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Fiscal Year Ended March 31, 2022

Results Briefing

May 17, 2022

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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Ota: Hello everyone. I'm Eijiro Ota. Thank you very much for taking time out of your busy schedules to attend our financial results briefing for the fiscal year ended March 31, 2022.

First up, I'd like to talk for about 30 minutes. Our earnings were heavily impacted by the COVID-19 pandemic and the figures could be said to be abnormal for some products. I think the figures may have made for unclear and ambiguous reading.

Under these circumstances, I'd like to provide an analysis of results from the previous fiscal year, provide our earnings forecasts for this fiscal year, and in particular, explain our estimates for further increases in raw materials costs and how we intend to accommodate them. I'd also like to discuss the progress we've made in the first year of the period covered by the 2021 Medium-Term Business Plan with an emphasis on the measures we intend to employ going forward.

Consolidated Results for FY2022/3

Net sales hit a record high.*¹ Sales grew year on year owing to either a recovery from COVID-19 or accelerated growth in each business. Operating income declined on the impact of surging raw material prices and investments in the building of platforms for medium- to long-term growth. Net income increased on the back of extraordinary income from the sale of cross-shareholdings.

(billion yen)	FY2022/3	Y/Y change		vs. forecast* ³	
Net sales	181.2	+13.0	107.7%	+2.0	101.1%
Gross profit (gross profit margin)	75.8 (41.8%)	+3.3 [(1.3ppt)]	104.5%	-	-
Operating income (operating income margin)	17.6 (9.8%)	(1.5) [(1.6ppt)]	92.2%	(0.4)	98.3%
Ordinary income	18.2	(1.5)	92.2%	(0.3)	98.6%
Extraordinary income or loss	20.9	+21.7	-	-	-
Profit attributable to owners of parent	27.7	+14.3	207.0%	(0.3)	99.2%
EBITDA* ²	27.7	+0.7	102.3%	-	-

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*² Simple calculation method used for EBITDA: operating income + depreciation and amortization
*³ Figures announced February 2022 Copyright (C) MORINAGA & CO., LTD. All rights reserved. 3

First, here are the results for the fiscal year ended March 2022. Net sales increased JPY 13.0 billion year on year, or 7.7%, to JPY 181.2 billion.

We chalked up further growth with sales recovering in all businesses from the COVID-19 impact last year. The sharp sales growth was particularly due to the strong recovery and rejuvenation of *in Jelly* products and brisk sales in the Direct Marketing and Overseas segments.

If we were to restate past figures in accordance with the Accounting Standard for Revenue Recognition that was first applied last fiscal year, this JPY 181.2 billion in net sales would mark a record high.

Midway through last fiscal year we added, and aggressively increased, our investments in advertising. In doing so, we were able to significantly boost our topline, which had struggled over the last few years.

Next, operating income came to JPY 17.6 billion. This topped our initial forecast of JPY 17.0 billion that we announced in May last year, but fell short of November's upwardly revised target of JPY 18.0 billion.

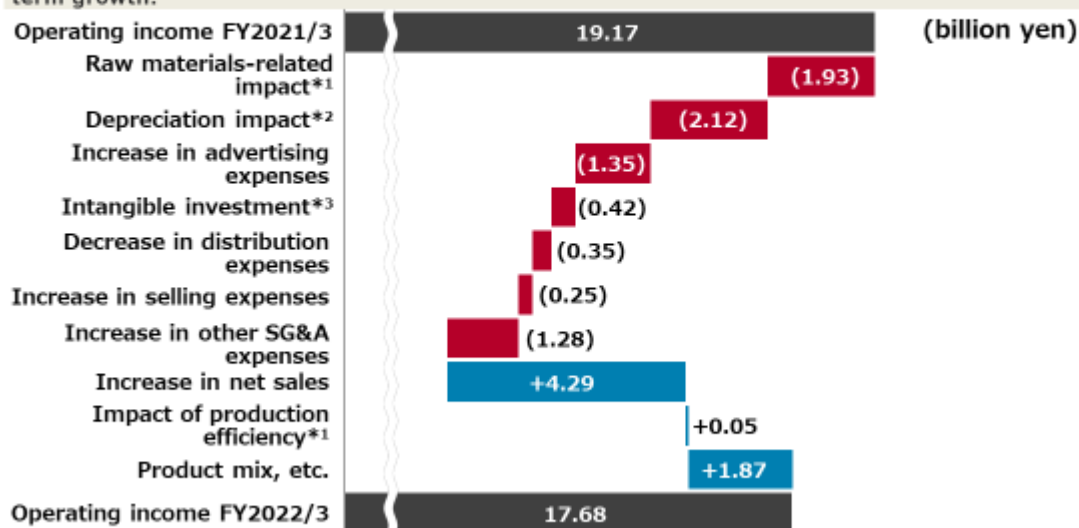
In terms of a year-on-year comparison, it represents a decline of JPY 1.5 billion, while the operating income margin was 9.8%. Profit attributable to owners of the parent rose JPY 14.3 billion year on year to JPY 27.7 billion. This amount was buoyed by extraordinary income generated from the sale of Morinaga Milk shares.

At the very bottom is EBITDA, which came to JPY 27.7 billion. This too is a record high.

The comparisons with forecasts on the right-hand side of the table are based on the earnings forecasts we announced when selling off Morinaga Milk shares on February 28.

FY2022/3 Results: Factors in Change in Consolidated Operating Income

Despite boosts from the increase in net sales and the product mix, operating income declined on the impact of surging raw material prices and investments in the building of platforms for medium- to long-term growth.



*1 On domestic confectionery & foodstuffs business, frozen desserts business, and "in" business (the Company and manufacturing subsidiaries)
 *2 Total of cost of sales and SG&A expenses
 *3 Amount of R&D and DX-related investments
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Next are the factors driving change in operating income. The negative factors are in red at the top of the graph, while blue, towards the bottom, are positive factors.

Firstly, the impact of skyrocketing raw materials costs dented operating income by JPY 1.93 billion, despite our cost-cutting efforts. Higher depreciation amounted to JPY 2.12 billion. Advertising expenses and intangible investments together totaled JPY 1.77 billion.

Coupled with distribution expenses and the other items below it, the total cost increase was JPY 7.7 billion. Even though the breadth of profit decline was narrowed by the JPY 13.0 billion net sales increase and product mix improvements owing to sharp *in Jelly* sales growth, operating income still declined overall by about JPY 1.5 billion.

FY2022/3 Results: Factors in Change in Consolidated Operating Income

Investments were controlled as planned, but raw material price increases were higher than expected mainly because of external factors

(billion yen)	Factors in Change in Consolidated Operating Income			Main factors
	Result	Forecast Nov 2021	Difference	
Raw materials	(1.93)	(0.91)	(1.02)	✓ Higher-than-expected raw material price increases through 4Q
Depreciation	(2.12)	(2.27)	+0.15	✓ Largely in line with November 2021 forecast
Advertising expenses	(1.35)	(1.38)	+0.03	✓ Centered mainly on Direct Marketing, as announced in November 2021 ➔ This led to accelerated growth in the Direct Marketing business
Production efficiency	+0.05	(0.50)	+0.55	✓ Increased factory production volume driven by brisk 4Q sales

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Here, we have listed the four main factors driving change in operating income when compared to our November forecasts. I discussed the forecasts shown in the middle of the table six months ago.

First, raw materials. We expected a deterioration in operating income of JPY 0.91 billion in November, but it ultimately worsened to JPY 1.93 billion. This basically means raw materials prices dented operating income by JPY 1 billion more than we expected in the space of less than six months.

Also, one year ago, at the start of the fiscal year, we planned to recover the entire amount of negative impact stemming from higher raw materials costs. Much like the current year-on-year comparison over the full year, the raw materials impact on operating income deteriorated by about JPY 1.9 billion versus our forecast at the start of the fiscal year. Major factors included skyrocketing prices and foreign exchange movements leading to the weakening of the yen, and these had a more significant impact than the market expected.

Depreciation decreased slightly from our November forecast.

As for advertising expenses, as I explained six months ago, we carried out additional investments as planned in the focus domain of Direct Marketing, which continues to perform well. Over the full year, we ramped up our investments by JPY 1.35 billion from the previous year.

Production efficiency had a stronger positive impact on profit than we were forecasting back in November. This was attributable to a recovery in *Choco Monaka Jumbo* sales and increased in-house factory production volume driven by brisk sales of confectionery and foodstuffs and frozen desserts in the fourth quarter.

FY2022/3 Results: Summary by Business

In Japan, there was net sales growth in all businesses except for Confectionery & Foodstuffs. Operating income increased in the “in” Business, but declined overall. Overseas, both net sales and operating income increased in the United States and other areas, hitting record highs in terms of contributions to consolidated earnings.

(billion yen)	Net sales			Operating income		
	FY2022/3	Y/Y change		FY2022/3	Y/Y change	
Confectionery & Foodstuffs*1	72.4	(0.9)	98.7%	3.2	(2.9)	53.4%
Frozen Desserts	40.1	+1.7	104.6%	4.8	(2.6)	65.0%
“in” Business*1	28.0	+4.4	118.4%	6.8	+2.3	149.9%
Direct Marketing*2	9.1	+1.7	122.6%	0.3	(0.3)	52.4%
Operating Subsidiaries	13.8	+1.9	115.5%	0.7	+0.6	774.5%
Other	1.2	(0.3)	82.6%	(0.2)	+0.6	—
Domestic Total	164.9	+8.5	105.4%	15.8	(2.2)	87.7%
United States*3	10.5	+3.3	146.3%	1.4	+0.4	139.5%
China, Taiwan, Exports, etc.	5.7	+1.2	127.5%	0.3	+0.3	537.3%
Overseas Total	16.3	+4.6	139.0%	1.8	+0.7	161.5%
Consolidated Total	181.2	+13.0	107.7%	17.6	(1.5)	92.2%

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*1 Sugar confectioners, chocolates, and other products under the “in” brand are included in Confectionery & Foodstuffs
*2 Includes some overseas operations (Thailand)
*3 Includes income resulting from exports to the US from China/Taiwan

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Next is net sales and operating income by business segment. This is the first time we have disclosed net sales and operating income under these business classifications.

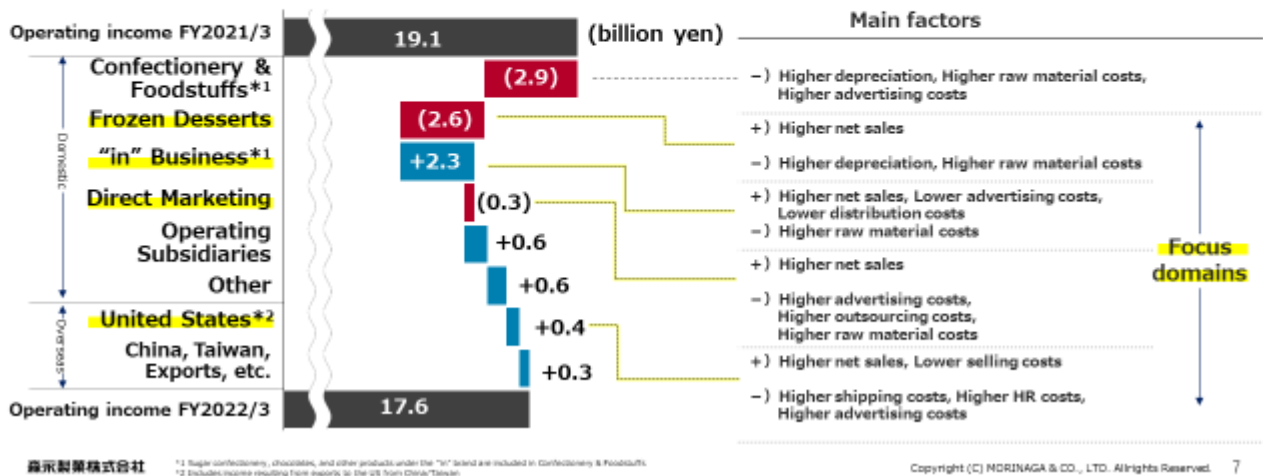
Looking at the table, I think you will immediately see that net sales increased in all businesses except for Confectionery & Foodstuffs.

As for operating income, however, with the exception of the “in” business, all four domestic businesses posted year-on-year declines due to skyrocketing raw materials prices and higher depreciation and amortization. These declines were partially offset by positive results at domestic operating subsidiaries and overseas operations, but the consolidated total was still down year on year.

This is also the first time we have disclosed operating income for the Overseas business. It was only in fiscal 2019 that the Overseas business overall, as well as the U.S. business, went into the black for the first time, while over the last two years, the US and Overseas business overall have now logged operating income of JPY 1.4 billion and JPY 1.8 billion, respectively. Earnings have certainly been boosted by exchange rates and a weaker yen, but there is no denying that the contribution from the Overseas business last fiscal year was very considerable indeed.

FY2022/3 Results: Change in Operating Income by Business

Significant contributions from focus domains of "in" Business and the United States business, but operating income declined in the Confectionery & Foodstuffs and Frozen Desserts businesses due to heavy impacts of higher depreciation and increases in raw material costs



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*1 Include confectionery, chocolate, and other products under the "in" brand are included in Confectionery & Foodstuffs.
*2 Includes income resulting from exports to the US from China/Taiwan.

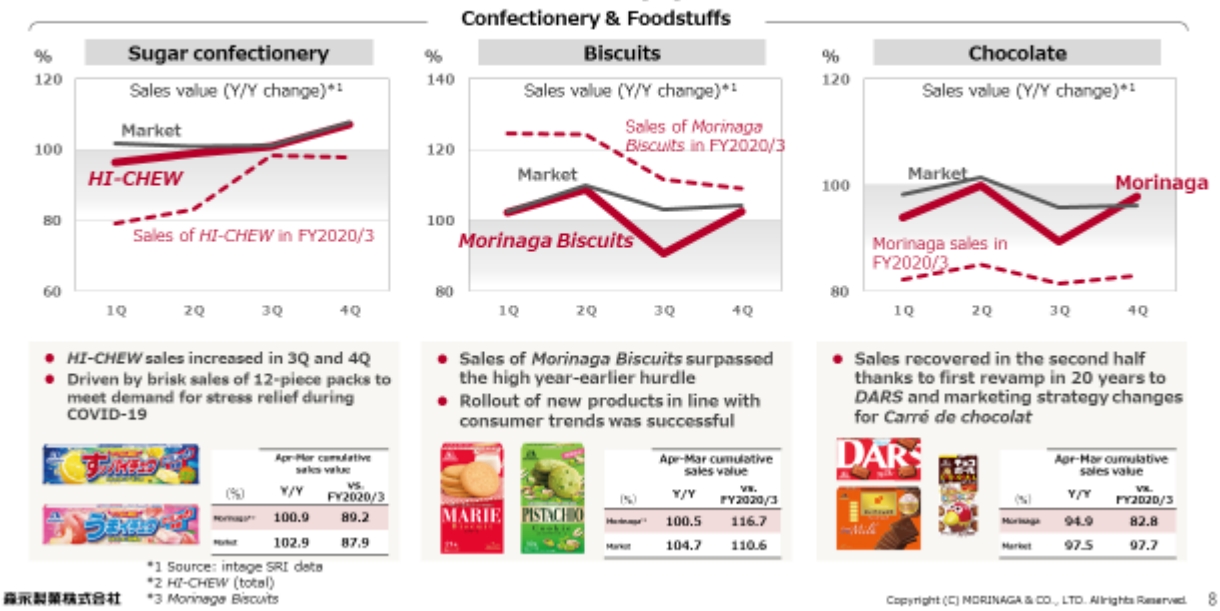
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This slide shows a graph of changes in operating income by business segment.

As described in the comment at the top of the slide, significant contributions to operating income came from the "in" business and the United States, as well as a recovery from the pandemic in earnings at domestic operating subsidiaries Aunt Stella, Morinaga Shoji, and Morinaga Market Development.

On the other side of the coin, there were marked declines in operating income in Confectionery & Foodstuffs and Frozen Desserts because those businesses bore the brunt of surging raw materials costs and higher depreciation.

FY2022/3 Results: Domestic Market (1)



With these next few slides, I'd like to focus on results in the domestic and US markets. These graphs show year-on-year comparisons across all four quarters. Domestic data is based on SRI data.

First, *HI-CHEW*, sales of which were hard hit by the pandemic the year before last. As you can see with the April through March cumulative sales value comparison with two years ago, *HI-CHEW* and the sugar confectionery market as a whole have yet to recover to pre-pandemic levels.

However, despite sales struggling over the full year, both the sugar confectionery market and *HI-CHEW* returned to positive year-on-year growth in the third and fourth quarters, thereby pushing full-year sales growth back above the year-earlier level.

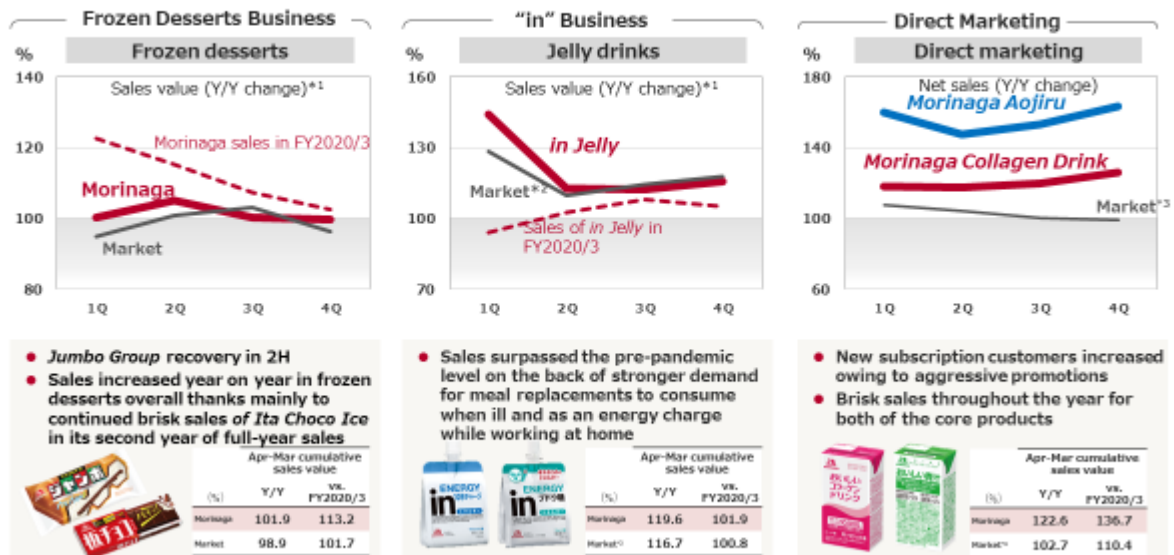
And even though tough conditions persisted overall, we came up with various ways to drive brisk sales of 12-piece *HI-CHEW* packs, including 12-piece packs of the new "*Suppai-CHEW*" and "*Umai-CHEW*" products, which you can see pictured on this page. According to SRI data, full-year sales of the 12-piece packs were up 12% year on year.

Next, let's take a look at biscuits, sales of which were strong the year before last on the back of stay-at-home demand during the pandemic. As you can see with the April through March cumulative sales value comparison with the last two years, sales of *Morinaga Biscuits* and the overall market have been brisk.

Next, let's look at chocolate. As you can see with the April through March cumulative sales value comparison with the last two years, the market overall and Morinaga have really been struggling. Over the full year, Morinaga sales struggled more than the broader market, but then outpaced the market average in the fourth quarter.

Six months ago I mentioned the first revamp for *DARS* in 20 years. We also made marketing strategy changes for *Carré de chocolat*. These initiatives helped chocolate sales recover in the fourth quarter. Fourth quarter shipment data also revealed that shipments rose 8% year on year for *DARS* and 2% for *Carré de chocolat*.

FY2022/3 Results: Domestic Market (2)



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 *2 Market segment defined by Morinaga
 *3 Japan Direct Marketing Association; direct marketing net sales of health products

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Next, the focus domain of frozen desserts.

In the year before last, sales of Morinaga's frozen desserts strongly outpaced the market and then cleared that hurdle again last year with year-on-year growth of 1.9%, thus posting sales higher than the overall market for two consecutive years.

Also, despite rebounding in the second half, sales of *Choco Monaka Jumbo* unfortunately fell short of the year earlier-level, thus ending its 20-year-long streak of year-on-year sales growth for a single SKU. Our shipment data point to an 8% year on year decline in the first half and a 7% increase in the second half. Shipments increased very significantly in the first half of the year before last on the back of COVID-19 stay-at-home demand, which explains the year-on-year shortfall in the first half. In the second half, shipments were up versus the same period of the previous year, but down 3% year on year over the full 12 months.

Next, another focus domain—*in Jelly*. In April and May of the year before last, *in Jelly* sales slumped to around half of the year-earlier levels, but have since recovered strongly. According to SRI data, they are back to levels above the year before last.

Our shipment data too indicates that full-year figures for *in Jelly* overall are above the level seen two years ago—up 22% year on year and up 3% versus the year before last.

Next let's look at another focus domain—the Direct Marketing business. In the second half of last fiscal year we spent more money on advertising in a bid to gain more subscription customers. And as we anticipated, this initiative did attract more subscribers, which subsequently drove brisk sales all year for both *Morinaga Collagen Drink* and *Morinaga Aojiru*.

This time around we have included a comparison with the market as a whole. I think you can see that our sales figures are solid when compared to the average for health food products in the direct marketing channel.

FY2022/3 Results: US Market

HI-CHEW's recognition rate and the ratio of stores stocking the product continue to rise strongly, while store turnover is also brisk. As a result, the share of *HI-CHEW* sales has also continued to increase.



- Net sales topped **¥10.0 billion**
- Brand recognition rate of **48%*1** (up more than **10ppt** vs. FY18)
 - Steady increase in recognition rate throughout US
- Store stocking ratio of more than **70%*2** (up more than **15ppt** vs. FY18)
 - Steady increase in handling ratio throughout US
- Store turnover level **remains steady*2** (since FY18)
 - Store turnover has held steady as store stocking ratio increases
- Sales value share of over **1%*2,3** (roughly **double** FY18 level)
 - Steady increase in sales value

森永製菓株式会社 *1 Morinaga data
*2 Source: IRI data
*3 Non-chocolate candy market

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Moving on to *HI-CHEW* in the US market. Foreign exchange rates also contributed, but net sales have already topped JPY 10.0 billion, two years ahead of schedule.

The brand recognition rate currently stands at 48%, up by more than 10 percentage points from three years ago. Another way of looking at it is that we are still only at 48%, so we think there is still plenty of more room for growth.

Also, the store stocking ratio per SKU is above 70%, up by more than 15 percentage points from three years ago.

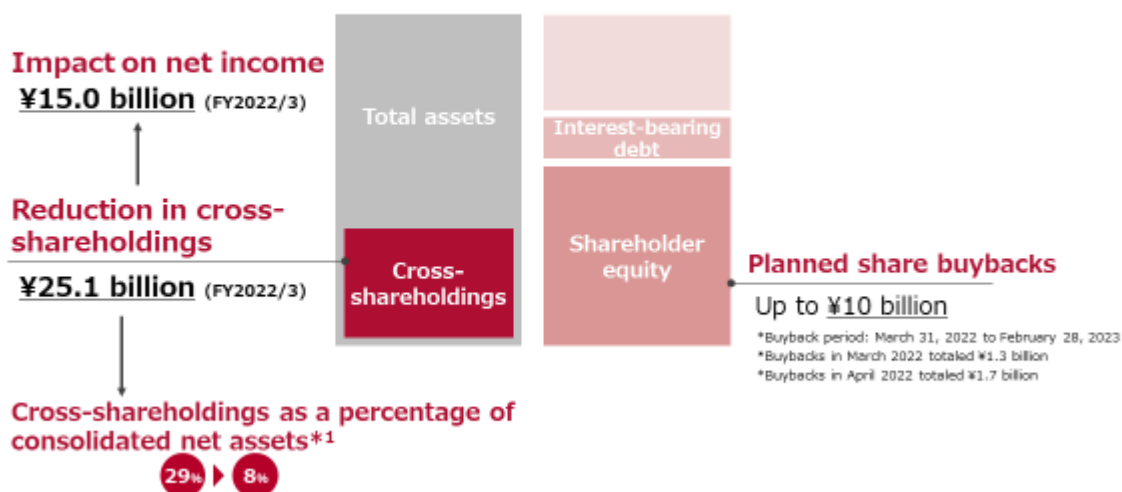
Usually, store turnover turns downward slightly when the store stocking ratio increases, but store turnover is also healthy and holding steady. The sales value share is still only just above 1%, so we believe there is still a lot of growth potential in the product.

We have included comparisons with three years ago for all of these metrics to give you an idea of how steadily and stably *HI-CHEW* is growing in the US market.

America's non-chocolate candy market is roughly four times the size of Japan's. We will push ahead with confidence in order to sustain the strong growth of the *HI-CHEW* brand realized thus far in the United States.

Balance Sheet at End-FY2022/3

Reduction of cross-shareholdings and planned buyback of treasury stock with the aim of further enhancing capital efficiency



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*1 Balance of cross-shareholdings at FY-end divided by consolidated net assets at FY-end (decimals rounded to the nearest whole number)

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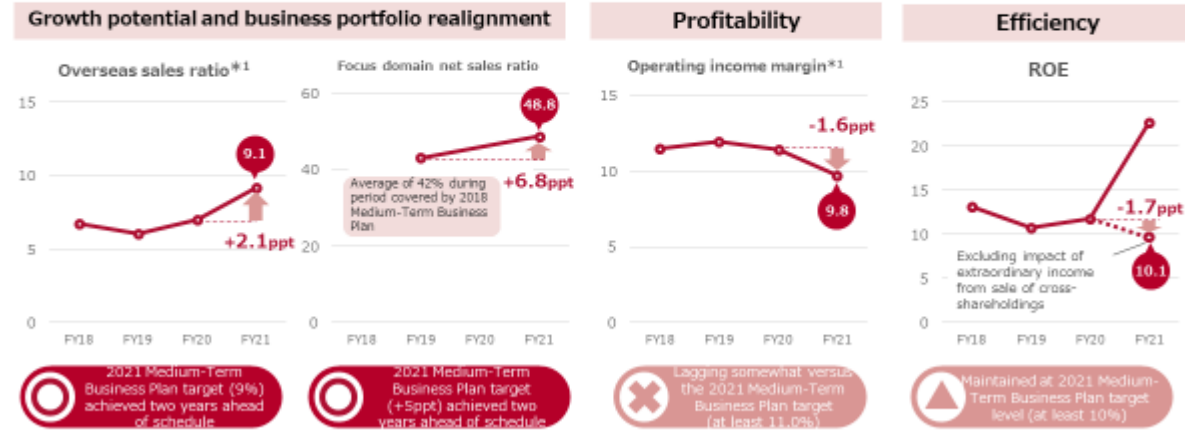
Next, our balance sheet at the end of March 2022.

This fiscal year we endeavored to reduce our cross-shareholdings including selling off shares in Morinaga Milk. As a result, our cross-shareholdings as a percentage of consolidated net assets as of the end of March dropped below the 10% mark to 8%.

We are also planning to buy back shares worth up to JPY 10.0 billion over a period of 12 months. We have already made steady progress, acquiring JPY 1.3 billion of shares in March and JPY 1.7 billion in April.

Key Business Indicators

Targets in 2021 Medium-Term Business Plan for overseas sales ratio and focus domain net sales ratio (growth potential indicators) were both achieved two years ahead of schedule. Profitability (operating income margin) is lagging slightly, but efficiency (ROE) is holding steady at around the 2021 Medium-Term Business Plan target level.



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*1. Figures for FY18 and FY19 are estimates to which the revenue recognition accounting standard has been retroactively applied under certain conditions

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Next up, our key business indicators.

The third-year targets in our 2021 Medium-Term Business Plan for overseas sales ratio and focus domain net sales ratio—both of which are indicators of growth potential and business portfolio realignment—have been achieved two years ahead of schedule.

Profitability is lagging slightly, with our operating income margin dropping below 10%, but we have managed to keep ROE above our Medium-Term Business Plan target at 10.1%, which is calculated after stripping out the impact of the extraordinary income from the sale of Morinaga Milk shares.

Basic Approach

1. Focus mainly on **building a new foundation for dramatic growth** in the second year covered by the 2021 Medium-Term Business Plan
2. **Invest in business growth and the strengthening of business foundations in focus domains** under the principles of capital cost management and develop a longer-term business foundation
3. Carry out timely and accurate **price increases** to counteract the risk of skyrocketing raw material costs and double down on **reducing cost of sales, streamlining operating costs, and scrutinizing investment efficiency**



Next, let's turn to our results forecasts for this fiscal year, ending March 31, 2023.

Our basic approach has three components. The first two remain unchanged from when we unveiled our 2021 Medium-Term Business Plan one year ago. But we now intend to implement a wide range of measures to address the sharp and significant increases in raw materials costs, including price increases and doubling down on reducing the cost of sales, streamlining operating costs, and scrutinizing investment efficiency.

Results Forecast for FY2023/3

Targeting record-high net sales of ¥190 billion, operating income of ¥16.5 billion and EBITDA of ¥27.1 billion through a strong response to the challenging operating environment

(billion yen)	Full-year forecast	Y/Y change	
Net sales	190.0	+8.8	104.8%
Gross profit (gross profit margin)	77.7 (40.9%)	+1.9 (0.9ppt)	102.5%
Operating income (operating income margin)	16.5 (8.7%)	(1.1) (1.1ppt)	93.3%
Ordinary income	16.9	(1.3)	92.6%
Profit attributable to owners of parent	10.7	(17.0)	38.5%
EBITDA^{*1}	27.1	(0.6)	97.8%

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

*2 Assuming 1USD=¥128

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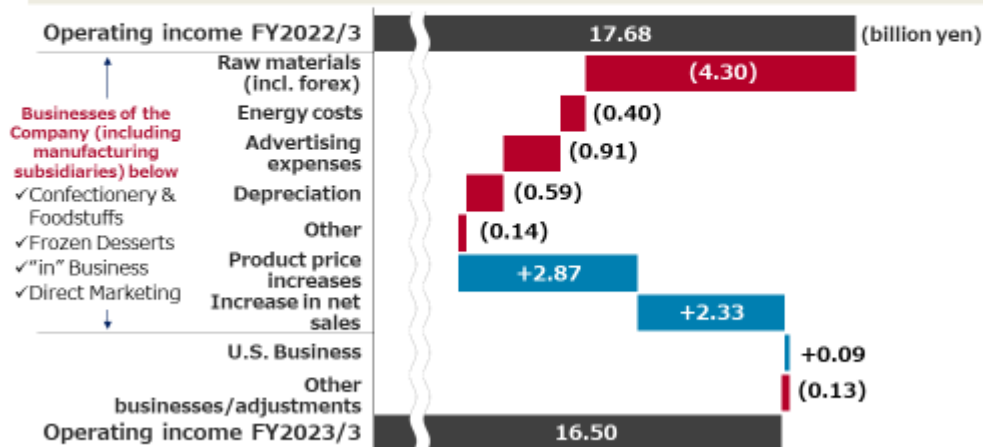
Here are our results forecasts for this fiscal year.

We are targeting net sales of JPY 190.0 billion, an increase of JPY 8.8 billion from last fiscal year. This would mark record-high net sales, which incidentally is the net sales target for the final year of the 2021 Medium-Term Business Plan, so we are planning to achieve it one year ahead of schedule.

We are targeting operating income of JPY 16.5 billion, a decrease of JPY 1.1 billion from last fiscal year, and profit attributable to owners of the parent of JPY 10.7 billion. The profit decrease here owes to the selling of Morinaga Milk shares. For reference, we have also included our EBITDA forecast at the very bottom.

FY2023/3 Results Forecast: Factors in Change in Consolidated Operating Income

Due to greater investment in the building of a business foundation for longer-term growth in addition to external factors such as the cost of raw materials (including forex impact) and energy, we forecast a decline in operating income despite boosts from price hikes and higher net sales



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Next, the factors behind the change in our full-year operating income forecast.

We estimate a negative impact of JPY 4.3 billion from higher raw materials costs and forex impacts based on our assumptions for cost increases over the full year and an exchange rate of 128 yen to the US dollar.

We also forecast utility and energy cost increases to the tune of JPY 0.4 billion and a JPY 0.91 billion full-year increase in advertising expenses. As we work towards achieving our 2030 Business Plan, we intend to ramp up advertising spending in our focus domains.

In particular, we will continue to spend on advertising for the "in" business, which I will explain in more detail later.

We think depreciation expenses will come to around JPY 0.6 billion, but we hope to offset this with price increases and higher net sales. All up, we are forecasting a year-on-year operating income decline of JPY 1.1 billion.

Price Increases (core businesses)

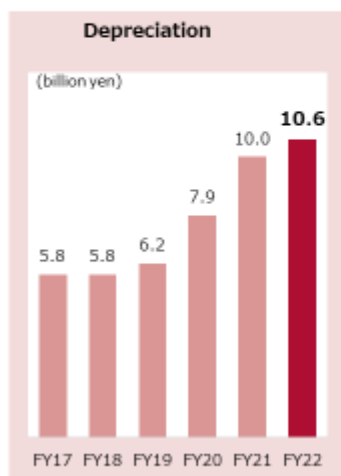
Increasing prices in Japan and overseas as a countermeasure to surging raw material prices

Business		Timing	Price increase percentage	Main applicable products
Japan	Confectionery & Foodstuffs	Incrementally starting with products shipped from May 31, 2022	Around 3%–11% of delivery price	Sugar confectionery, biscuits, chocolate (excluding some products)
		Starting with products shipped from July 1, 2022	Around 5.4%–7.9% of recommended retail price	Some products, such as hotcake mix and cake syrup
	Frozen Desserts	Starting with products shipped from June 1, 2022	Around 6.1%–10.0% of recommended retail price	Various (excluding some products)
	Direct Marketing	Starting with products ordered from May 16, 2022	Around 2.7%–4.4% of subscription delivery price	Various beverages
Over seas	United States	Incrementally starting with products shipped from December 1, 2021	Around 8%–9% of delivery price	<i>HI-CHEW</i>

On to the next page. Here we've included a slide detailing our plans for price increases. Overseas, we've already carried out price increases in the United States in December. You can see the details of the price increases in this table.

Capital Investment

Maintaining aggressive capital investments to build a longer-term business foundation



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Main capital investments in FY22

Category	Target	Purpose
Focus domain - Frozen Desserts	Machinery and equipment of manufacturing subsidiaries	Supporting stable growth of the Frozen Desserts business
Focus domain - United States	Additional HI-CHEW production lines for Taiwan Morinaga	Supporting accelerated growth in the United States
Basic domain - Confectionery & Foodstuffs	Increased production of biscuits at the Takasaki Factory	Supporting accelerated growth in the growth category of biscuits
	Upgrading oven equipment at the Chukyo Factory	Stable supply of safe and reliable products
Business foundation - Tsurumi Factory site	Renovating the former R&D Center	Consolidation of Group company sites (relocation of Morinaga Institute of Biological Science and Morinaga Business Partner)
Other investments include the rollout of smart factory equipment and the installation of energy-efficient and environmentally-friendly equipment		

Total **16.0** billion yen

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Next, I will discuss the details of our capital investment.

We will continue to aggressively make capital investments, with the aim of achieving the 2030 Business Plan targets. A year ago, when I was discussing the 2021 Medium-Term Business Plan, I explained that we were planning approximately JPY45 billion in capital investment over the 3 years covered by the 2021 Medium-Term Business Plan, and this plan has remained basically unchanged. As I mentioned a moment ago, amid the significant changes in the business environment, we will examine the investment efficiency of our investments even more thoroughly, and make revisions as appropriate for each investment.

However, on the other hand, there is a possibility that we will make additional investments in other highly important projects, centered on our focus domains.

This slide shows the main capital investments we will make during fiscal 2022.

FY2023/3 Results Forecast: Summary by Business

We are targeting sales increases in all businesses in Japan. While we anticipate lower operating income in the "in" business due to investment in strategic advertising, we forecast profit growth in the Frozen Desserts Business. Overseas, we forecast sales and income growth in the United States Business. We are still targeting profit growth even though we plan to continue with strategic investments in advertising.

(billion yen)	Net sales			Operating income		
	FY2023/3 forecast	Y/Y change		FY2023/3 forecast	Y/Y change	
Confectionery & Foodstuffs* ¹	73.6	+1.2	101.7%	2.1	(1.1)	66.3%
Frozen Desserts	41.6	+1.5	103.7%	5.0	+0.2	104.8%
"in" Business* ²	29.4	+1.4	104.9%	6.3	(0.5)	93.9%
Direct Marketing* ²	10.1	+1.0	111.2%	0.4	+0.1	141.8%
Operating Subsidiaries	14.9	+1.1	108.4%	0.8	+0.1	102.4%
Other	1.2	+0.0	102.2%	(0.1)	+0.1	-
Domestic Total	171.1	+6.2	103.8%	14.7	(1.1)	93.2%
United States* ³	14.4	+3.9	136.5%	1.5	+0.1	106.4%
China, Taiwan, Exports, etc.	6.0	+0.3	103.7%	0.1	(0.2)	47.4%
Overseas Total	20.4	+4.1	124.8%	1.7	(0.1)	95.5%
Consolidated Total	190.0	+8.8	104.8%	16.5	(1.1)	93.3%

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*¹ Sugar confectionery, chocolate, and other products under the "M" brand are included in Confectionery & Foodstuffs.

*² Includes some overseas operations (Thailand).

*³ Includes income resulting from exports to the US from China/Taiwan.

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These are the earnings forecasts by business segment.

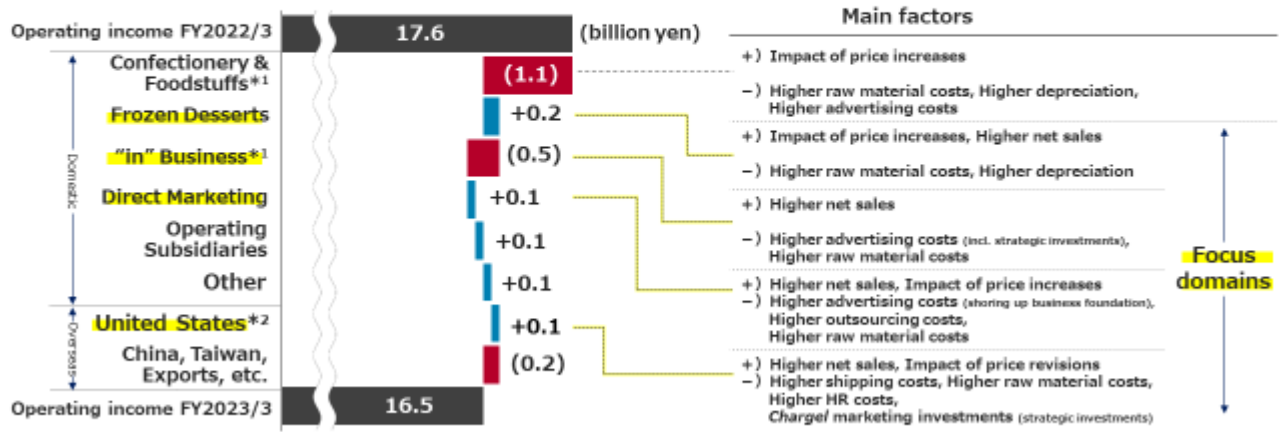
Regarding sales, we are forecasting an increase in net sales both in Japan and overseas in all businesses. In terms of profits, we are expecting a decline in operating income in the "in" business, but this is due to the impact of strategic investments in branding and advertising.

We are also forecasting a significant increase in net sales in the U.S. business, but raw materials costs are increasing in the United States as well, which will affect profit. We plan to continue to invest aggressively targeting further growth for *Chargel* and *HI-CHEW*.

As a result, we are expecting a small increase in profit for the entire U.S. business.

FY2023/3 Results Forecast: Change in Operating Income by Business

Aiming to achieve profit growth by leveraging higher sales and price increases to overcome headwinds from higher raw materials costs in the Frozen Desserts, Direct Marketing, and United States businesses. We anticipate lower operating income in the "in" Business due to strategic advertising investments. We will look to minimize the breadth of profit decline in the Confectionery & Foodstuffs business by raising prices.



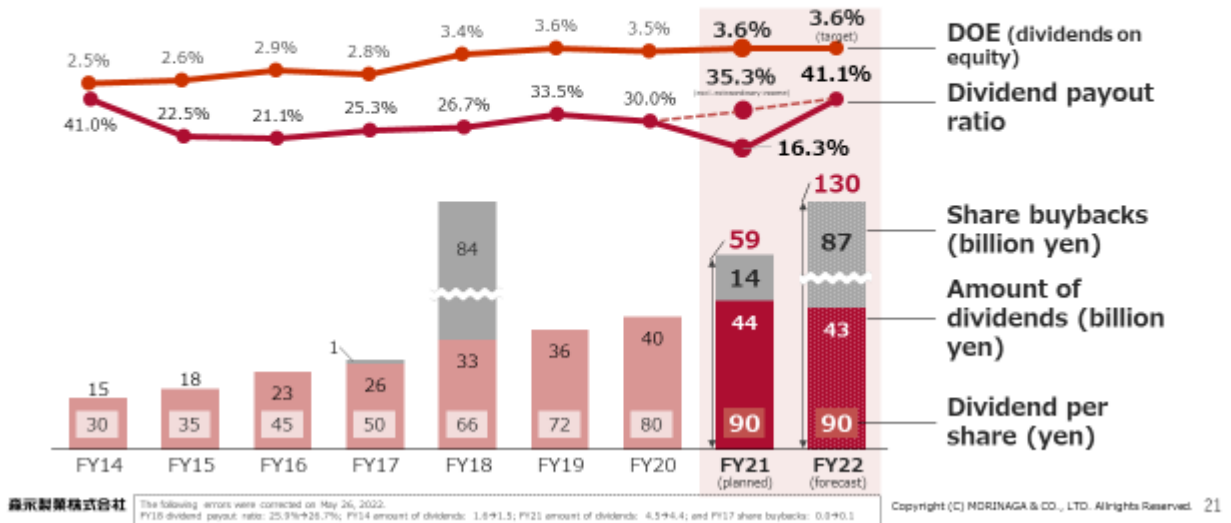
*1 Sugar confectionery, chocolates, and other products under the "in" brand are included in Confectionery & Foodstuffs
*2 Includes income resulting from exports to the US from China/Taiwan

This graph shows our earnings forecast figures by business.

All of our businesses are being impacted by soaring raw materials costs. Please take a look at the details.

Shareholder Returns

We plan to raise our year-end dividend by ¥10 to ¥90 per share.
 We aim to deliver shareholder returns in a consistent and stable manner while shoring up our business foundation.



Next, I will discuss shareholder returns.

This will be formally decided at our General Meeting of Shareholders which we will hold in June, but we are planning to increase our dividend by JPY 10 per share, to JPY 90, which will be the 7th consecutive fiscal year of a dividend increase. I have also included our forecast for this fiscal year on this slide.

We are also planning to execute a share buyback, and we have included the amount for that as well.

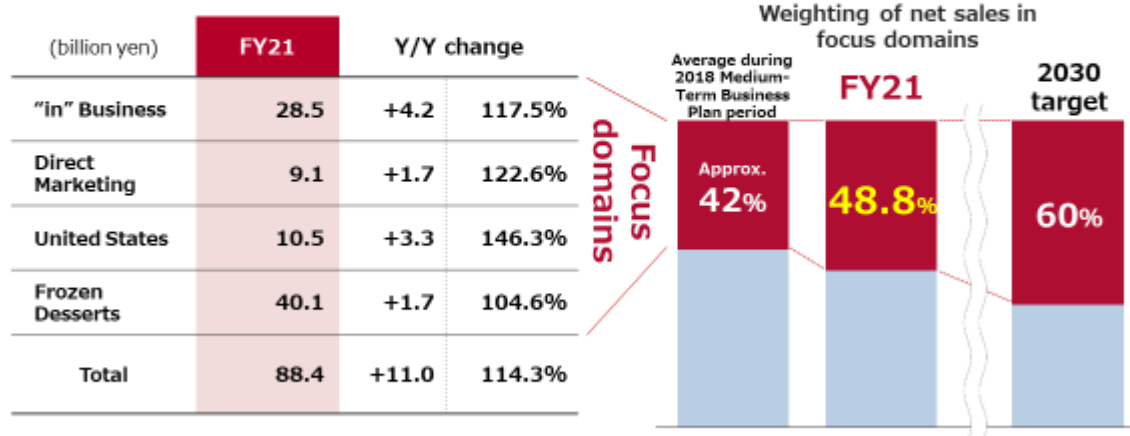
There has been no change to our basic line of thinking, which is to continuously and stably deliver shareholder returns, and this time we have included DOE figures as well.

Going forward, we will strive to raise the level of DOE over the medium to long term. Also, we will keep an eye on the total shareholder return ratio, and consider flexibly carrying out share buybacks as needed.

That concludes my explanation about last fiscal year's results and our forecast for this fiscal year.

Net Sales of Focus Domains in 2030 Business Plan

The 2021 Medium-Term Business Plan target for net sales in focus domains was achieved two years ahead of schedule. Dramatic growth was achieved in all businesses, which differ in terms of growth stage and business model.



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From here, I will discuss our progress on, and outlook for, implementation of the 2021 Medium-Term Business Plan.

The biggest point as we look to achieve the targets of the 2021 Medium-Term Business Plan and the 2030 Business Plan is the transformation of our business portfolio. We have selected four focus domains, and our target is to increase the weighting of net sales in these focus domains to 60% by 2030 by realizing dramatic growth through the aggressive investment of management resources.

In Year 1, each focus domain performed well. We were able to significantly grow the top line in each domain, and the annual weighting in fiscal 2021 was 48.8%.

The average during the three years covered by the 2018 Medium-Term Business Plan period was 42%, so it increased by 6.8%, and the 2021 Medium-Term Business Plan target was achieved two years ahead of schedule.

Total net sales in these four businesses increased 14% year on year, rising by JPY 11.0 billion. A moment ago I mentioned that consolidated net sales increased by JPY 13.0 billion, so JPY 11.0 billion of this increase, or 85.0%, was from net sales in focus domains.

Focus Domain 1: "in" Business



FY21 Achievements

- Jelly products staged a V-shaped recovery from the impact of the COVID-19 pandemic
- Bar products hit record-high net sales
- Steady initiatives implemented for new food product creation

Key Points in FY22

- Branding of "in" business as a wellness company symbol
- Ramp up growth in jellies and beat the competition in bar products
- Move into new categories (conduct trials)



- Promotion of various product strategies**
 - Net sales increase of 3% vs. two years ago (beating pre-pandemic levels)
 - 14% purchase rate (currently a record high)
- New branding**
 - (1) Tie the corporate and "in" brands together
 - (2) Strengthen the sports image of the "in" brand
- V-shaped recovery from COVID-19 effects**
- Accelerate growth strategies**
 - Further expand consumption scenarios and target consumers
- Record-high net sales of bars**
 - 1% Y/Y net sales growth
- Survive in harsh competitive environment**
 - Launch a product that can lay claim to being the number one protein bar (launch scheduled for autumn)
- Seeds sown for longer-term growth**
- Move into new categories (conduct trials)**

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I would now like to briefly discuss each of these four businesses.

I will start off with the "in" business. This slide shows the achievements in fiscal 2021 and the key points for fiscal 2022. I will refrain from talking about the achievements in fiscal 2021 in detail, as I just discussed them. One thing I'll mention though, is the purchase rate for *in Jelly*, which is shown in the middle. This topped 14%, setting a new record high and surpassing the pre-pandemic level.

There was certainly some demand from people who did not feel well after receiving the COVID-19 vaccine, and there has been a definite increase in the number of people who drink this product. At the results briefing two years ago, I spoke about how the COVID-19 pandemic had resulted in a dramatic decline in opportunities for people to drink this product, as fewer people were commuting to work or school, or otherwise moving around. Since then, we have made a lot of effort to increase the opportunities for people to consume *in Jelly*, as well as to widen the target consumer demographics.

Our efforts, including the increase in advertising and efforts to enhance the products, can be seen in the results. I feel that the increase in the number of people "out and about" has also been a major factor.

Next, I will discuss the key points for fiscal 2022. We will work on new branding initiatives, which is also one factor behind our forecast for a decline in profit. Specifically, we will bolster our efforts to make the "in" brand a symbol of our fresh start as a wellness company, and strengthen our initiatives to tie the "in" brand to the Morinaga corporate brand.

Also, we will expand the scope of target consumers as we accelerate the growth strategies. One of the images on the slide is of a fruit jelly product, which we have launched aiming to increase the number of female customers, and we have created a TV commercial for this. This product is currently enjoying strong sales.

Regarding "in" bars, this fall we are planning to launch a product aimed at becoming the number one protein bar in the market.

Focus Domain 2: Direct Marketing



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FY21 Achievements

- 17 straight years of net sales growth
- Steady growth of second pillar candidate
- Seeds sown for longer-term growth

• Dramatic growth

- Best-selling collagen drink for **five years in a row**
- Cumulative Morinaga Collagen Drink sales passed **300 million units**
- Growth in both standard and premium lines
- Subscription customers increased **26%**

• Steady growth of second pillar candidate

- Four-year net sales CAGR of **188%**
- Seeking target consumers different to Morinaga Collagen Drink consumers
- * Responding to lifestyle disease prevention-related demand

• Seeds sown for longer-term growth

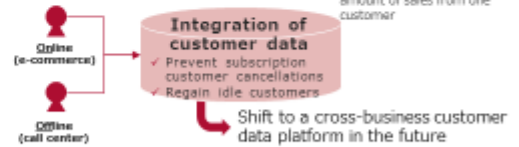
- Enter the powdered collagen business

Key Points in FY22

- Shore up the business platform by revamping the direct marketing system
- Spend on advertising to gain subscription customers and drive growth
- Resolutely improve quality and increase prices

• Shore up business platform by augmenting business scale and upgrading systems

- Price increases following **quality improvements**
- Spending on advertising to gain subscription customers with a view to shoring up business platform
- Enhance LTV by **upgrading systems**



• Developing the next pillar candidate

- Selection of advertising medium and revisions to amount deployed and key messages

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Next, I will discuss the Direct Marketing business.

We are forecasting that net sales in this business will exceed JPY 10 billion for the first time in fiscal 2022. In fiscal 2021, we made significant additional advertising investments in both *Morinaga Collagen Drink* and *Morinaga Aojiru*, which led to an increase in subscription customers as we had expected.

In terms of sowing the seeds for longer-term growth, as noted on the slide we entered the powdered collagen business.

Key points for fiscal 2022 include continuing to expand the business's scale as well as upgrading our systems.

For starters, we will integrate and utilize our direct marketing customer data. In the future, we intend to build a customer data platform that extends across all of our businesses.

Focus Domain 3: United States



(USD mn)	FY20	FY21	FY22
Net sales	69	91	112



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*1 Based on Morinaga data
 *2 Source: [R] data
 *3 Non-chocolate candy market

FY21 Achievements

- Dramatic growth in terms of both potential and profitability
- Ratio of US stores stocking *HI-CHEW* steadily increased
- Steady progress made on creating a jelly drinks market
- Accelerated growth in terms of both potential and profitability
 - Net sales topped **¥10.0 billion** *Early attainment of 2021 Medium-Term Business Plan target
 - Record operating income of **¥1.4 billion**
 - Brand recognition rate of **48%***¹ (up more than **10ppt** vs. FY18)
 - Store stocking ratio of more than **70%***² (up more than **15ppt** vs. FY18)
 - Store turnover **remains brisk***²
 - Sales value share of over **1%***^{2,3} (roughly **double** FY18 level)

Commencement of "second arrow"

Key Points in FY22

- Further business growth → net sales target of **¥14.4 billion**
- Accelerate growth by evolving *HI-CHEW* business value chain
- Full-fledged start of trying to create a jelly drinks market with *Chargel*

Accelerate growth through further evolution of the entire value chain



Full-fledged launch of effort to create a jelly drinks market

- Launch own e-commerce site in February 2022 and commenced sales at brick-and-mortar outlets in March
- Kicking off various marketing campaigns



Next, I will discuss the U.S. business.

In fiscal 2021, we achieved net sales of JPY 10 billion, which was two years ahead of schedule. The foreign exchange rate had an impact, so we have also shown net sales on a U.S. dollar basis below the bar graph.

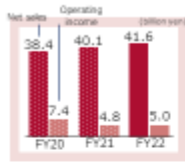
I've already talked about the achievements through fiscal 2021. The key points for fiscal 2022 are further sales growth and business growth, and we have set a net sales target of JPY 14.4 billion.

This year we established a local R&D Center, and we have sent researchers from Japan to work there. Also, based on the strong sales of *HI-CHEW*, we have started to consider bolstering production capacity in the United States.

In terms of products, at our briefing six months ago I talked about product development focused on health. As planned, we have added five more SKUs, centered on products with a focus on health.

Lastly, I will discuss *Chargel* jelly drinks. This February, we launched sales on our e-commerce site, and we are now ready to make a full-fledged start. There are no jelly drinks of this type in the United States market, so we will work steadily on nurturing the product. I think I will be able to discuss this in a little bit more detail at our next briefing.

Focus Domain 4: Frozen Desserts



Business platform



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FY21 Achievements

- Steady growth overall owing to a diverse product lineup
- Establishment of business platform with full-scale operations coming online at Takasaki Factory No. 3
- Steady growth as another pillar candidate to rank alongside the *Jumbo Group*

Establishment of manufacturing platform

- Full-fledged operations at Takasaki Factory No. 3

Takasaki Factory No. 3



Uncovering stable growth opportunities

- Jumbo Group* net sales down **3%** Y/Y, but purchasing rate of **31.4%** is a record high and the first time above **30%** (brisk sales of winter-only products)

Winter-only products



Steady growth of next pillar

- Y/Y net sales growth of **13%** for *Ita Choco Ice*
- Record-high** purchase rate

Key Points in FY22

- Counteract surging raw material prices by increasing prices
- Get the *Jumbo Group* back on a growth trajectory
- Grow as next pillar candidate and sow the seeds of longer-term growth

Increase prices as a countermeasure to surging raw material prices

- Implement price increases for various products starting with those shipped out from June 1, 2022

Return the *Jumbo Group* to a growth track by constantly creating buzz

- Implement various communication strategies centering on *Choco Monaka Jumbo's* 50th anniversary



Grow as next pillar candidate and sow the seeds of longer-term growth



Toward further growth

Switch to full-year sales (from April 2022)



Sowing seeds for longer-term growth
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Next, I will talk about our fourth and final focus domain, which is Frozen Desserts. This focus domain has been growing significantly in recent years, even compared to our competitors.

As has been mentioned already, in terms of upgrading the production platform, Takasaki Factory No. 3 full-scale is now fully operational.

Also, as I briefly mentioned earlier, *Choco Monaka Jumbo* saw a decline in sales in fiscal 2021, but the purchase rate was a new record high. This number includes *Jumbo Group*, which includes *Vanilla Monaka*, but *Choco Monaka* itself also marked a record high.

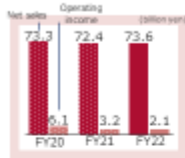
Sales of winter-only *Jumbo Group* products were strong, and contributed to net sales in the fiscal second half.

In fiscal 2022, we will work to successfully increase prices as a measure to counter the surge in raw materials prices. Also, this year we will celebrate the 50th anniversary of the launch of *Choco Monaka Jumbo*.

We used various communication strategies to create buzz, and although the record of 20 straight years of increasing sales came to an end, we will now embark on a fresh start.

We will also work to further grow *Ita Choco Ice* as our next pillar, switch to full-year sales of *The Crêpe*, and sow the seeds for medium- to long-term growth.

Basic Domain: Confectionery & Foodstuffs



FY21 Achievements

- Growth in categories that are expanding by adapting to changes in consumer purchasing
- Kicked off structural reforms to manufacturing functions (first step towards smart factories)

Key Points in FY22

- Counteract surging raw material prices by increasing prices
- Boost profitability by rolling out strategies in tune with category characteristics
- Laterally deploy visualization of production line operations to other factories



Growth in categories that are expanding by adapting to changes in consumer purchasing

- Biscuits
 - Increasingly popular as a snack in situations such as teleworking
- Chocolate
 - Recovery in sales of DARS and Carré de chocolat after tweaking strategies
- Sugar confectionery
 - Brisk sales of new HI-CHEW products with new takes on the characteristic chewiness
- Amazake and cocoa
 - Signs of sales bottoming out and heading for a recovery

Counteract surging raw material prices by increasing prices

- Implement price increases for various products starting with those that go on sale from May 31, 2022

Boost profitability by rolling out strategies in tune with category characteristics

- Work to improve net sales weighting of sugar confectionery and biscuits—categories that deliver relatively high profit margins
- Drive sales of DARS and Carré de chocolat higher and boost factory operating rates by continuing to promote the same strategy that was revised last year
- Turn amazake and cocoa into health drinks by appealing to their health promoting functions

Structural reforms to manufacturing functions

- Visualizing operations of production lines for DARS and other products at Takasaki Factory No. 3



Expand the rollout of visualization to realize smart factories

- Laterally deploy the visualization of production line operations to factories in Japan

Previous FY	Scheduled for this FY
Takasaki Factory No. 3 - DARS (- Choco Plénale, Jumbé) (- Jai Choco Jai)	Takasaki Factory No. 1 & 2; Hishima Factory - Cacao (- in July) - Carré de chocolat - HI-CHEW

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I will now discuss the basic domain of the Confectionery & Foodstuffs business.

In terms of profits, it is an extremely challenging environment due to surging raw materials prices and an increase in depreciation costs. In fiscal 2022, the keys will be to respond with price increases, and boost the ratio of sales of profitable biscuits and candies.

Looking at chocolate, particularly *DARS* and *Carré de chocolat*, we revised the marketing last fall, which led to signs of a recovery as I mentioned just a moment ago, so we will move this forward even more.

On the manufacturing front, we have got started on structural reforms, and will continue to carry out a variety of initiatives.

Business Foundation

R&D

- Further evolve the Group's key technologies: jelly drinks technology, frozen confectionery technology, and soft candy technology
- Strengthen growth strategies: Wellness (mind and body)
 - Visualization of impressions of Jumbo Group, jelly drinks, and HI-CHEW
 - Advance research into proteins and functions
- Strengthen growth strategies: United States
 - Set up an R&D center in the US
- Initiatives aimed at creating new value

R&D Center



- A creative space working to help build healthy minds and bodies underpinned by technology
- An R&D center that seeks to deepen relationships inside and outside the company and generate new value with focus on "co-creation"

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Digital Transformation (DX)

- Aim to streamline supply chain operations by rebuilding product development systems
- Shore up business platforms by revamping the direct marketing system
- Look to make operations more efficient and improve security levels by deploying world-class, leading services
 - Office365, Zoom, Box, Concur, etc.
- Further bolster security measures to mitigate the risk of information leaks from unauthorized access and the like, and transition to a more stringent information management system

Seek to enhance medium- to long-term corporate value by continuing to invest in intangible assets

Look to build a robust business foundation to underpin business strategies

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Next, I will discuss R&D and Digital Transformation, which are business foundations for us. One of the three basic policies in our 2021 Medium-Term Business Plan is constructing a management base linked to business strategy, and last year I spoke about strengthening our R&D capabilities.

As you see here in the photo, our R&D Center was completed in April and is up and running. I don't have enough time today to talk about this in detail, but this slide includes some information about what we are doing to strengthen our initiatives.

I will now move on to digital transformation. Last year, I spoke about how we would invest 40% more during the period covered by the 2021 Medium-Term Business Plan. The second bullet point on this slide is about our effort to revamp our direct marketing system as I discussed earlier.

With respect to the fourth bullet point, this incident caused some concern. We will further bolster security measures to mitigate the risk of information leaks from unauthorized access and the like, and put in place a stringent information management system.

We will look to enhance medium- to long-term corporate value by continuing to invest in intangible assets.

Towards Sustainable Management

The Morinaga Group's Materiality



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Aiming for sustainable management, last September we issued our first integrated report, which includes both financial and non-financial information. In this report, we laid out our five top-priority material issues.

Developing full-fledged sustainable management is also a key theme as we strive to achieve the aims of the 2030 Business Plan

Sustainability Information Update

One Chocolate for One Smile

- Supporting children in cacao-producing countries with a percentage of proceeds from chocolate sales

This campaign has been running for 14 years and Morinaga was recently awarded a medal of honor for its long-term support of the NGO “Plan International Japan”



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Enabling a more diverse range of personnel to play active roles

- April 2022: Introduction of side job system
 - ➡ Leads to employee growth and skill enhancement
- April 2022: Rollout of volunteer leave
 - ➡ Expected to boost awareness of corporate social contribution among employees and stimulate growth through experiences outside of work



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I would like to provide an update on our sustainability information. We were recently awarded a medal of honor for our “One Chocolate for One Smile” campaign, which we have been implementing continuously since 2008.

We have also implemented a new measure inside the company. In line with increasing the level of engagement by our employees, this April we introduced a side job system as well as volunteer leave, to enable a wide range of personnel to play active roles.

Sustainability Information Update

Global Environmental Conservation

- April 2022: Endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



Establishment of Sustainability Advisory Board

- Endeavoring to improve the quality of sustainability management by properly grasping current social conditions and meeting stakeholder needs
- Three external experts sit on the board

Initiatives on Business and Human Rights

- June 2021: Drafted Supplier Guidelines and held a briefing session in October 2021
- April 2022: Became signatory to the United Nations Global Compact



Mari Yoshitaka

Takeshi Mizuguchi

Asako Osaki

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With respect to environmental conservation, we have endorsed the recommendations of the TCFD as we announced in our April 26 news release.

Currently, we are identifying climate change-related risks and opportunities, and conducting scenario analyses in accordance with the TCFD recommendations.

In terms of human rights, we became a signatory to the United Nations Global Compact as we announced in a news release on April 27. We will consider implementing initiatives in line with the United Nations' principles.

We also established a Sustainability Advisory Board. By having three outside experts, whose photos are shown on this slide, sit on the board we will be working on improving the quality of our sustainability management.

Morinaga Angel Museum “MORIUM”

Located within the Tsurumi Factory, Morinaga Angel Museum “MORIUM” opened for tours on January 12, 2022



- The displays and visual content give visitors the opportunity to experience first-hand Morinaga's thoughts about its products, its unique technologies, and Company history.
- As a new venue for communication with customers, we hope to share with them our history of more than 120 years, as well as our future ambitions.

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This slide shows Morinaga Angel Museum “MORIUM.”

The opening was delayed due to COVID-19, but the museum formally opened in January. The displays and visual content allow visitors to experience first-hand Morinaga’s approach to our products, our technologies, and our history.

I certainly hope you will all take the opportunity to visit the museum.

Towards Realizing our 2030 Vision



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This is the final slide. Last year, we formulated a medium- to long-term plan for the first time, and announced our 2030 Vision and 2030 Business Plan.

The first stage, year one of the 2021 Medium-Term Business Plan, has ended. As I discussed a moment ago, net sales reached a record high, and we are expecting to achieve the targets for the final year of the 2021 Medium-Term Business Plan one year ahead of schedule.

In addition, we have achieved the sales weighting target for focus domains two years ahead of schedule, and have also achieved our target for the U.S. business two years ahead of schedule. Overall sales have also been strong, outpacing the 2021 Medium-Term Business Plan targets.

However, on the profit side, we are forecasting a challenging situation due to the impact of the larger-than-expected surge in raw materials costs.

This fiscal year, in addition to flexibly and appropriately increasing prices as I discussed earlier, we will continue to work diligently to lower the cost of sales and streamline operating expenses.

We will continue to pursue further growth in our focus domains. In addition to this, by undertaking a variety of measures, we are hoping to achieve our operating income forecast of JPY 16.5 billion this fiscal year as a minimum target.

That concludes my presentation. The remaining slides are reference data. Please refer to them at your leisure.

Thank you very much for your attention.