Y change	
	Overall market	MORINAGA
Caramel, Candy	104	100
Biscuits	105	110
Chocolate	102	102
Snack	102	106
Cocoa	103	105
Ice	104	105
Pouch with a mouth plug	112	115

■ Confectionery
[Growth in the domestic confectionery market]
+
[Strategic marketing plans]
↓
Net sales in the domestic Confectionery & Foodstuffs segments remained strong.

- (1) Confectionery market on an upward trend since summer 2013.**
 - This trend started after the release of information about the health benefits of cacao in chocolate.
- (2) Enhancement of existing brands**
 - Business resources are concentrated to thoroughly pursue high quality and concepts
- (3) Development of high value-added products**
 - “Target for adults”, Enhancement of “premium” items
- (4) Development of new products**
 - Create products by applying core skills

■ Frozen Desserts
Continued strong sales after the price revision (in March 2015).

■ Health
in Jelly showed significant growth from the previous fiscal year.

Growth Factors for Operating Income in Food Manufacturing

Further improvement in efficiency of marketing costs

- Cost-effective advertising activities (-509 million yen year on year)
- Strategic use of selling expenses (-530 million yen year on year)

Thorough cost reduction

- Zero-based review of raw materials for quality improvement
- Cost reduction mainly through improved efficiency in production (-830 million yen year on year)

Price revision

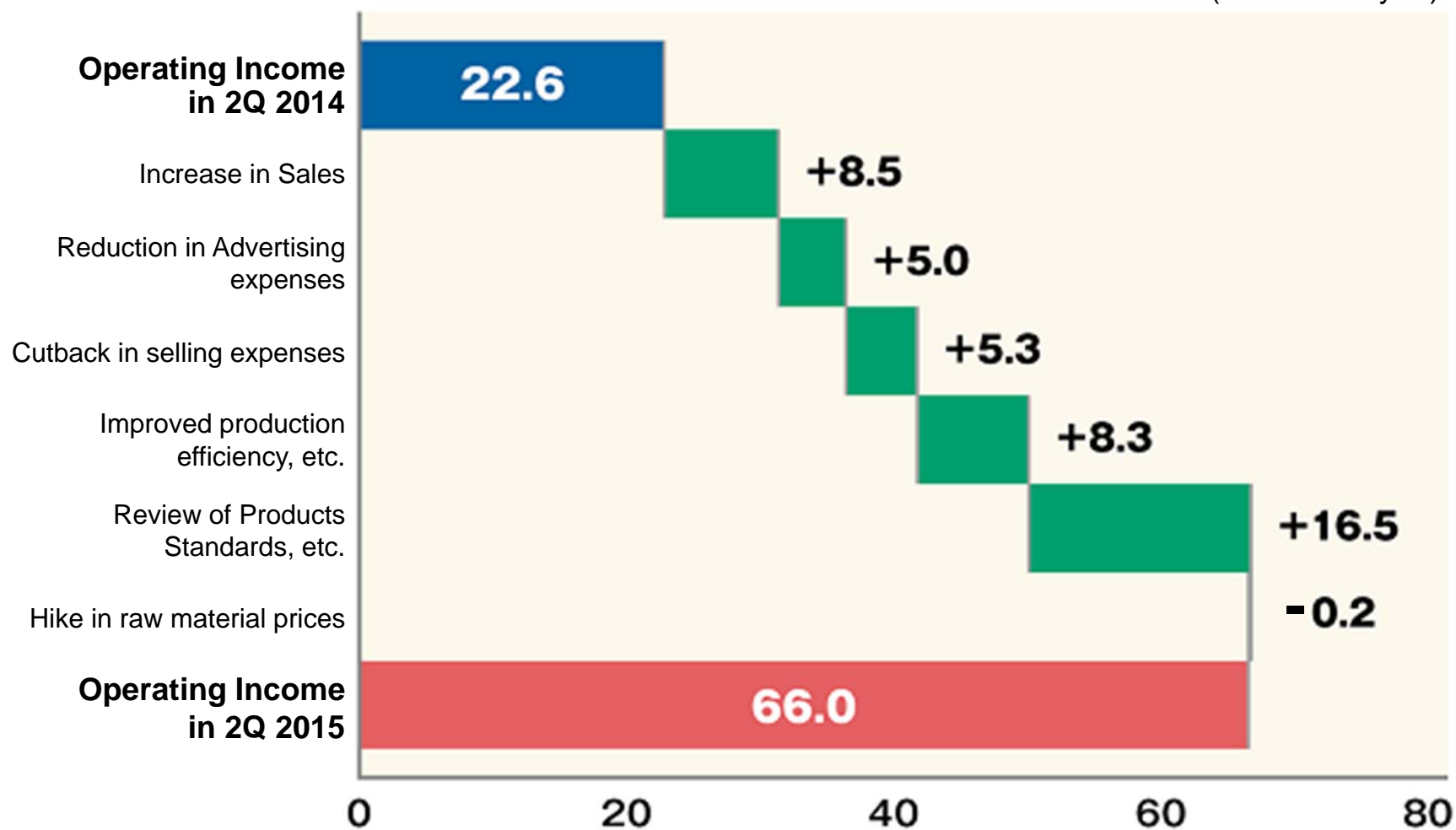
- Valued products offered at a fair price
- Measures required to ensure stable procurement of safe and secure raw materials



Stronger Revenue Base

Consolidated Results for 2Q 2015: Operating Income Change Analysis

(100 million yen)



Sales by Category (April 2015 through September 2015)

(%)

Category	Market data*1			Morinaga's main brand	Y/Y change in Morinaga's shipments
	Market Y/Y	Morinaga Y/Y	Share (Y/Y change)		
Caramel, candy	104	100	9.3 (-0.5)	<i>Milk Caramel</i> <i>HI-CHEW</i>	93 107
Biscuits	105	110	10.3 (+0.3)	<i>Morinaga Biscuits</i>	99
Chocolate	102	102	8.5 (+0.0)	<i>Chocoball</i> <i>DARS</i> <i>[Bake]</i> <i>[Carre de chocolat]</i>	81 103 102 100
Snack	102	106	4.2 (+0.2)	<i>Otutto</i>	92
Cocoa	103	105	43.3 (+1.1)	<i>Morinaga Cocoa</i>	103
Ice	104	105	7.9 (+0.1)	<i>Jumbo group</i>	107
Pouch with a mouth plug	112	115	43.4 (+1.0)	<i>Weider in Jelly</i>	118

*1 Source: Intage SRI data (based on sale proceeds nationwide; the classification is based on Morinaga's definition)

Fiscal Year Ending March 31, 2016

Results Forecast

(April 2015 through March 2016)

Consolidated Results Forecast for 3Q & 4Q 2015: Comparison with a Year Earlier

(Million yen)

	Forecast for 3Q & 4Q 2015 (announced on November 4)	Result in 3Q & 4Q 2014	Y/Y change (%)
Net sales	88,148	88,936	-788 (99.1%)
Operating income	2,398	3,673	-1,275 (65.3%)
Ordinary income	2,569	3,943	-1,374 (65.2%)
Profit attributable to owners of parent	1,224	2,126	-902 (57.6%)

■ Net sales

- Decrease in domestic sales of confectioneries
- * Change of an agency for Chupa Chups candies

■ Income

<Positive factors>

- Declines in prices of overseas dairy products
- Impact of the price revision of chocolate and frozen desserts
- Continuous improvement in production efficiency

<Negative factors>

- Initiatives to strengthen competitiveness of domestic products
- Marketing strategy expenses for the U.S. market

⇒ **Reinforcement of foundations for the future**

Negative Factors for Operating Income in 3Q & 4Q 2015 (Consolidated)

Initiatives to Further Strengthen the Business Base

Investment of marketing costs in the domestic market

- Further strengthening of the existing brands to build a solid revenue base
- Focus on sales strategy that adds commercial value

Strengthening of the foundation for Health Products

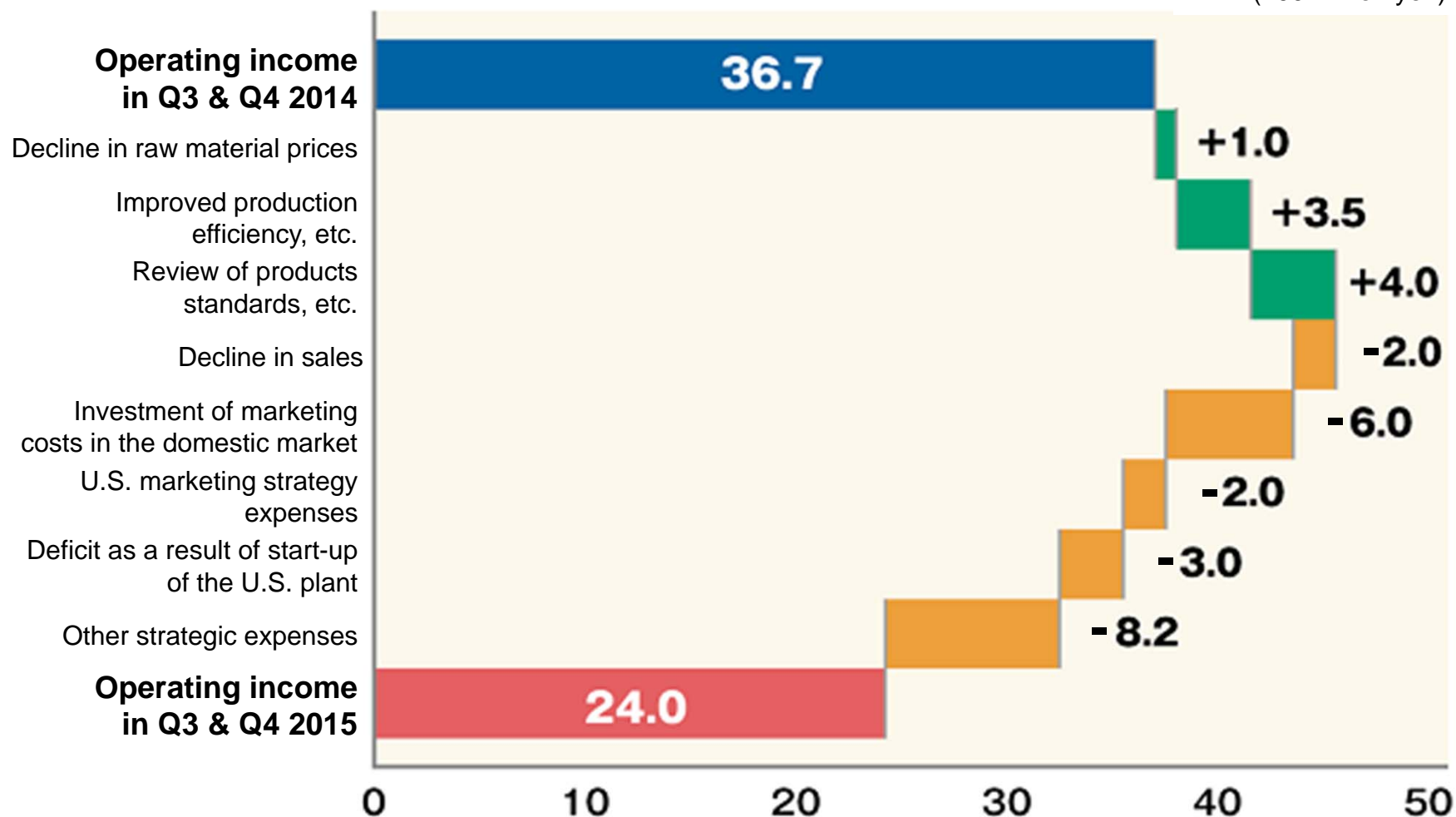
- Brand enhancement of *in Jelly* and *in Bar*

Enhanced marketing strategy for markets overseas

- United States: Sales promotions to improve awareness of *HI-CHEW* candies
- United States: Implementation of strategies specific to different areas to expand sales volume
- Indonesia: Introduction of new products by utilizing Morinaga's technology

Factors of Changes in Consolidated Operating Income in 3Q & 4Q 2015

(100 million yen)



Full-Year Consolidated Results Forecast: Comparison with the Previous Year

(Million yen)

	Full-year forecast (announced on November 4)	Previous year	Y/Y change (%)
Net sales	180,000	177,929	+2,071 (101.2%)
Operating income	9,000	5,939	+3,061 (151.5%)
Ordinary income	9,500	6,530	+2,970 (145.5%)
Profit attributable to owners of parent	6,200	3,806	+2,394 (162.9%)

Full-Year Forecast by Segment (April 2015 to March 2016)

(Million yen)

Segment (Component ratio)	Net sales Y/Y change (%)	Segment income (Y/Y Change)
Food Manufacturing (94.7%)	170,500 (101.3%)	8,780 (+ 3,258)
Food Merchandise (3.5%)	6,300 (98.5%)	500 (+ 32)
Real Estate and Services (1.5%)	2,630 (99.7%)	780 (+ 46)
Other services (0.3%)	570 (101.1%)	80 (- 1)

Net sales in domestic/overseas	Q2 2015 cumulative result	Q3 & Q4 2015 Forecast	Full-year forecast	Y/Y change (%)
Domestic sales	82,222	74,877	157,100	+ 2,590 (101.7%)
Overseas sales	5,314	8,085	13,400	- 419 (97.0%)
Overseas sales ratio	5.8%	9.2%	7.4%	

(Non-consolidated) Year on Year Change in Sales by Brand

(%)

Morinaga's main brand		Q2 2015 cumulative result	Q3 & Q4 2015 Forecast	Full-year forecast	Component ratio in Morinaga & Co., Ltd.
Confectionery & Foodstuffs	<i>Milk Caramel</i>	93	100	96	
	<i>HI-CHEW</i>	107	109	108	
	<i>Morinaga Biscuits</i>	99	84	91	
	<i>Chocoball</i>	81	90	86	
	<i>DARS</i>	103	97	99	
	<i>Ottotto</i>	92	99	95	
	<i>Milk Cocoa</i>	103	101	101	
	<i>Confectionery & Foodstuffs Total</i>	98	95	96	29.5 (+ 0.5)
Frozen Desserts	<i>Jumbo group</i>	107	104	106	9.2 (+ 0.6)
Health Products	<i>Weider in Jelly</i>	118	103	112	11.1 (+ 1.3)
Mainstay brands total		105	98	102	49.9 (+ 1.4)

Key Initiatives

Key Initiatives

Strengthening of business base and generation of business opportunities

(1) <<Existing>> Domestic: Confectionery & Foodstuffs, Frozen Desserts and Other

- Building the foundation to steadily generate profit through the mainstay businesses

(2) <<Growth fields>> Health (Weider, Healthcare), Overseas

- Expanding the scale of business as a new pillar of earnings

(3) <<New fields>> New businesses/ New channels

- Tackling challenges to generate new business opportunities

<<Existing fields>> Domestic (1): Confectionery & Foodstuffs

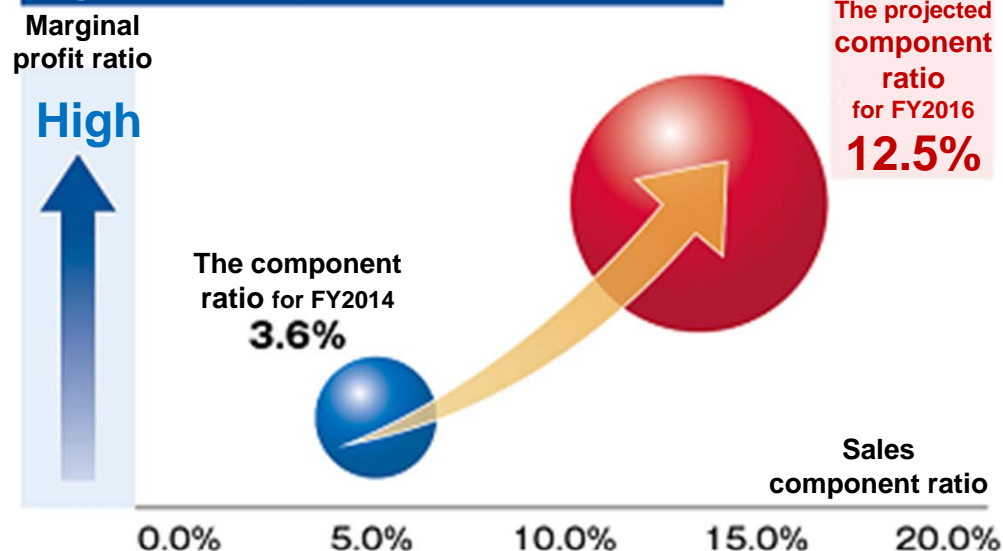
Building the foundation for steady profit generation

Continuously provide valued products that impress consumers

Hanjuku Chocolat chocolate (launched in September)



Comparison of sales component ratio of high-value-added products



Development of a high-value-added product
⇒ **Key to improving profitability**

Achievement

- (1) **Acquisition of new customers**
Growth in customer groups of senior citizens and women in their 20s
- (2) **A rise in the average unit price in categories**
Significant contribution to profit generation
- (3) **Contact expansion in CVS channels**
Strategies to strengthen sales channels

Challenge

Product development aimed at stability throughout the year
⇒ Continuous creation of new value

Upcoming lineup



[DARS chocolate] nuts & fruits



[BAKE chocolate] creamy cheese

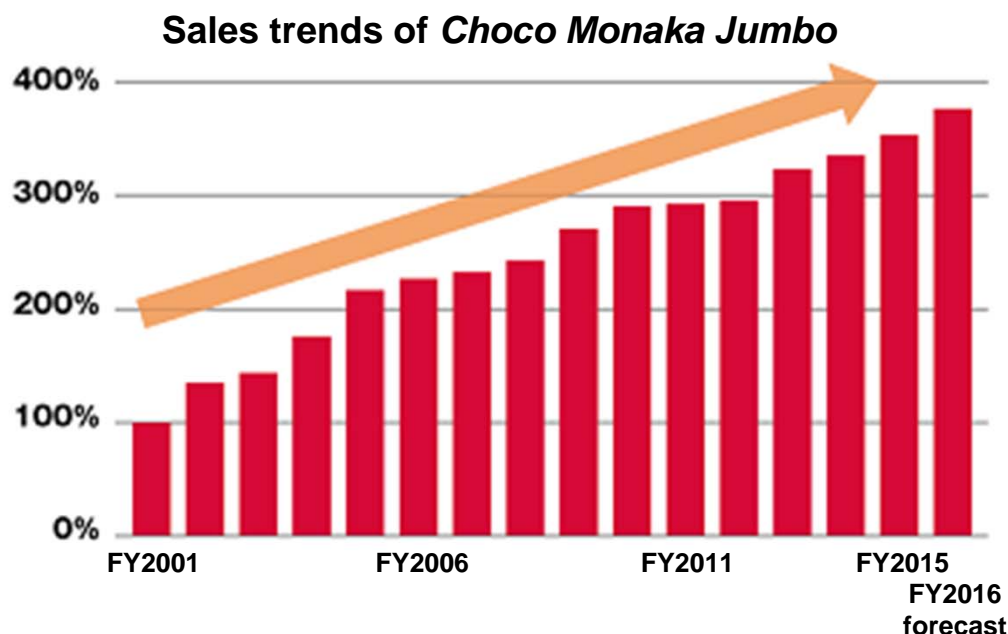


[Aunt Stella] almond cookies

<<Existing fields>> Domestic (2): Frozen Desserts

Building the foundation for steady profit generation

Sustained and exhaustive efforts to enhance the brand



Sales trends

Sales growth for 14 consecutive years! Further growth expected as well for this fiscal year.

Commitment to quality

Continuous increase in *Choco Monaka Jumbo* lovers, thanks to freshness management, which is unusual for ice cream, and thorough quality improvement.

High level both in the product handling store rate and the turnover at stores

Constant awareness of the expansion of handling stores and the minimization of the stock level

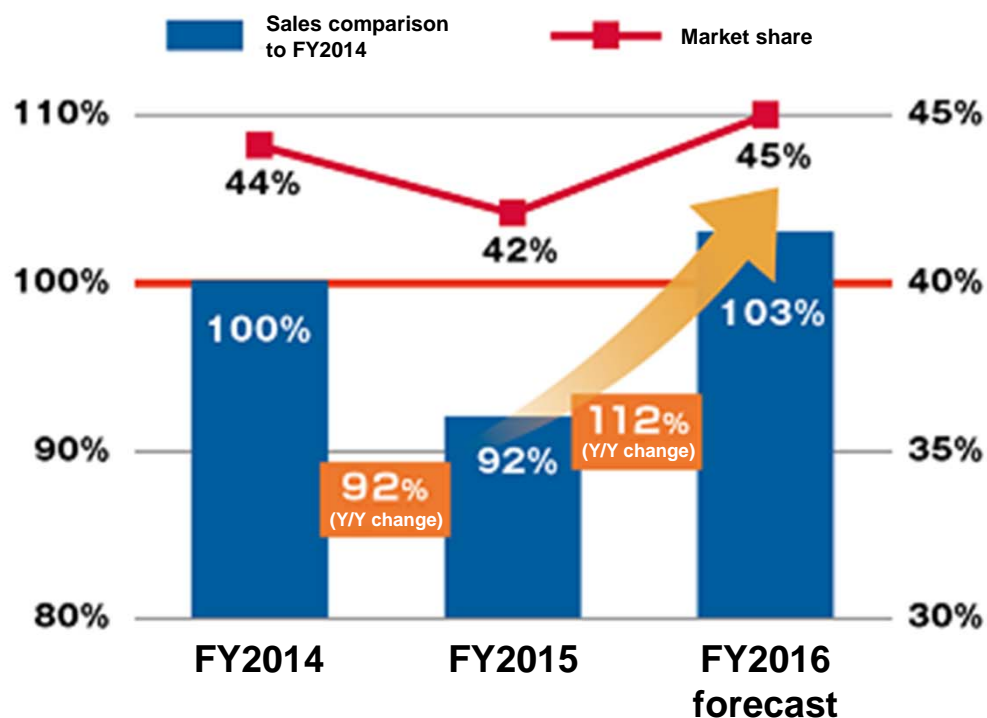
Overwhelmingly strong, highly competitive annual sales by SKU!

<<Growth fields>> Health: Weider

Expanding the scale of business as a new pillar of earnings

Health function appeal as a contributing factor for sales recovery

in Jelly projected to return to the sales level of FY2014



Latest initiatives

- Product lineups based on nutritional function
- Topical advertising
- Exhaustive efforts to secure multi-locations *
 - * Display product at two or more places in the same store
- Stimulate demand in the summer



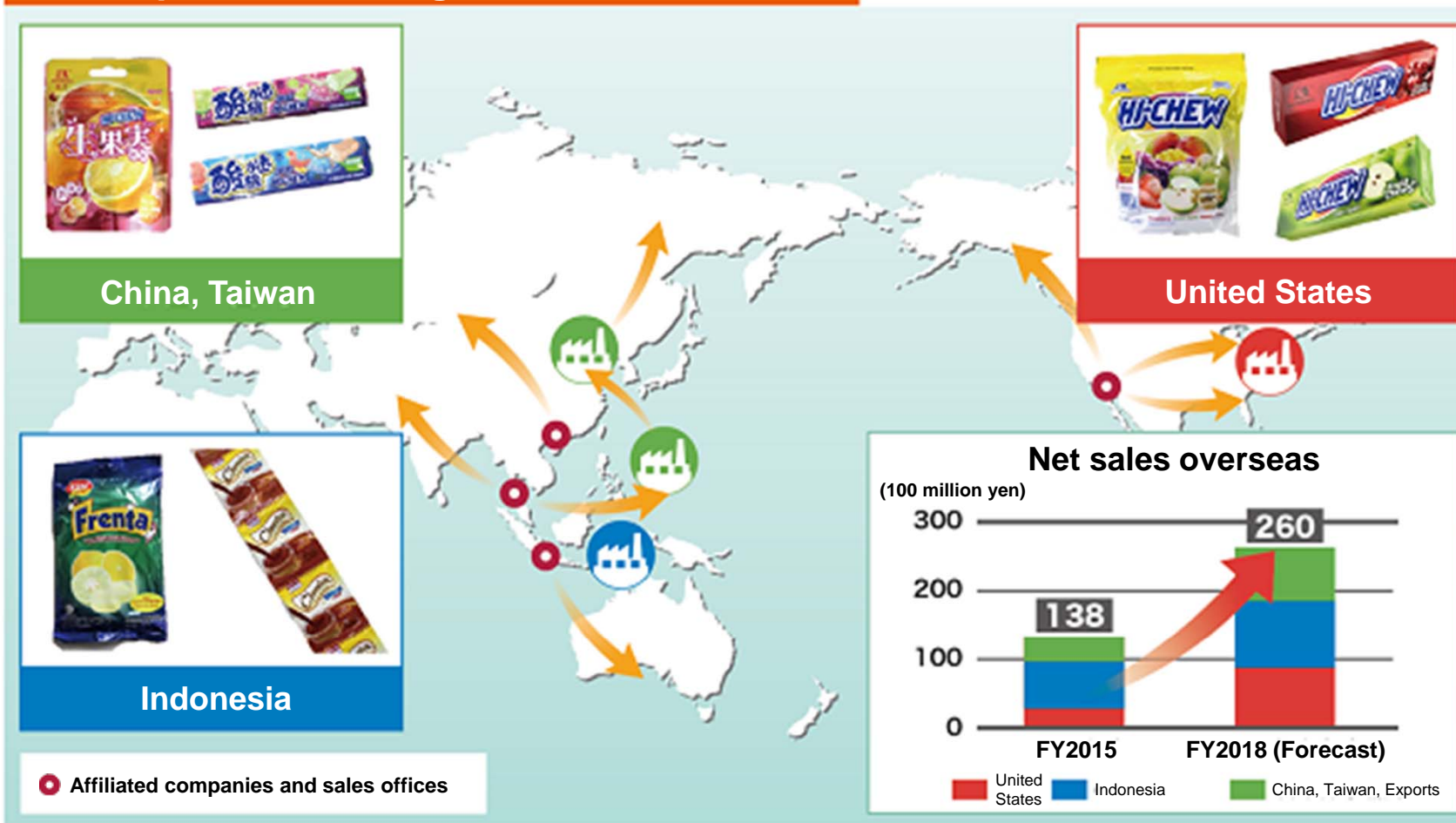
Future Initiatives

- Female customers: Beauty support by supplementing minerals
- Link with seasonal themes
 - Cold prevention, support for students preparing for exams
- *in Jelly, in Bar*
 - Expand scale in the health food market



<<Growth fields>> Overseas (1): Overall Picture

Expanding the scale of business as a new pillar of earnings



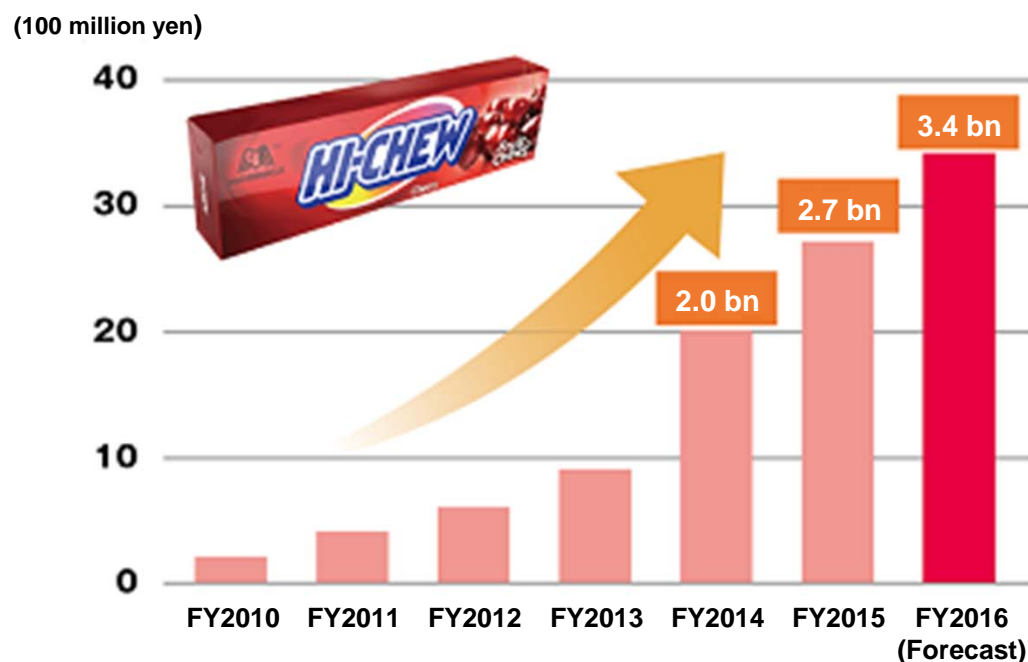
<<Growth fields>> Overseas (2): United States

Expanding the scale of business as a new pillar of earnings

The U.S. plant started operation in August 2015



Sales trends in the United States



Strategic investment to expand the scale of sales

Latest initiatives

■ [Achievement]

- Building of distribution network with a focus on the West
- Acquisition of production certification for Costco

■ [Challenge]

- Improvement in awareness of *HI-CHEW* candies
- A lower introduction rate in the Midwest and Southeast

Future Initiatives

Focus on improving brand awareness

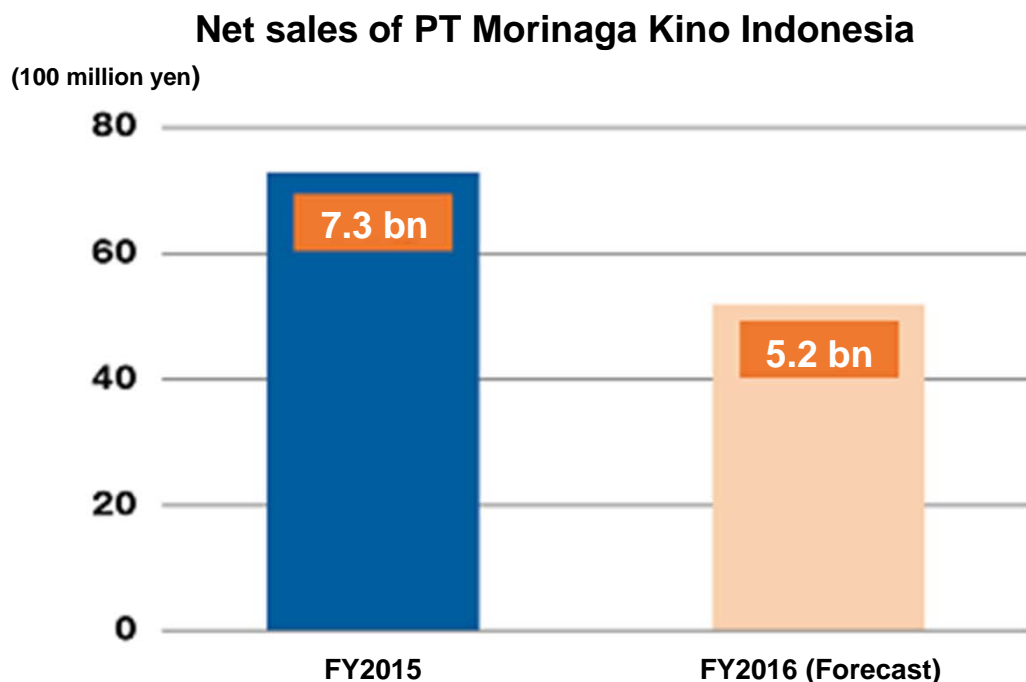
- Marketing strategies designed for each district
- Product PR and advertising for improving the turnover at stores and the introduction rate

⇒ Work to expand the scale of sales

<<Growth fields>> Overseas (3): Indonesia

Expanding the scale of business as a new pillar of earnings

More prompt product development of Morinaga brands



Set the product prices to meet local needs, and provide products of value in excess of the prices set

Significant growth factors

- Population of 249 million (on the rise)
- Majority of the population is younger than 40 years old
- The country with the largest Muslim population in the world

⇒ Strategies to address the needs of the Islamic world

Recovery initiatives

- The launch schedule for Morinaga brand products, which were developed by utilizing the company's development capabilities, was moved forward.

* CHEW2-BALL for TT

* HI-CHEW for MT

(TT: family-owned stores, MT: CVS, SM, etc.)



⇒ Acquisition of teenage customers

⇒ Product development tailored for each sales channel

<<New fields>> New businesses / New channels

Challenges in generating new business opportunities

Implementation of the “Morinaga Accelerator Program”

Examination of 132 business plans submitted by venture companies that support Morinaga’s drive to carve out a new future of food.

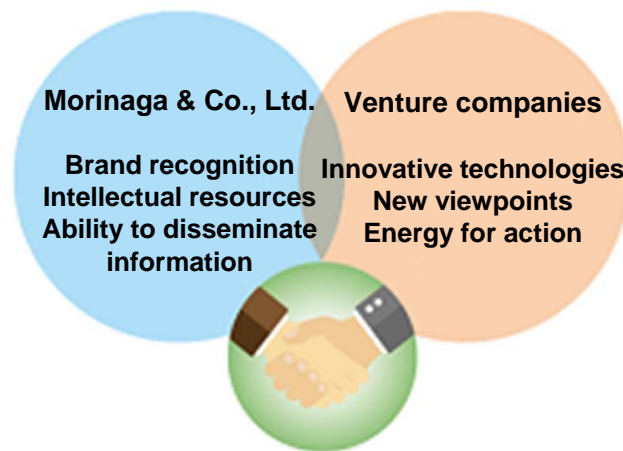


2 companies selected

[Capital investment]
[Business support]

[Internship program at venture company]
Temporary transfer of 2 employees

Collaboration with original technology



Morinaga & Co., Ltd.
×
Hosei University
Chocoball chocolate with AR (augmented reality)