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First Quarter,
Fiscal Year Ending March 31, 2024

Results Briefing

August 8, 2023
Morinaga & Co., Ltd.

About forward-looking statements

This material contains forward-looking statements such as forecasts, plans, and targets for the Company including its consolidated subsidiaries. These statements are based on judgments and assumptions made on the basis of information currently available to the Company, and may differ from actual results and developments in the future.

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Hello, everyone. I am Takagi, Chief Financial Officer of MORINAGA. Thank you very much for taking time out of your busy schedule to participate in Q1 financial results briefing for the fiscal year ending March 31, 2024. First, I will review the key points of Q1 results, followed by an explanation of specific details.

Overview

1Q Sales and profits increased; steady progress toward a V-shaped recovery

- **Factors of strong 1Q results**
 - High growth in United States Business and increased profitability
 - Successful price revisions for domestic confectionery and improved product mix
 - Initiatives in response to recovery in the activities of people
- **Initiatives in 2Q and onward**
 - Addressing drop-off in demand for *in Jelly* previously lifted by ill health
 - Sustaining strong United States Business and domestic confectionery business
 - Expansion of sales in the Frozen Desserts Business toward its peak demand season

In Q1 of this fiscal year, both sales and profits increased. While last fiscal year saw a decrease in profits due to soaring raw material and energy costs, Q1 of the present fiscal year got off to a strong start with a V-shaped recovery in business performance, especially in profits and profitability.

There are three main factors for this. The United States Business continued to grow at a high rate and contributed significantly to profit growth due to improved profitability. Domestic Confectionery Business contributed to the increase in profit due to the effect of price revisions and an improved product mix. The Company's aggressive marketing efforts in response to the recovery of human flow and the demand it has generated were among reasons for this.

From Q2 of the present fiscal year onward, we will pursue business opportunities and implement following measures; addressing drop-off in demand for *in Jelly* previously lifted by ill health. Sustaining strong United States Business and domestic Confectionery Business. Expansion of sales in the Frozen Desserts Business toward its peak demand season.

Recognizing these circumstances and the uncertain outlook for raw material prices and other factors, we have not changed our earnings forecast for the present fiscal year, disclosed on May 11 of this year.

Consolidated Results for 1Q FY2024/3

Net sales: Increased due to strong results in Confectionery & Foodstuffs Business and United States Business

Profit: Steady progress toward a V-shaped recovery in business performance

(Billion yen)	1Q FY24/3	Y/Y change	
Net sales	51.0	+4.2	109.2%
Gross profit (gross profit margin)	21.2 {41.6%}	+1.7 {(0.2ppt)}	108.6%
Operating income (operating income margin)	5.8 {11.4%}	+1.2 {+1.5ppt}	125.1%
Ordinary income	5.9	+1.1	124.1%
Profit attributable to owners of parent	4.3	+0.9	126.8%
EBITDA^{*1}	8.1	+1.1	114.7%

森永製菓株式会社 *1 Simplified EBITDA: operating income + depreciation and amortization

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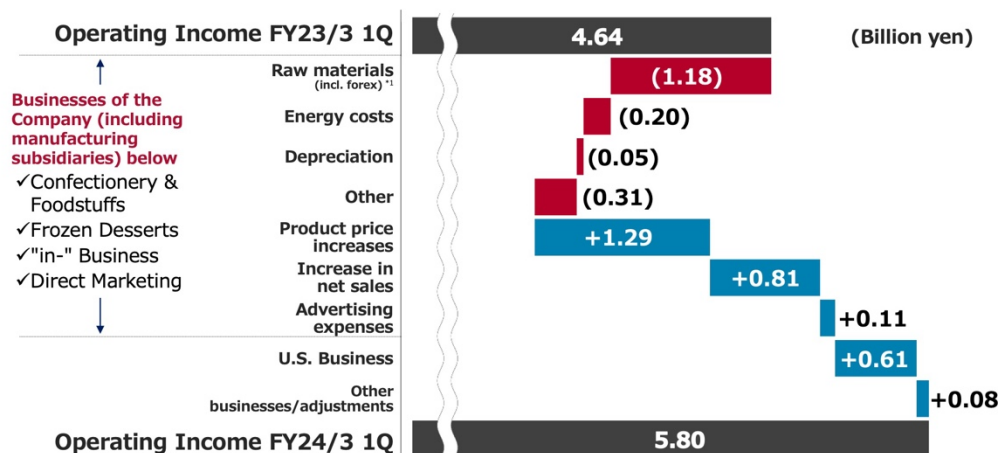
Net sales were JPY51 billion, up JPY4.2 billion YoY, or 9.2%. The Company has continued to achieve near double-digit growth in the 9% range since second half of the previous fiscal year. The domestic Confectionery & Foodstuffs Business and United States Business performed well, contributing primarily to the increase in net sales.

Gross profit was up 8.6% YoY due to higher sales and the effect of price revisions, although the gross profit margin deteriorated slightly as cost increases continued.

The resulting operating income was JPY5.8 billion, up JPY1.2 billion YoY, or 25.1%. We have made steady progress toward a V-shaped recovery in business performance.

1Q FY2024/3 Results: Factors in Change in Consolidated Operating Income

Profits increased due to price revision effects and higher net sales mainly in Confectionery & Foodstuffs business, countering rising raw material and energy costs, along with growth in United States Business



森永製菓株式会社 *1 Actual funding rate in FY2023/3 1Q: \$1USD = ¥114; ¥134 in FY2024/3 1Q

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This shows factors in change in consolidated operating income. Factors contributing to a decrease in income are shown in red, and factors contributing to an increase in income are shown in blue.

First, costs increased by JPY1.18 billion due to the impact of raw material-related price hikes, including the impact of yen depreciation. This is 22% of the JPY5.35 billion forecast for the full year announced in May of this year. And the impact of higher energy costs is JPY0.2 billion.

The sharp rise in raw material prices, especially overseas dairy and starch products, still affects greatly. There is no significant gap from the plan, but Q1 impact, including the impact of the mix for consumption, was slightly less than planned.

Energy costs also remained less steep than planned.

On the other hand, the effects of price revision and sales increase steadily progressed at JPY1.29 billion and JPY0.81 billion, respectively, and the countermeasures advanced well. These factors, including improved profitability of the United States Business, contributed to the increase in income.

1Q FY2024/3 Results: Summary by Business

Sales growth achieved in all domestic and overseas businesses.
Profitability recovery seen due to continued high growth in United States Business and successful price revisions both in Japan and overseas.

(Billion yen)	Net sales			Operating income		
	1Q FY24/3	Y/Y change		1Q FY24/3	Y/Y change	
Confectionery & Foodstuffs ^{*1}	17.4	+1.3	108.2%	0.8	+0.5	243.6%
Frozen Desserts	11.6	+0.1	101.3%	1.5	+0.2	111.7%
"in-" Business ^{*1}	8.2	+0.1	101.1%	1.5	(0.3)	85.7%
Direct Marketing	2.6	+0.1	105.1%	0.2	+0.1	148.3%
Operating Subsidiaries	4.3	+0.9	124.3%	0.4	+0.2	160.2%
Other	0.3	(0.0)	97.9%	(0.0)	(0.0)	—
Domestic Total	44.7	+2.6	106.0%	4.5	+0.5	112.8%
United States ^{*2}	4.1	+1.3	146.8%	0.9	+0.6	263.5%
China, Taiwan, Exports, etc.	2.1	+0.4	123.6%	0.3	+0.1	122.2%
Overseas Total	6.3	+1.7	137.9%	1.2	+0.6	205.9%
Consolidated Total	51.0	+4.2	109.2%	5.8	+1.2	125.1%

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

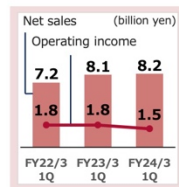
*2 Includes income from exports to the US from China and Taiwan

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Looking at results by business segment, we achieved sales growth in each of our domestic and overseas businesses. The domestic Confectionery & Foodstuffs Business and the United States Business were the main drivers of sales growth, with the effect of price revisions contributing to improved profitability in both businesses. In addition, strengthening efforts to restore human flow has led to a rapid recovery in the performance of business subsidiaries such as Morinaga Market Development Co., Ltd., which is in charge of planning and developing products for theme parks, and Aunt Stella Inc., which sells cookies through its stores.

Net sales in the United States Business increased approximately 1.5 times, or 1.3 times on a local currency basis. Operating income also increased 2.6 times.

Focus Domains: "in-" Business



- Brisk *in Jelly Energy with Glucose* sales covered decline in demand for previously lifted by ill health. / Profits fell due to surge in raw material prices.
- Aiming to achieve further growth by capturing various consumption scenarios for both existing and new products.

1Q initiatives and results

Initiatives for 2Q onward

● *in Jelly*

- Increase purchase rate through development of consumption scenarios/targets



- Falling demand for previously lifted by COVID-induced ill health (Including demand from local governments)

- Capture wide-ranging consumption scenarios in daily life

- Demand for simple and convenient food
- Heat stroke countermeasures
- Sports and exercise scenes
- While commuting to work/school or working/studying



100%



116%

Y/Y net sales

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● *in Bar*

- MLB player Lars Nootbaar starred in advertising
→ Brand reaffirmation and trial opportunities



- All product designs renewed

→ Making each product and their values recognizable at a glance

- Higher recognition and stronger value appeal through advertising



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Next, I would like to explain some key points regarding the progress of our major business strategies.

In the "in-" Business, sales of the mainstay, *in Jelly*, increased slightly, as the drop in demand lifted by ill health of COVID-19 from the previous fiscal year, including demand from local governments, was offset by strong sales of *in Jelly Energy with Glucose* and other products. The decrease in income was also due to higher raw material prices, mainly for thickening agents and packaging materials for *in jelly*, as well as a deteriorating product mix.

Meanwhile, convenience stores, our main channel, performed well as human flow recovered, and we will continue to aim to capture a wide range of drinking occasions in daily life after the reopening, based on our basic strategy of expanding consumption scenarios and target customers.

Focus Domains: Direct Marketing Business

Net sales (billion yen)
Operating income

Period	Net sales (billion yen)	Operating income (billion yen)
FY22/3 1Q	2.1	0.1
FY23/3 1Q	2.5	0.1
FY24/3 1Q	2.6	0.2

- Cancellations associated with price revisions in February tapering off, and number of subscription customers steadily rising.
- Aiming to strengthen appeal of *Morinaga Collagen Drink* and increase the number of subscription customers through its renewal.

1Q initiatives and results

- **Increase in the number of subscription customers**
 - Winning new customers through strategic advertising
 - Reduced a number of cancellations triggered by price revisions
 - *Morinaga Aojiru* continues to enjoy fast-paced growth

Initiatives for 2Q onward

- **Increase in the number of subscription customers**
 - Enhancing appeal of *Morinaga Collagen Drink*
Additional function to help maintain skin elasticity and healthy skin

101%
Y/Y net sales

● Improving LTV*1

- Start of "One-year Subscription Course"

お得で便利な
1年定期コース

「もっとお得に購入したい」というお客様の声にお声にこたえてお得で便利な1年定期コースをご用意しました。お月毎に3ヶ月、お4ヶ月のお届けに変更するだけで人気のドリンクを1年お得に楽しめるチャンス1年ぜひご利用ください。

(1年定期コース対象ドリンク)

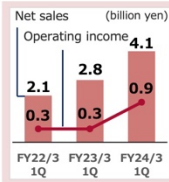
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*1 LTV (life time value) ... Average aggregate purchase amount per person

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Next is the Direct Marketing Business. Although the number of cancellations increased temporarily due to the price revisions implemented in February, the number of new regular customers has increased recently. Profitability improved due to price revisions to counteract the rising cost of raw materials such as collagen, as well as efficient advertising. The increase in sales of *Morinaga Aojiru*, delicious green vegetable juice has also contributed to the expansion of our business. We intend to further enhance our spread ability and increase the number of regular customers through the renewal of *Morinaga Collagen Drink*.

Focus Domains: United States Business



- Steady growth after *HI-CHEW* price revisions
- Aiming for sustained business growth through various initiatives to further enhance brand recognition

1Q initiatives and results

● *HI-CHEW*

- Aggressive promotional activities have contributed to a steady increase in the number of stores stocking our products, while store turnover remains firm.
- Enhancing customer contact through launch of the new "*HI-CHEW Bites*"

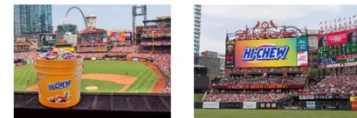


Pillow-less New form



Initiatives for 2Q onward

- Airing New commercials to further boost recognition rate and store turnover.
- Continuance and strengthening of MLB partnerships (four teams)



● *Chargel*

- Promotion for product introduction at Japanese supermarkets
 ➔ Developing understanding of product concept is a challenge



- Increasing points of contact with targets and promoting understanding of products
 Continued implementation of product sample giveaways at stores that stock our products and at sporting events

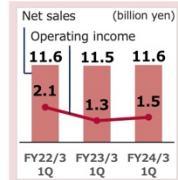


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In the United States Business, the profit margin and profit amount both improved significantly due to a large increase in sales while counteracting soaring raw materials and labor costs with the effect of price revisions. *HI-CHEW* continued to perform well after the price revision. In the U.S. market, there is a trend toward thrifty consumption due to inflation. *HI-CHEW* is however, a highly desirable candy and its differentiated quality is highly appreciated. And we recognize that a significant decline in demand is unlikely to occur in the future. We will enact various measures to further expand brand recognition and aim for continuous business growth.

Focus Domains: Frozen Desserts Business



- *Jumbo* continues to perform well, contributing to profit growth / Price revisions caused some products to struggle
- Aiming to increase sales during peak demand season through quality adjustment and enhancing promotion of “summer only” products.

1Q initiatives and results

Initiatives for 2Q onward

● *Jumbo Group*

- “Chocolate Wall” quality renewal a success
- Trial acquisition by *Vanilla Monaka Jumbo* in exclusive TV commercials



- Continued promotion of various “freshness marketing” initiatives
- Strengthening fan marketing



Y/Y net sales

● *Ita Choco Ice*

- Increase in new and repeat customers due to quality adjustment in “summer-only” products

- Enhancing recognition and stimulating demand from chocolate lovers through web advertising

● *ICEBOX*

- Higher purchase rate through efforts to expand opportunities

- Further expansion of opportunities and contact points taking advantage of recovery in the activities of people

● *The Crepe*

- Second year of year-round sale, struggling due to impact of price revision

- Enhancing promotion to establish it as annual staple

The next is the Frozen Desserts Business. The mainstay *Jumbo group* continued to perform well, contributing to profit growth. On the other hand, some products such as *The Crepe* and multi-packs struggled due to price revisions, resulting in a slight increase in overall sales. And overall, profitability improved and income increased, as the steep rises in raw material and energy costs were offset by the effects of price revisions and increased efficiency in selling expenses. Aiming to increase sales during the peak demand period, we will strengthen product development, promotions, and other measures to further improve profitability.

Basic Domains: Confectionery & Foodstuffs Business

Period	Net sales (billion yen)	Operating income (billion yen)
FY22/3 1Q	16.2	0.9
FY23/3 1Q	16.1	0.3
FY24/3 1Q	17.4	0.8

- Increased profits due to continued robust sales of biscuits and sugar confectionery notwithstanding price revisions in March
- Aiming to improve profitability through product development and initiatives based on our strength

1Q initiatives and results

Initiatives for 2Q onward

- Sugar confectionery**
 - Expansion of product roll-out focusing on mouthfeel texture
 - Boosted by the recovery in the movement of people
- Biscuits**
 - Aggressive product roll-out through increased production capacity
 - Period-limited designs, *Marie's* 100th anniversary initiatives
- Cross-category initiatives**
 - In-store exposure through the development of a product portfolio that leverages Morinaga's strengths

- Global *HI-CHEW* initiatives
- Promoting "Concentration" through the *Morinaga Ramune* entrance exam support campaign

- Launch of high value-added products
- Increased exposure for the entire series on a regular basis

- Capturing new demand by expanding the handy sweets category

Y/Y net sales
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115%	120%
124%	105%
108%	88%

Popular in U.S. Launch of new flavor

Demand for simplification Capture

NEW!!

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Next is the Confectionery & Foodstuffs Business, our basic domain category.

After the price revisions in March, *HI-CHEW*, *Morinaga Ramune*, and *Morinaga Biscuits* continued to perform well, contributing to increased sales and profit. Since second half of last fiscal year, the business has continued to grow at a higher rate. We have addressed soaring raw material and energy costs with improved profitability through price revisions and the effect of increased revenues. We will aim to further improve profitability by enhancing product development and measures that leverage our strong points.

As mentioned above, we have made a good start in Q1 of this fiscal year to achieve a V-shaped recovery in our business performance, and we will continue to do so.

Thank you very much for your attention.

Cautionary statement regarding forward-looking statements

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