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Second Quarter,  
Fiscal Year Ending March 31, 2023

# Results Briefing

November 14, 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. This is Ota. Thank you very much for taking time out of your busy schedule today to participate in our financial results briefing for Q2 of the fiscal year ending March 31, 2023.

First of all, I would like to talk for a little over 30 minutes about H1 of this fiscal year, which has been affected by higher-than-expected raw material prices, higher energy costs, and the weaker yen.

However, we were able to steadily raise the top line of sales, especially in focus domains, and we expect to further accelerate this momentum in terms of total sales in H2. However, in H2 of the fiscal year, we expect the scope of raw material price hikes to be even greater than in H1 of the fiscal year, and we are now revising our forecast for the full year.

Today, I will explain the details of the price revision, and future steps and prospects.

## Consolidated Results for 2Q FY2023/3

Net sales: Up year on year on continued strong performance of "in-" Business, Direct Marketing Business, and United States Business

Profit: Down year on year on impacts of soaring costs for raw materials and energy, along with strategic investments in advertising

(Billion yen)	2Q FY2023/3	Y/Y change		vs. forecast*2	
Net sales	98.4	+5.0	105.4%	(0.6)	99.4%
Gross profit (gross profit margin)	40.8 [41.5%]	(0.2) [(2.4ppt)]	99.5%	-	-
Operating income (operating income margin)	10.2 [10.4%]	(2.9) [(3.7ppt)]	77.6%	(0.5)	95.6%
Ordinary income	10.4	(3.3)	76.6%	(0.4)	97.2%
Profit attributable to owners of parent	6.5	(3.0)	69.0%	(0.4)	95.4%
EBITDA*1	15.1	(2.9)	84.2%	-	-

森永製菓株式会社 \*1 Simplified EBITDA: operating income + depreciation and amortization \*2 Figures announced May 2022

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First, here are the results for Q2.

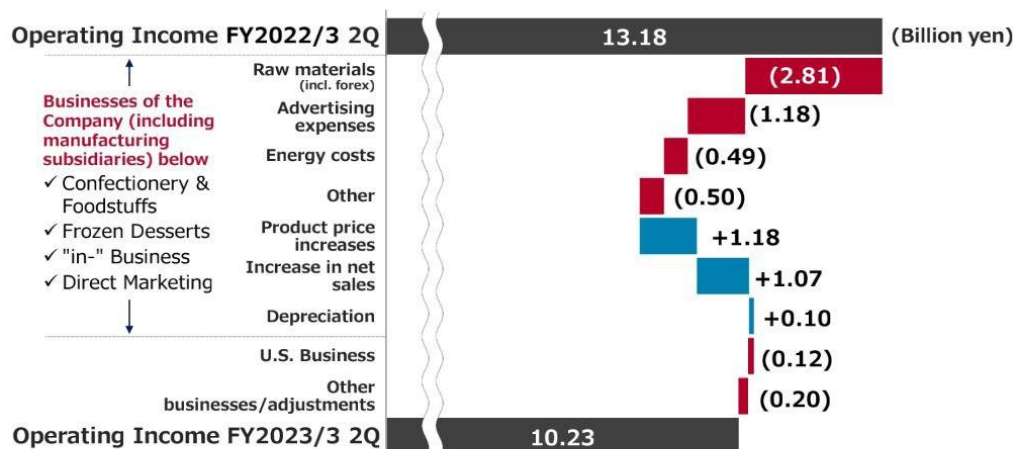
Net sales were JPY98.4 billion. Sales increased by JPY5 billion compared to the previous year, 105.4% in percentage terms. This was JPY0.6 billion less than the forecast announced six months ago in May. "in-" business, Direct Marketing, and US business which are focus domains continued to perform well.

Next, the profit-and-loss aspect. Operating income was JPY10.2 billion. Profit decreased by JPY2.9 billion compared to the previous year. This was JPY0.5 billion less than the forecast. Profits declined significantly due to the impact of higher raw material and energy costs and strategic advertising investments.

In addition, profit attributable to owners of parent for the year was JPY6.5 billion, a decrease of JPY3 billion. This was JPY0.4 billion less than the forecast.

## 2Q FY2023/3 Results: Factors in Change in Consolidated Operating Income

Despite improvements in profitability from higher net sales and price revisions, operating income declined on skyrocketing raw material prices (including forex impacts) and energy costs, as well as investments in advertising targeting future growth.



森永製菓株式会社 \*1 Actual funding rate in FY22/3 2Q: \$1USD = ¥105; ¥118 in FY23/3 2Q

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The next factor is the increase or decrease in operating income. Factors contributing to the decrease in income are highlighted in red and factors contributing to the increase in income are highlighted in blue.

The three above-mentioned factors, soaring raw material prices and increased energy costs, plus increased investment in advertising for future growth, amounted to about JPY4.5 billion.

Below, others includes R&D, personnel, sales, distribution, and other expenses, and the red area is approximately JPY5 billion. This was offset by the effects of price revisions and higher sales, but not all of it was covered, resulting in a decrease of approximately JPY2.9 billion.

As we have included at the bottom, outside the column, the actual exchange rate for Q2 procurement of this fiscal year is JPY118 to the US dollar. The previous year was JPY105.

## 2Q FY2023/3 Results: Summary by Business

In Japan, the increase in net sales was driven by the "in-" Business, the Direct Marketing Business, and operating subsidiaries. Operating income was impacted by weaker profit in the Confectionery & Foodstuffs and Frozen Desserts Businesses. Overseas, sales growth continued in the United States Business. Consolidated income declined due to higher costs and growth investments.

(Billion yen)	Net sales			Operating income		
	2Q FY2023/3	Y/Y change		2Q FY2023/3	Y/Y change	
Confectionery & Foodstuffs* <sup>1</sup>	33.2	(0.4)	98.8%	0.0	(1.5)	3.8%
Frozen Desserts	24.9	(0.3)	98.7%	3.4	(1.4)	72.6%
"in-" Business* <sup>1</sup>	17.7	+1.7	110.0%	5.0	+0.2	104.4%
Direct Marketing	5.1	+0.8	118.5%	0.3	(0.0)	88.5%
Operating Subsidiaries	6.7	+0.8	114.3%	0.3	+0.2	172.8%
Other	0.5	+0.0	100.1%	0.0	(0.0)	81.5%
Domestic Total	88.4	+2.7	103.1%	9.2	(2.5)	78.6%
United States* <sup>2</sup>	6.6	+1.9	140.0%	0.7	(0.2)	86.1%
China, Taiwan, Exports, etc.	3.3	+0.4	115.0%	0.3	+0.0	111.4%
Overseas Total	10.0	+2.4	130.4%	1.1	(0.1)	92.3%
Consolidated Total	98.4	+5.0	105.4%	10.2	(2.9)	77.6%

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

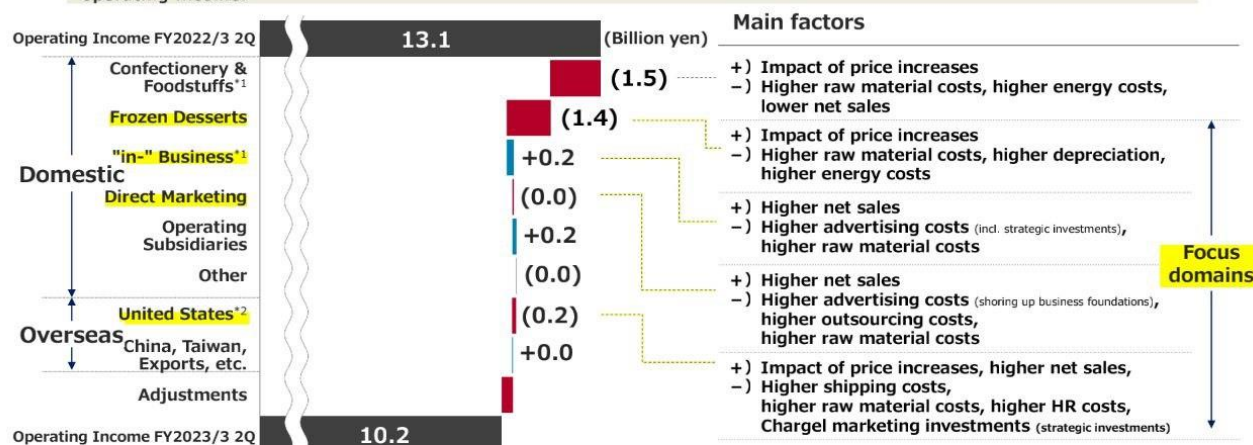
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Next is a summary by business segment.

In terms of sales, all sales except for Confectionery & Foodstuffs and Frozen Desserts increased, and total sales increased by more than 5%. In particular, sales in the US increased significantly by 140%, partly due to the impact of foreign exchange rates. It was also 126% in local currency terms. In terms of operating income, the decrease in profit from Confectionery & Foodstuffs and Frozen Desserts had a significant impact.

## 2Q FY2023/3 Results: Change in Operating Income by Business

Growth in net sales in the "in-" Business, Direct Marketing Business, and United States Business offset higher costs and strategic investment, therefore operating income was more or less on par with year-earlier levels. The Confectionery & Foodstuffs Business was impacted by higher raw material costs and the Frozen Desserts Business was particularly affected by higher raw material costs and depreciation and amortization, resulting in a decline in operating income.



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

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The following is the increase or decrease in operating income by business segment and the factors behind the increase/decrease. Here is a staircase chart with the figures from the previous page, which I hope you will review later, including the factors.

## Key Topics in Domestic Market: Confectionery

- Market trends remain favorable and sales of Morinaga Biscuits and HI-CHEW, both of which maintain a dominant position in the market, have been brisk despite a slight drop in the month when prices were raised
- Promotions also helped capture demand

### Y/Y Change in Sales Value



From here, we have summarized the topics of the domestic and US markets over the past six months, including the situation after the price revision. SRI data and YoY comparisons at the storefront are graphed by month.

First, in domestic confectionery, *Morinaga Biscuits*. The overall market has maintained the large expansion in COVID-19. Our company is on the red line, but there was a supply/demand adjustment in Q1 related to line expansion. In addition, although June saw a large drop due to price revisions, we picked up from the second half of August, and with the launch of new products, our growth in September was much higher than the market growth.

Next is *HI-CHEW*, but the overall candy market is on a recovery trend, although it declined with COVID-19. *HI-CHEW* has also continued to perform well since last year, and although a price revision was made in July, the impact of the price revision was minimal, and the product continues to perform well.

Next, *Carré de chocolat* and *DARS*. The chocolate market is down-trending, especially for pure chocolate, which is very tough. In this context, *Carré de chocolat* revised its prices in July, ahead of its competitors.

In September, the performance of pistachio, which was launched in the previous year, was down significantly from the previous year. On the other hand, *DARS* has been able to significantly grow thanks to promotions, although the Company raised its prices at the same time as the September renewal.



## Key Topics in Domestic Market: Frozen Desserts

Y/Y Change in Sales Value



- Frozen desserts market remained firm
- Sales were solid compared to the market, even though we raised prices ahead of midsummer



- Strong sales of *Choco Monaka Jumbo* even after the price increase due to 50th anniversary promotions
- *Vanilla Monaka Jumbo* is slightly lagging behind the market

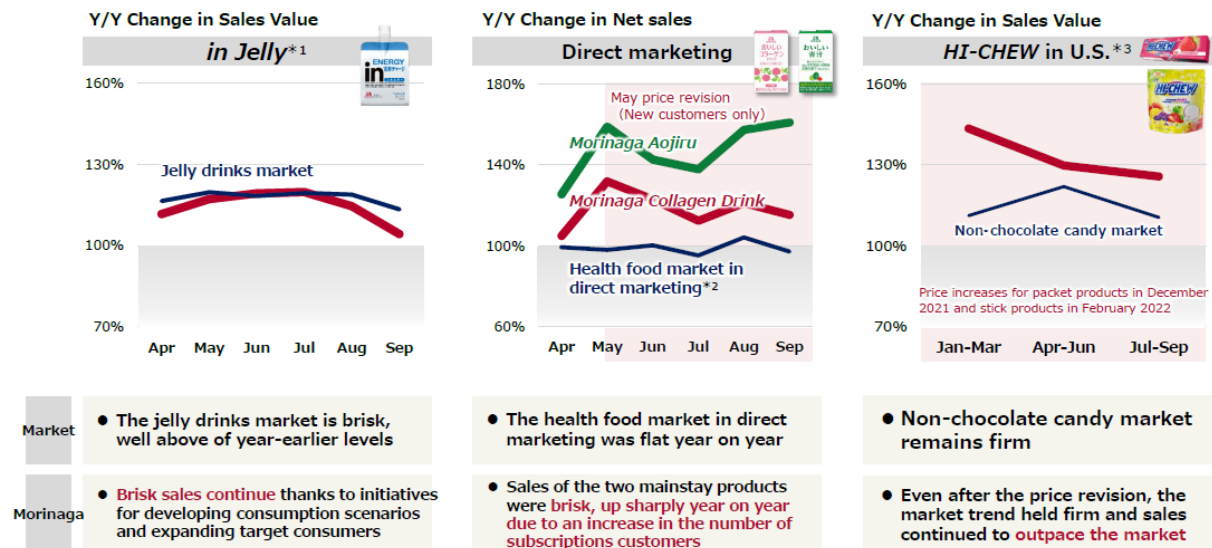


Next is Frozen Desserts. The overall market is strong, at 100.8% YoY for April-to-September, the red line is us, and we are at 102.5%. Although the price was revised in June, sales have remained steady without being significantly affected.

In the same view, on the right are *Choco Monaka Jumbo* and *Vanilla Monaka Jumbo*.

*Choco Monaka Jumbo* has been sold steadily since the price revision in June, as a result of the 50th anniversary promotion this year. In this SRI, it is 100.5% compared to the previous quarter. Shipments also exceeded the previous year. However, *Vanilla Monaka Jumbo* is struggling, with SRI April-to-September total at 94% of the previous year's level.

## Key Topics in Domestic and U.S. Markets



森永製菓株式会社 Source: \*1 INTAGE Inc. SRI+ estimated sales value, \*2 Japan Direct Marketing Association; direct marketing net sales of health products, \*3 IRI

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Next are *in Jelly*, Direct Marketing, and *HI-CHEW* in the US which are focus domains.

While the jelly drinks market as a whole is doing well, *in Jelly* itself continues to do well.

Next, Direct Marketing. This too is growing at a rate far exceeding the growth of the health food market in direct marketing. Both *Morinaga Collagen Drink* and *Morinaga Aojiru* have steadily increased the number of regular customers, and strategic advertising investments have also been effective, resulting in continued strong sales.

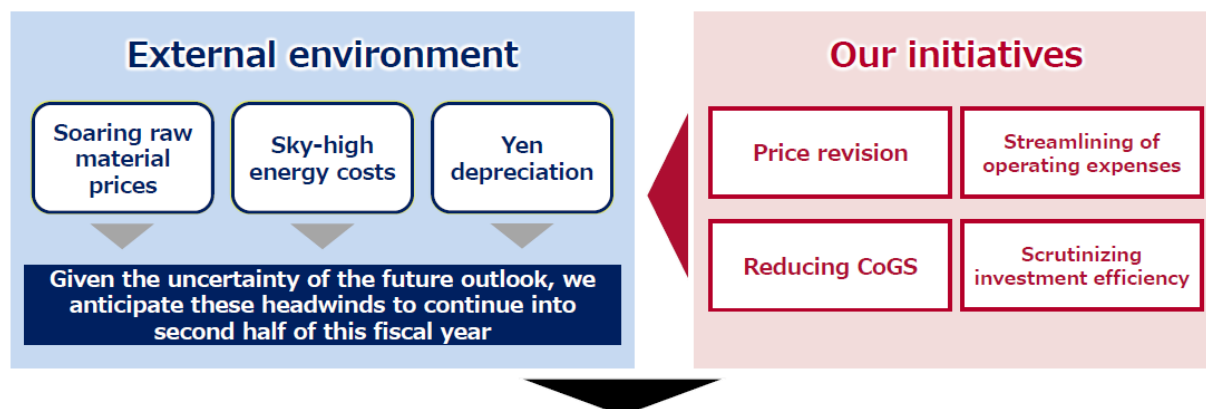
Finally, it is the US *HI-CHEW*. We revised the prices of bags last December and stick products this February. The market as a whole is also doing well, but *HI-CHEW* is well above its market average.

As mentioned above, price revisions vary from product to product, but the total progress has been favorable, and at this point, I think we can say that the transition is in line with our projections.



## Awareness of Business Environment

Surging raw material prices and energy costs, as well as yen depreciation, have exceeded our initial assumptions  
The outlook is grim, despite our self-reliant recovery efforts thus far



Next is our forecast for the fiscal year ending March 31, 2023.

As mentioned in the recognition of the business environment, the price hike of raw material and energy costs are expected to be much higher than the forecast at the beginning of the period, and although we are trying to recover through self-help efforts, the outlook is very severe. The severity of the external environment is quite uncertain for the future. We expect this trend to continue in H2 of the fiscal year.

Under such circumstances, we will continue to strengthen our response to these four initiatives on the right, which are our own initiatives, as before, but we will revise our earnings forecast for this fiscal year, looking at the current situation and the future.

## Consolidated Results Forecast for FY2023/3

**Net sales:** We forecast an increase (record-high net sales) compared to last year's result and our initial forecast on the continued strong performance of the "in-" Business, the Direct Marketing Business, and the United States Business, along with growth in the Confectionery & Foodstuffs Business

**Profit:** We forecast a decline on the impacts of soaring costs for raw materials and energy

(Billion yen)	FY2023/3 forecast	Y/Y change		vs. initial forecast	
<b>Net sales</b>	<b>194.3</b>	<b>+13.1</b>	<b>107.2%</b>	<b>+4.3</b>	<b>102.3%</b>
<b>Gross profit</b> (gross profit margin)	<b>75.9</b> <b>[(39.1%)]</b>	<b>+0.1</b> <b>[(2.7ppt)]</b>	<b>100.2%</b>	<b>(1.8)</b>	<b>97.8%</b>
<b>Operating income</b> (operating income margin)	<b>13.5</b> <b>[(6.9%)]</b>	<b>(4.1)</b> <b>[(2.9ppt)]</b>	<b>76.3%</b>	<b>(3.0)</b>	<b>81.8%</b>
<b>Ordinary income</b>	<b>14.0</b>	<b>(4.2)</b>	<b>77.0%</b>	<b>(2.9)</b>	<b>83.1%</b>
<b>Profit attributable to owners of parent</b>	<b>8.5</b>	<b>(19.2)</b>	<b>30.6%</b>	<b>(2.2)</b>	<b>79.4%</b>
<b>EBITDA<sup>*1</sup></b>	<b>23.9</b>	<b>(3.8)</b>	<b>86.4%</b>	<b>(3.2)</b>	<b>88.3%</b>

<sup>\*1</sup> Simplified EBITDA: operating income + depreciation and amortization

<sup>\*2</sup> The yen conversion rate at overseas subsidiaries that underpins our forecasts is ¥132=\$1USD (this is the average rate for January to December 2022; the actual average rate for January to September was ¥128 and our assumed average rate for October to December is ¥144). Our initial assumption was ¥128.

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We have revised our forecast for the current fiscal year, which we announced in May.

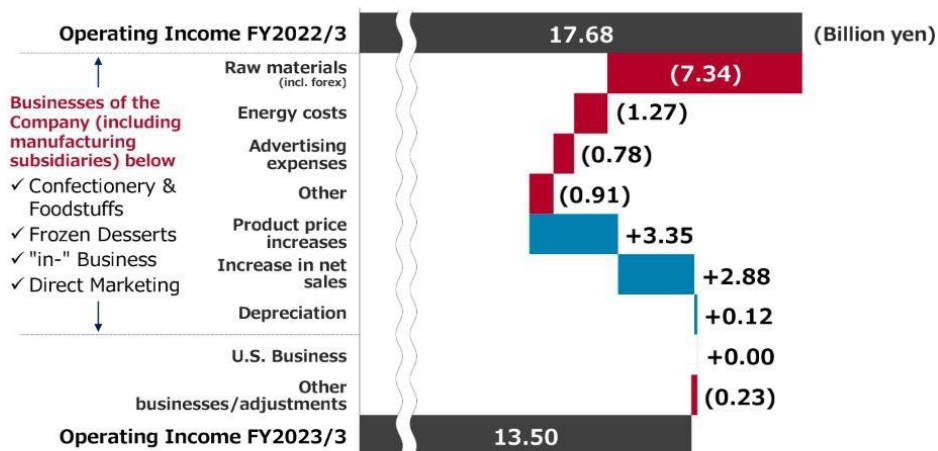
Net sales are expected to be JPY194.3 billion. Sales increased by JPY13.1 billion compared to the previous year. The rate is 107.2%. This sales figure is JPY4.3 billion more than the forecast announced in May, and this sales figure is expected to be the highest in the Company's history.

Operating income is expected to be JPY13.5 billion. Profit decreased by JPY4.1 billion compared to the previous year. This is a JPY3 billion decrease from the May forecast.

Profit attributable to owners of parent for the year is expected to be JPY8.5 billion. We sold shares in Morinaga Milk Industry Co., Ltd. in the previous year. This is a negative JPY2.2 billion from the forecast.

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

Despite improvements in profitability from higher net sales and product price increases, we forecast a decline in operating income due to skyrocketing raw material prices (including forex impacts) and energy costs, which have exceeded our initial assumptions



森永製菓株式会社 \*1 Actual funding rate in FY22/3 : \$1USD = ¥110; FY23/3 Forecast funding rate ¥133

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Next are the factors that contribute to the increase or decrease in operating income in the current forecast for the year.

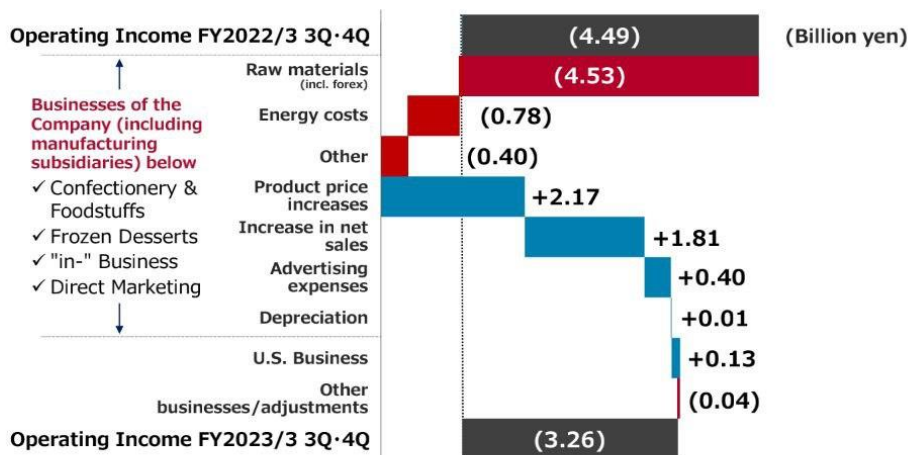
During the year, raw material price hikes amounted to about JPY7.3 billion, including foreign exchange. Energy cost increase is about JPY1.3 billion. Advertising investment is JPY0.78 billion for the year. Other increase is JPY0.9 billion. This will be offset by higher sales and the effect of price revisions, but total income is expected to decrease by JPY4.1 billion.

Each of these items, which differed significantly from the assumptions at the beginning of the period, will be explained later.

As for the exchange rate for procurement, the annual forecast is JPY133 per US dollar, and the actual exchange rate for the previous fiscal year was JPY110 per US dollar.

## FY2023/3 Results Forecast: 2H Factors in Change in Consolidated Operating Income

Despite improvements in profitability from higher net sales and product price increases, we forecast a decline in operating income due to skyrocketing raw material prices (including forex impacts) and energy costs, which are now higher than in the first half



森永製菓株式会社 \*1 Actual funding rate in FY22/3 3Q/4Q: \$1USD = ¥112; FY23/3 3Q/4Q forecast funding rate ¥145

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The next table looks at the increase or decrease factor in H2 alone.

The actual operating income for H2 of the previous fiscal year was JPY4.5 billion, but the surge in raw material prices in H2 of this fiscal year alone is JPY4.5 billion. We are expected to see increase in energy costs of approximately JPY0.8 billion. Adding the two actual figures for raw material price hikes and energy cost increases mentioned earlier for H1 of the fiscal year, we estimate JPY3.3 billion, which we expected to be JPY5.3 billion for H2 of the fiscal year.

We are aware that some raw material prices are currently peeking out, but we are not optimistic and assume that the upward trend will continue. We plan to cover this further headwind with the effects of price revisions and increased sales, but we will not be able to cover all of them, resulting in a profit decline of approximately JPY1.2 billion in H2 alone.

The estimated exchange rate for H2 of the fiscal year is JPY145 to the US dollar, compared with JPY112 for the previous fiscal year.

## FY2023/3 Results Forecast: Factors in Change in Consolidated Operating Income — Key Topics

Factors in Change in Consolidated Operating Income				
(Billion yen)	New forecast (as of Nov)	Previous (as of May)	Difference	Main factors
Raw materials (incl. forex)	(7.34)	(4.30)	(3.04)	✓ Higher procurement costs due to soaring prices of key raw materials and yen depreciation
Energy costs	(1.27)	(0.4)	(0.87)	✓ Soaring energy costs
Product price increases	+3.35	+2.87	+0.48	✓ Price increases in the "in-" Business, among other factors
Increase in net sales	+2.88	+2.33	+0.55	✓ Net sales growth in the "in-" Business and the Confectionery & Foodstuffs Business

Businesses of the Company  
(including manufacturing subsidiaries) below

- ✓ Confectionery & Foodstuffs
- ✓ Frozen Desserts
- ✓ "in-" Business
- ✓ Direct Marketing

Next, we list four items that have significant changes in amount from the beginning-of-year forecast.

Above all, including raw materials and exchange rates, we were looking at JPY4.3 billion, but now we are at JPY7.34 billion, a difference of JPY3.04 billion. Energy costs are also up JPY1.27 billion from the JPY0.4 billion increase estimated at the beginning of the period. The two are about JPY3.9 billion higher than the forecast at the beginning of the period.

The effect of the price revision is an increase of approximately JPY0.5 billion from the beginning of the period due to the revision of additional *in Jelly* and other factors. Sales growth is also expected to be positive from the beginning of the fiscal year, and the effects of this are being felt.

## Latest Price Revision Schedule

We plan to increase prices in the United States Business and the "in-" Business as a measure for responding to surging raw material prices  
Going forward, we will adopt a flexible approach

Business		Date of price increase	Price increase percentage	Main products
Overseas	United States Business	Products arriving on November 1, 2022	Around +11.8%–17.7% of delivery price	<i>HI-CHEW</i> 's main products
Domestic	"in-" Business	Products shipped on December 1, 2022	Around +3.6%–5% of recommended retail price	10 products in the <i>in Jelly</i> series

Here are the two of the most recent price revisions. Implementation is scheduled to begin on November 1 for *HI-CHEW* in the US and on December 1 for *in Jelly* in Japan.

We plan to continue to respond flexibly to price revisions in order to overcome this further headwind.



## FY2023/3 Results Forecast: Summary by Business

In Japan, we forecast year-on-year net sales growth in all businesses. We forecast year-on-year declines in operating income mainly in the Confectionery & Foodstuffs and Frozen Desserts Businesses due to the impacts of soaring costs. Overseas, we forecast net sales and operating income growth in the United States Business. We forecast profit generation even with plans to continue with strategic investments in advertising.

(Billion yen)	Net sales					Operating income				
	FY2023/3 forecast	Y/Y change		vs. initial forecast		FY2023/3 forecast	Y/Y change		vs. initial forecast	
Confectionery & Foodstuffs* <sup>1</sup>	74.2	+1.8	102.5%	+0.6	100.8%	0.8	(2.4)	26.6%	(1.3)	40.1%
Frozen Desserts	40.4	+0.3	100.5%	(1.2)	96.9%	3.2	(1.6)	66.7%	(1.8)	63.6%
"in-" Business* <sup>1</sup>	30.6	+2.6	109.4%	+1.2	104.3%	6.6	(0.2)	98.2%	+0.3	104.6%
Direct Marketing	10.2	+1.1	112.4%	+0.1	101.1%	0.5	+0.2	152.8%	+0.1	107.8%
Operating Subsidiaries	15.1	+1.3	109.3%	+0.2	100.9%	0.8	+0.1	107.3%	+0.0	104.8%
Other	1.3	+0.1	107.5%	+0.1	105.2%	(0.4)	(0.2)	—	(0.3)	—
Domestic Total	172.1	+7.2	104.4%	+1.0	100.5%	11.6	(4.2)	73.9%	(3.1)	79.2%
United States* <sup>2</sup>	15.3	+4.8	145.2%	+0.9	106.4%	1.4	+0.0	100.0%	(0.1)	94.0%
China, Taiwan, Exports, etc.	6.8	+1.1	118.7%	+0.8	114.5%	0.3	+0.0	114.2%	+0.2	240.8%
Overseas Total	22.2	+5.9	135.9%	+1.8	108.8%	1.8	+0.0	102.6%	+0.1	107.4%
Consolidated Total	194.3	+13.1	107.2%	+4.3	102.3%	13.5	(4.1)	76.3%	(3.0)	81.8%

森永製菓株式会社 \*1 Sugar confectionery, chocolates, and other products under the "in" brand are included in Confectionery & Foodstuffs

\*2 Includes income resulting from exports to the U.S. from China/Taiwan

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Next is the annual forecast by business segment.

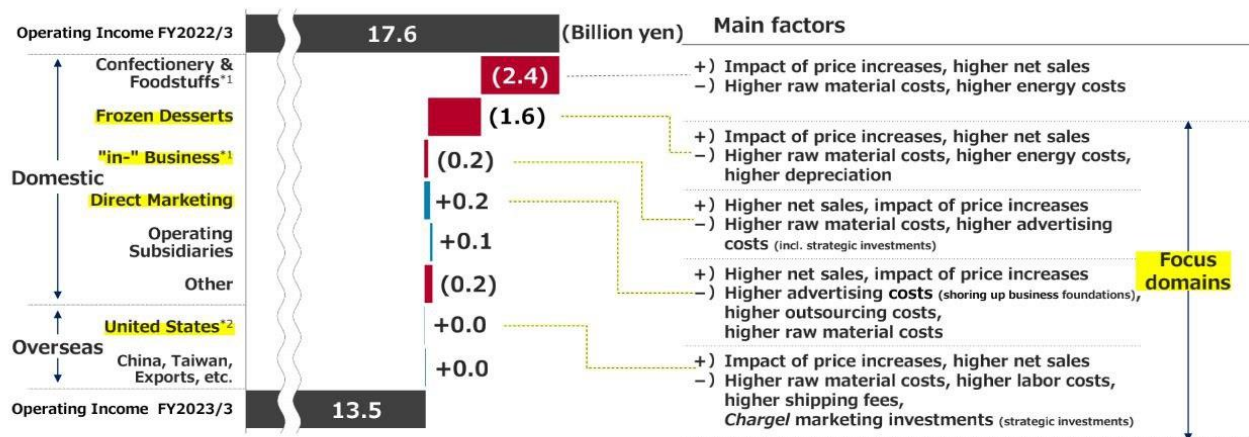
In terms of profit, the trend is the same as H1, but in terms of sales, Confectionery & Foodstuffs had a JPY0.4 billion decrease in H1, but we plan a JPY1.8 billion increase in sales, or 102.5%, for the year.

Sales of Frozen Desserts also declined in H1 but are expected to increase in H2, and are projected to increase for the full year.

Sales are expected to be 104.4% of the previous year's total in Japan and 135.9% in overseas. The overseas weighting is expected to exceed 10% for the first time this fiscal year, rising to 11.4% for the year.

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

For the "in-" Business, Direct Marketing Business, and United States Business, we forecast operating income on a par with year-earlier levels as we expect sales growth to offset higher costs and strategic investments. For the Confectionery & Foodstuffs and Frozen Desserts Businesses, we forecast declines in operating income due to the impacts of higher raw material prices and energy costs.



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\*2 Includes income resulting from exports to the U.S. from China/Taiwan

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Next is the profit increase/decrease by business segment and factors. The figures on the previous page are shown in a staircase chart. We hope you will check them later to see what the factors are.

This is an explanation of Q2 results and the revision of the annual forecast.

## Toward achieving the 2021 Medium-Term Business Plan

Implemented timely measures to adapt to changes in operating environment in "Building a New Foundation for Dramatic Growth"



From here, I would like to discuss the progress of the 2021 medium-term business plan, future steps to be taken, and prospects for the future.

Last year, we announced the 2021 medium-term business plan and our first long-term business plan, the 2030 business Plan. The 2021 medium-term business plan was launched with the aim of building a new foundation for 2030, but as I have already mentioned, we have been facing very significant headwinds in the form of soaring raw material prices and rising energy costs.

Even including the efforts to beat back the raw material price hikes, exchange rate fluctuations, and energy cost increases in the two years between the start of the 2021 medium-term business plan and the current fiscal year, the increase was more than JPY10 billion over the two years. At the time of the start of the 2021 medium-term business plan a year and a half ago, we expected an annual increase in raw material prices of about JPY0.5 billion, which we assumed was within our ability to offset the increase. In fact, at the presentation last May, we had announced that the annual increase for the previous fiscal year was expected to be almost plus or minus zero. That is now more than JPY10 billion in two years. To counteract this, we have revised prices, further reduced cost of sales, streamlined expenses, including operating expenses, and scrutinized investment efficiency.

To cope with further headwinds in H2 and beyond, we will develop high-value-added products, specifically, we will increase the value of wellness products and raise the unit price of premium products. This is already in hand, but we would like to further accelerate and make it into a larger mass.

We are also beginning to consider the export of domestically manufactured products to the US, other than *HI-CHEW*, which I will explain later.

In addition, we would like to strengthen our efforts for inbound and event activities, which are undergoing a resurgence.

Even under these circumstances, we have been making investments for 2030, especially in advertising and R&D, and we are making investments with the will to achieve medium- to long-term growth in 2030, although the current situation is very difficult.

Incidentally, advertising investment is expected to increase by approximately JPY2 billion over the past two years. As a result, the top line of sales has expanded, and the sales target for the final year of the 2021 medium-term business plan was JPY190 billion, which we expect to achieve this fiscal year, one year ahead of schedule.

We believe that the fact that we have been able to grow our top line, especially in focus domains, and that we are overcoming price revisions with our strong brands in a difficult environment will act as an impetus to improve profitability when these headwinds subside. We feel that in the midst of this retrograde trend, we are learning to create more profit than ever before.

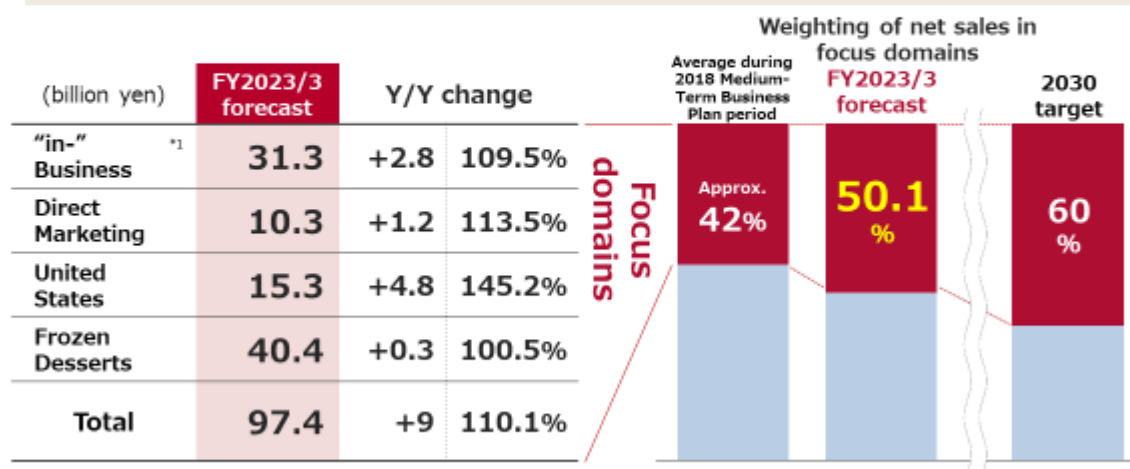
Today, we will probably receive questions about the profit forecast for the next fiscal year, the final year of the medium-term business plan, so I will mention it there, but in any case, the future situation of raw materials, energy costs, and foreign exchange rates is very uncertain.

In order to overcome this headwind, we will take the various measures I have explained today with speed, but we are aware that it will be extremely difficult to achieve the profit target for the next fiscal year, the final year of the medium-term business plan.

As for our plans for the next fiscal year, we will have to watch the external environment a little more closely, including the exchange rate, to see how we view trends in raw materials. Additional measures are being assembled and will be explained at the end of this fiscal year.

## Net Sales of Focus Domains in 2030 Business Plan

Focus domains' share of net sales to exceed 50% in FY2023/3 as their businesses continue to grow



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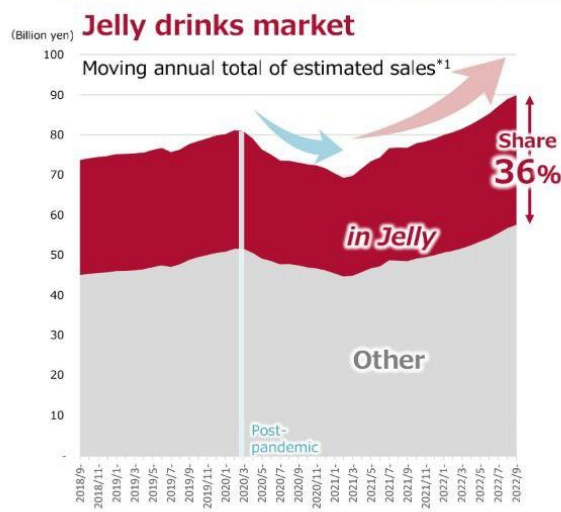
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Next, here are the sales and annual forecast figures for the focus domains.

As I mentioned earlier, we expect to see significant growth this fiscal year, with the composition ratio exceeding 50% for the first time. Incidentally, the figure for the previous period was 48.8%. We would like to further accelerate the process.

## Focus Domain "in-" Business: Current Status of *in Jelly*

Struggled in early stage of pandemic, but attracted new demand by proactive initiatives to drive growth of jelly drinks market



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Source: \*1 INTAGE Inc. SRI+ estimated sales value \*2 INTAGE Inc. SCI Purchase rate

### Current status of *in Jelly*

#### External factors

- Early stages of pandemic: Demand contracted and net sales fell sharply

#### Initiatives for *in Jelly*

- Attracted new demand by proactive initiatives
  - Promote new consumption settings
  - Expand target consumers

- 1H Y/Y net sales of **117%**

- Purchase rate at record high

Moving annual total up **14.5%** (+1.2 pt year on year) in September \*<sup>2</sup>



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From here, I will briefly explain each of the four focus domains.

First is the *in Jelly* of the "in-" Business.

As I explained in detail six months ago, we have fully recovered from the COVID-19 disaster and are at an all-time high. In H1, sales were 117% higher than the previous year, and the purchase rate, also at 14.5%, was the highest ever. Active initiatives are gaining new demand.



## Focus Domain "in-" Business: Growth Strategies for in Jelly

Sow seeds for further growth, expand target demographics, and suggest new ways to consume in Jelly



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Here is the future growth strategy.

As we have been talking about for some time, we will further expand the target market and strengthen the appeal of drinking scenes. On the left of this, it says women's snack, this fruit product for women, and in the middle, the dextrose ramune flavor of improved concentration. These have been big numbers.

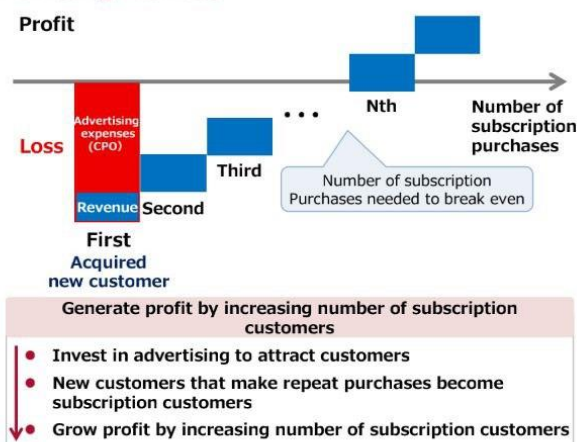
Also, in the meantime, there is a personal care for your concerns, which I am introducing for the first time.

A product called *in Jelly Clear*, *in Jelly's* first Foods with Function Claims, was launched in September this year exclusively in the drug market. This is an example of a high value-added product that I mentioned earlier that increases value through wellness. We will also make sure to plant seeds for various other new growth.

## Focus Domain Direct Marketing

Steady increase in subscription customers due to investment in advertising to generate future profits

### Earnings structure of Direct Marketing Business



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### Trends in subscription customers

Growth rate based on April 2019 = 100



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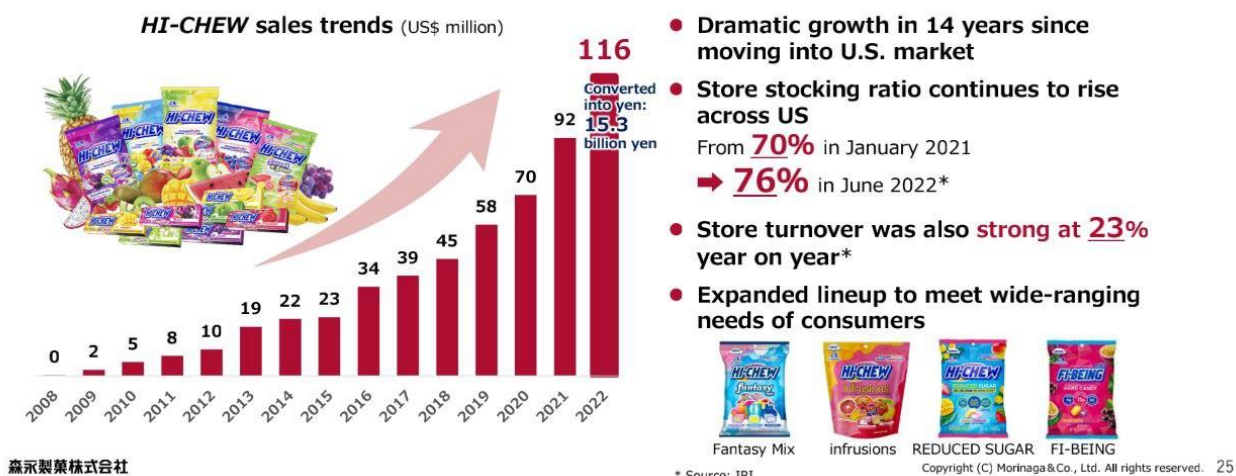
Next is Direct Marketing.

The revenue structure was issued for the first time. How can we increase regular customers by advertising as a prior investment? It is a business model that is different from other businesses, the so-called subscription. In the current fiscal year, we have made progress without any decline in the efficiency of acquiring regular customers, and we continue to invest aggressively in advertising. The result is the graph on the right, which shows a steady increase in the number of regular customers, which will generate significant sales profit ahead. Exactly as written, I believe that this is an investment in advertising for future profit generation.

## Focus Domain United States

*HI-CHEW* growth exceeds market thanks to successful sales and marketing strategies

### 1) Further acceleration of growth of *HI-CHEW* brand



Next is the United States.

This fiscal year, the forecast in yen has come to JPY15.3 billion, partly due to the impact of foreign exchange rates. You can see the rapid growth over the past few years in the graph.

Since the target of the 2021 medium-term management plan was to achieve sales of JPY10 billion in the next fiscal year, the final year of the plan, it can be said that the growth has far exceeded the plan. I believe we are steadily expanding the brand in terms of store stocking ratio, store turnover, and SKU increase.

Last month, I went on a business trip to the US for the first time in three years. The response to expanding awareness is through sampling and securing a firm position on the candy sales floor at US-based supermarkets. They can also be found in local supermarkets and airport kiosks. We have experienced firsthand the increase in penetration compared to three years ago.

## Focus Domain United States

Aware of operational risks of *HI-CHEW* business in the United States, and taking timely action

- |  |  |
|--|--|
| <b>1 Concerns of an economic recession</b>               | <b>➔ Seeking a balance between value and price</b> <ul style="list-style-type: none"> <li>- Sustained sales growth even after recent product price increases and despite higher unit prices than competitors</li> <li>- Striking the right balance between value and price and aiming to successfully carry out further price increases</li> </ul> |
| <b>2 Stable supply of products</b>                       | <b>➔ Current stable supply and drastic measures</b> <ul style="list-style-type: none"> <li>- Increased production line capacity in the U.S. and Taiwan and possible exports of products manufactured in Japan</li> <li>- A newly formed team is currently considering drastically augmenting supply capabilities</li> </ul>                        |
| <b>3 Soaring costs of raw materials and distribution</b> | <b>➔ Thoroughly implement low-cost operations</b> <ul style="list-style-type: none"> <li>- Measures include switching to alternative raw materials and improving production quality performance</li> <li>- There are signs shipping costs have peaked</li> </ul>   |
| <b>4 Worker shortages, retention rate decline</b>        | <b>➔ Reviewing hourly wages of workers</b> <ul style="list-style-type: none"> <li>- Prioritizing stable supply to keep up with brisk sales</li> <li>- Production volume recently hit a record high</li> </ul>  |

Even with such a smooth US *HI-CHEW*, there is risk, and this is something we talked about a year ago at this briefing. I am sure you will have questions, so I will introduce four of them here.

One is the concern about recession, but considerable inflation in the US itself. This may be something I also felt very much during this business trip in comparison to three years ago. So, the success of price revisions will continue to be a major key.

The second is stable supply. We have to respond to the rapid increase in sales, and in addition to expanding our production lines in Taiwan and the US, we are now considering exporting Japanese-made products, as I mentioned earlier in a few words.

This will be done by allocating Japan *HI-CHEW*'s manufacturing capacity to US exports, which we hope will also increase capacity utilization in Japan and ensure a stable supply in the US, where the market is strong. Although it can be said that this is a flexible response to the weak yen, we are currently working as a team to study the establishment of a drastic production system, and we recognize that this is an important management issue.

Currently, *HI-CHEW*'s production plants are located in Japan, Taiwan, China, and the US. This is truly a global concept.

Then there is the response to the rising cost of raw materials and the worker shortage. However, as you can see there, we have recently recorded record manufacturing output, and I believe that the various measures we have taken have been successful. I also visited the US plant last month to check on how well things are going. We will continue to work hard to address this risk.

## Focus Domain United States

Aggressively implemented measures to boost Chargel's brand recognition and negotiate new sales channels

### 2) Chargel: Create jelly drink market

- Launched own e-commerce site in February 2022 and commenced sales at brick-and-mortar outlets in March
- Engaged in promotions tailored to the target market to raise recognition rate
- Visitors to, and purchasers at e-commerce site increasing  
➔ **Positive response/feedback from target customer segments**
- Obtained Plant Based and anti-doping certifications
- To be introduced into general distribution channels



Social media ads

#### Customer feedback

It was awesome!  
It quite literally saved me!

I really like it! I find it quick and easy to digest before a workout.

It is so yummy. It's the best tasting gels that I tried so far.

**Concept well received and highly rated for quality!**



Sampling at marathon event

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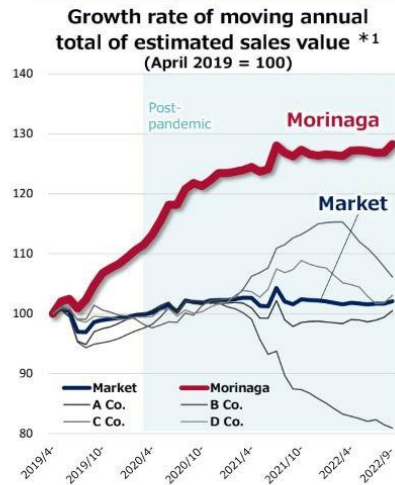
Next is *Chargel*.

We are just getting started and what we can report is limited, but we are in the process of planting the seeds. Our target audience of men in their 30s and 40s is highly rated, and we have included the voices of EC purchasers there. In any case, we would like to sit back and take our time.



## Focus Domain Frozen Desserts

Aiming to create new markets as well as achieve steady business growth driven by differentiated products that harness confectionery technology



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Source: \*1 INTAGE Inc. SRI+ Estimated sales \*2 INTAGE Inc. SCI Purchase rate

### 1 Evolving of "freshness" marketing

- Solidify sales of Vanilla Monaka Jumbo and Choco Monaka Jumbo, the latter which marked its 50th anniversary
  - Expand target consumers and consumption settings
- ➔ Choco Monaka purchase rate continued to rise
  - Moving annual total up **27.9%** (+1.2 pt year on year) in September \*2



### 2 Capture customers from adjacent markets

- Capture demand with differentiated dessert type products that harness confectionery technology
  - Made Ita Choco Ice and The Crepe year-round items



### 3 New market creation with technological advantage

- Developing frozen cookie dough
- Entered alcohol mixer market using ICEBOX brand



Test marketing in selected areas  
Big response on social media

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Next is the fourth domain of focus, Frozen Desserts.

As this is a focus domain, we had planned for significant sales growth, but we expect to fall far short this fiscal year. Profits are also expected to decrease significantly due to the impact of the sharp rise in raw material prices and increased depreciation expenses. As mentioned earlier, sales are expected to be almost 100% for the year.

However, as I explained earlier, H1 is also above the market average at the storefront, and looking at the past three years, we have made significant growth. The graph shows the moving annual total in April 2019, with three years ago as 100. Our growth is beyond the market.

This fiscal year is expected to be tough against the plan, but we are confident that we will do well with the three strategies. We would also like to take on the challenge of creating new markets of No.3.



## Basic Domain Confectionery & Foodstuffs

Promoting profitability improvement centered on *Morinaga Biscuits* and *HI-CHEW*.



## Exploration and Research Domain

### Expanding business in new geographic areas and creating new businesses

#### Expanding geographic areas

##### Accelerating HI-CHEW initiatives in Oceania, Europe, and other regions

###### ● New Zealand

- Steadily expanded sales floor space by setting up sales racks, displaying products by the checkout, etc.
- HI-CHEW recognition rate up from **49%** in 2020 to **59%** in 2022

###### ● Australia

- Rollout gaining momentum in third year since sales launch
- Improvement in recognition rate from **22%** in 2020 to **29%** in 2022



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#### New businesses

##### SAI MEAT (SAI MEAT)

- Sustainable & Innovative Meat
- Entered plant-based meat market by utilizing proprietary technology\* fostered in confectionery manufacture

\* Holds manufacturing patent

- Differentiated by texture of a substantial slab of meat; flavor masks soy taste



Example of meal cooked using SAI MEAT

##### Passienol™ (Passienol)

- Ingredients approved as Food with Function Claims
- Overseas B2B sales under consideration; ingredients used in Morinaga products



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In the domain of exploration and research, we have included the expansion of *HI-CHEW* overseas, here in Oceania. We would like to accelerate the *HI-CHEW* initiative, including the high recognition rate, examples of sales floor development, and Europe, and we would like to do a good job of *HI-CHEW* development on a global scale.

Then I would like to introduce you to two new businesses, SAI MEAT and Passienol.

This is the characteristic SAI MEAT. Our proprietary technology enables thick and large chunks of meat. It has no soy smell and can be stored at room temperature. Passienol is also a food material that is compatible with functional claims, and we will aim to expand its use as a raw material.

## Sustainability Information Update

### Information disclosure in line with TCFD recommendations

- Analyzing climate change scenarios
  - Analyzing the impacts of 4°C, 2°C, and 1.5°C scenarios on our domestic Food Manufacturing Business in 2030 and 2050

### Sustainability Advisory Board



Three external experts (front row, left to right): Asako Osaki, Takeshi Mizuguchi, and Mari Yoshitaka

- First meeting held in May 2022  
Three external experts sit on the board

Main agenda items  
 1. Morinaga Group's Integrated Report 2021 and 2030 Business Plan  
 2. Non-financial information disclosure  
 3. Promotion of diversity

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### Issuance of sustainability bonds

- Issuing sustainability bonds to finance the rebuilding of the Morinaga Shibaura Building (tentative name)
- Aiming to create a comfortable workplace environment in which a diverse workforce can thrive and contribute to disaster prevention/mitigation for local residents

Conceptual image of Morinaga Shibaura Building (tentative name)



#### Embodying our Purpose and 2030 Vision with seven aspects

- ① Working style and health
- ② Environment
- ③ Diversity
- ④ Branding and co-creation
- ⑤ BCP
- ⑥ DX
- ⑦ Flexibility

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Next, we have sustainability-related issues.

We endorsed TCFD in April of this year. Subsequently, a climate change scenario analysis was conducted, and information was disclosed in June of this year.

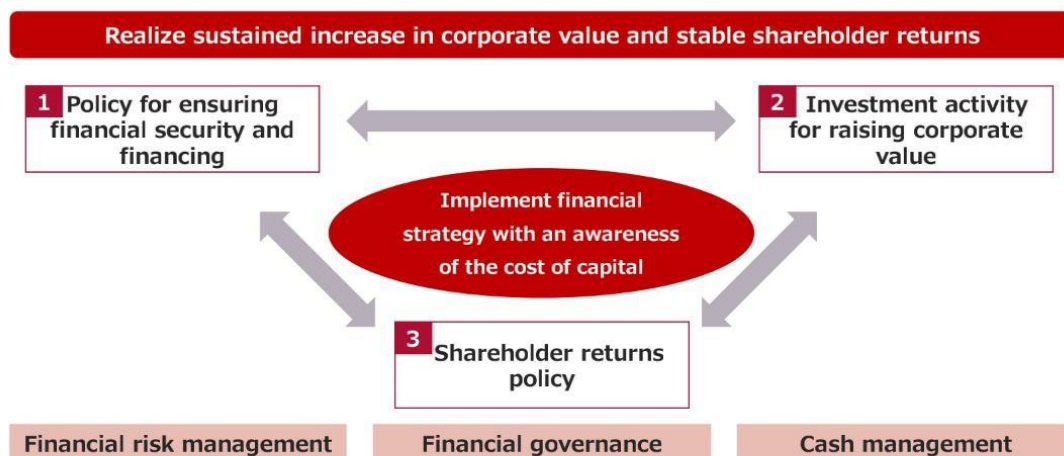
Above, we have established the sustainability advisory board, and the first meeting of the advisory board was held in May of this year. We have three outside experts participating in this project. This is the second year of this year's integrated report, which has already been issued at the end of September. We hope you will take a look.

On the right shows the fundraising, and we recently issued a release on this as well.

Sustainability bonds will be issued for the reconstruction of the Shibaura Building. It says that we aim to create an environment that is easy for employees to work in and promotes the utilization of diverse human resources, while also contributing to disaster prevention and mitigation for local residents.

## Medium-to-Long-Term Financial Strategy

Update medium-to-long-term financial strategy, and implement a financial strategy with an awareness of the cost of capital



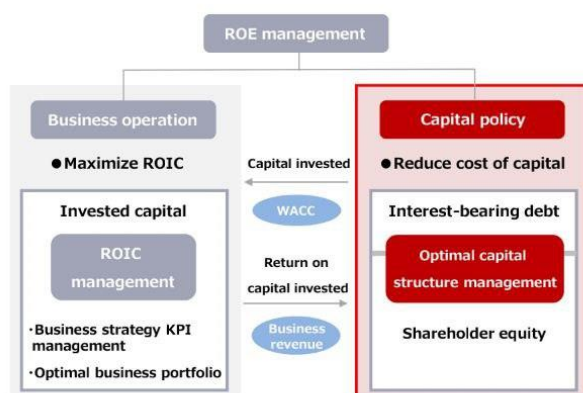
Next, and last, is the mid- to long-term financial strategy.

Mr. Takagi, who is present today, was appointed Chief Financial Officer this year, and is updating the financial strategy and working on it as part of the management as a whole. This is the first time we are mentioning this in our presentation, although we have included it in this year's integrated report. We have broken down our financial strategy into three elements: financing, investment activities, and shareholder returns, and we will implement our financial strategy with an awareness of the cost of equity.



## Management and Financial Policy with an Awareness of the Cost of Capital

Develop specific financial measures during 2021 Medium-Term Business Plan period



### Financing and Shareholder Returns based on Financial Strategy

#### 1. Financing for optimal capital structure

- Issuing sustainability bonds as part of green projects and the like with the aim of realizing our 2030 Vision

#### 2. Shareholder returns

- In meeting the 2021 Medium-Term Business Plan target of returning at least **¥12.0 billion** to shareholders over a period of three years, **¥18.6 billion has already been returned to shareholders in the space of two years** \*1
- **Treasury stock equivalent** to roughly 10% of the total number of outstanding shares is slated for retirement \*2
- Going forward, **the flexible acquisition of Company shares will be considered as required**, taking into account the total payout ratio

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\*2 Scheduled for the end of November 2022

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This is the last page. Here I will explain the shareholder return part.

The original 2021 medium-term business plan called for shareholder returns of more than JPY12 billion over the three-year period, and we have already returned JPY18.6 billion to shareholders over the past two years. In addition, the Company plans to cancel about 10% of the treasury stock issued at this time at the end of November. With an eye on the total return ratio, the Company will consider flexibly acquiring treasury stock as needed in the next fiscal year.

We expect to have a difficult business performance this fiscal year, but as I have just explained, we intend to make a strong effort to return profits to our shareholders.

Please refer to the following five pages for reference information.

That is all for my explanation. Thank you for your attention.

**Cautionary statement regarding 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.