

IR Day U.S. Business Briefing

December 12, 2023
Morinaga & Co., Ltd.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Today's Presentation

1. Morinaga's Overseas Business

2. U.S. Business

- Appeal of the U.S. Market
- History from Entry into U.S. Market to Present

3. Toward Further Growth of the U.S. Business

1. Morinaga's Overseas Business

Founder's Global Vision



“Global Morinaga”

I left for America for the first time on May 7, 1918, and returned to Japan about six months later. During my time there, I toured major confectionery factories. Based on various data, I estimated that Morinaga & Co., Ltd. was ranked 81st in the world in terms of production value, and I announced this within the company.

My second visit to the U.S. was in June 1921, and on my return, I announced that Morinaga was ranked 51st in the world. Then in 1939, I announced that we were indeed 21st in the world, and I was satisfied that we were close to realizing my dream.

At the time, I thought we had to catch up with China, the South Seas, and India in terms of exports, and we would also have to relocate a great deal of our factories. [Omitted] Thus, I had a great desire for **Morinaga to become at least one of the top five confectionery companies in the world**, if not the top.

Unfortunately, due to the World War and other factors, this hope is yet to be realized. Nevertheless, I believe that having such high aspirations and dreams and putting in effort to realize them has been instrumental in building the foundations of what Morinaga is today.
(Taichiro Morinaga, Hanzaburo Matsuzaki, from *Pioneering History*)



Morinaga's Global Network

[Shanghai Morinaga] From 2003

- **Sale of HI-CHEW**
- Imported products made in Japan Sale of (*Hotcake Mix*, etc.)



[Morinaga America] From 2008

- **Sale of HI-CHEW**
- Sale of *Chargel*



★ [Morinaga America Foods] From 2013

- **Supply of HI-CHEW** in the U.S. market



★ [Morinaga (Zhejiang)] From 2010

- **Supply of HI-CHEW** within China and to the U.S. and Oceania



Morinaga (Zhejiang) Co., Ltd. (Zhejiang)

Shanghai Morinaga Co., Ltd. (Shanghai)

Taiwan Morinaga Co., Ltd. (Taipei)

Morinaga Asia Pacific Co., Ltd. (Bangkok)

Morinaga America Foods, Inc. (North Carolina)

Morinaga America, Inc. (California)

[Morinaga Asia Pacific] From 2019

- **Sale of HI-CHEW** (Oceania, Southeast Asia)
- Sale of *Manna*, *DARS*, etc. (Southeast Asia)
- Sale of *in Jelly* (Hong Kong, Singapore)



★ [Taiwan Morinaga] From 1961

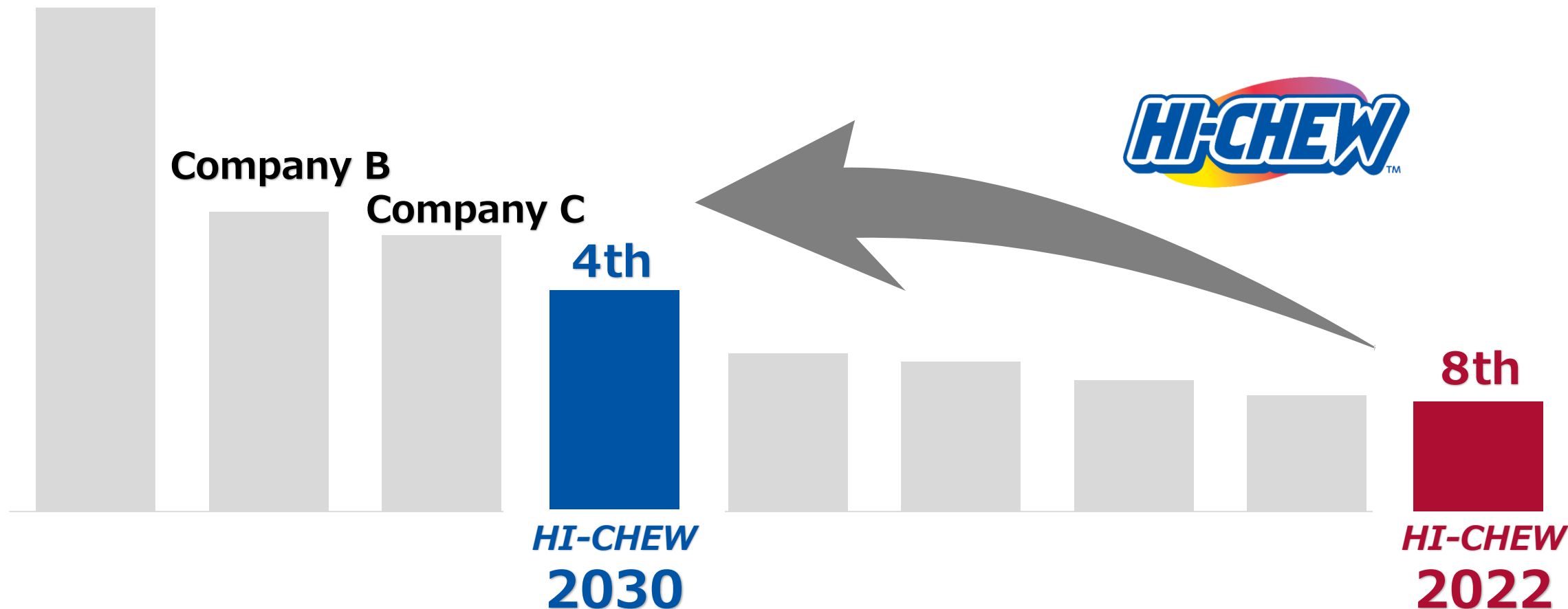
- **Sale of HI-CHEW**
- Sale of *in Jelly*, caramel, and frozen desserts
- **Supply of HI-CHEW** within Taiwan and to the U.S. and Europe



HI-CHEW's Global Position* and Target

Expand sales, primarily in the U.S., aiming to be 4th in the world in terms of net sales by 2030

Company A * Sales comparison with competitors (2022)



Global Promotion System for *HI-CHEW*

Established new *HI-CHEW* Global Branding Office and strengthening collaboration for the purpose of cultivating the brand, maximizing brand equity and maximizing profits globally



Established in April 2023
@ Tokyo, Morinaga Head Office

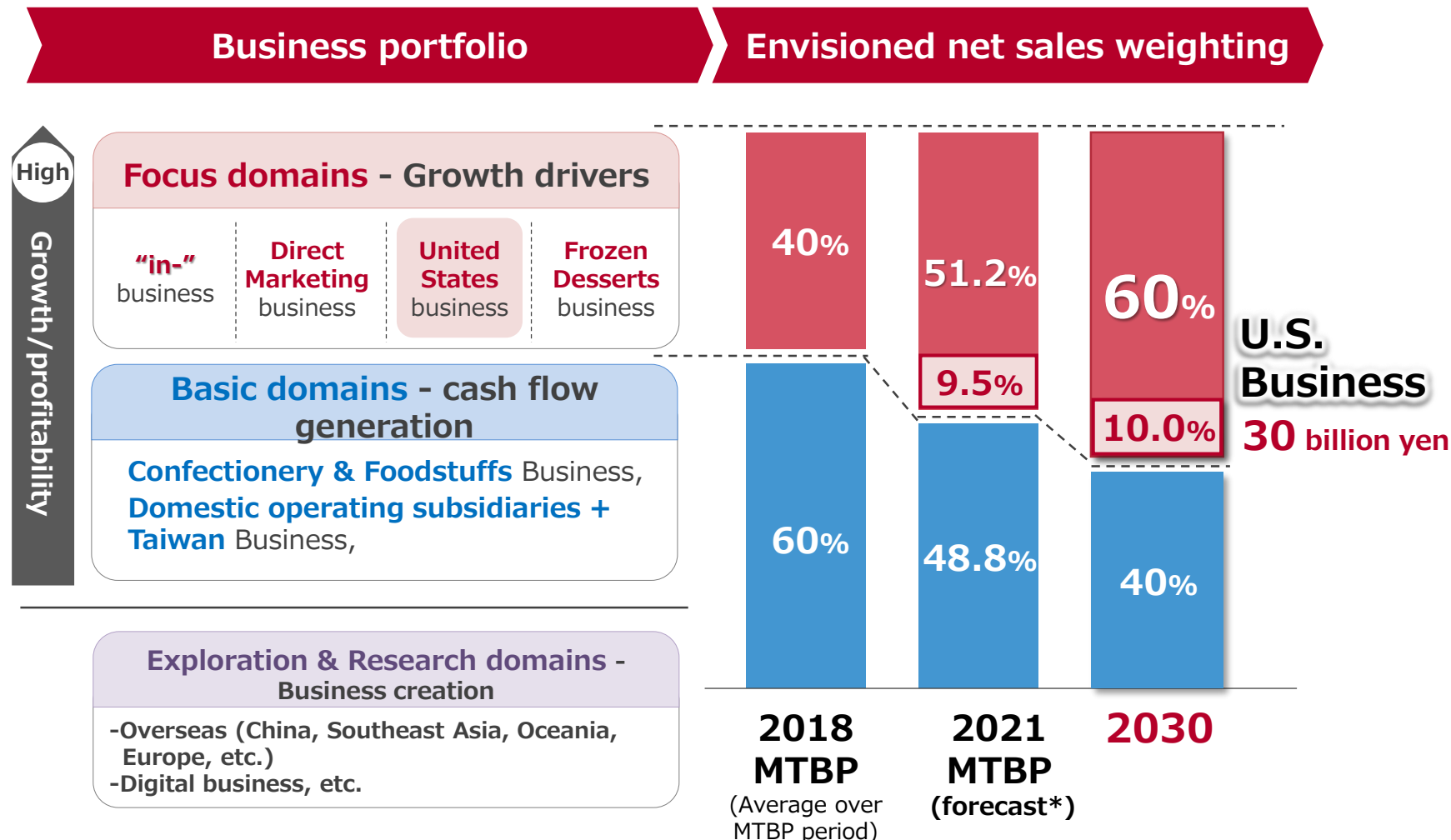
- Procurement of raw materials, consideration of alternative raw materials
- Development of wellness products and new packaging formats
- Consideration of production processes and production sites
- Support for quality assurance
- Support for sales and distribution

Positioning of U.S. Business to Achieve the 2030 Business Plan

Target net sales for 2030: 30 billion yen; U.S. business will drive Group's growth strategy as a focused domain

2030 management targets

	2021 MTBP forecast*	2030 Target
Net sales	210 billion yen	300 billion yen
Operating income to net sales ratio	8.9%	12.0% or higher
Overseas sales ratio	13.2%	15.0% or higher
Focused domains' sales ratio	51.2%	60.0%



2. U.S. Business

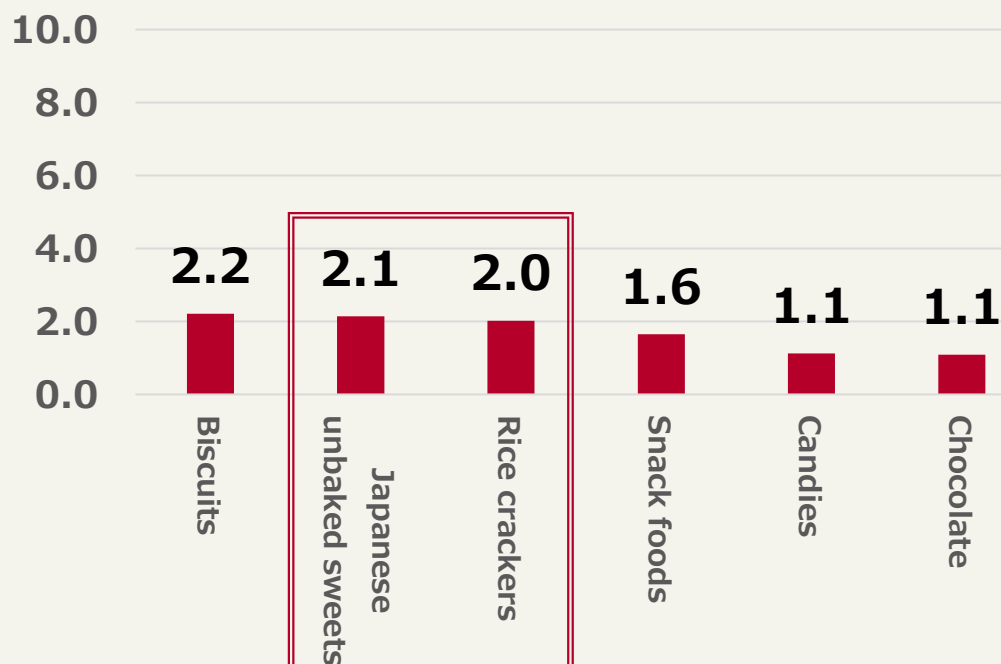
Appeal of the U.S. Market ①

Differences in confectionery culture in Japan and the U.S.; Consumption in the U.S. is focused on Western confectionery

■ Per capita consumption (confectionery category)

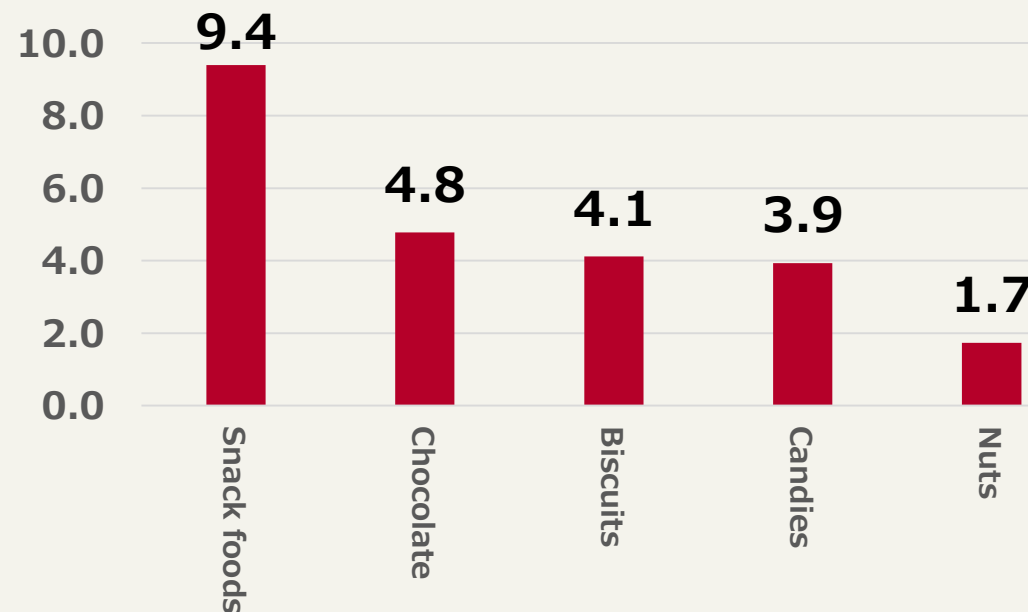
Japan

(Unit: kg)



U.S.

(Unit: kg)



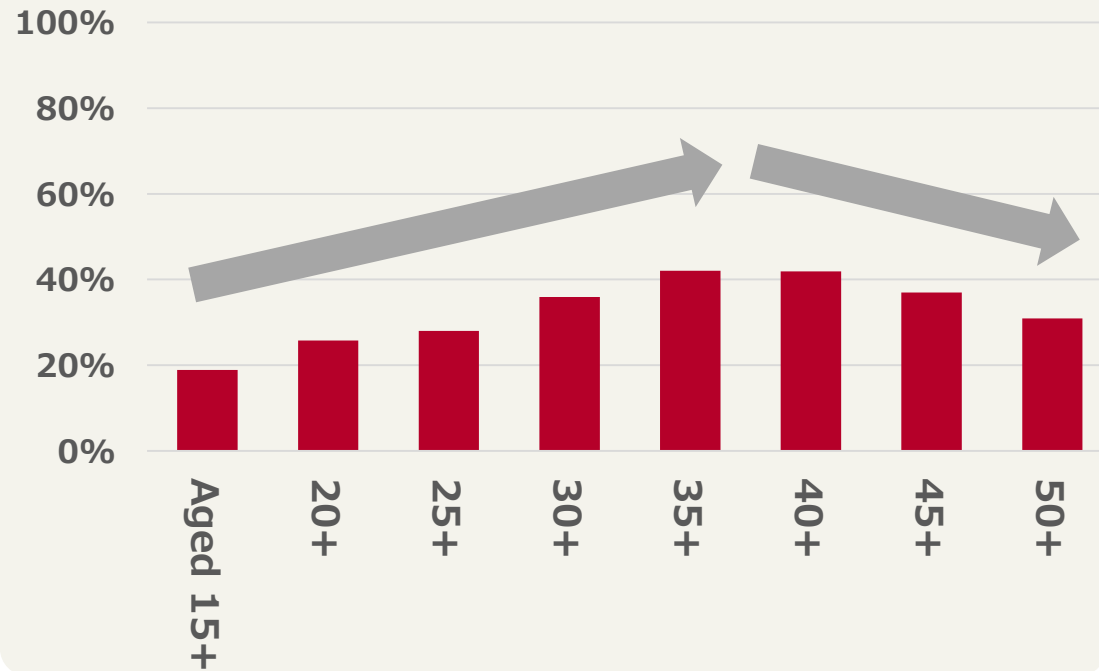
Appeal of the U.S. Market ②

In the U.S., candy is purchased with high frequency by people of all ages

■ Frequency of candy consumption

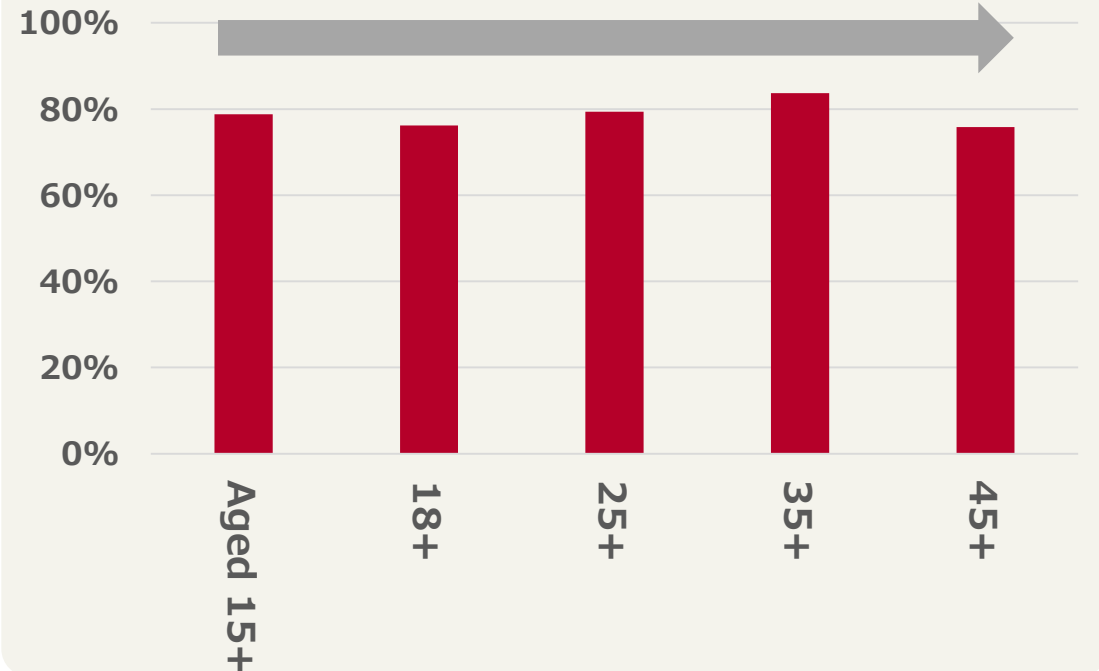
Japan

Purchasers of candy at least 12 times a year (all types of candy)



U.S.

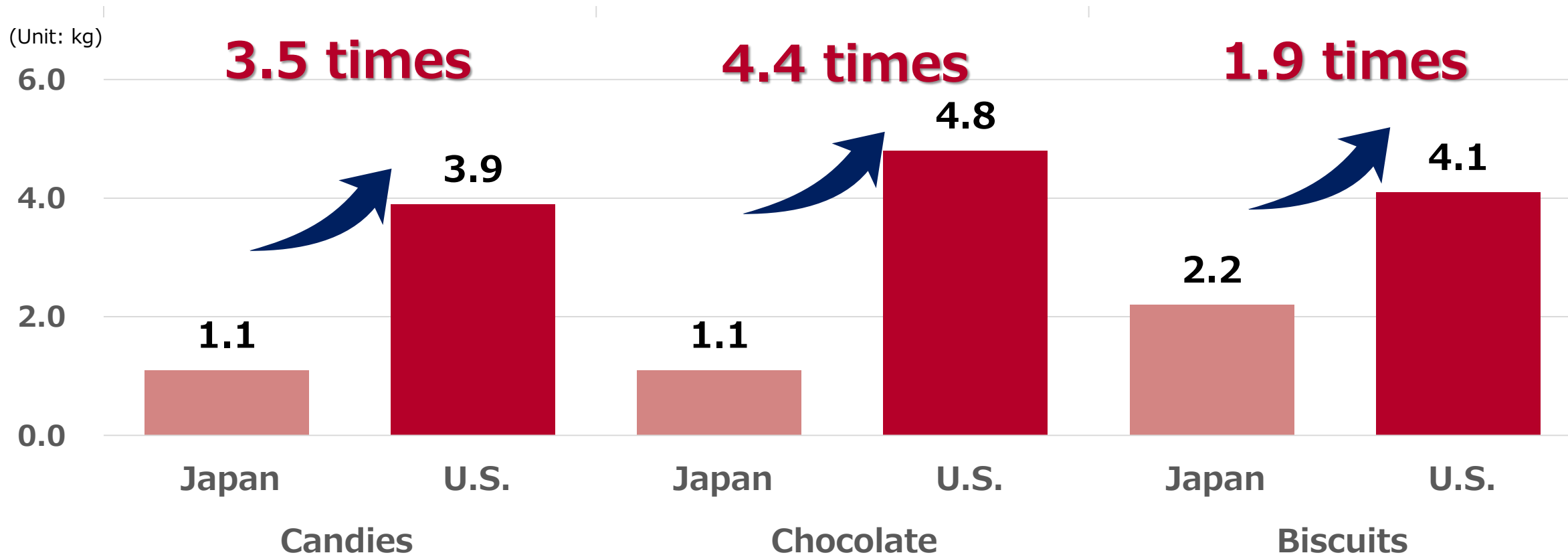
Purchasers of candy at least once a month (candies, soft candies, gummies)



Appeal of the U.S. Market ③

Per capita consumption of Western confectionery is far higher in the U.S. than in Japan

■ Comparison of confectionery consumption (per capita)



Appeal of the U.S. Market ④

Sold in the U.S. at 2.3 times the price in Japan; Higher net sales for the same sales volume

Ranking of retail price per *HI-CHEW*

	Country	Indicator (Japan = 100)
1	U.S.	236
2	U.K.	210
3	Canada	195
4	Australia	143
5	New Zealand	130
6	Japan	100
7	Taiwan	90
8	China	84
8	Vietnam	84
10	Thailand	63

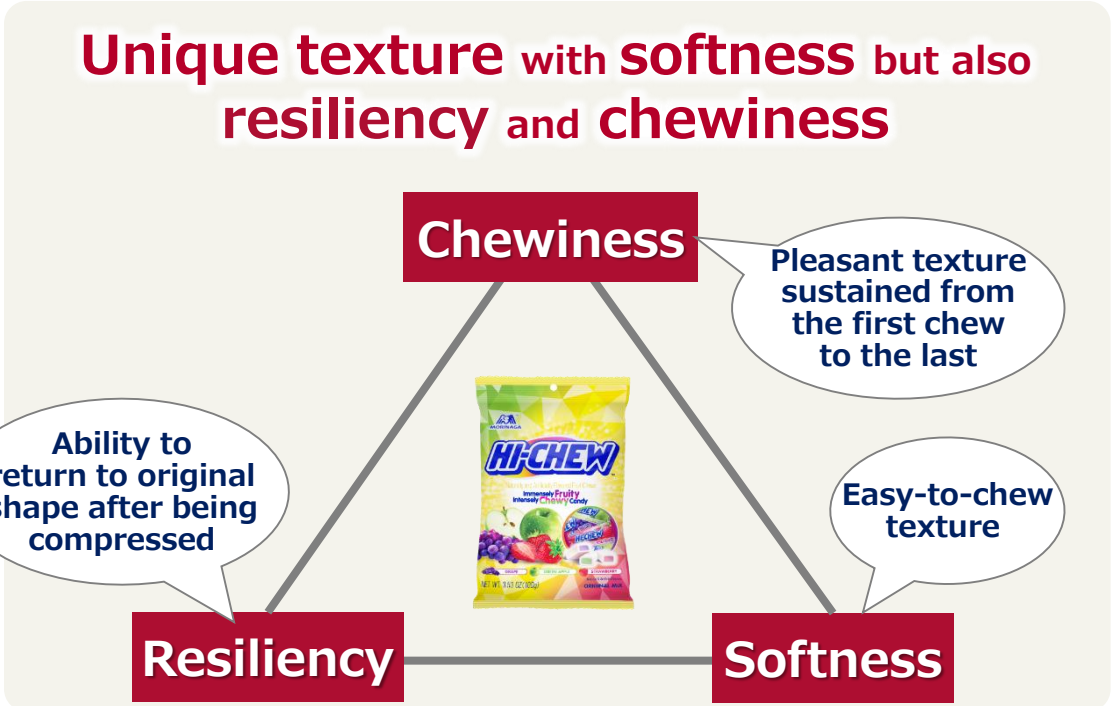


Characteristics of *HI-CHEW*

Appreciated by local consumers for texture and real fruit flavor

Texture characteristics

Wide-ranging know-how about blending, additives, kneading methods, etc.



Flavor characteristics

Materials selection and blending know-how

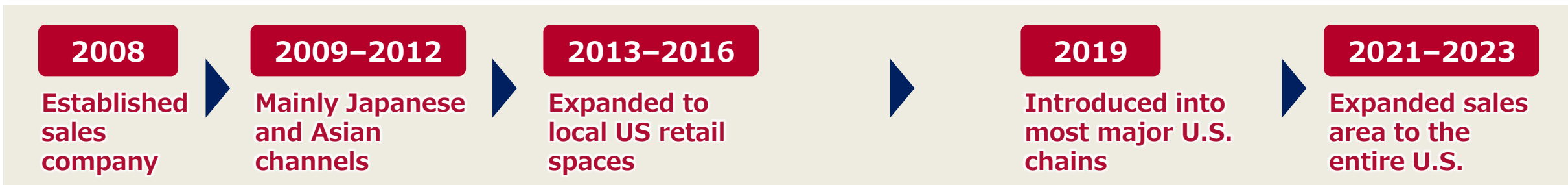
Reproduces a real fruit flavor

Customer comments

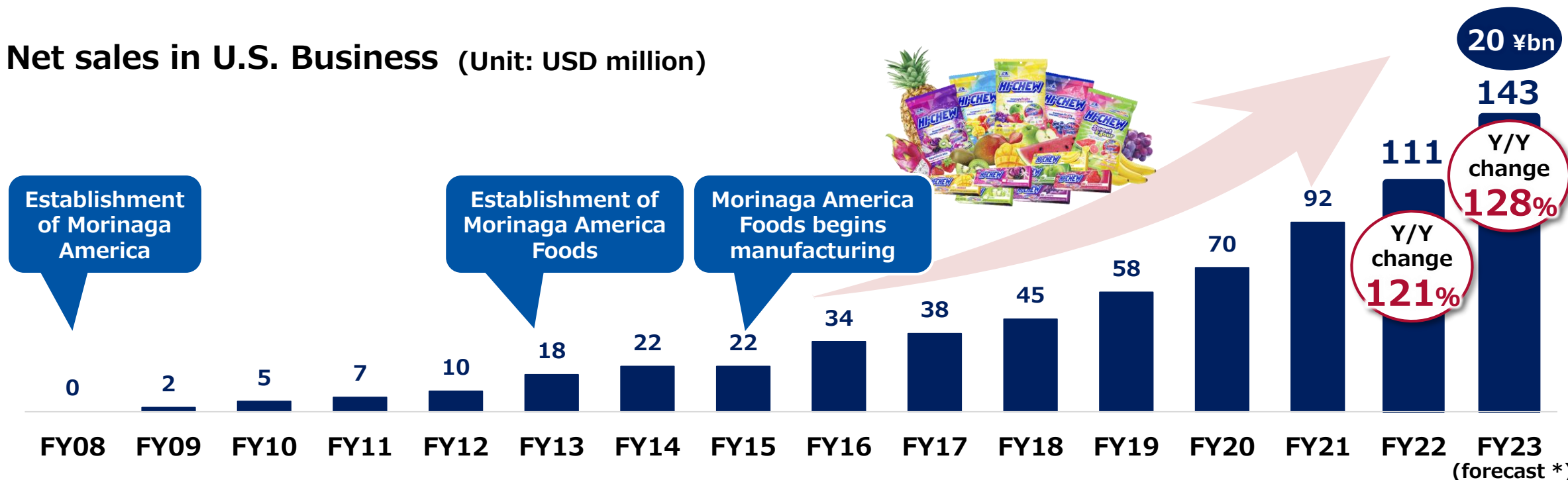
- Feels **natural**
- Feels like **real fruit**
- Intense sweetness and aroma
- Just the right sourness

Sales Initiatives ①

Achieved substantial growth in the 15 years since entering the U.S. market in 2008, achieving the 2021 MTBP target of 10 billion yen ahead of schedule



■ Net sales in U.S. Business (Unit: USD million)



Sales Initiatives ②

Sales gradually spread from the West Coast, and the store stocking ratio increased in all areas of the U.S. from 2018 onward

In the beginning in 2008

- Distributed to **Japanese and Asian supermarkets** via **Japanese wholesalers** (displayed in **Asian and imported goods sections**)

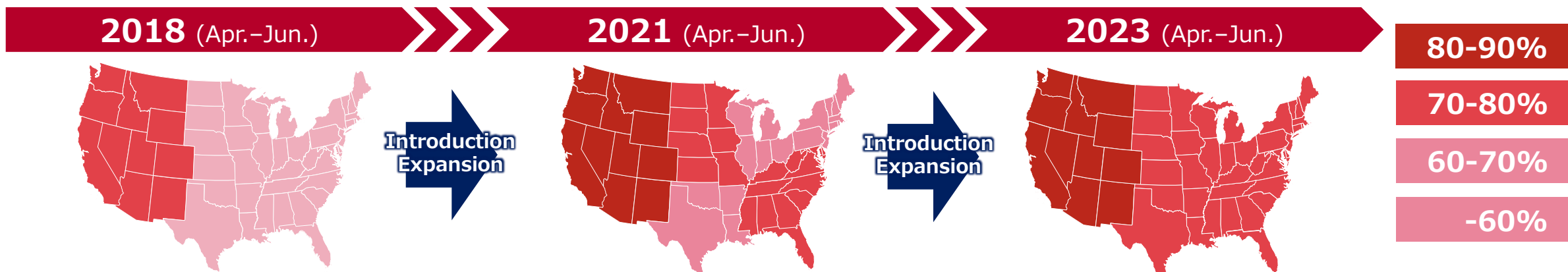
From 2012

- Secured opportunities to meet and negotiate with **U.S. retail candy buyers**
 ➔ Distributed to **local supermarkets and drugstores**

From 2018

- Promoted distribution to major supermarkets and local supermarkets
 ➔ Increased store stocking ratio in all areas of the U.S.

■ Store stocking ratio* since 2018

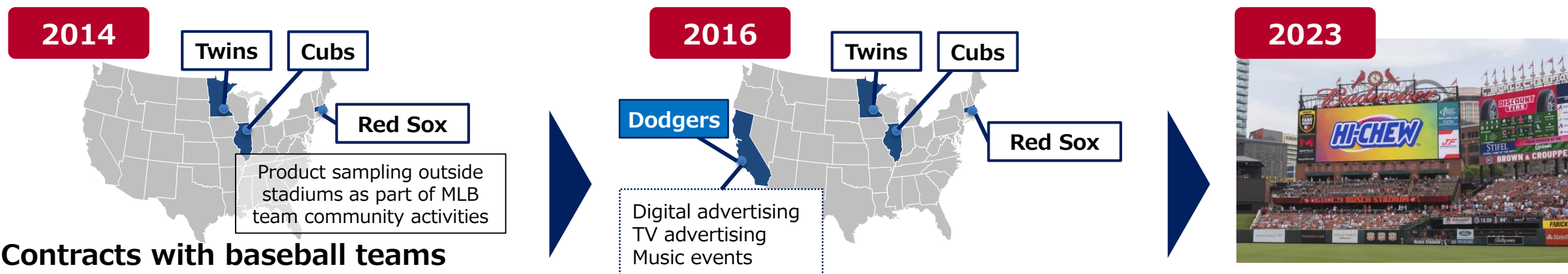


Promotion Initiatives ①

Worked to expand awareness through partnership agreements with professional sport teams



Transition of partnerships with MLB teams



Contracts with baseball teams near major client's headquarters

- Boston Red Sox
➔ Near CVS/Pharmacy headquarters
- Chicago Cubs
➔ Near Walgreen Company headquarters

Launched marketing measures on the West Coast, with a focus on Los Angeles

Promotion Initiatives ②

Changed the appeal to match the increase in brand recognition and brand understanding



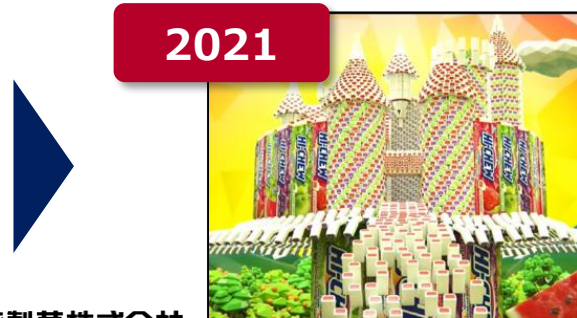
Transition of TV commercials



2017 The famous fruity chewy candy from Japan



2019 Every Chew Brings Flavor To Life



2021 Immensely Fruity Intensely Chewy Candy



2023 Choose Different, Choose Fun, Chew HI-CHEW

Transition of Product Development

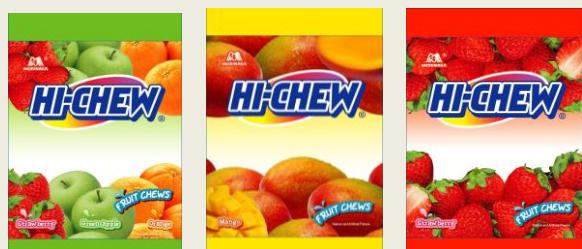
Launched Stick, Peg Bag, and medium volume products to suit the market; changed design of existing products in 2018

2008



Stick

2009



Peg Bag

2015

Launched medium volume product in conjunction with start of manufacturing in the U.S.



Gusset Bag (400g)

2016

Introduced into Walmart

2017

Transitioned from Gusset Bag to Stand Up Pouch to suit the market



Stand Up Pouch

2018

Enhancement of existing products (design change)

100g HI-CHEW Original Mix Peg Bag



- ✓ Not sufficiently candy-like
- ✓ Product not communicated well
- ✓ Cannot see contents
- ✓ Changed design tone
- ✓ Changed copy text
- ✓ Added window



Received 2020 Global Nielsen BASES Design Impact Award

Current Lineup

Expand customer contact points by offering a variety of packaging formats and sizes

Stick Portable 50g

Stand Up Pouch Medium–large volume

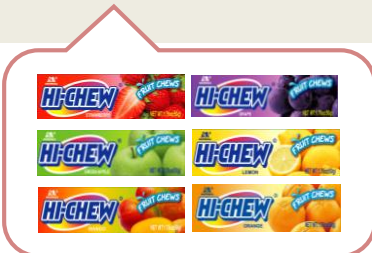
360g 850g

Peg Bag Small volume 100g

- U.S. consumers love candy
There is a culture of eating various candies among children to the elderly
- **Consumption of medium–large volume products increased post-COVID-19**

Production Initiatives

Currently considering optimal production system for expanding *HI-CHEW* brand globally, including in the U.S.



森永製菓株式会社

3. Toward Further Growth of the U.S. Business

HI-CHEW : Expansion of Sales of Existing Products

Work to expand sales floors and fan base with differentiated product value

Current status

Store stocking ratio_(overall brand)^{*1}
77.6%

Brand recognition rate^{*2}
54%



Future

Expansion of store stocking ratio
and number of SKUs

- ✓ Further increase the brand store stocking ratio in the U.S.
- ✓ Increase the number of SKUs per store

Improvement of store turnover

- ✓ Further increase store turnover by expanding brand recognition and improving loyalty

HI-CHEW : Direction of Brand Expansion

Expand *HI-CHEW* brand and customer contact while maintaining consistency in brand value offering



Chargel: Product Overview

Developed a jelly drink for the U.S. market and launched in February 2022

■ Background of the launch

- U.S. consumers are very health conscious
- A vast health and wellness food market has been established
- The market is expected to continue growing

The U.S. market lacked jelly drink products that deliver similar value as *"in Jelly"* products

Product acceptance verified through consumer surveys

Developed and launched a jelly drink for the U.S. market

■ Product overview

Product name



A portmanteau of "charge" (energy replenishment) and "gel"

Concept

Delicious, energy-replenishing gel drinks that can be consumed easily anytime, anywhere

Flavor lineup

White Grape, Apple, and Strawberry

Volume

180g

Estimated price

\$3.49



Chargel: Promotional Measures

Strengthen sampling, advertising, and PR to promote product understanding and brand awareness

Challenge

Need to promote product understanding and trials, as this is a new product category

- ✓ Category not found in the U.S. market
- ✓ What are gel drinks (jelly drinks)?
- ✓ What's in the package is unknown
- ✓ Unknown product to buyers and consumers



Website for *Chargel* (product description)

Event sampling

- Sampling at cycling, marathon and triathlon events

Partnership

- Official gel sponsor (FY2023)
 - Feb. Sport team of UCLA (University of California, LA)
 - May Orange County Marathon (California)
 - Jul. San Francisco Marathon



Sampling at the *Chargel* booth and water supply spots



Chargel : Sales Efforts

Introduced to multiple channels a year and a half after launch
Receiving positive feedback from customers

- Feb. 2022 Launched on own e-commerce site
- Mar. Introduced and started sales in Japanese supermarkets (mainly on the West Coast)



Strengthen in-store sampling in product launch stores

- Most Japanese supermarkets sell *Chargel*
 - Also available on amazon.com
- ▼
- Working on product introduction in U.S. supermarkets and sports channels

Increasing product awareness and in-store roll-out will take time

Accelerate the process by making the necessary investments in promotions

Comments from customers

- ✓ **Delicious/Tasty**
- ✓ **I Like the texture & consistency**
- ✓ **Refreshing**
- ✓ **Energized**
- ✓ **Easy to digest, easy on the stomach**
- ✓ **Easy to consume/swallow**
- ✓ **Better than other companies' gel**
- ✓ **I like that it is caffeine free**
- ✓ **Children can drink it and like it**



Provided *Chargel* to a junior soccer team

End