Fiscal Year Ended March 31, 2016

Results Briefing

May 25, 2016

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.

Fiscal Year Ended March 31, 2016

Full-Year Results

(April 2015 to March 2016)

Full-Year Consolidated Results (from April 2015 through March 2016)

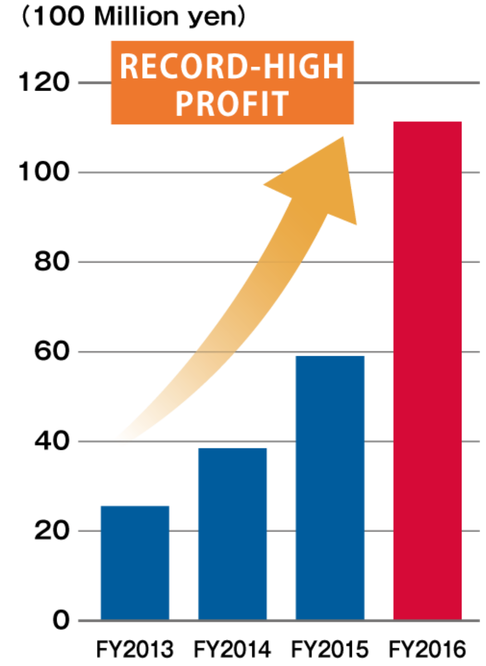
■ **Net sales**：Sales in the mainstay Food Manufacturing business rose.

■ **Income**：Posted record highs for operating income, ordinary income, and current term net income. Main causes are increase of revenue and measures conducted to reduce ratio of cost of sales.

(Million yen)

	Year ended March 2016	Previous year	Y/Y change (%)
Net sales	181,868	177,929	+3,939 (102.2%)
Operating income	11,456	5,939	+5,517 (192.9%)
Ordinary income	12,062	6,530	+5,532 (184.7%)
Profit attributable to owners of parent (*)	8,092	3,806	+4,286 (212.6%)

Changes in operating income



(*) Presentation format changed starting term ended March, 2016 (former current term net income).

Full-Year Segment Information (April 2015 through March 2016)

(Million yen)

Segment (Component ratio)	Net sales Y/Y change (%)	Segment income (Y/Y change)
Food Manufacturing (94.8%)	**172,431 (102.5%)**	**10,863 (+5,290)**
Food Merchandise (3.4%)	**6,213 (97.1%)**	**522 (+54)**
Real Estate and Services (1.4%)	**2,557 (96.9%)**	**678 (-56)**
Other Services (0.4%)	**665 (100.9%)**	**54 (+24)**

Food Manufacturing

■ Net sales

- Strong domestic sales of frozen desserts and health products
  - Sales recovery of *in Jelly* series (Y/Y change: 119%)

- Overseas sales decreased. Heavy influence of decrease in sales in Indonesia due to economic downturn

■ Income

Positive factors

- Cost reduction by improvement of production efficiency, revision of products standards, etc. Effective injection of selling expenses

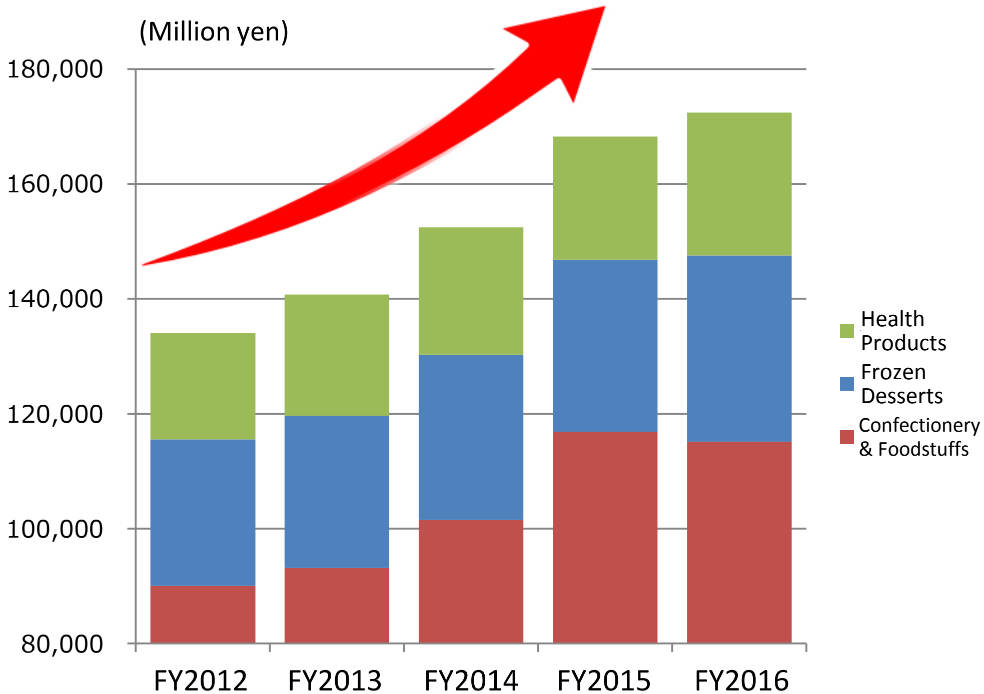
- Among domestic subsidiaries, Improvement in income of Takasaki Morinaga. Due to increase of sales by Aunt Stella

Food Manufacturing Net Sales (April 2015 through March 2016)

(Million yen)

	Net sales	Y/Y change	Y/Y change (%)
Consolidated net sales	**181,868**	**3,939**	**102.2%**
Food Manufacturing	**172,431**	**4,197**	**102.5%**
Confectionery & Foodstuffs	**115,145**	**-1,726**	**98.5%**
Frozen Desserts	**32,381**	**2,445**	**108.2%**
Health Products	**24,905**	**3,479**	**116.2%**
Domestic sales	**161,007**	**6,593**	**104.3%**
Overseas sales	**11,424**	**-2,395**	**82.7%**
Overseas sales ratio	**6.3%**	**-1.5 P**	

Growth Factor for Net Sales in Food Manufacturing



108%　112%　119%

■ Confectionery

【Growth in the domestic confectionery market: Y/Y change of over 103%】

*The sum of candy, biscuits, chocolate, and snack categories

Source：*e-okashi net*

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【Strategic marketing plans】

<u>In domestic Confectionery & Foodstuffs segments,</u>

Enhancement of existing brands

- Business resources are concentrated to thoroughly pursue high quality and concepts

Development of high value-added products

- Creating consumer needs anew by providing values exceeding just taste.

■ Frozen Desserts

<u>Continued strong sales after the price revision</u>

Sales of *Choco Monaka Jumbo* expanding for 15 consecutive years

■ Health

<u>*in Jelly* showed significant growth from the previous fiscal year.</u>

Continually appealing to consumer needs with functionality (products targeting those doing sports, women, people with a flu, etc.)

Growth Factors for Operating Income in Food Manufacturing

Improvement of production efficiency

- Striving to improve quality by revising raw materials from the zero-base.
- Reduced heating and lighting expenses in nine plants in Japan (- 600 million yen year on year)

Revision of products standards

- Confectionery: changed chocolate price structure
- Frozen Desserts: brushed up on identity and raised brand value

Effect of reduction of selling expenses

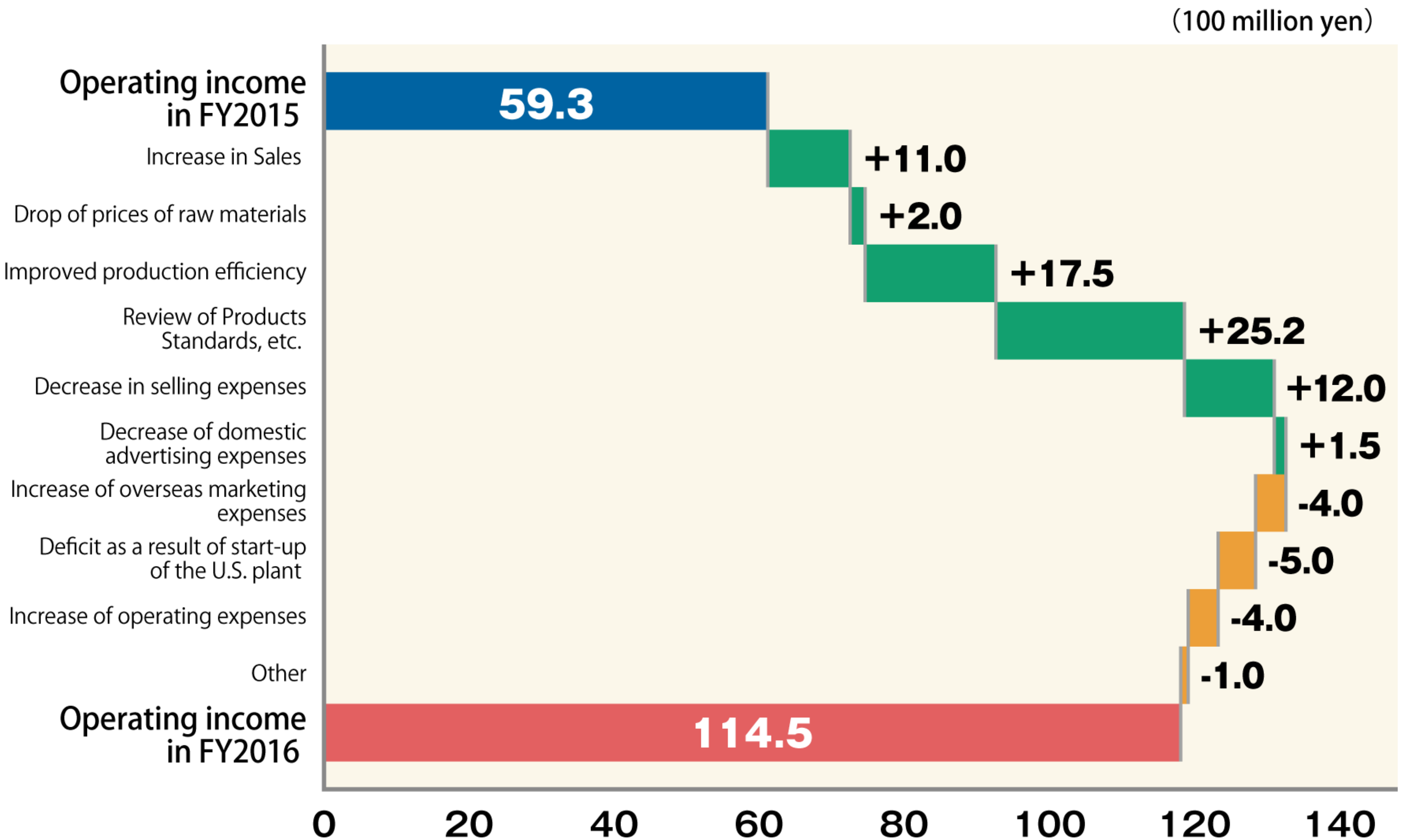
- Cost-effective advertising activities (-180 million yen year on year)
- Strategic use of selling expenses(-0.6% year on year)

cost of sales ratio
-2.6%

SGA ratio
-0.4%

Reinforcement of revenue base

Factors in Change in Full-Year Consolidated Operating Income



Sales by Category (April 2015 through March 2016)

(%)

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**	**98**	**8.9 (-0.5)**	*Milk Caramel* *HI-CHEW*	**96** **108**
Biscuits	**103**	**104**	**10.3 (+0.1)**	*Morinaga Biscuits*	**94**
Chocolate	**103**	**100**	**7.1 (-0.3)**	*Chocoball* *DARS* *[Bake]* *[Carre de chocolat]*	**92** **98** **96** **106**
Snack	**101**	**113**	**4.3 (+0.4)**	*Ottotto*	**97**
Cocoa	**98**	**98**	**39.8 (–)**	*Milk Cocoa*	**99**
Ice	**106**	**108**	**8.1 (+0.1)**	*Jumbo group*	**112**
Pouch with a mouth plug	**113**	**117**	**43.7 (+1.5)**	*Weider in Jelly*	**119**

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

Key Initiatives

<<Existing fields>>
Confectionery & Foodstuffs, Frozen Desserts and Other

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

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

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

<<Existing fields>> Domestic : Confectionary & Foodstuffs

Building the foundation for steady profit generation

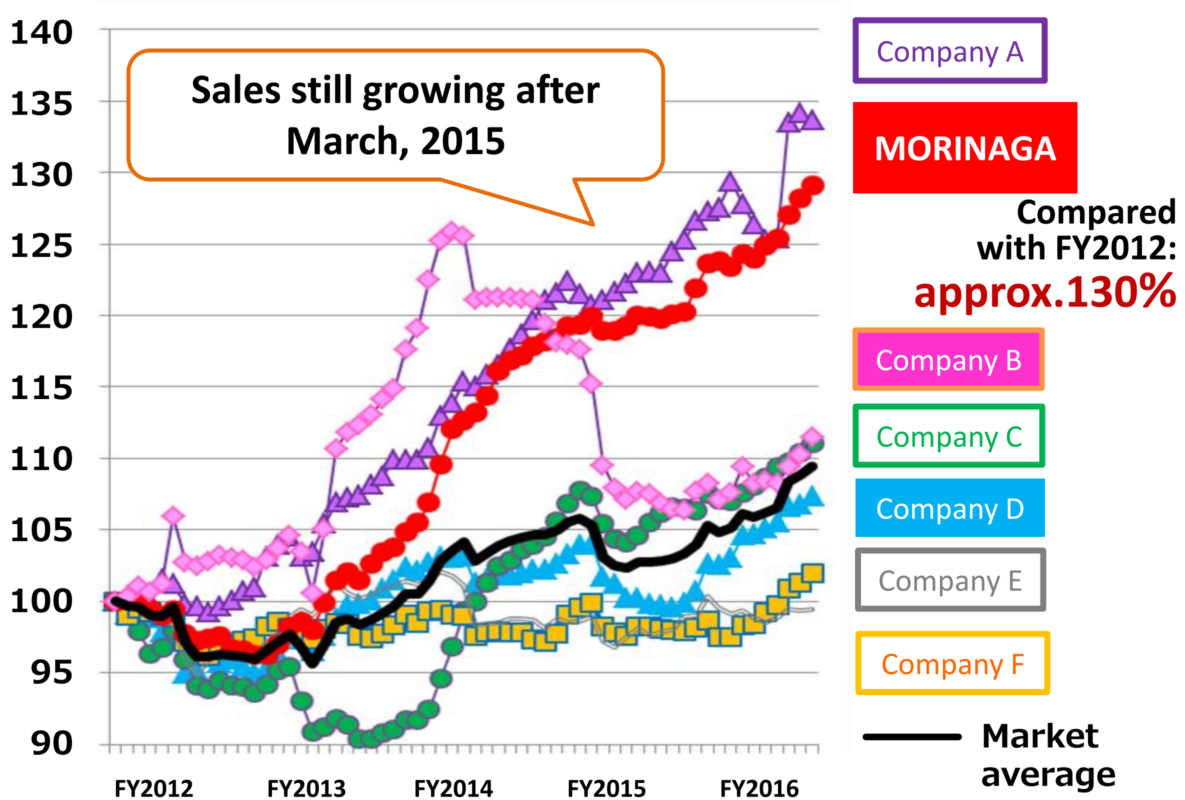
Item number reduction	Development of products with high unit cost and high added value	Revision of products standards
FY2016 Newly developed items in confectionery: **reduced 15%Y/Y** **⇒cutting down centering on low-profit goods**	FY2016 **Sales contribution ratio ： 10%** （FY2014 ： 3.6%） **⇒Concentrating further on market acceptance of new brands**	FY2016 With price revisions and other measures, ratio of cost of sales substantially improved **⇒Offering safe and sound products of value at appropriate prices**

New health-conscious products and brands

<<Existing fields>> Domestic : Frozen Desserts

Building the foundation for steady profit generation

■ Manufacturers' growth rate



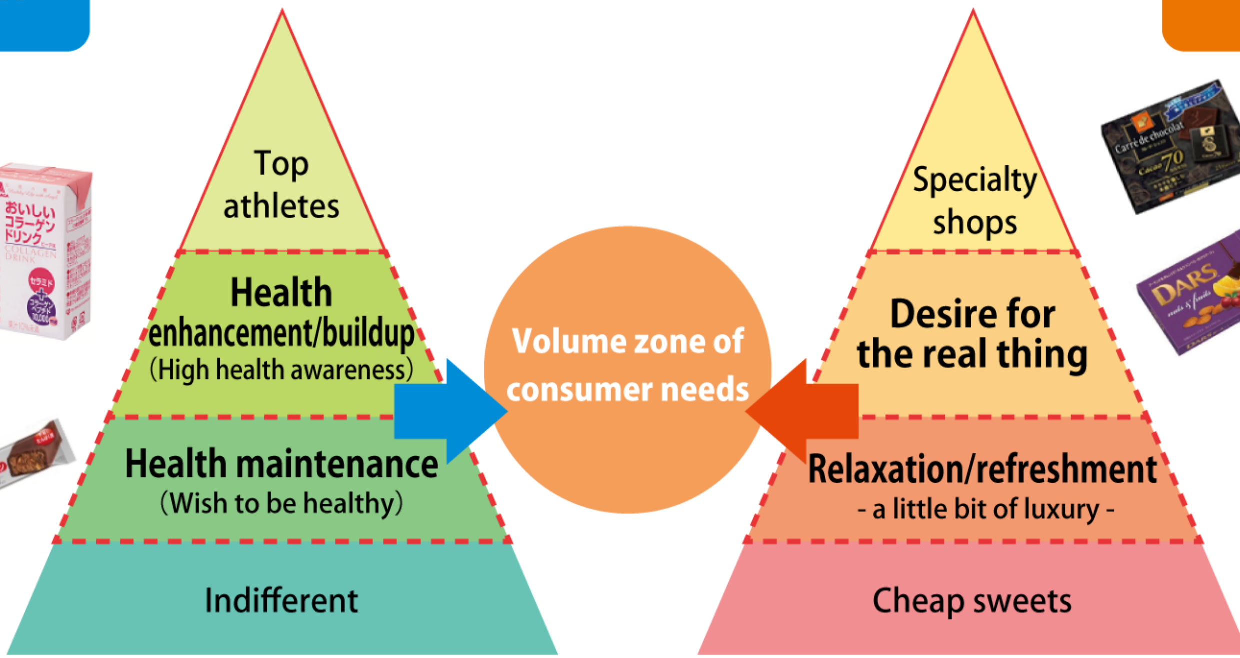
Net sales
■ Substantial growth in 5 years
■ Advancing favorably even after price revision made in March of last year

【Strengthening business base 】
- Reinforcing brand image

【Growth】
- Creating new brands

Achieving stable growth of profitability

Health



Taste

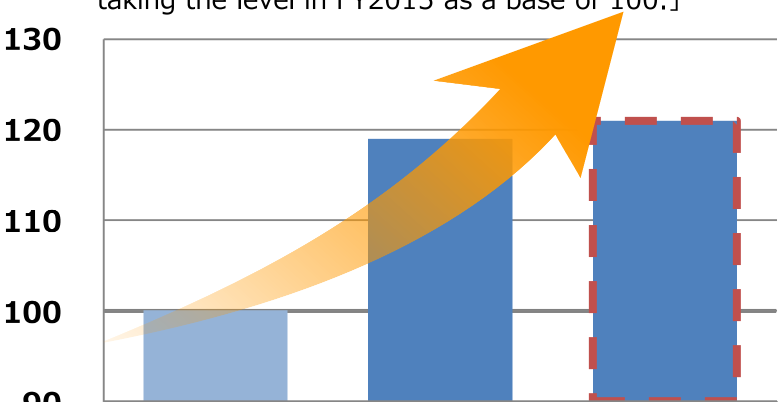
To achieve further expansion of business scale and construction of revenue base, we shall also put emphasis on health-conscious product development and marketing

<<Growth fields>> Health: *in Jelly*

Focus on further expanding the scale of sales.

Identifying needs and finding new customer strata

[The figure shows sales growth in the relative changes, taking the level in FY2015 as a base of 100.]



	FY2015	FY2016	FY2017 (forecast)
Sales of *in Jelly* (Y/Y change (%))	92%	119%	102%
Market share	42%	45%	45%

Brand image reinforcement
[Recharge in 10 second!]

[Appealing through sports]
⇒commercial starring tennis player Nishikori

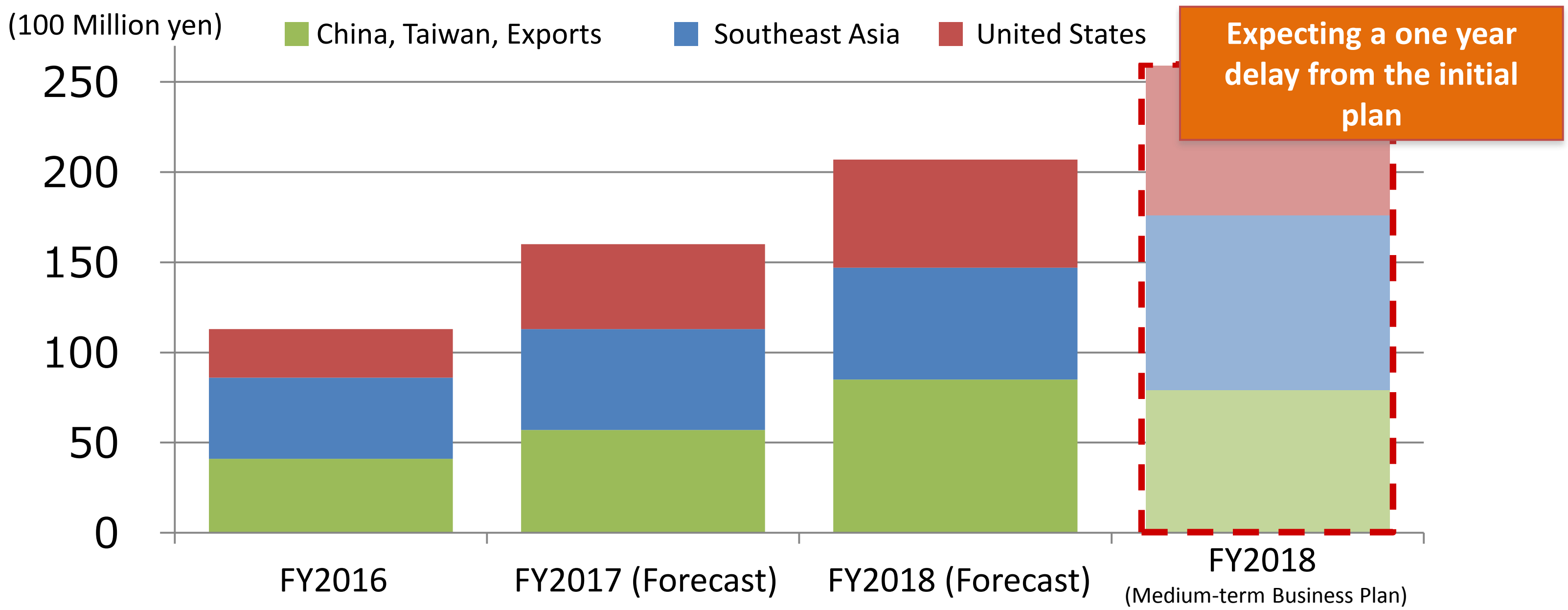
Boosting sales to women
[Appealing through various themes]
⇒ Cosmetics, pregnant women

Reinforcing seasonal needs
[Appealing through functions]
⇒Consuming to prevent colds, etc.

Growth fields：Forecast for sales by overseas business

Sales plan for FY2018 changed in view of a decrease in net sales resulting from economic downturn in Indonesia in FY2016 and some delays in introduction of *Hi-CHEW* in the U.S.

* While monitoring sales trends in the future, the Company shall continue measures to achieve the initial goal.



	FY2016	FY2017 (Forecast)	FY2018 (Forecast)	FY2018 (Medium-term Business Plan)
United States	**27**	**47**	**60**	83
Southeast Asia	**45**	**56**	**65**	97
China, Taiwan, Exports	**41**	**57**	**82**	79
Total	**114**	**160**	**207**	260

United States：striving to increase the number of shops selling our products

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

Territorial cultivation and active marketing

Present	Candy counters of American stores

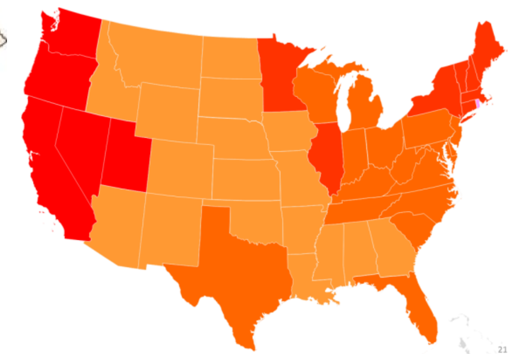
Walmart Approx. **3,700 stores** （candy counters）

Walgreens Approx. **6,500 stores** （candy counters）

Albertsons SAFEWAY Approx. **2,300 stores** （In front of cash registers/candy counters）

As of 2008, time of market entry

Present



Low Introduction rate/recognition rate distribution High

Role of production department in further growth

When exporting

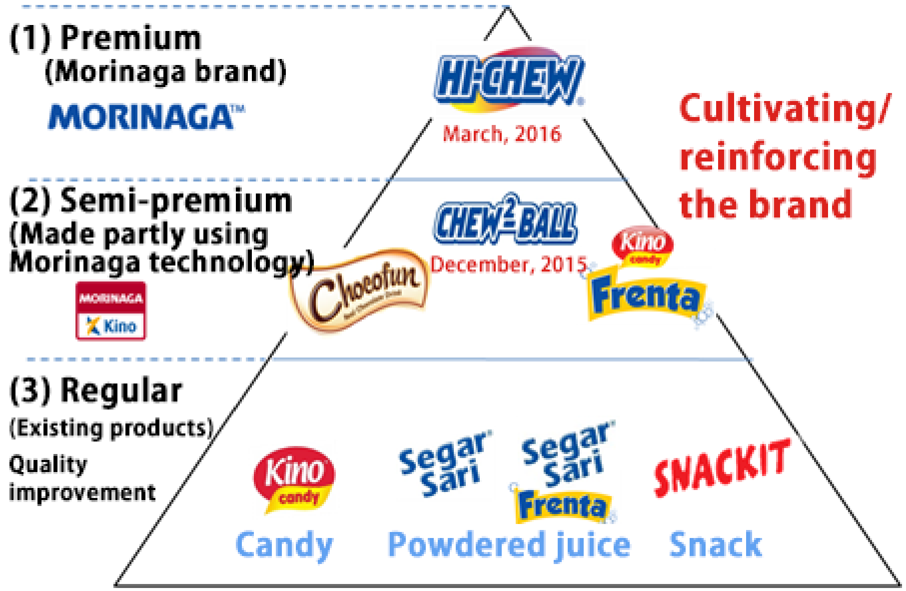
Increase of physical distribution cost
Low profit

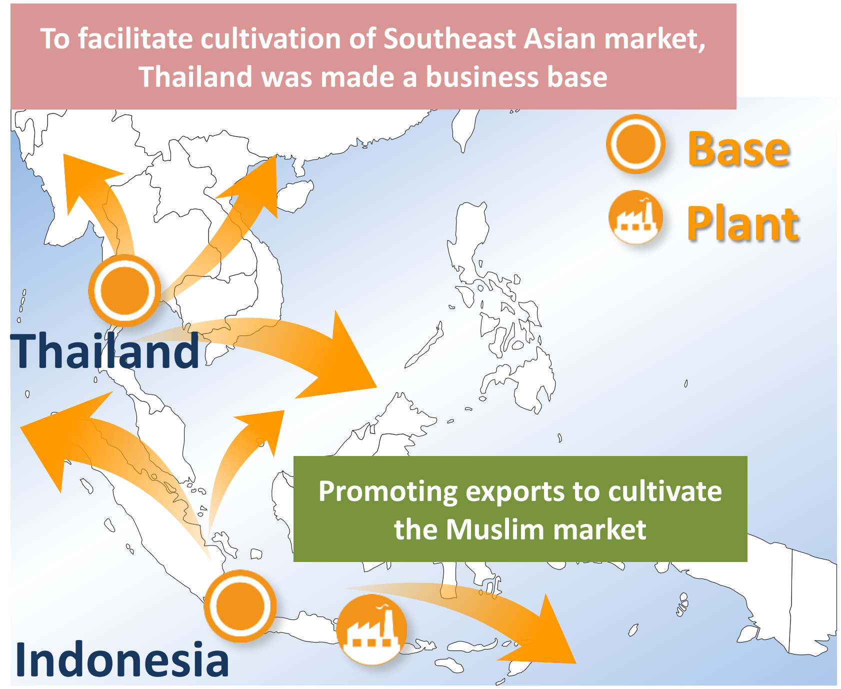
By launching a plant in the U.S. and locally manufacturing products tailor-made to match various needs of the stores, striving to reduce manufacturing and physical distribution costs and increase the number of customers

1000g 400g 200g 100g 65g

Matching the needs
Improved profit

Overseas ： Indonesia





Introducing products with high added value to increase sales and improve revenue base

Halal-certified *Hi-Chew* released in March, 2016

For MT market

CHEW²-BALL released in December, 2015

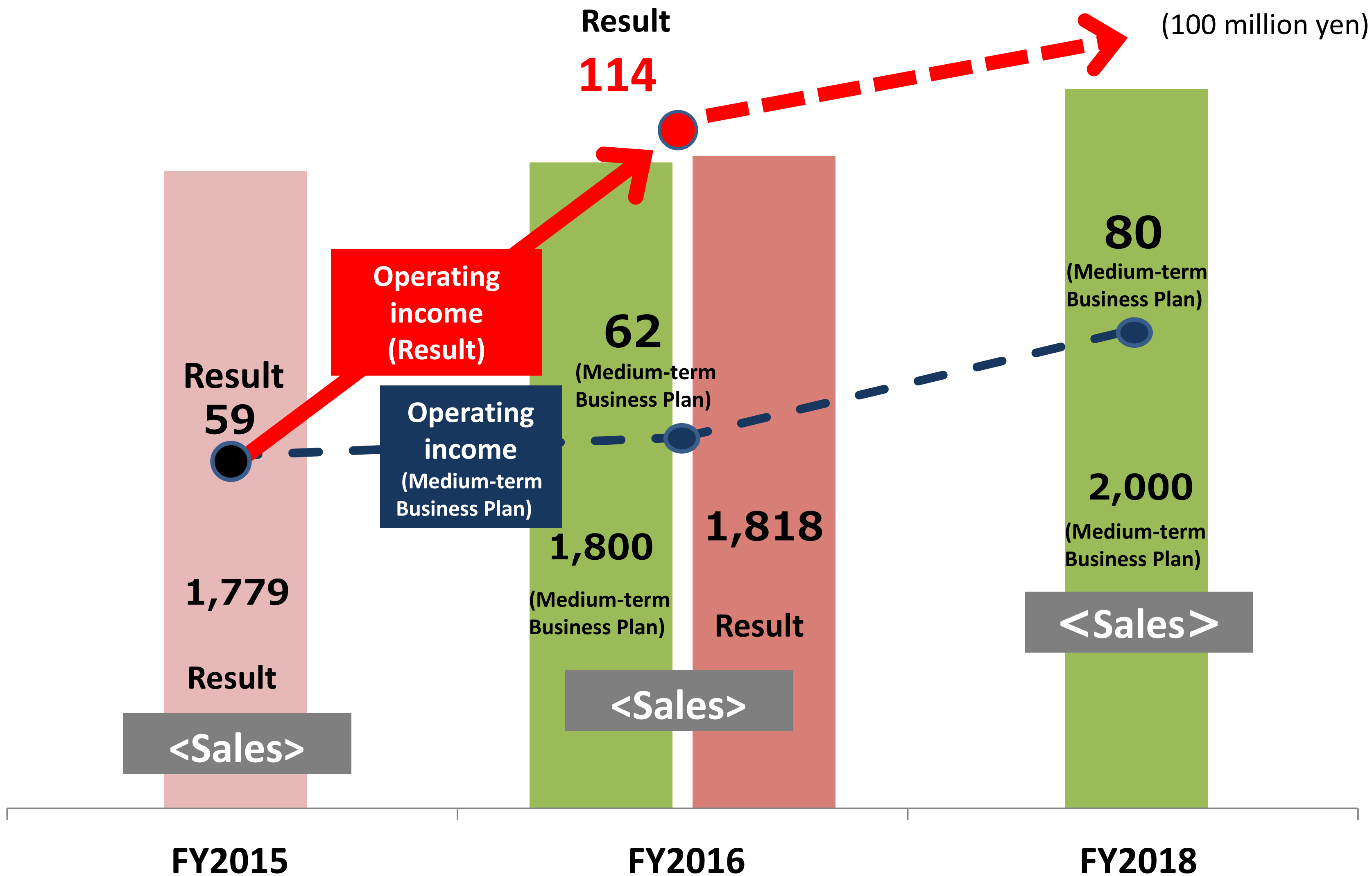
For TT market

- Smoothly shipped to the TT market.
- Striving to increase number of outlets selling our products centering on Jawa
- Getting high praise from the people involved in PD
  "It is soft and delicious."

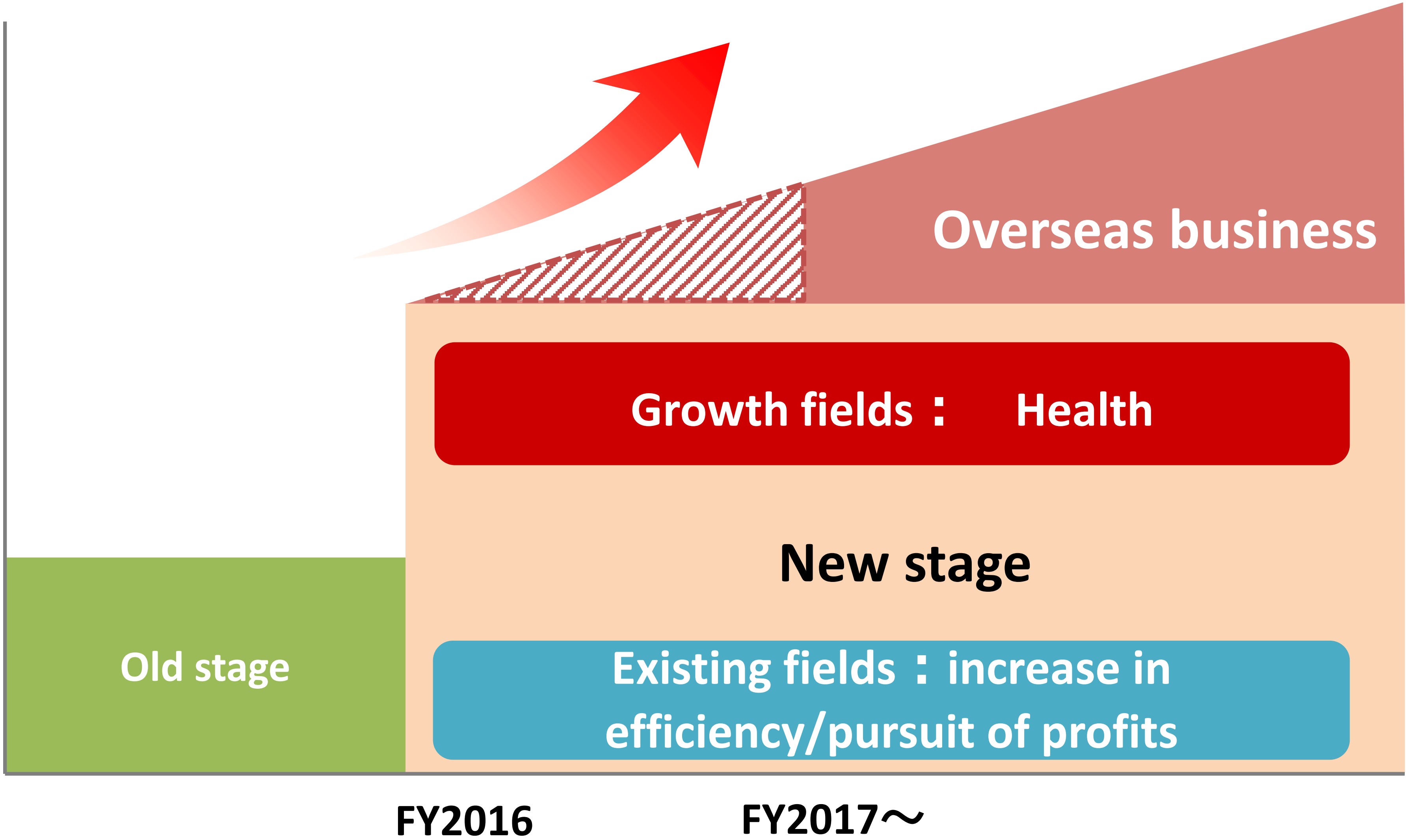
Overseas business: cooperation and collaboration

Goals

2015 Medium-Term Business Plan ：As of the end of FY2016



Achieving stable growth of profitability



Further improvements in profitability

New goals

Operating income margin
At the 10% level

ROE：10% or more

Operating income margin

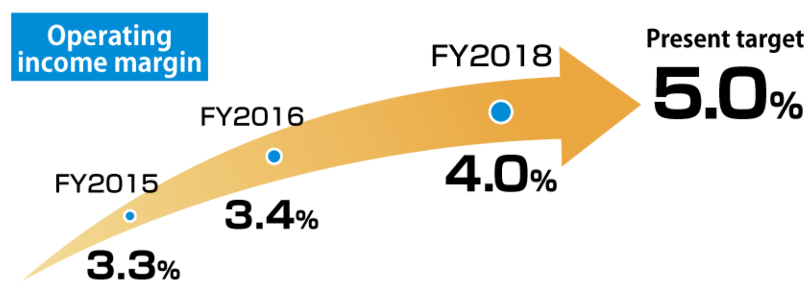
FY2016
6.3%

Setting higher targets

At the time of announcement of the 2015 Medium-Term Business Plan

2015 Medium-term Business Plan
Strengthening of business base and generation of business opportunities

2018 Medium-term Business Plan
Use opportunities as starting point for rapid growth



Results Forecast

(April 2016 through March 2017)

Full-Year Consolidated Results Forecast: (April 2016 through March 2017)

- **Net sales: to increase mainly in the health area, the U.S., and Indonesia.**
- **Income: to increase due to increase of net sales and continued cost reduction measures**

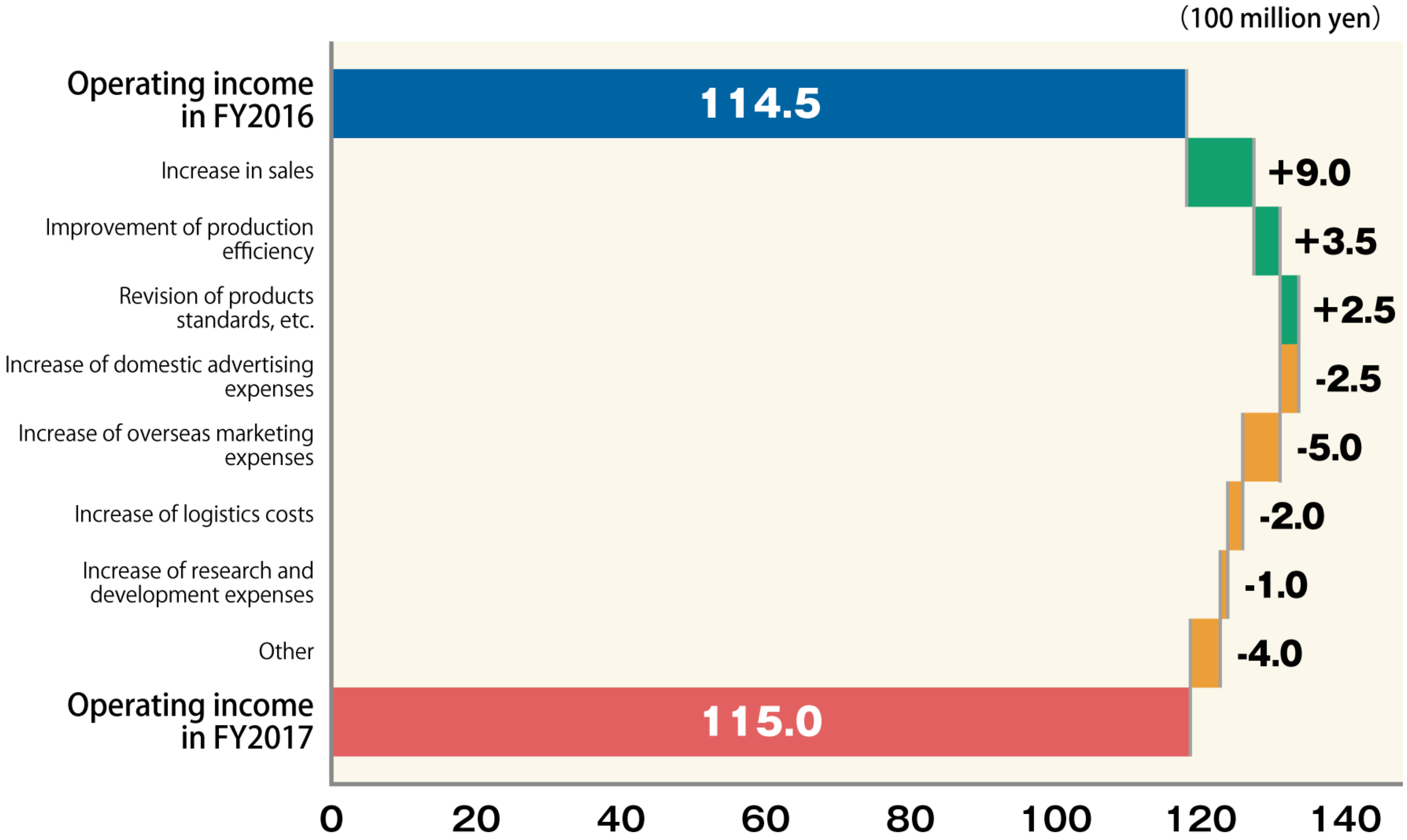
(Million yen)

	Year ending March 2017	Result in previous fiscal year	Y/Y change (%)
Net sales	**185,600**	**181,868**	**+3,732 (102.1%)**
Operating income	**11,500**	**11,456**	**+44 (100.4%)**
Ordinary income	**12,000**	**12,062**	**-62 (99.5%)**
Net income attributable to owners of parent	**8,200**	**8,092**	**+108 (101.3%)**

Operating income margin
6.2%

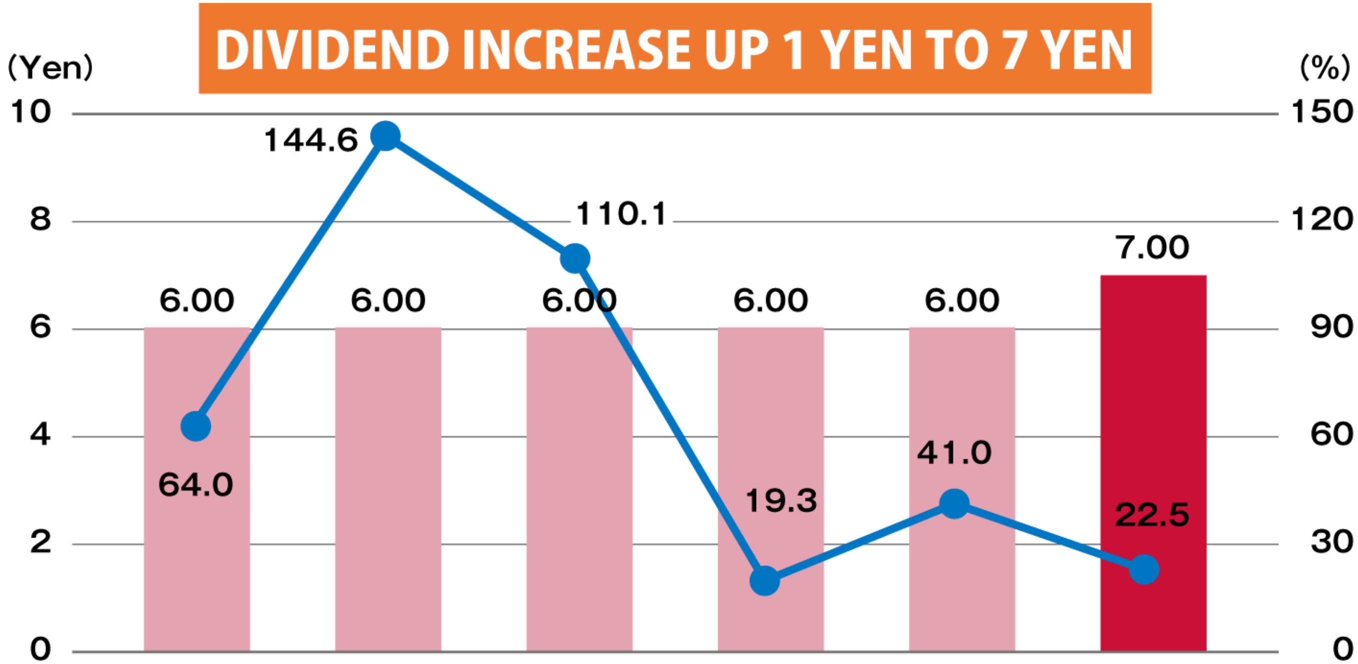
Overseas sales ratio
8.7%

Factors in Change in Full-Year Consolidated Operating Income



Policy for returning earnings to shareholders

Dividend, dividend payout ratio



	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Dividend (yen)	6.00	6.00	6.00	6.00	6.00	7.00
Dividend payout ratio (%)	64.0	144.6	110.1	19.3	41.0	22.5