

**First Quarter,  
Fiscal Year Ending March 31, 2023**

# **Results Briefing**

**August 10, 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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**Fiscal Year Ending March 31, 2023**  
**First Quarter**  
**Financial Results**  
**(April 1 through June 30, 2022)**

# Consolidated Results for 1Q FY2023/3

Net sales: Up on continued strong performance of "in-" Business, Direct Marketing Business, and U.S. Business

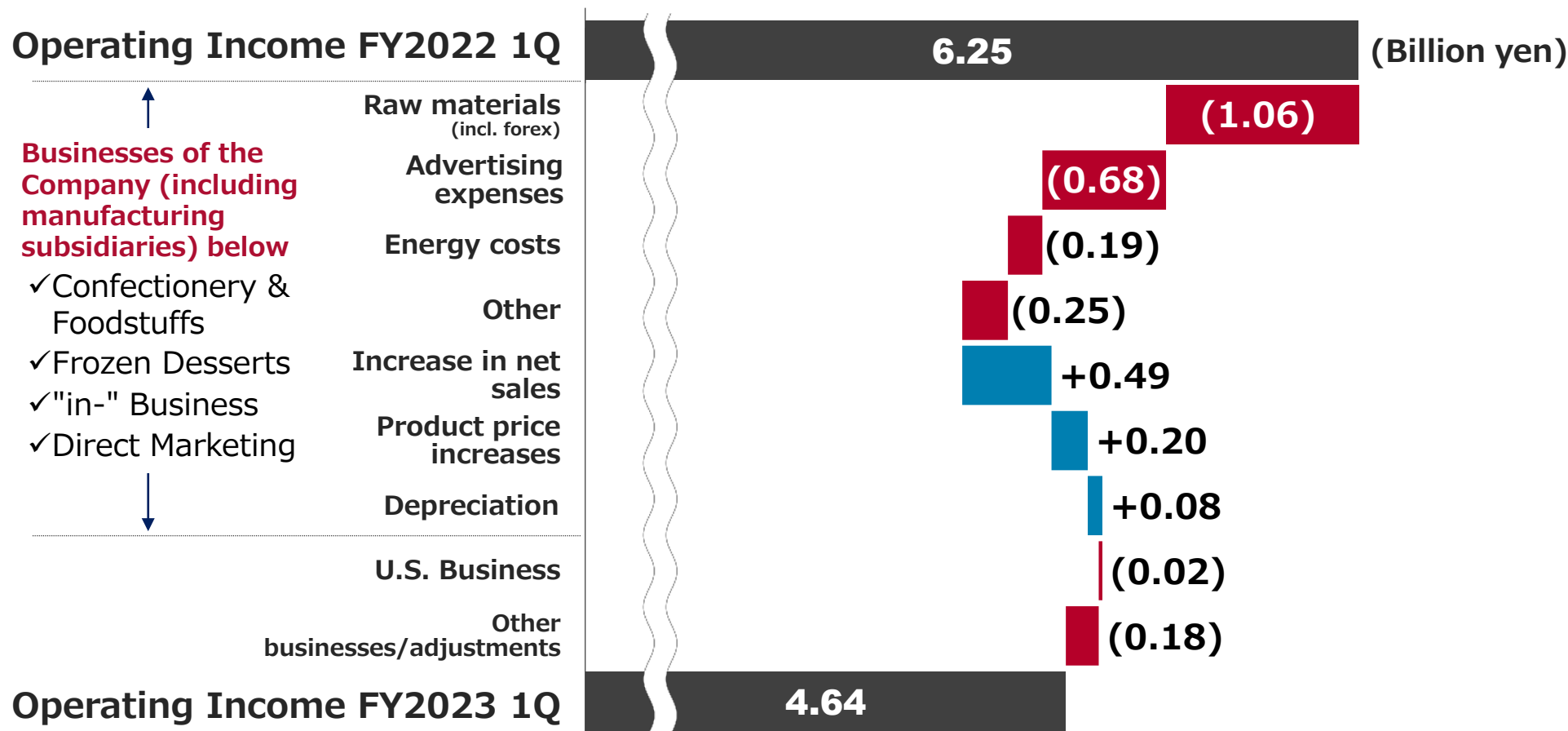
Profit: Down on soaring costs for raw materials and energy, along with aggressive investments in advertising

(Billion yen)	1Q FY2023/3	Y/Y change	
Net sales	46.8	+2.3	105.0%
Gross profit 〔gross profit margin〕	19.5 〔41.8%〕	(0.2) 〔(2.4ppt)〕	99.4%
Operating income 〔operating income margin〕	4.6 〔9.9%〕	(1.6) 〔(4.1ppt)〕	74.2%
Ordinary income	4.8	(1.9)	71.6%
Profit attributable to owners of parent	3.4	(1.4)	70.6%
EBITDA*1	7.0	(1.6)	81.8%

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

# 1Q 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.



# 1Q FY2023/3 Results: Summary by Business

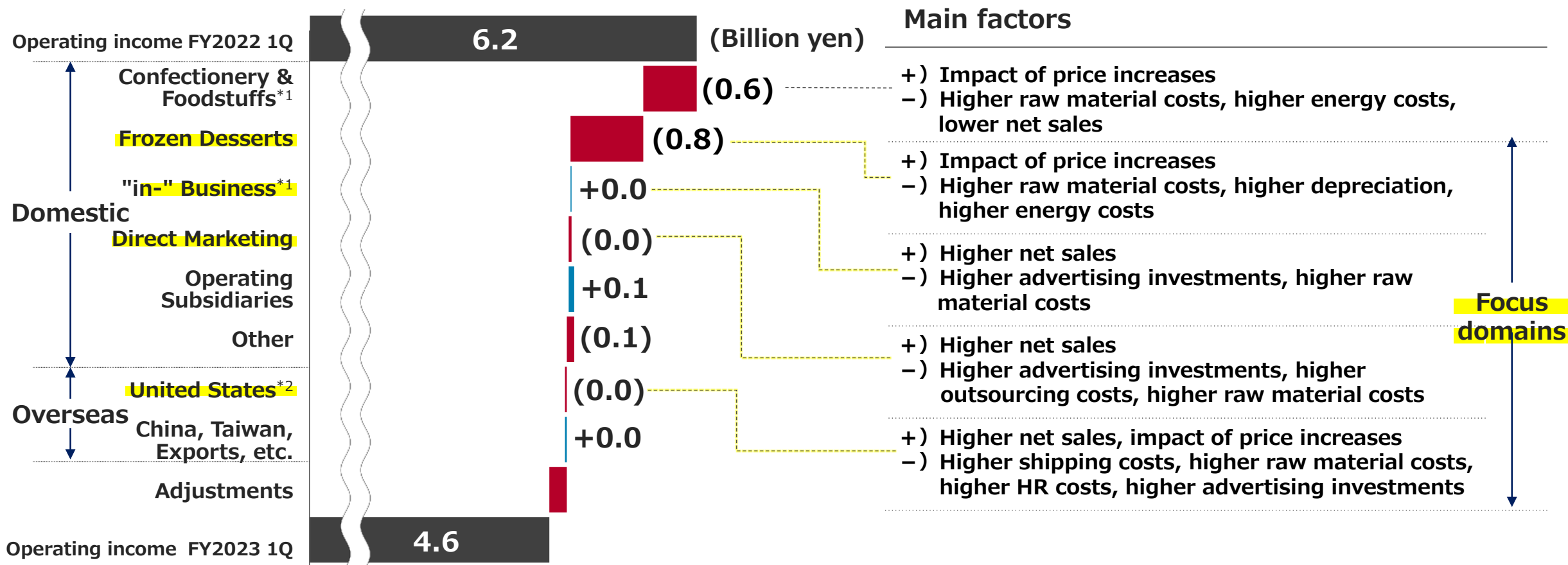
In Japan, the increase in net sales was driven by the "in-" Business and the Direct Marketing Business. Operating income was hit by weaker profit in the Confectionery & Foodstuffs and Frozen Desserts Businesses. Overseas, sales growth continued in the United States Business. Consolidated income was flat year on year in each region.

(Billion yen)	Net sales			Operating income		
	1Q FY2023/3	Y/Y change		1Q FY2023/3	Y/Y change	
Confectionery & Foodstuffs*1	16.1	(0.2)	98.9%	0.3	(0.6)	37.5%
Frozen Desserts	11.5	(0.1)	99.1%	1.3	(0.8)	63.0%
"in-" Business*1	8.1	+0.9	112.5%	1.8	+0.0	100.2%
Direct Marketing	2.5	+0.4	118.8%	0.1	(0.0)	80.9%
Operating Subsidiaries	3.4	+0.3	109.7%	0.2	+0.1	132.4%
Other	0.3	+0.0	104.1%	0.0	(0.1)	46.1%
Domestic Total	42.1	+1.3	103.3%	4.0	(1.4)	73.8%
United States*2	2.8	+0.7	134.5%	0.3	(0.0)	94.4%
China, Taiwan, Exports, etc.	1.7	+0.1	110.3%	0.2	+0.0	108.0%
Overseas Total	4.6	+0.9	124.1%	0.6	(0.0)	99.5%
Consolidated Total	46.8	+2.3	105.0%	4.6	(1.6)	74.2%

# 1Q FY2023/3 Results: Change in Operating Income by Business

Even with strategic investments in "in-" Business, Direct Marketing Business, and United States Business, operating income was on par with year-earlier levels.

Confectionery & Foodstuffs Business affected by higher raw material costs, Frozen Desserts Business particularly affected by higher raw material costs and depreciation and amortization, resulting in a decline in operating income.



# Product Price Revisions: June Sales Report

Bottom line for assessing successor failure is year-on-year growth in net sales. Sales trends over a certain period will bear watching.

		SRI		
		① Sales <b>value</b> Y/Y <b>rise?</b>	② Average <b>unit price</b> Y/Y <b>increase?</b>	③ Per-store sales <b>volume</b> Y/Y <b>growth?</b>
Confectionery	<i>12-piece Milk Caramel</i>	○	○	○
	<i>Morinaga Biscuits (5 types)</i>	×	○	×
Frozen Desserts	<i>Choco Monaka Jumbo</i>	○	○	△
	<i>Vanilla Monaka Jumbo</i>	○	○	×
	<i>ICEBOX (Grapefruit)</i>	◎	○	◎
	<i>Ita Choco Ice</i>	○	○	×
	<i>Multipacks</i>	×	○	×

Key: ◎○ = Surpassed previous year, △ X = Underperformed previous year

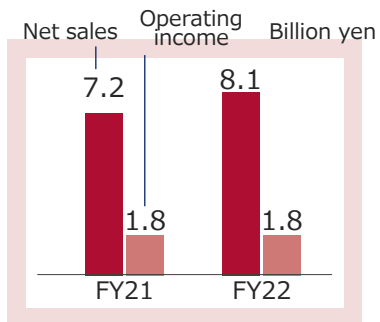
# 1Q FY2023/3 Results: Balance Sheet

(Billion yen)	End-1Q FY2023/3	vs. end- FY2022/3	Main factors
Current assets	100.1	(11.9)	<ul style="list-style-type: none"> <li>•Cash and deposits (16.2)</li> <li>•Merchandise and finished goods +1.7</li> </ul>
Noncurrent assets	101.3	(0.9)	<ul style="list-style-type: none"> <li>•Machinery, equipment and vehicles (0.8)</li> <li>•Investment securities (0.9)</li> </ul>
<b>Total assets</b>	<b>201.4</b>	<b>(12.9)</b>	—
Current liabilities	61.6	(8.5)	<ul style="list-style-type: none"> <li>•Income taxes payable (9.2)</li> <li>•Notes and accounts payable—trade +2.5</li> </ul>
Long-term liabilities	13.6	+0.7	•Deferred tax liabilities +0.3
<b>Total liabilities</b>	<b>75.2</b>	<b>(7.9)</b>	—
Shareholders' equity	115.9	(5.1)	•Treasury stock (4.0) •Retained earnings (1.1)
Accumulated other comprehensive income	8.9	(0.0)	•Valuation difference on available-for-sale securities (0.6)
Non-controlling interests	1.2	+0.1	—
<b>Total net assets</b>	<b>126.1</b>	<b>(5.0)</b>	—
<b>Total liabilities and net assets</b>	<b>201.4</b>	<b>(12.9)</b>	—
<b>Shareholders' equity ratio</b>	<b>62.0%</b>	<b>+1.3pt</b>	—



# Progress on Business Strategies

# Domestic: "in-" Business



- Brisk sales since last fiscal year, but operating income was flat due to the impacts of strategic advertising investments and higher raw material costs
- Aiming to generate further growth by building the "in" brand and working to attract and retain fresh users of the brand

## 1Q initiatives and results

## Initiatives for 2Q onward



- **in Jelly:** Y/Y net sales +22%

- Entrenchment of new consumption settings in response to lifestyle changes during COVID-19
- Consumption settings have expanded and purchase rate continues to grow. In particular, sales from female customers have increased



- Retain fresh users and secure more users overall

- Market the products to a wide range of customer segments by promoting various consumption settings and aim to expand purchase rate



- **in Bar:** Y/Y net sales -23%

- Protein consumption methods are diversifying and competition is intensifying

- Launch of protein bar aiming for No. 1

- Aim to improve user satisfaction with a quality product that offers not only protein, but also great taste and substantiality

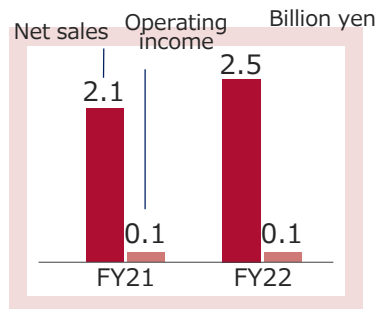


- "in" brand building measures

- "in" brand TV commercials and newspaper advertisements
- Tying the corporate and "in" brands together and reinforcing the sports image of the "in" brand



# Domestic: Direct Marketing



- Subscription customer numbers are steadily increasing following price revisions to reflect enhanced value from product renewals
- Aiming to continually attract new customers by effective advertising investment with a view to further solidify the foundations of the business

## 1Q initiatives and results

## Initiatives for 2Q onward

### ● Morinaga Collagen Drink

- Y/Y net sales +**19%**
- Prices revised to reflect product renewals
- Steady growth in subscription customers: up 3% from end-FY2022/3
- Increase in digital reach by advertising investment in online media

### ● Advance efforts to gain new customers through advertising investment

- Run TV, radio, and internet advertisements
- Aim to secure new customers and increase subscription customers whilst scrutinizing cost of gaining subscriptions in each media channel
- Progress is being made towards the building of a new system (scheduled for within FY23)

### ● Morinaga Aojiru

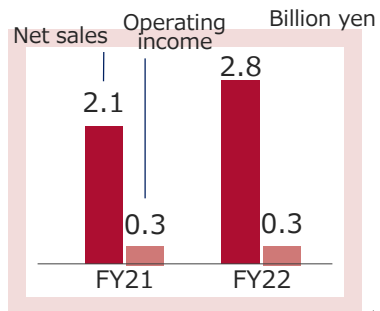
- Ongoing development of a product as a second pillar candidate
- Steady sales growth

### ● Hizakaru Collagen (powdered collagen)

- Further expanding the rollout of collagen as a health product and reinforcing the association between collagen and Morinaga
- Offline advertising (TV shopping) for a certain period to cultivate product appeal



# Overseas: United States



**HI-CHEW performs well even after price revisions / Operating income generation was at previous year's level amid soaring raw material prices and shipping costs**  
**Aiming for further business growth by strengthening initiatives to expand brand**

## 1Q initiatives and results

## Initiatives for 2Q onward

### ● HI-CHEW

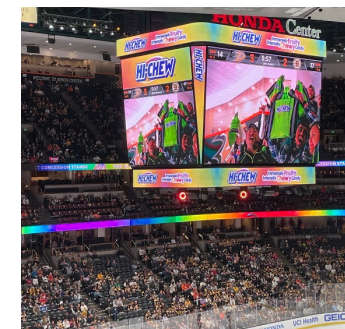
- Price revisions successively implemented since December 2021
- Store turnover increased in all regions of the US even after the price revisions, and sales outpaced market growth
- Health-focused lineup expanded to meet wide-ranging needs of consumers
- Promotions aimed at boosting brand recognition were carried out, such as seasonal events and partnerships

Uses natural flavors    30% less sugar



### ● Initiatives for further increasing store turnover

- New partnership initiatives for boosting brand recognition and increasing brand loyalty



### ● Chargel

- Full-fledged start of trying to create a jelly drinks market as a second pillar
- Launched own e-commerce site in February 2022 and commenced sales at brick-and-mortar outlets in March
- Internet advertising started
- Sampling started at sports events

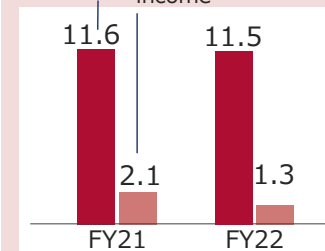
### ● Accelerate measures aimed at expanding sales channels and brand touchpoints

- Continue to negotiate new sales channels
- Expand brand touchpoints mainly through partnerships and social media exposure



# Domestic: Frozen Desserts

Net sales Operating income Billion yen



- Brisk sales in the market even after price revisions / Operating income declined on higher raw material and energy prices and increased depreciation and amortization
- Targeting sales growth in the 2Q peak demand season with *Choco Monaka Jumbo* and other differentiated products

## 1Q initiatives and results

## Initiatives for 2Q onward



### ● *Jumbo Group*: Y/Y net sales +5%

- New *Choco Monaka* 50<sup>th</sup> anniversary commercial aired to encourage buying
- Sales volume on par with year-earlier level even after June price hike

### ● Intermittent 50<sup>th</sup> anniversary promotions

- Stimulate buying across all generations by communicating via different types of media

### ● *Ita Choco Ice*: Y/Y net sales -32%

- Third year of year-round sales  
Despite a collaboration with popular anime title, sales fell short of the high year-earlier hurdle

### ● Target chocolate lovers in summer

- Target confectionery chocolate users by highlighting product value and expand purchase rate



### ● *The Crepe*

- Previously sold only in winter, year-round sales started in April

### ● Initiatives for entrenching year-round sales

- Aim to tap demand for chilled desserts, enhance product value, and run promotions

### ● *ICEBOX*: Y/Y net sales +5%

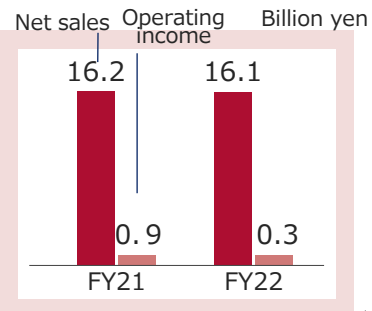
- Due to development of promotions tailored to the target market, sales have been strong since April, and have continued to be strong since the June price revision

### ● Target peak demand season using various approaches





# Domestic: Confectionery & Foodstuffs (1/2 – sugar confectionery/biscuits)



- Soaring raw material prices, energy costs squeeze profit / Sales of high-margin sugar confectionery were brisk, while biscuits struggled for a time
- Prices raised successfully for confectionery business earnings pillars due to effective promotions

## 1Q initiatives and results

## Initiatives for 2Q onward

### Sugar confectionery



- **HI-CHEW:** Y/Y net sales + 15%
  - Recovery from the impact of COVID-19 thanks to new texture products
  - Lineup of various textures helped consumers meet the need to alleviate stress
- **Morinaga Ramune:** Y/Y net sales + 16%
  - Sales remained brisk despite challenging tablet candy market conditions
  - Tapped new demand for *Otsubu Ramune* with a new texture product
- **Morinaga Milk Caramel**
  - The success of a marketing promotion helped lift sales volume above the year-earlier level even after a price hike

- **HI-CHEW Day (Aug 12):** Enhancement of products and promotions
  - Price revisions in July
  - Aim to spur buying with *HI-CHEW* Day initiatives
- **Deeper academic marketing and entrenchment of new texture products**
  - Price revisions in July
  - Approach different target customers by highlighting product functions and texture



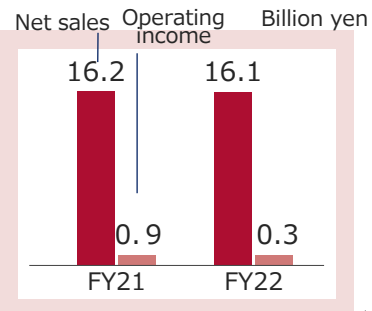
### Biscuits



- **Morinaga Biscuits:** Y/Y net sales - 16%
  - Stable growth from established consumption settings when working from home
  - Planned halt to manufacturing in order to add more production line capacity for further growth in the future
  - ➔ Tight supply/demand meant new product launches/store promotions could not be carried out

- **Going on the offensive as new production line comes on stream**
  - Aim to stimulate buying behavior after the June price hike by rolling out new products from the end of August and bolstering store promotions and other various other marketing measures

# Domestic: Confectionery & Foodstuffs (2/2 – chocolate/foodstuffs)



- Profit squeezed due to raw material costs, energy prices
- Aiming to strengthen brand value and improve profitability by prices revisions and continually employing cost-cutting measures

## 1Q initiatives and results

## Initiatives for 2Q onward

### Chocolate



- **Carré de chocolat:** Y/Y net sales - 1%
  - Targeting snacking scenarios as a fine quality chocolate product
- **DARS:** Y/Y net sales - 4%
  - Growth in purchase rate due to promotions targeting generation Z
  - Signs of a rebound in primarily mainstay products due to changes in the 2021 autumn strategy
- **Chocoball:** Y/Y net sales - 4%
  - Purchasing encouraged by promotions in step with the times

- Deliver greater value as a top brand of genuine, fine quality chocolate
- Price revisions in July
- Expand premium line and stimulate buying behavior with promotions
- Further enhance value in line with target needs
- Develop unique product value and strengthen value communication via a mix of media



### Foodstuffs



- **Morinaga Amazake:** Y/Y net sales - 12%
- **Morinaga Cocoa:** - 8%
  - Product expansion and promotion of consumption settings with a view to strengthening these products as health brands

- Efforts to encourage regular consumption as accessible health drinks
- Price revisions for some products in July



# Reference Data



# Major Domestic Brands — Net Sales Year on Year

(%)

Business	Brand	1Q result (Y/Y)
"in-" Business	<i>in Jelly</i>	122
	<i>in Bar</i>	77
Direct Marketing	<i>Morinaga Collagen Drink</i>	119
Frozen Desserts	<i>Jumbo Group</i>	105
	<i>ICEBOX</i>	105
	<i>Ita Choco Ice</i>	68
	<i>The Crepe</i>	—

Business	Brand	1Q result (Y/Y)
Confectionery & Foodstuffs	<i>Morinaga Biscuits</i>	84
	<i>HI-CHEW</i>	115
	<i>Morinaga Ramune</i>	116
	<i>Carré de chocolat</i>	99
	<i>DARS</i>	96
	<i>Chocoball</i>	96
	<i>Morinaga Amazake</i>	88
	<i>Morinaga Cocoa</i>	92

# Domestic Market — Sales Value Year on Year

