

**Second Quarter,  
Fiscal Year Ending March 31, 2022**

# **Results Briefing**

**Nov. 11, 2021  
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.

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.

# **Fiscal Year Ending March 31, 2022 Second Quarter Financial Results (April 1 through September 30, 2021)**

\*In conjunction with the application of “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ending March 31, 2022, the figures for results in the fiscal year ended March 31, 2021 used for year-on-year comparisons have been calculated following retrospective application of said accounting standard.

## Consolidated Results for Q2 FY2022/3

Net sales: Up on Health Products recovery and continued strong Overseas performance  
Profit: Increased to record high for first half on sales growth and improved product mix

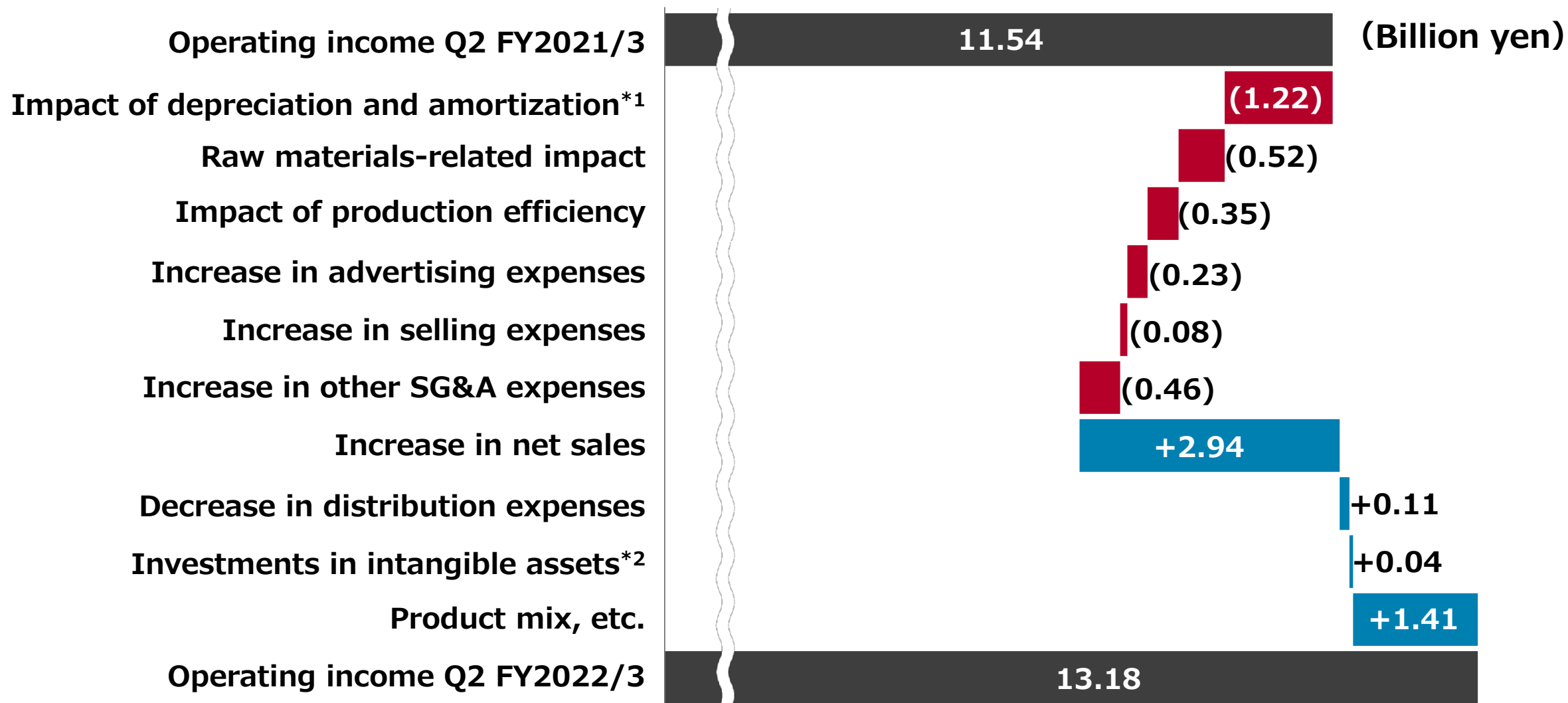
(Million yen)	Q2 cml results	Y/Y change		Vs. forecast	
Net sales	93,422	+8,485	110.0%	+2,422	102.7%
Operating income 〔Operating income margin〕	13,188 〔14.1%〕	+1,640	114.2%	+1,888	116.7%
Ordinary income	13,700	+1,721	114.4%	+2,000	117.1%
Profit attributable to owners of parent	9,544	+1,224	114.7%	+1,644	120.8%
EBITDA <sup>*1</sup>	18,003	+2,861	118.9%	—	—

\*1 Simplified EBITDA: operating income + depreciation and amortization

## Q2 FY2022/3 Results: Food Manufacturing Business

(Million yen)	Net sales			Operating income			Margin
	Q2 FY2022/3	Y/Y change		Q2 FY2022/3	Y/Y change		Q2 FY2022/3
Consolidated	93,422	+8,485	110.0%	13,188	+1,640	114.2%	14.1%
Food Manufacturing	89,715	+8,081	109.9%	13,091	+1,579	113.7%	14.6%
Confectionery & Foodstuffs	43,217	+2,656	106.5%	2,925	+479	119.6%	6.8%
Frozen Desserts	25,589	+1,094	104.5%	4,857	▲817	85.6%	19.0%
Health Products	20,908	+4,331	126.1%	5,307	+1,917	156.6%	25.4%
Overseas sales	7,714	+2,383	144.7%				
United States	4,735	+1,386	141.4%				
China, Taiwan, exports, etc.	2,979	+997	150.3%				
Overseas sales ratio*1	8.3%	+2.0pt	-				

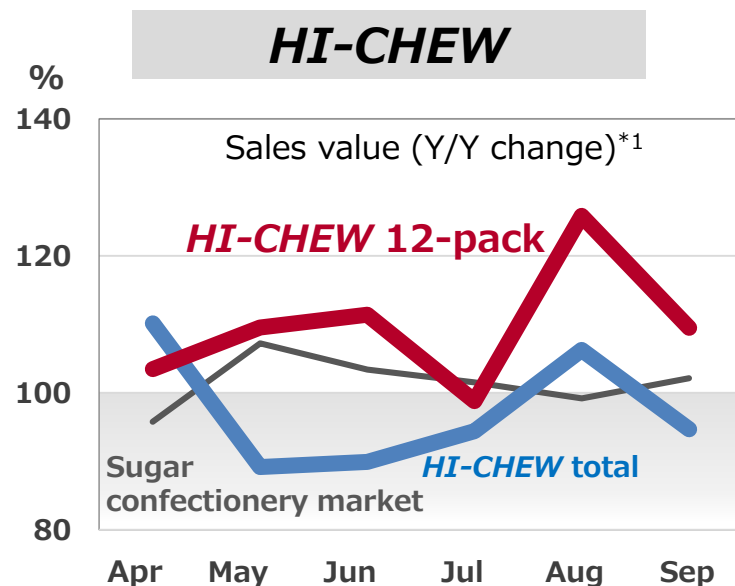
# Factors in Change in Consolidated Operating Income in Q2 FY2022/3



\*1 Total of cost of sales and SG&A expenses

\*2 Amount invested in R&D, digital transformation (DX), etc.

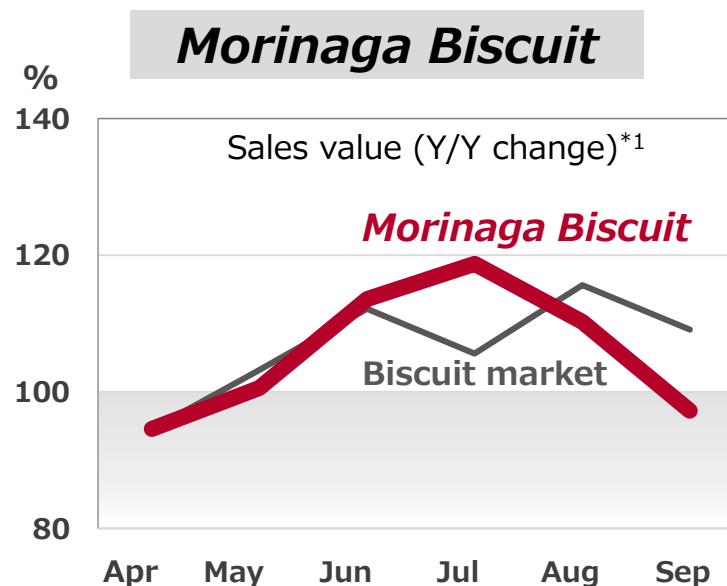
## Q2 FY2022/3 Results: Domestic Market①



- Weak performance of market and *HI-CHEW* Group
- Brisk sales of *HI-CHEW* 12-pack as a solution to stress of pandemic



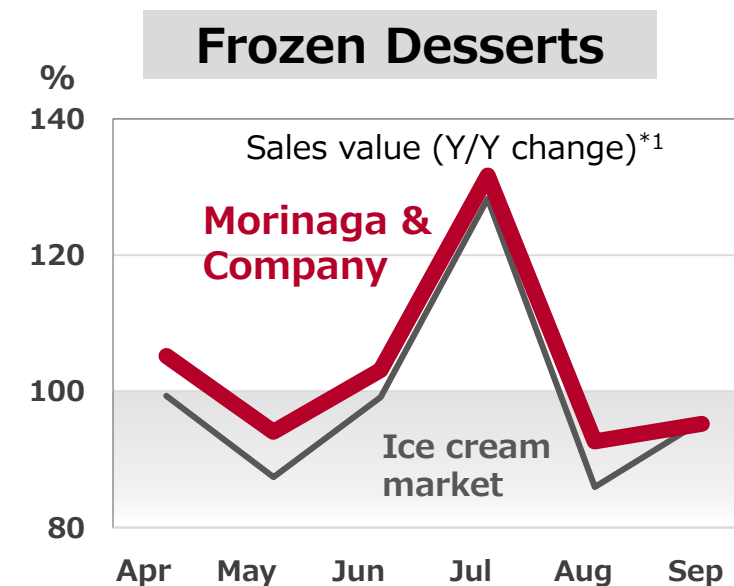
Total sales Apr-Sep		
(%)	Y/Y	Vs. Apr-Sep 2019
Morinaga * <sub>2</sub>	99.0	85.9
Market	101.4	86.2



- Slowing slightly since August after sustained growth amid reduced shopping opportunities in pandemic
- New products that respond to consumer trends performing well



Total sales Apr-Sep		
(%)	Y/Y	Vs. Apr-Sep 2019
Morinaga * <sub>3</sub>	103.7	118.4
Market	105.8	113.5



- Choco Monaka Jumbo* and *Ice Box* struggle after year-ago growth
- Ita Choco Ice* and multipacks selling well



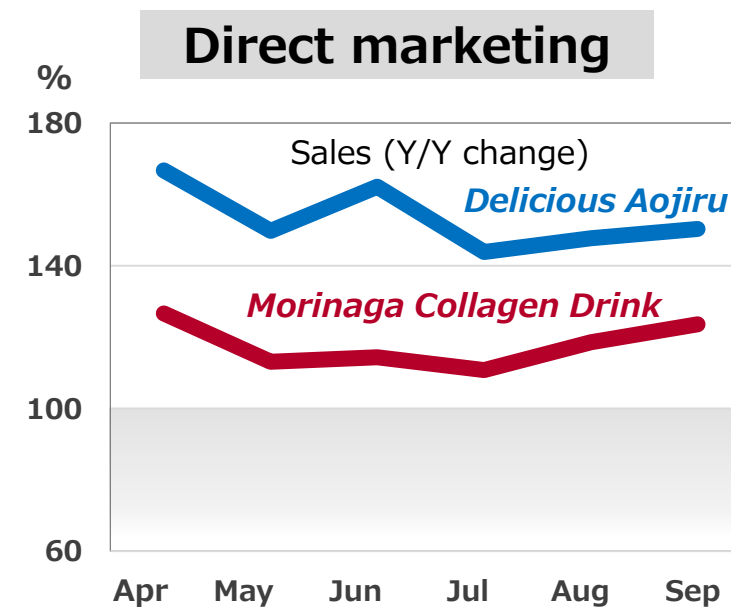
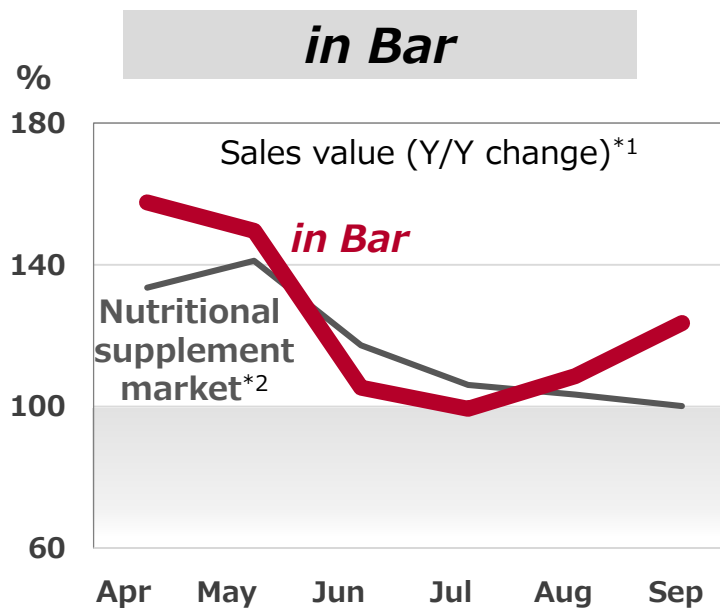
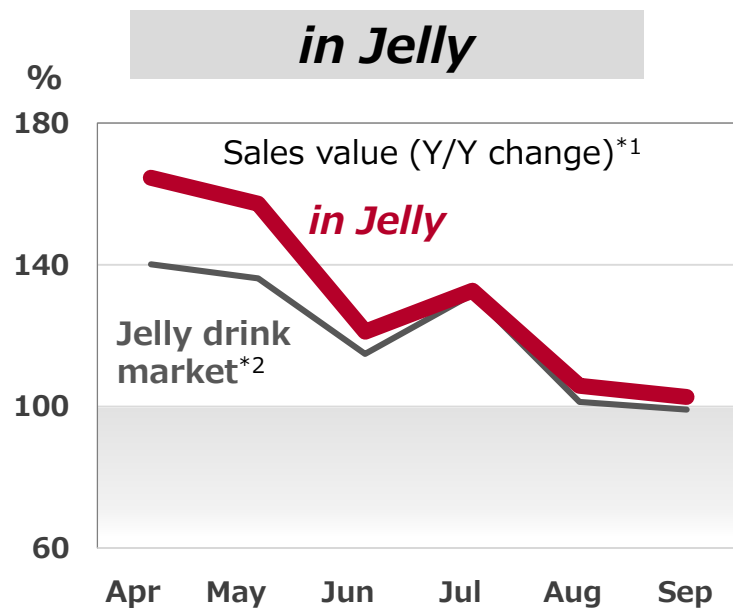
Total sales Apr-Sep		
(%)	Y/Y	Vs. Apr-Sep 2019
Morinaga	102.9	118.6
Market	98.3	101.5

\*1 Source: Intage SRI+

\*2 *HI-CHEW* (total)

\*3 *Morinaga Biscuit*

## Q2 FY2022/3 Results: Domestic Market②



- Recovering to pre-pandemic levels as a result of proactive measures such as expanding suggested ways to consume *in Jelly* and external factors such as increased movement of people



	Total sales Apr-Sep		
	(%)	Y/Y	Vs. Apr-Sep 2019
Morinaga		124.5	98.6
Market		117.4	98.4

- in Bar* growing faster than market. Meeting needs for meal replacements despite slowdown in growth due to fading impact from TV show



	Total sales Apr-Sep		
	(%)	Y/Y	Vs. Apr-Sep 2019
Morinaga		121.3	104.8
Market		116.1	124.1

- Steady sales growth as a result of attracting new regular customers, mainly for *Morinaga Collagen Drink*



	Total sales Apr-Sep		
	(%)	Y/Y	Vs. Apr-Sep 2019
Morinaga		117.0	123.2

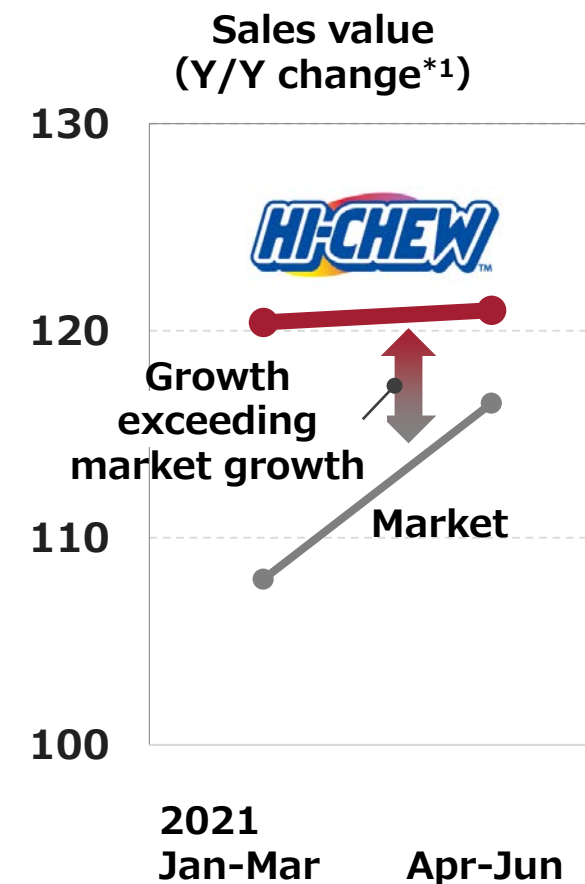
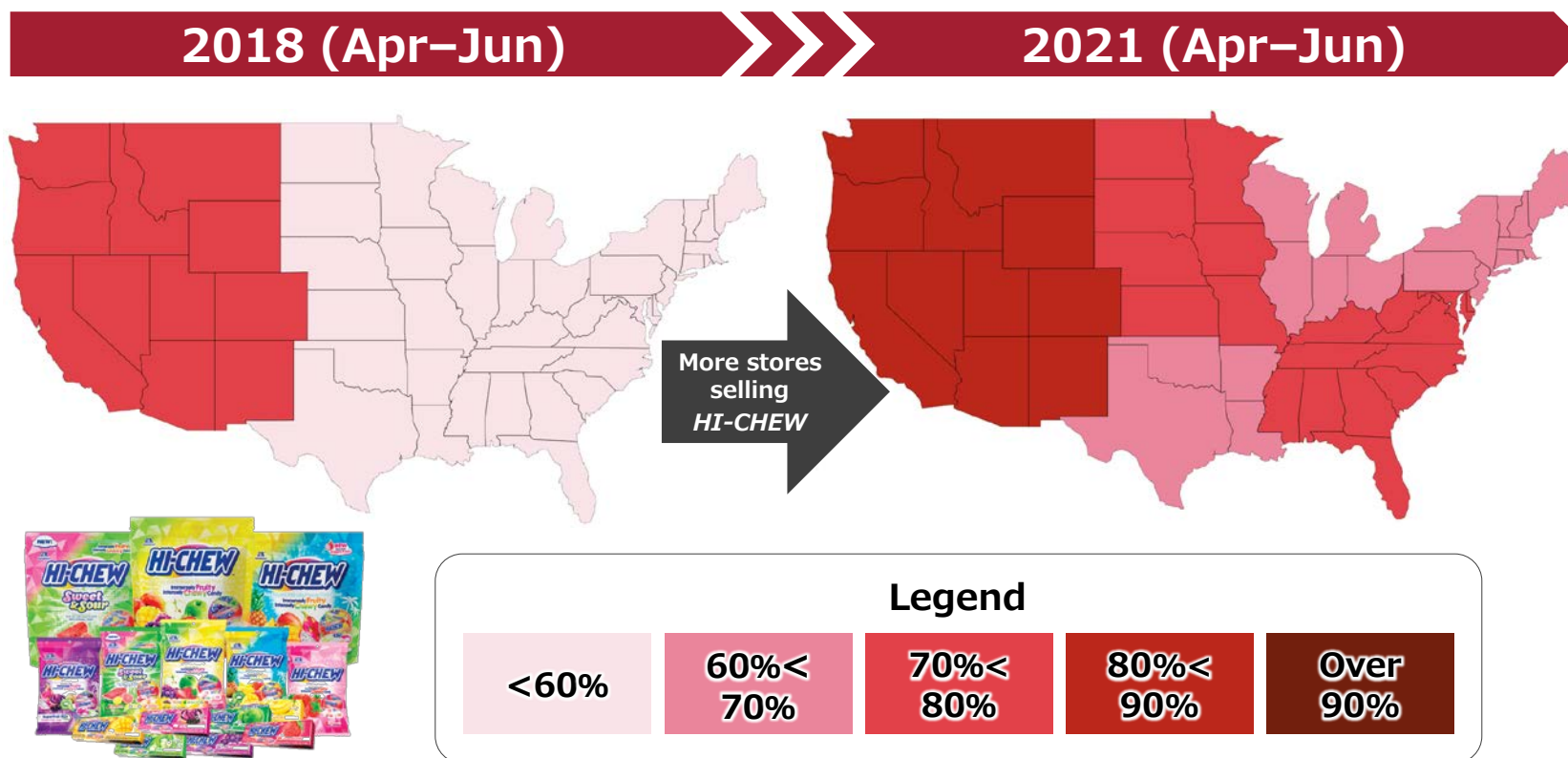
\*1 Source: Intage SRI+

\*2 Market segment defined by Morinaga

# Q2 FY2022/3 Results: U.S. Market

Increase in stores selling *HI-CHEW* and sustained high rate of retail store turnover resulted in growth much higher than market as a whole

## Percentages of stores selling *HI-CHEW*\*1



\*1 Source: IRI data

# Fiscal Year Ending March 31, 2022 Results Forecast

**\*Forecast has been revised**

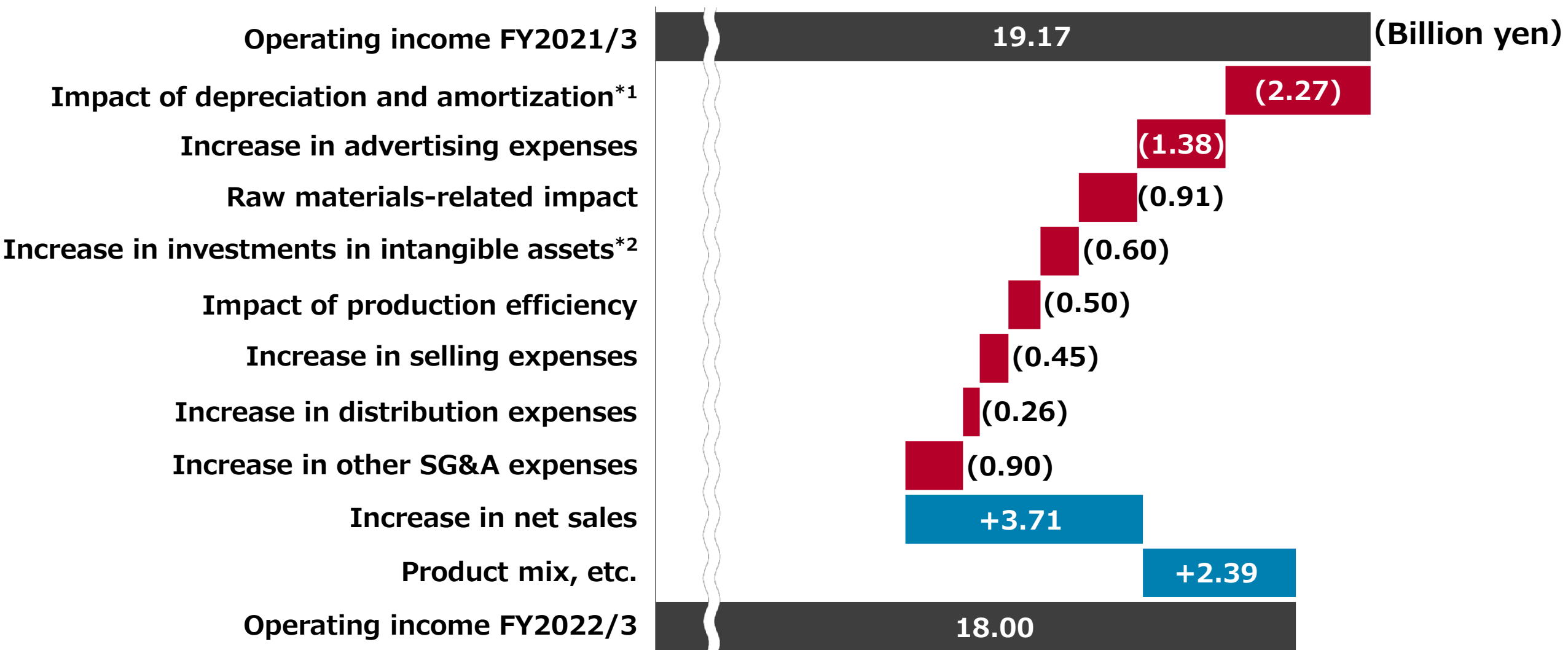
## Consolidated Results Forecast for FY2022/3

Higher net sales on continued brisk performance of Health Products and Overseas businesses  
 Lower income on higher depreciation and amortization, greater investment in intangible assets (advertising, R&D, DX)

(Million yen)	FY2022/3 forecast	Y/Y change		Vs. initial forecast	
Net sales	179,200	+10,960	106.5%	+4,200	102.4%
Operating income 〔operating income margin〕	18,000 〔10.0%〕	▲1,176	93.9%	+1,000	105.9%
Ordinary income	18,500	▲1,282	93.5%	+1,100	106.3%
Profit attributable to owners of parent	12,800	▲616	95.4%	+1,100	109.4%
EBITDA*1	28,180	+1,094	104.0%	+543	102.0%

\*1 Simplified EBITDA: operating income + depreciation and amortization

# FY2022/3 Results Forecast: Factors in Change in Consolidated Operating Income ①



\*1 Total of cost of sales and SG&A expenses

\*2 Amount invested in R&D, digital transformation (DX), etc.

## FY2022/3 Results Forecast: Factors in Change in Consolidated Operating Income ②

Factors in change in consolidated operating income				
(Billion yen)	New forecast Nov 2021	Previous forecast May 2021	Difference	Main reasons for revision
Depreciation and amortization	▲2.27	▲2.72	+0.45	✓ Postponement of capital investment in chocolate liquor facility
Advertising expenses	▲1.38	▲0.85	▲0.53	✓ Planned additional investment in Direct Marketing business, which continues to perform well
Raw materials-related	▲0.91	+0.02	▲0.93	✓ Rise in procurement costs of raw materials such as oil, dairy products, wheat, etc., due in part to yen depreciation
Production efficiency	▲0.50	+0.62	▲1.12	✓ Proportion of procured finished products increased more than anticipated

**2021 Medium-Term Business Plan**

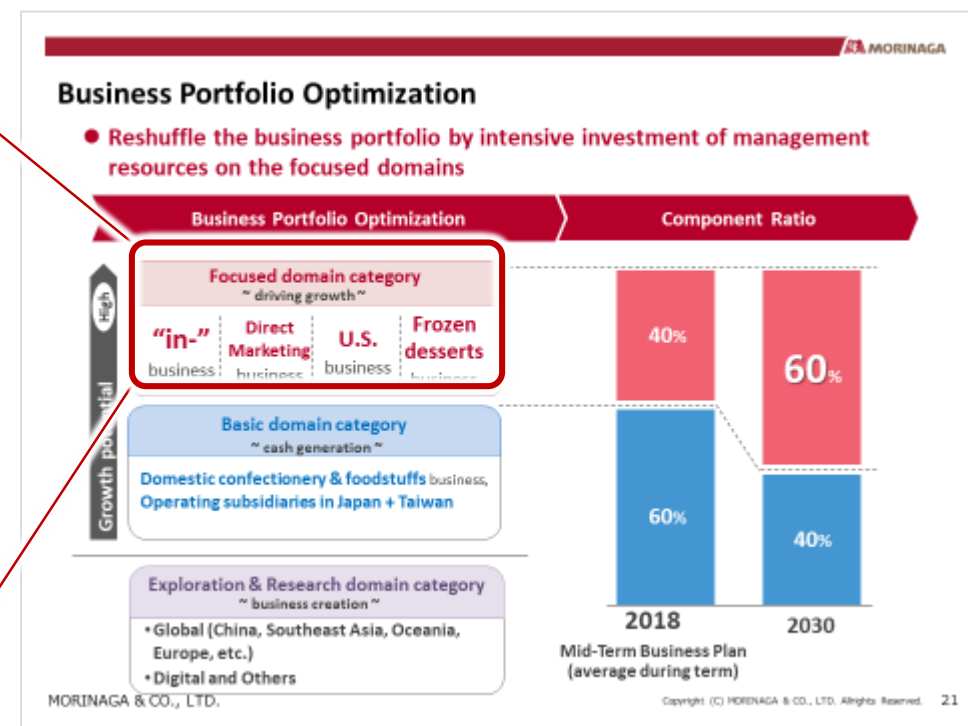
# **Building a New Foundation for Dramatic Growth**

# Sales of Businesses Positioned as Focus Domains in 2030 Business Plan

## Solid start to sales growth in four focus domains

(Million yen)	Cml Q2 FY2022/3	Y/Y change	
"in-" business	16,466	+3,501	127.0%
Direct marketing business	4,306	+692	119.1%
U.S. business	4,735	+1,386	141.4%
Frozen desserts business	25,280	+1,001	104.1%
Total	50,788	+6,580	114.9%

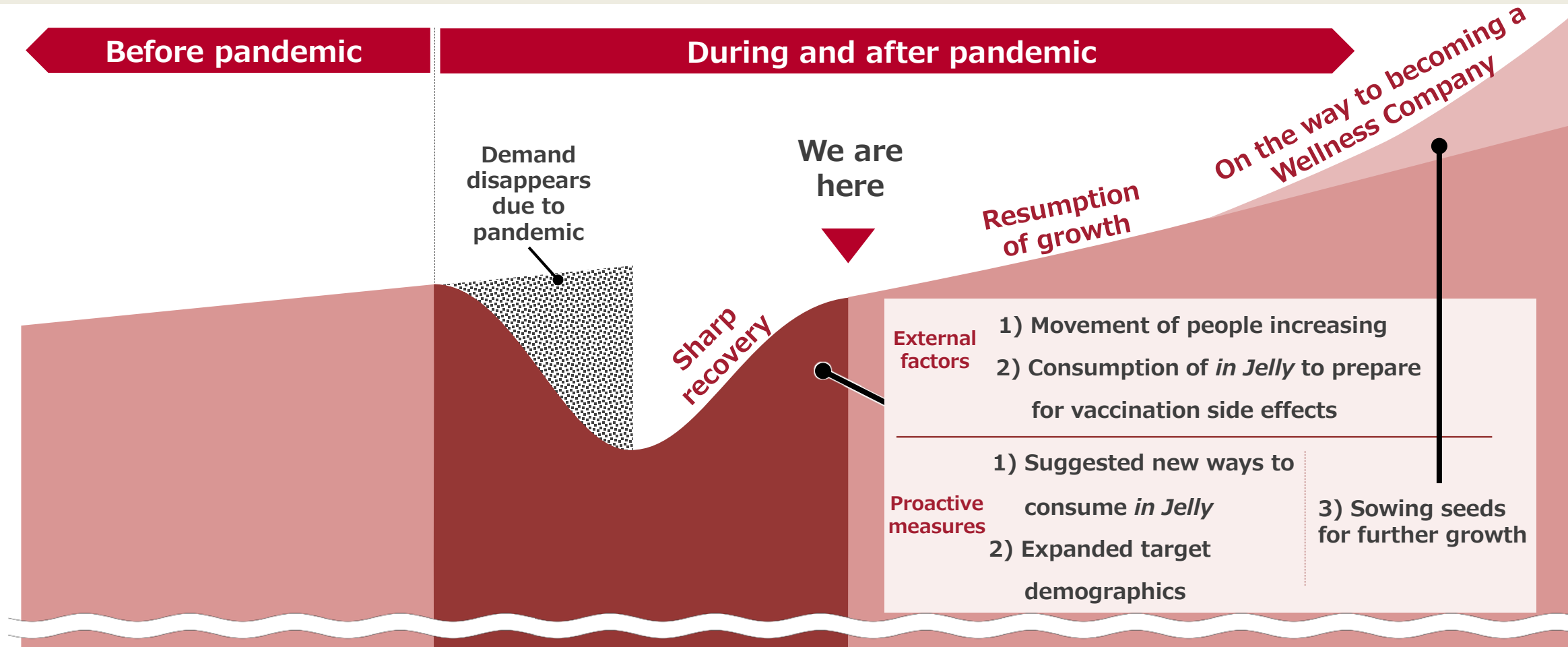
### From May 2021 results briefing materials



# “in-” Business: Envisaged Growth of *in Jelly*

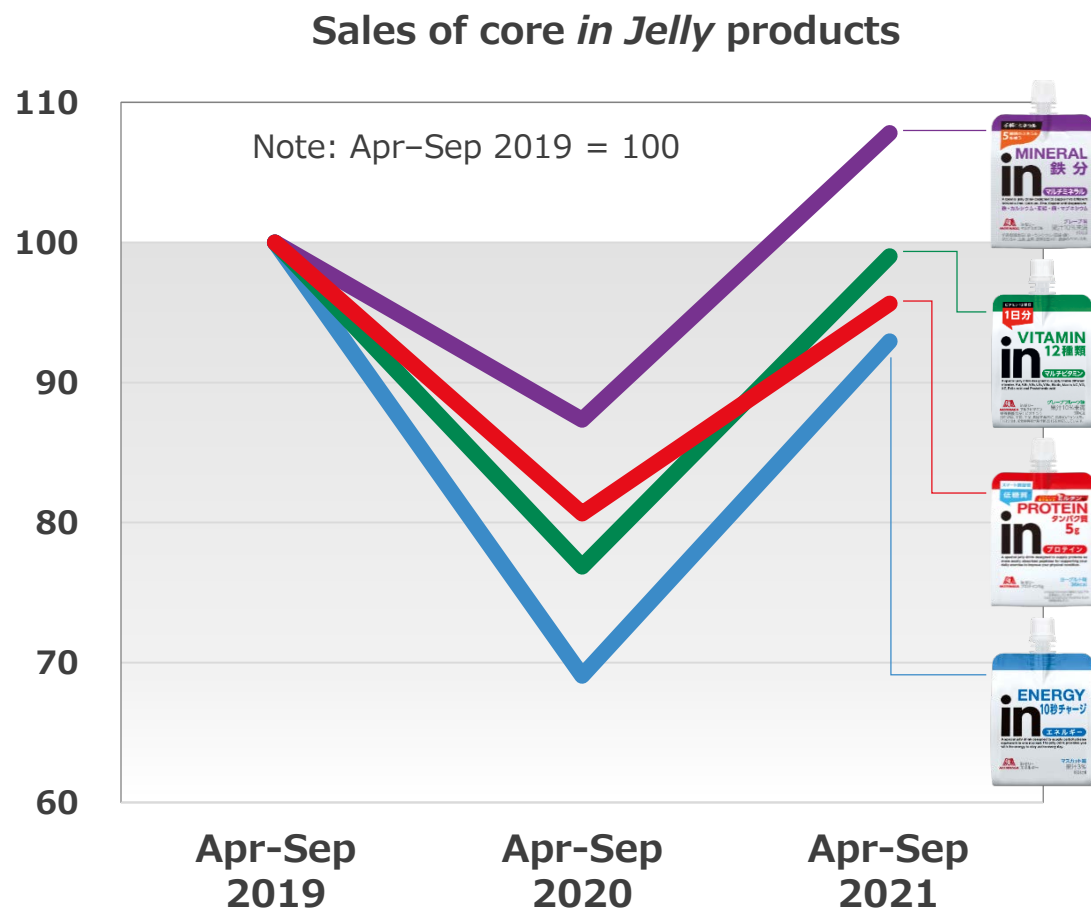


Sharp recovery due to proactive measures and external factors; also sowing seeds for further growth



## “in-” Business: Recovery of *in Jelly*

V-shaped recovery to pre-pandemic levels helped by external factors such as increased movement of people and people consuming *in Jelly* to prepare for vaccination side effects



### 1 External factors

- Movement of people increasing
- People consuming *in Jelly* to prepare for vaccination side effects

### 2 Proactive measures

- Suggested new ways to consume *in Jelly*
- Expanded target demographics



Advertising focused on the needs of consumers during the pandemic

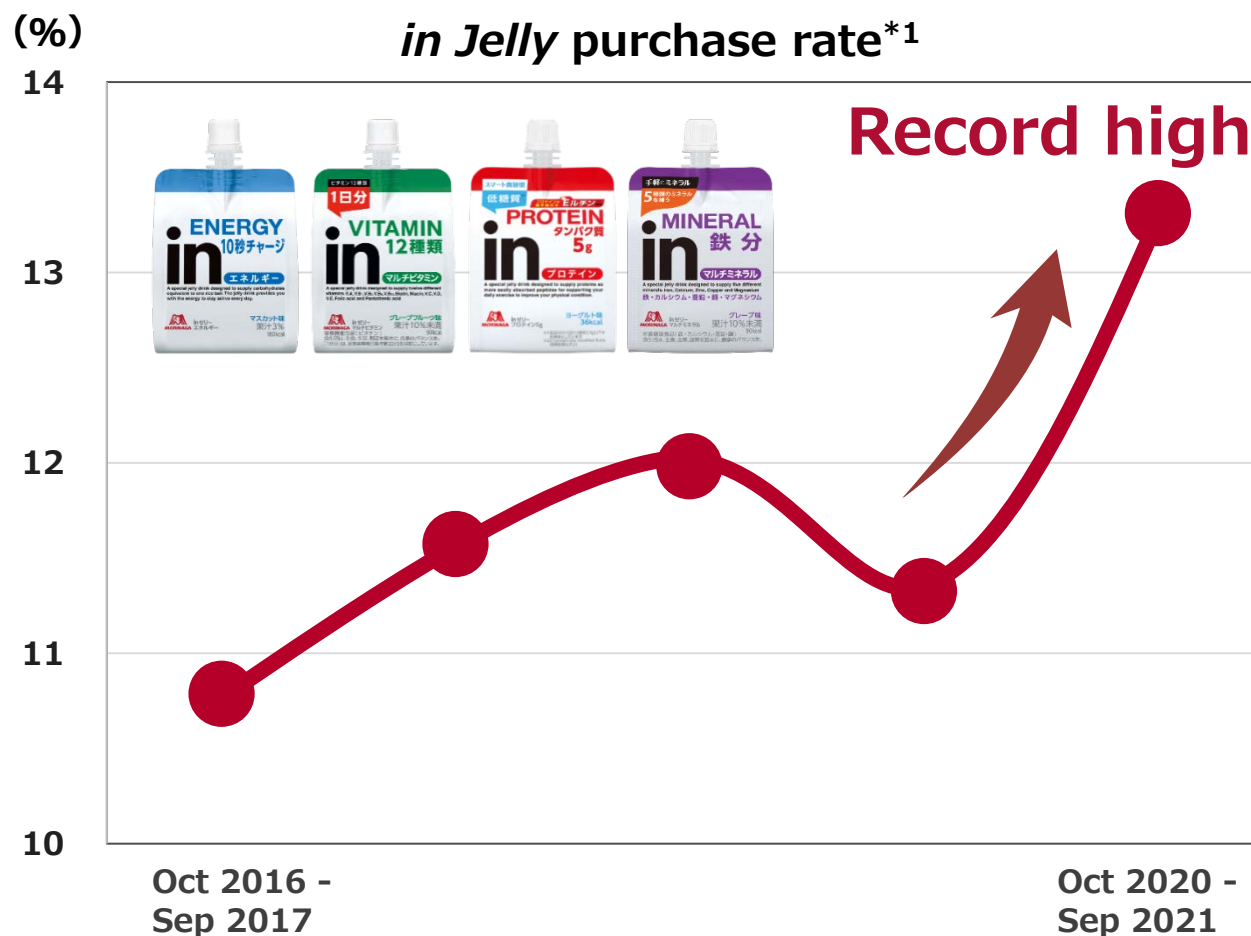
## "in-" Business: Growth Strategies for *in Jelly*

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



## “in-” Business: Projections for *in Jelly*

Number of purchasers increased sharply to record high despite pandemic; aiming for further growth and retention



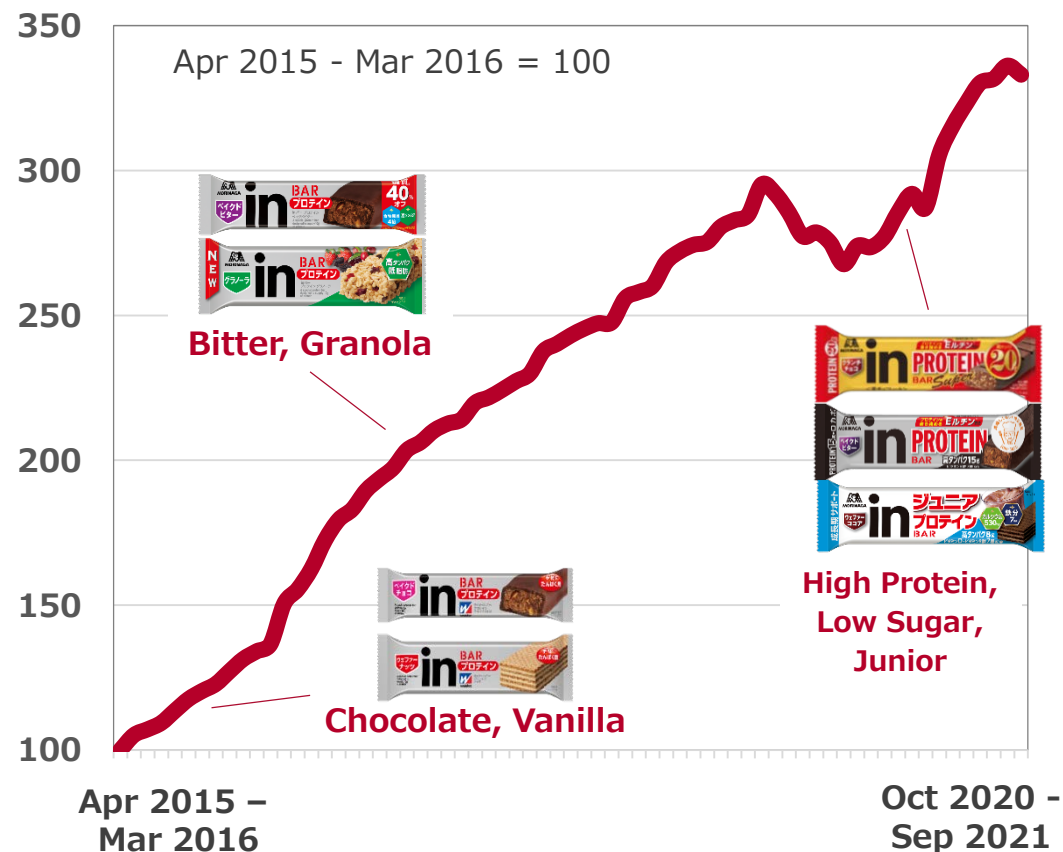
- ✓ Record high purchase rate
- ✓ Opportunities for further increases in purchase rate and unit price amid expected resumption of sports activities
- ✓ Promote growth strategies for further expansion and retention

\*1 Source: Intage SCI (contour line on graph added by the Company)

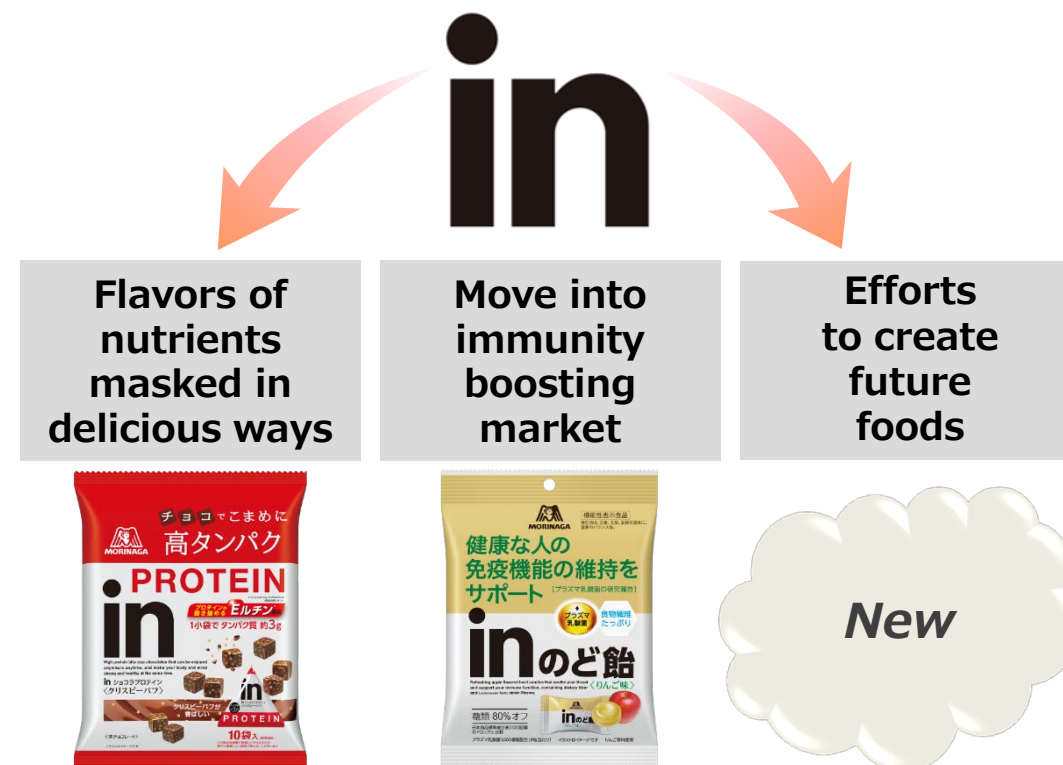
# “in-” Business: Expanding *in Bar*, Pursuing Efforts to Create Future Foods

Maintained sales growth of *in Bar* by meeting diverse protein consumption needs; steady progress with creation of future foods

Moving annual total net sales: growth rate



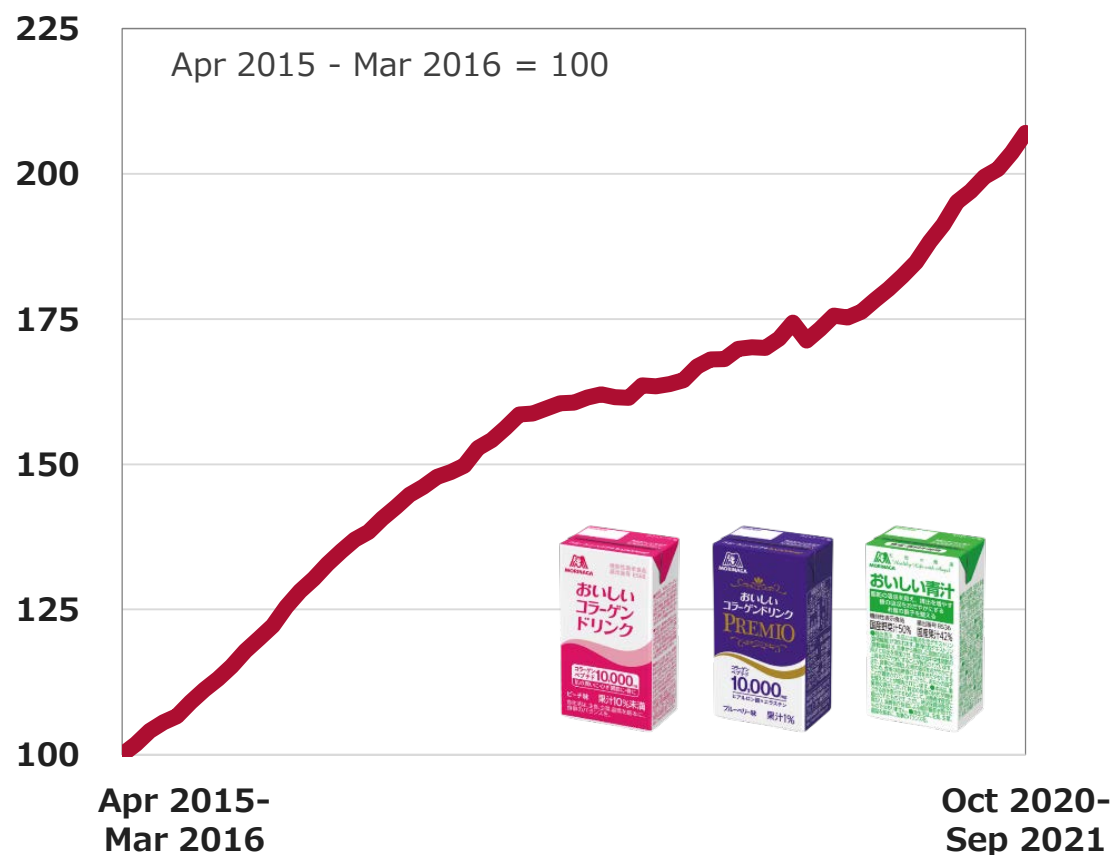
Creation of future foods



# Direct Marketing Business: Bolstering New Customer Acquisition

To spend more on advertising in 2H due to brisk sales as consumers are spending more time at home and health consciousness is increasing amid pandemic

Growth rates of moving annual total net sales



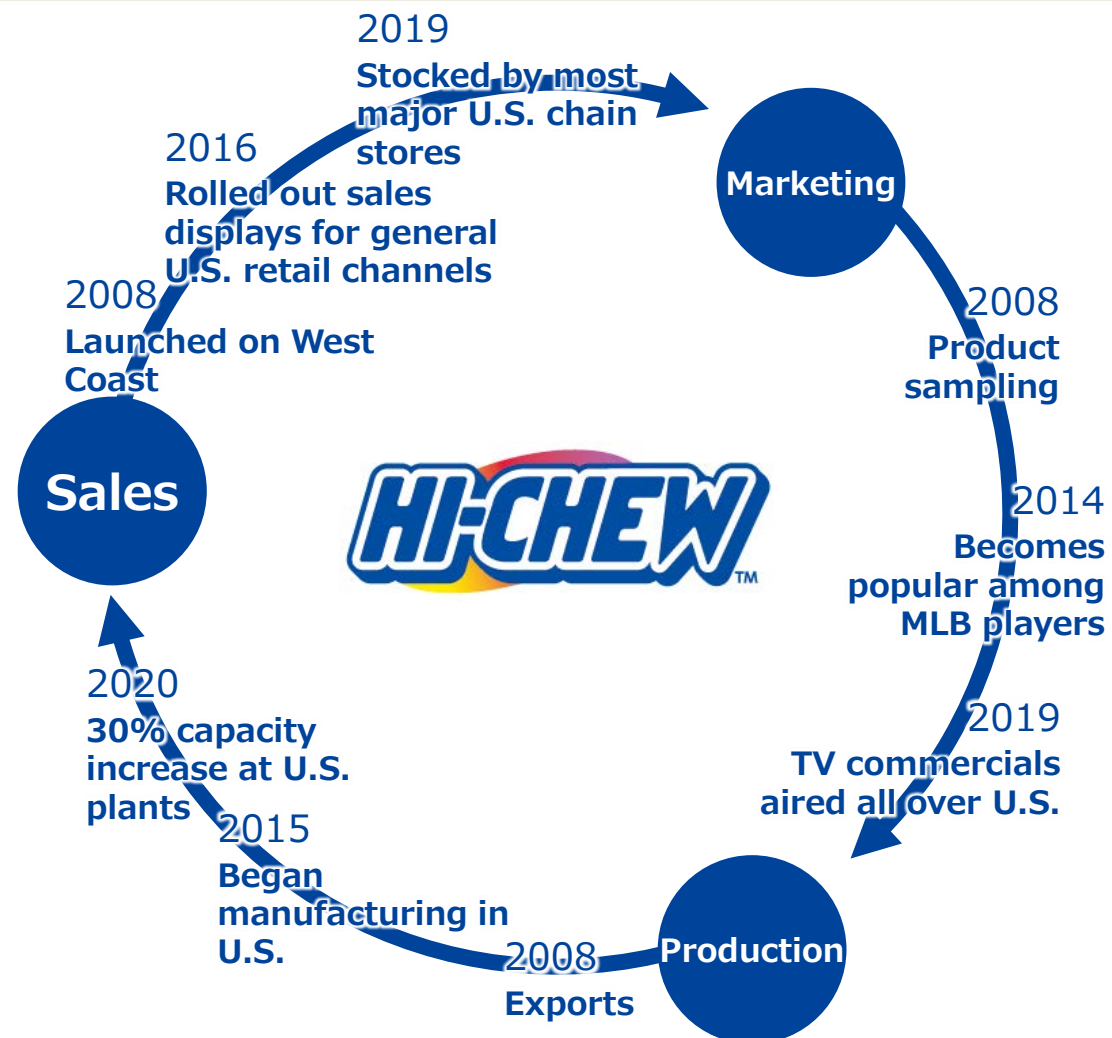
- Steady increase in subscription customers due to consumers spending more time at home and heightened health consciousness amid pandemic
- Improving efficiency of acquisition of new subscription customers

**Decision made to spend more on advertising in 2H**

- Spending on advertising to acquire new subscription customers, which should continue contributing to profits in 2022 and 2023
  - ➡ Considered essential to attaining 21.5 billion yen operating income target of 2021 Business Plan

## U.S. Business: *HI-CHEW* Growth Cycle

Linkage of sales, marketing, and production strategies to achieve solid growth and builds business foundation



### Results so far


- Growth: Sales CAGR over 20%\*1
- Profitability: In the black since 2019
- Market share: Over 1%\*2
- Awards: Nielsen Design Impact Award (first for Japanese manufacturer)

Recognition that *HI-CHEW* is highly rated by consumers and the industry

\*1 FY2015-FY2020

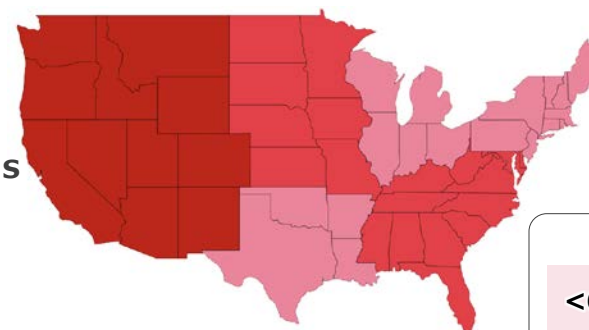
\*2 Source: IRI data

# U.S. Business: Growth Strategies

Further coordinate and develop the three strategies below to attain 2021 Medium-Term Business Plan target of  ¥10 billion ahead of schedule

## 1 Sales strategy: Aiming for stable and sustained growth

- Bolster area strategies mainly for general US channels
- Accelerate rollout in areas with relatively low proportion of stores stocking HI-CHEW



Percentages of stores selling *HI-CHEW*\*1

Legend



## 2 Marketing strategy: For further growth

- Increase contact points with customers through diversified packaging
- Gain new customers by selling new types of products



New types of products

## 3 Production strategy: Stable supply to underpin growth

- Considering increasing capacity earlier than planned in response to stable growth
- Considering various ways to ensure stable supply of high-quality, low-cost products

Made in Taiwan

Made in the U.S.A.

Made in China

\*1 Source: IRI data

## U.S. Business: *HI-CHEW*-Related Risks and Responses

Taking effective action against risks to minimize negative impact on results

### 1 Labor shortages and employee retention decline

- Less motivation to work because of government subsidies

### ➔ Long-term employment incentive payments, etc.

- Securing manufacturing output and stable supply are top priorities

### 2 Changing behavior patterns

- *HI-CHEW* stick sales declining as fewer customers visit convenience stores

### ➔ Flexible marketing

- Market products that fit changing behavior patterns, communicate with consumers

### 3 Raw material and distribution expenses increasing

- Rising price of starch syrup, a key raw material
- Rising distribution expenses due to prolongation of global shipping disruption

### ➔ Consider price hikes if cost increases cannot be absorbed

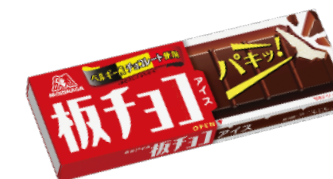
# Frozen Desserts: Status Quo and Outlook

Working to grow business into the next earnings pillar; Takasaki No. 3 Factory launched operations and “freshness marketing” further developed

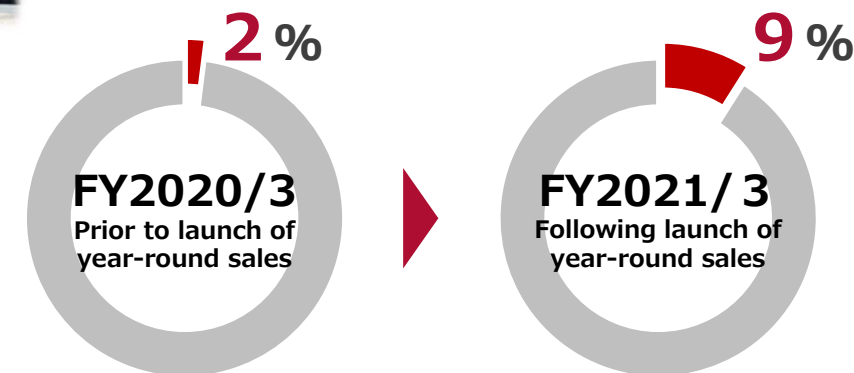
Takasaki No. 3 Factory



Launched operations in July 2021



Launched operations in April 2021



- Sales of winter-only seasonal items
- Choco Monaka Jumbo marks 50th<sup>\*1</sup> anniversary in FY2023/3

- Sales share increases 7ppt
- Record high sales in Apr-Sep 2021

<sup>\*1</sup> Choco Monaka was released in 1972.

# Confectionery & Foodstuffs Segment

Aiming to grow sales to increase capacity utilization rate of Takasaki No. 3 Factory



- First product renewal in 20 years
- Expanded product range
- Marketing strategy with Gen Z as main target

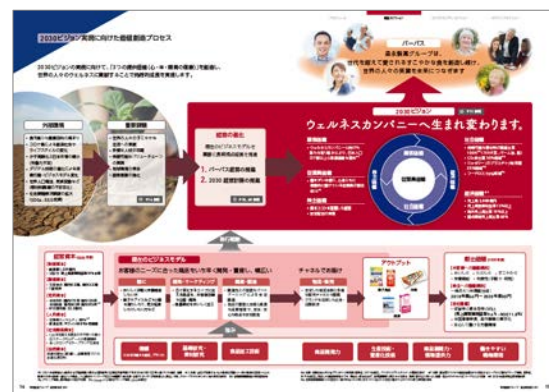
- Marketing strategy reverted back to “fine quality” angle
- Increased contact points with consumers by offering diverse packaging



# ESG Information Update

## Integrated Report

- September 2021  
Published Morinaga Group  
Integrated Report



The English-language version of the Integrated Report is scheduled to be posted on our website in January 2022.

## *in Jelly* Recycling Program

- *in Jelly* container retrieval/recycling

Collaborative project with TerraCycle Japan G.K. *in Jelly* package recycling boxes installed at schools, etc. throughout Japan to encourage recycling of plastic resources.



# Reference Data

## Q2 FY2022/3 Consolidated Segment Information

(Million yen)	Net sales			Segment income	
	Net sales weighting	Result	Y/Y change	Result	Y/Y change
Food Manufacturing	95.9%	89,715	109.9%	13,091	113.7%
Food Merchandise	2.8%	2,438	113.1%	67	875.9%
Real Estate and Services	0.9%	952	109.5%	440	123.7%
Other Services	0.3%	315	114.6%	98	144.6%

## Q2 FY2022/3 Confectionery & Foodstuffs Segment Results

(Million yen)	Net sales			Operating income			
	Q2 FY2022/3	Y/Y change	Y/Y change (%)	Q2 FY2022/3	Y/Y change	Margin	Y/Y change
Confectionery & Foodstuffs	43,217	+2,656	+6.5%	2,925	+479	6.8%	+0.8pt

### Net sales: factors behind change

#### Domestic

Sales of cake mix declined after growth in FY2021/3. Chocolate sales remained weak. However, net sales increased on recovery of sugar confectionery and brisk sales of *Morinaga Biscuits*.



*Morinaga Biscuits*  
115%



*Morinaga Ramune*  
110%



80%



68%

#### Overseas

Strong US performance drives sharp overseas sales growth

Overseas total: 147.3%, USA: 141.4%

### Operating income: factors behind change

#### Positive

- Boost from higher net sales
- Controlling of advertising expenses

#### Negative

- Increase in depreciation

# Q2 FY2022/3 Frozen Desserts Segment Results

(Million yen)	Net sales			Operating income			
	Q2 FY2022/3	Y/Y change	Y/Y change (%)	Q2 FY2022/3	Y/Y change	Margin	Y/Y change
Frozen Desserts	25,589	+1,094	+4.5%	4,857	▲817	19.0%	△4.2pt

## Net sales: factors behind change

Sales of *Jumbo Group* and *ICEBOX Group* declined after increasing in FY2021/3, but net sales increased due to strong sales of *Itachoko Ice* and multipack products



## Operating income: factors behind change

### Positive

- Boost from higher net sales

### Negative

- Increase in depreciation
- Increase in distribution expenses
- Product mix impact

# Q2 FY2022/3 Health Products Segment Results

(Million yen)	Net sales			Operating income			
	Q2 FY2022/3	Y/Y change	Y/Y change (%)	Q2 FY2022/3	Y/Y change	Margin	Y/Y change
Health Products	20,908	+4,331	+26.1%	5,307	1,917	25.4%	+4.9pt

## Net sales: factors behind change

- in Jelly:** Recovered to pre-pandemic levels on demand recovery/creation
- in Bar:** Maintained brisk sales on growing need for protein supplements
- Direct marketing:** Sustained growth due to increase in number of regular customers



**in Jelly overall**  
127%



**in Bar overall**  
121%



118%

## Operating income: factors behind change

### Positive

- Boost from higher net sales
- Product mix impact
- Decrease in distribution expenses

### Negative

- Increase in advertising expenses

## Overseas: Cumulative Q2 Results and Full-Year Forecasts

(Million yen)	Net sales					
	Cml Q2 FY2022/3	Y/Y change		Full- FY2022/3 forecast	Y/Y change	
USA	4,735	+1,386	141.4%	9,864	+2,649	136.7%
China, Taiwan, Exports, etc.	2,979	+997	150.3%	5,536	+976	121.4%
Total	7,714	+2,383	144.7%	15,400	+3,625	130.8%

# Focus Domain Businesses and Their Connections with Existing Classifications

● Indicates net sales (in 1H of fiscal year ending March 31, 2022)

Existing classifications Added classifications		Food Manufacturing			Food Merchandise, Real Estate and Services, Other
		Confectionery & Foodstuffs	Frozen Desserts	Health Products	
Focus domains	"in" business <sup>1</sup>	● <sup>2</sup>	—	●	—
	Direct marketing business	—	—	●	—
	U.S. business	●	—	—	—
	Frozen desserts business	—	●	—	—
Basic domains	Confectionery & Foodstuffs business	●	—	—	—
	Taiwan business	●	●	●	—
	Domestic operating subsidiaries, etc.	● <sup>3</sup>	—	—	● <sup>4</sup>
Exploration & research domain <sup>5</sup>		●	●	●	—

\*1 Products in principle in the "in" brand group, such as *in Jelly* and *in Bar* \*2 *in Tablet*, *in Chocolat*, etc.

\*3 Aunt Stella Inc., Morinaga Market Development Co., Ltd. \*4 Morinaga Shoji Co., Ltd., Morinaga Institute of Biological Science, Inc., Morinaga Takataki Country Co., Ltd., etc. \*5 China, Southeast Asia, Europe, Oceania, etc.