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Consolidated Financial Summary for the Six Months Ended September 30, 2021 (2Q) (Japanese Accounting Standards)

November 10, 2021

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 Stock code: 2201 URL: <https://www.morinaga.co.jp/company/english/>
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Scheduled date to submit the Quarterly Securities Report: November 11, 2021

Scheduled date for commencement of dividend payments: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

(The figures are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the First Half Ended September 30, 2021

(April 1, 2021 – September 30, 2021)

(1) Consolidated operating results (Accumulated total) (The percentages are year-on-year percentage changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q ended September 30, 2021	93,422	10.0	13,188	14.2	13,700	14.4	9,544	14.7
2Q ended September 30, 2020	84,937	–	11,548	–	11,979	–	8,320	–

(Note) Comprehensive income: 2Q ended September 30, 2021: 14,653 million yen (9.0%);
 2Q ended September 30, 2020: 13,438 million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q ended September 30, 2021	189.75	–
2Q ended September 30, 2020	165.42	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. The figures for the first six months of the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard. As a result, for the 2Q ended September 30, 2020, the year-on-year percentage changes are not presented.

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
2Q ended September 30, 2021	216,692	134,198	61.5
Year ended March 31, 2021	202,910	123,706	60.5

(Reference) Shareholders' equity: 2Q ended September 30, 2021: 133,194 million yen;
 Year ended March 31, 2021: 122,791 million yen

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. The figures for the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard.

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	0.00	–	80.00	80.00
Year ending March 31, 2022	–	0.00	–	80.00	80.00
Year ending March 31, 2022 (forecast)	–	–	–	80.00	80.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Results Forecasts for the Fiscal Year Ending March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
(The percentages are year-on-year percentage changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	179,200	6.5	18,000	(6.1)	18,500	(6.5)	12,800	(4.6)	254.48

(Note) 1. Revisions to results forecasts published most recently: Yes

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending March 31, 2022. The year-on-year percentage changes were calculated as if the said accounting standard, etc. had also been applied for the fiscal year ended March 31, 2021.

* Notes

(1) Important changes in subsidiaries during the period (changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of accounting treatment unique to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies associated with revisions to accounting standards: Yes

(ii) Changes in accounting policies other than changes in (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) Please see “2. Quarterly Consolidated Financial Statements and Major Notes: (4) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 11 of the accompanying materials for details.

(4) Number of shares issued (common shares)

(i) Number of shares issued at end of period (including treasury stock)

2Q ended September 30, 2021: 54,189,769 Year ended March 31, 2021: 54,189,769

(ii) Number of shares of treasury stock at end of period

2Q ended September 30, 2021: 3,893,031 Year ended March 31, 2021: 3,891,130

(iii) Average number of shares during the period

2Q ended September 30, 2021: 50,297,670 2Q ended September 30, 2020: 50,300,683

* The number of shares of treasury stock at end of period includes the Company’s shares held by the officer compensation Board Incentive Plan (BIP) trust (38,764 shares in the second quarter of the fiscal year ending March 31, 2022 and 24,564 shares in the fiscal year ended March 31, 2021). The Company’s shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted in the calculation of the average number of shares during the period.

* This financial summary is not subject to statutory quarterly review by certified public accountants or audit corporations.

* Explanation about the proper use of results forecasts, and additional information

The results forecasts are prepared based on adequate information, but actual results might be different from them, depending on a range of factors. Please see “1. Qualitative Information on Consolidated Results for the First Half: (3) Qualitative information on future forecasts, including consolidated results forecasts” on page 4 of the accompanying materials for details.

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* Reference Materials: Supplementary Materials for the Consolidated Financial Summary for the Six Months Ended September 30, 2021

1. Qualitative Information on Consolidated Results for the First Half

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the fiscal year ending March 31, 2022. Year-on-year comparisons and analyses are based on figures to which the same accounting standard was retroactively applied.

(1) Qualitative information on consolidated results

Although the spread of COVID-19 infections has continued to stifle economic activity in various ways, there have been some signs that economic activity is gradually returning to normal, mainly as a result of increased movement of people as the vaccination rollout gains further momentum. Nevertheless, the outlook still remains clouded, following the repeated declaration and lifting of states of emergency in Japan in 2021.

Consolidated net sales in the first half increased ¥8,485 million (+10.0%) year on year to ¥93,422 million. Operating income came to ¥13,188 million, up ¥1,640 million (+14.2%) year on year owing mainly to higher net sales. Ordinary income totaled ¥13,700 million, up ¥1,721 million (+14.4%) year on year. Profit attributable to owners of parent rose ¥1,224 million (+14.7%) year on year to ¥9,544 million.

The following is consolidated results by business segment.

Food Manufacturing

Confectionery & Foodstuffs

With regard to sales of major brands in Japan, sales of *Morinaga Biscuits* and other staple products and seasonal products were brisk. Sales of *HI-CHEW* were largely unchanged year-on-year. Sales of new products in the *Morinaga Ramune* and *Carré de chocolat* series were strong. Sales of *Chocoball* were up year on year after rebounding from the year-earlier sharp decline. Even though sales of *DARS*, *Morinaga Amazake*, and *Morinaga Milk Cocoa* declined year on year, total sales for the mainstay brands still increased year on year. And despite weaker year-on-year sales of *Morinaga Hotcake Mix* as a result of the leveling off of stay-at-home demand, overall sales of other brands in Japan still increased year on year.

In overseas markets, economic activity appeared to be normalizing largely as a result of vaccination rollouts. Sales in the United States and China increased sharply year on year. In Taiwan, sales were firm particularly for *Milk Caramel*, which celebrates its 30th anniversary this year. All up, total overseas sales increased sharply year on year.

As a result, total net sales for Confectionery & Foodstuffs grew ¥2,656 million (+6.5%) year on year to ¥43,217 million.

Segment operating income totaled ¥2,925 million, an increase of ¥479 million (+19.6%) year on year, owing to the strong performance overseas.

Frozen Desserts

Sales of the core brands *Jumbo Group* and *ICEBOX* were down year on year despite aggressive sales promotions, partly because of the dropout of the strong sales growth recorded last year. For other brands, sales of *Ita Choco Ice* and *PAXIEL* were up sharply, partly reflecting the benefits of collaborative marketing campaigns featuring a popular anime series.

As a result, total net sales for Frozen Desserts increased ¥1,094 million (+4.5%) year on year to ¥25,589 million.

Segment operating income decreased by ¥817 million (-14.4%) year on year to ¥4,857 million despite efforts to reduce costs, such as improving the cost of sales and curbing selling, general and administrative expenses.

Health Products

Sales of the core brand *in Jelly* grew strongly year on year, reflecting not only a rebound from the year-earlier sharp decline in sales, but also efforts to suggest new ways to consume the products, such as nourishment after working out at home, and the launch of new products with fruit-like textures to meet new consumer needs. Sales of *in Bar* were up significantly year on year due to efforts to promote the product as a quick and easy way to consume protein and to meet demand for snacking when working from home.

In the direct marketing business, *Morinaga Collagen Drink* sales were brisk thanks to aggressive sales promotions, which led to strong total sales in the direct marketing business.

As a result, total net sales for Health Products increased ¥4,331 million (+26.1%) year on year to ¥20,908 million.

Segment operating income totaled ¥5,307 million, an increase of ¥1,917 million (+56.6%), owing to the strong performance of core brands.

[Year-on-year changes (%) in sales of mainstay brands]

Confectionery & Foodstuffs		Frozen Desserts	
<i>Morinaga Biscuits</i>	115	<i>Jumbo Group</i>	92
<i>HI-CHEW</i>	100	<i>ICEBOX</i>	91
<i>Morinaga Ramune</i>	110	Health Products	
<i>Carré de chocolat</i>	107	<i>in Jelly</i>	127
<i>DARS</i>	80	<i>in Bar</i>	121
<i>Chocoball</i>	102	<i>Morinaga Collagen Drink</i>	118
<i>Morinaga Amazake</i>	80		
<i>Morinaga Cocoa</i>	94		
Total for mainstay confectionery products	101		

*The figures in the table are year-on-year changes in gross domestic sales results.

Overall, sales in the Food Manufacturing business segment increased 9.9% year on year to ¥89,715 million. Operating income for the segment rose ¥1,579 million year on year to ¥13,091 million.

Food Merchandise

Sales for the segment increased 13.1% year on year to ¥2,438 million. Segment income rose ¥60 million year on year to ¥67 million.

Real Estate and Services

Sales for the segment increased 9.5% year on year to ¥952 million. Segment income rose ¥85 million year on year to ¥440 million.

Other Services

Sales totaled ¥315 million. Segment income was ¥98 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the second quarter under review increased ¥13,782 million from the end of the previous fiscal year to ¥216,692 million. This was mainly attributable to increases in notes and accounts receivable—trade, machinery, equipment and vehicles—net, and investment securities.

Liabilities increased by ¥3,291 million from the end of the previous fiscal year to ¥82,494 million. This was chiefly due to increases in notes and accounts payable—trade, income taxes payable, and deferred tax liabilities, which offset a decrease in accounts payable—facilities (included in “other” under current liabilities).

Net assets stood at ¥134,198 million, up ¥10,492 million from the end of the previous fiscal year. This was primarily attributable to increases in retained earnings and the valuation difference on available-for-sale securities.

As a result of the above, the shareholders’ equity ratio rose 1.0 percentage points from the end of the previous fiscal year to 61.5%.

(3) Qualitative information on future forecasts, including consolidated results forecasts

Consolidated results for the first half ended September 30, 2021, exceeded the previously announced forecast figures, with profits at each stage up due to higher-than-expected net sales for the Health Products segment and other factors.

In light of the consolidated results for the first half, the Company has revised the full-year consolidated results forecast for the fiscal year ending March 31, 2022, as outlined below.

Note that this forecast revision has been also announced today, November 10, 2021, in the “Notice Regarding First-Half Consolidated Results and Difference from Previous Forecast, and Revision of Full-Year Forecasts”.

Revision of Consolidated Results Forecasts for the Fiscal Year Ending March 31 2022
(April 1, 2021 through March 31, 2022)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Previously announced forecast (A)	Million yen 175,000	Million yen 17,000	Million yen 17,400	Million yen 11,700
Revised forecast (B)	179,200	18,000	18,500	12,800
Change (B – A)	4,200	1,000	1,100	1,100
Percentage change	2.4%	5.9%	6.3%	9.4%
(Ref.) Consolidated results of the previous fiscal year (ended March 31, 2021)	168,240	19,176	19,782	13,416

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. The full-year results for the fiscal year ended March 31, 2021, are the figures after retroactive application of said accounting standard.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	FY2021/3 (Mar. 31, 2021)	2Q 2022 (Sept. 30, 2021)
Assets		
Current assets		
Cash and deposits	31,568	33,743
Notes and accounts receivable–trade	19,934	23,410
Merchandise and finished goods	11,430	11,732
Work in process	319	447
Raw materials and supplies	7,962	9,348
Income taxes receivable	795	–
Other	6,078	5,447
Allowance for doubtful accounts	(43)	(40)
Total current assets	78,045	84,089
Noncurrent assets		
Property, plant and equipment		
Buildings and structures–net	25,773	25,743
Machinery, equipment and vehicles–net	23,579	26,051
Land	21,589	21,642
Other–net	11,488	10,339
Total property, plant and equipment	82,431	83,775
Intangible assets		
Goodwill	196	147
Other	231	220
Total intangible assets	427	367
Investments and other assets		
Investment securities	35,583	42,005
Net defined benefit asset	4,548	4,541
Deferred tax assets	831	836
Other	1,080	1,113
Allowance for doubtful accounts	(37)	(36)
Total investments and other assets	42,006	48,460
Total noncurrent assets	124,865	132,603
Total assets	202,910	216,692

(Million yen)

	FY2021/3 (Mar. 31, 2021)	2Q 2022 (Sept. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,162	21,194
Accounts payable–other	9,847	8,658
Income taxes payable	1,357	4,593
Allowance for bonuses	2,595	2,597
Asset retirement obligations	–	92
Other	17,619	14,328
Total current liabilities	49,583	51,465
Long-term liabilities		
Long-term loans	10,000	10,000
Deferred tax liabilities	6,852	8,177
Provision for directors' stock benefits	57	70
Provision for environmental measures	279	279
Net defined benefit liability	7,767	7,926
Asset retirement obligations	262	169
Deposits received	3,706	3,666
Other	694	737
Total long-term liabilities	29,620	31,028
Total liabilities	79,203	82,494
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,281	17,292
Retained earnings	74,139	79,657
Treasury stock	(11,291)	(11,309)
Total shareholders' equity	98,742	104,253
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,729	25,245
Deferred gains or losses on hedges	23	6
Foreign currency translation adjustments	493	976
Remeasurements of defined benefit plans	2,803	2,713
Total accumulated other comprehensive income	24,049	28,941
Non-controlling interests	915	1,003
Total net assets	123,706	134,198
Total liabilities and net assets	202,910	216,692

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Operations)

(First half ended September 30, 2021)

(Million yen)

	2Q 2021 (Apr. 1, 2020 – Sept. 30, 2020)	2Q 2022 (Apr. 1, 2021 – Sept. 30, 2021)
Net sales	84,937	93,422
Cost of sales	47,069	52,403
Gross profit	37,868	41,018
Selling, general and administrative expenses	26,319	27,830
Operating income	11,548	13,188
Non-operating income		
Interest income	2	12
Dividends income	411	459
Other	152	157
Total non-operating income	566	629
Non-operating expenses		
Interest expenses	15	17
Equity in losses of affiliates	6	20
Depreciation	62	58
Other	50	22
Total non-operating expenses	135	117
Ordinary income	11,979	13,700
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Gain on sales of investment securities	42	0
Total extraordinary income	42	2
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	238	190
Other	0	–
Total extraordinary loss	238	190
Income before income taxes	11,783	13,511
Income taxes—current	1,889	4,368
Income taxes—deferred	1,494	(522)
Total income taxes	3,384	3,846
Net income	8,399	9,665
Profit attributable to non-controlling interests	78	121
Profit attributable to owners of parent	8,320	9,544

(Quarterly Consolidated Statements of Comprehensive Income)
 (First half ended September 30, 2021)

(Million yen)

	2Q 2021 (Apr. 1, 2020 – Sept. 30, 2020)	2Q 2022 (Apr. 1, 2021 – Sept. 30, 2021)
Net income	8,399	9,665
Other comprehensive income		
Valuation difference on available-for-sale securities	5,133	4,515
Deferred gains or losses on hedges	(9)	(15)
Foreign currency translation adjustments	(100)	576
Remeasurements of defined benefit plans, net of tax	21	(89)
Share of other comprehensive income of associates accounted for using equity method	(6)	—
Total other comprehensive income	5,039	4,987
Net comprehensive income	13,438	14,653
(Breakdown)		
Comprehensive income attributable to owners of parent	13,356	14,436
Comprehensive income attributable to non-controlling interests	82	217

(3) Quarterly Consolidated Statements of Cash Flows

	(Million yen)	
	2Q 2021 (Apr. 1, 2020 – Sept. 30, 2020)	2Q 2022 (Apr. 1, 2021 – Sept. 30, 2021)
Operating activities		
Income before income taxes	11,783	13,511
Depreciation	3,593	4,815
Amortization of goodwill	49	49
Increase (decrease) in provision for directors' stock benefits	12	12
Increase (decrease) in net defined benefit liability	177	114
(Increase) decrease in net defined benefit asset	26	(78)
Increase (decrease) in allowance for bonuses	8	(10)
Increase (decrease) in allowance for doubtful accounts	3	(5)
Interest and dividends income	(413)	(472)
Interest expenses	15	17
Equity in losses (earnings) of affiliates	6	20
(Gain) loss on sales of noncurrent assets	50	42
Loss on retirement of noncurrent assets	188	146
(Increase) decrease in notes and accounts receivable–trade	(1,570)	(3,328)
(Increase) decrease in inventories	(2,664)	(1,641)
Increase (decrease) in notes and accounts payable–trade	2,358	2,919
Other	(2,796)	1,062
Subtotal	10,828	17,174
Interest and dividends income received	448	469
Interest expenses paid	(15)	(16)
Income taxes refund (paid)	(4,369)	(516)
Contract cancellation fee	(4,855)	–
Net cash provided by (used in) operating activities	2,036	17,110
Investing activities		
Payments into time deposits	–	(34)
Purchase of property, plant and equipment	(8,782)	(10,713)
Proceeds from sales of property, plant and equipment	2	2
Purchase of intangible assets	(8)	(5)
Purchase of investment securities	(2)	(1)
Proceeds from sales of investment securities	78	0
Proceeds from sales of shares of subsidiaries and associates	–	0
Proceeds from liquidation of subsidiaries	387	–
Other	(189)	(110)
Net cash provided by (used in) investing activities	(8,514)	(10,862)
Financing activities		
Purchase of treasury stock	(6)	(58)
Proceeds from sales of treasury stock	0	51
Cash dividends paid	(3,623)	(4,025)
Dividends paid to non-controlling interests	(97)	(128)
Other	(167)	(181)
Net cash provided by (used in) financing activities	(3,895)	(4,343)

(Million yen)

	2Q 2021 (Apr. 1, 2020 – Sept. 30, 2020)	2Q 2022 (Apr. 1, 2021 – Sept. 30, 2021)
Effect of exchange rate change on cash and cash equivalents	(46)	235
Net increase (decrease) in cash and cash equivalents	(10,420)	2,141
Cash and cash equivalents at beginning of period	43,427	31,568
Cash and cash equivalents at end of period	33,006	33,709

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

(Notes if there is a significant change in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)", etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022; and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., for a consideration payable to a customer, which was conventionally recorded as promotion expenses, etc. under selling, general and administrative expenses, the Company changed the accounting method to deduction from net sales. In addition, because the Company is required to repurchase certain finished products produced from raw materials supplied for value by the Company that were previously recognized as extinguished when paid for, the Company has changed to an accounting method that recognizes such raw materials supplied for value.

Due to these changes in accounting policies, in accordance with the retroactive application of the Accounting Standard for Revenue Recognition, etc., the figures for the quarterly consolidated financial statements for the six months ended September 30, 2020, and the consolidated financial statements for the fiscal year ended March 31, 2021, are those after the retroactive application of the said accounting standard. As a result, raw materials and supplies and "other" under current liabilities for the fiscal year ended March 31, 2021 increased by ¥975 million and ¥1,305 million, respectively, compared to the figures before the retroactive application of the Accounting Standard for Revenue Recognition, etc. Besides that, for the first half of the fiscal year ended March 31, 2021, net sales decreased by ¥16,153 million, cost of sales increased by ¥438 million, selling, general and administrative expenses decreased by ¥16,598 million, and operating income, ordinary income and income before income taxes each increased by ¥7 million. Note that, as the cumulative effect of the change was reflected on the net assets at the beginning of the fiscal year ended March 31, 2021, the beginning balance of retained earnings for that fiscal year decreased by ¥226 million.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Accounting Standards"), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Accounting Standards and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth by the Fair Value Accounting Standards, etc. in the future. These changes had no impact on the Company's quarterly consolidated financial statements.

(Additional information)

(Impact of COVID-19 on accounting estimates)

With regard to the impact of COVID-19, the Group has not made any material changes to the assumptions in the (Impact of COVID-19 on accounting estimates) section under (Additional information) in the annual securities report for the fiscal year ended March 31, 2021. The Group has made accounting estimates relating to impairment loss on noncurrent assets and recoverability of deferred tax assets, etc. based on said assumptions.

There continues to be a high degree of uncertainty concerning these assumptions, and the Company's future financial position and operating results may be materially impacted if the effects of COVID-19 are prolonged.

(Segment information)

I. Information on net sales, profits or losses, and revenue disaggregation, by reportable segment

First half of Fiscal 2021 (Apr. 1, 2020 – Sept. 30, 2020)

(Million yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of operations (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Outside customers	81,634	2,157	869	84,611	275	84,937	—	84,937
Intersegment sales	45	86	0	132	466	598	(598)	—
Total	81,680	2,243	870	84,794	741	85,536	(598)	84,937
Segment operating income	11,512	7	355	11,875	67	11,943	(394)	11,548

(Note 1) "Other Services" category is a business segment comprising services not included in the reportable segments, including the manufacture and sale of research reagents.

(Note 2) The minus 394 million yen adjustment to segment operating income includes inter-segment elimination of 7 million yen, and corporate expenses that are not allocated to any reportable segment of minus 416 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.

(Note 3) Segment operating income is adjusted to be consistent with operating income shown in the Quarterly Consolidated Statements of Operations.

First half of Fiscal 2022 (Apr. 1, 2021 – Sept. 30, 2021)

(Million yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of operations (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Confectionery	43,217	—	—	43,217	—	43,217	—	43,217
Frozen desserts	25,589	—	—	25,589	—	25,589	—	25,589
Health products	20,908	—	—	20,908	—	20,908	—	20,908
Other	—	2,438	356	2,795	315	3,111	—	3,111
Revenue generated from contracts with customers	89,715	2,438	356	92,511	315	92,827	—	92,827
Other revenue	—	—	595	595	—	595	—	595
Outside customers	89,715	2,438	952	93,106	315	93,422	—	93,422
Intersegment sales or transfers	68	121	0	189	455	645	(645)	—
Total	89,783	2,560	952	93,296	771	94,067	(645)	93,422
Segment operating income	13,091	67	440	13,599	98	13,697	(508)	13,188

(Note 1) "Other Services" category is a business segment comprising services not included in the reportable segments, including the manufacture and sale of research reagents.

(Note 2) The minus 508 million yen adjustment to segment operating income includes inter-segment elimination of 8 million yen, and corporate expenses that are not allocated to any reportable segment of minus 518 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.

(Note 3) Segment operating income is adjusted to be consistent with operating income shown in the Quarterly Consolidated Statements of Operations.

II. Matters relating to changes in reportable segments, etc.

As stated in "Changes in accounting policies", the Company has applied the "Accounting Standard for Revenue Recognition", etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. Therefore, the Company has similarly changed the method of measuring profit or loss in business segments. Segment information for the first half of the fiscal year ended March 31, 2021 is prepared based on the method of measuring profit or loss after the application of the said accounting standard.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers in the first half of the fiscal year ended March 31, 2021 is not presented.

**Supplementary Materials for the Consolidated Financial Summary
for the Six Months Ended September 30, 2021**

* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending March 31, 2022. The figures for results recorded prior to the fiscal year ending March 31, 2022, are the figures after retroactive application of the said accounting standard.

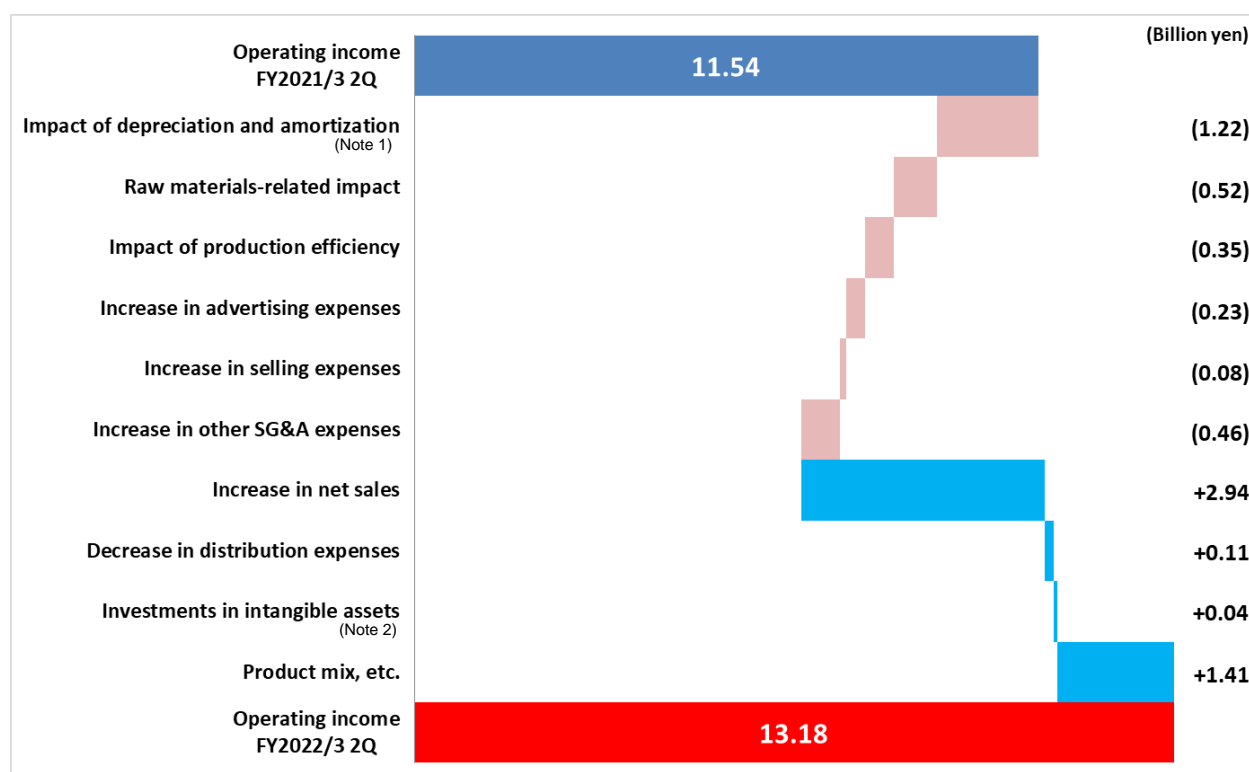
[Six Months Ended September 30, 2021]

1. Financial results

(Million yen)

	Year ended March 31, 2021 2Q ended September 30, 2020		Year ending March 31, 2022 2Q ended September 30, 2021		Year-on-year comparisons		
	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Year-on-year change (%)
Net sales	84,937		93,422		8,485		+10.0
Cost of sales	47,069	55.4	52,403	56.1	5,334	+0.7	+11.3
Selling, general and administrative expenses	26,319	31.0	27,830	29.8	1,511	(1.2)	+5.7
Promotion expenses	2,090	2.5	2,328	2.5	238	+0.0	+11.4
Advertising expenses	3,591	4.2	3,820	4.1	229	(0.1)	+6.4
Freightage and storage fees	7,653	9.0	8,297	8.9	644	(0.1)	+8.4
Salaries and allowances	4,212	5.0	4,406	4.7	194	(0.3)	+4.6
Provision for bonuses	1,430	1.7	1,382	1.5	(48)	(0.2)	(3.3)
Other	7,342	8.6	7,595	8.1	253	(0.5)	+3.5
Operating income	11,548	13.6	13,188	14.1	1,640	+0.5	+14.2
Non-operating income	566	0.7	629	0.7	63	+0.0	+11.2
Non-operating expenses	135	0.2	117	0.1	(18)	(0.1)	(12.9)
Ordinary income	11,979	14.1	13,700	14.7	1,721	+0.6	+14.4
Extraordinary income	42	0.1	2	0.0	(40)	(0.1)	(95.2)
Extraordinary loss	238	0.3	190	0.2	(48)	(0.1)	(20.4)
Income before income taxes	11,783	13.9	13,511	14.5	1,728	+0.6	+14.7
Income taxes	3,384	4.0	3,846	4.1	462	+0.1	+13.6
Net income	8,399	9.9	9,665	10.3	1,266	+0.4	+15.1
Profit attributable to non-controlling interests	78	0.1	121	0.1	43	+0.0	+55.0
Profit attributable to owners of parent	8,320	9.8	9,544	10.2	1,224	+0.4	+14.7

2. Analysis of changes in operating income



(Note) 1. Total of cost of sales and SG&A expenses

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

3. Segment information

(Million yen)

Business	Year ended March 31, 2021 2Q ended September 30, 2020	Year ending March 31, 2022 2Q ended September 30, 2021	Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing				
Net sales	81,634	89,715	8,081	+9.9
(Composition ratio to total net sales)	(96.1%)	(96.0%)		
Segment operating income	11,512	13,091	1,579	+13.7
Food Merchandise				
Net sales	2,157	2,438	281	+13.1
(Composition ratio to total net sales)	(2.6%)	(2.6%)		
Segment operating income	7	67	60	+775.9
Real Estate and Services				
Net sales	869	952	83	+9.5
(Composition ratio to total net sales)	(1.0%)	(1.0%)		
Segment operating income	355	440	85	+23.7
Others Services				
Net sales	275	315	40	+14.6
(Composition ratio to total net sales)	(0.3%)	(0.4%)		
Segment operating income	67	98	31	+44.6

(Note) Net sales are sales to external customers.

4. Net sales and operating income in Food Manufacturing

(Million yen)

	Year ended March 31, 2021 2Q ended September 30, 2020	Year ending March 31, 2022 2Q ended September 30, 2021	Year-on-year comparisons	Year-on-year change (%)
Consolidated net sales	84,937	93,422	8,485	+10.0
Operating income	11,548	13,188	1,640	+14.2
Food Manufacturing				
Net sales	81,634	89,715	8,081	+9.9
Operating income	11,512	13,091	1,579	+13.7
Confectionery				
Net sales	40,561	43,217	2,656	+6.5
Operating income	2,446	2,925	479	+19.6
Frozen desserts				
Net sales	24,495	25,589	1,094	+4.5
Operating income	5,674	4,857	(817)	(14.4)
Health products				
Net sales	16,577	20,908	4,331	+26.1
Operating income	3,390	5,307	1,917	+56.6

(Note) Net sales are sales to external customers.

Domestic	76,303	82,000	5,697	+7.5
Overseas	5,331	7,714	2,383	+44.7

Ratio of overseas sales to consolidated net sales	6.3%	8.3%
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5. Net sales in focus domains prioritized in the 2030 Business Plan

(Million yen)

Focus domain	Year ended March 31, 2021 2Q ended September 30, 2020	Year ending March 31, 2022 2Q ended September 30, 2021	Year-on-year comparisons	Year-on-year change (%)
"in-" business	12,965	16,466	3,501	+27.0
Direct marketing business	3,614	4,306	692	+19.1
U.S. business	3,349	4,735	1,386	+41.4
Frozen desserts business	24,279	25,280	1,001	+4.1
Total	44,208	50,788	6,580	+14.9

(Note) 1. Net sales are sales to external customers.

(Note) 2. The Group has set business portfolio optimization as one of the basic policies of the 2030 Business Plan (announced on May 20, 2021) and designated four businesses with future growth and profitability potential as focus domains. The focus domain businesses and their connections with existing classifications are as follows.

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

● Indicates net sales (in the first half of the fiscal year ending March 31, 2022)

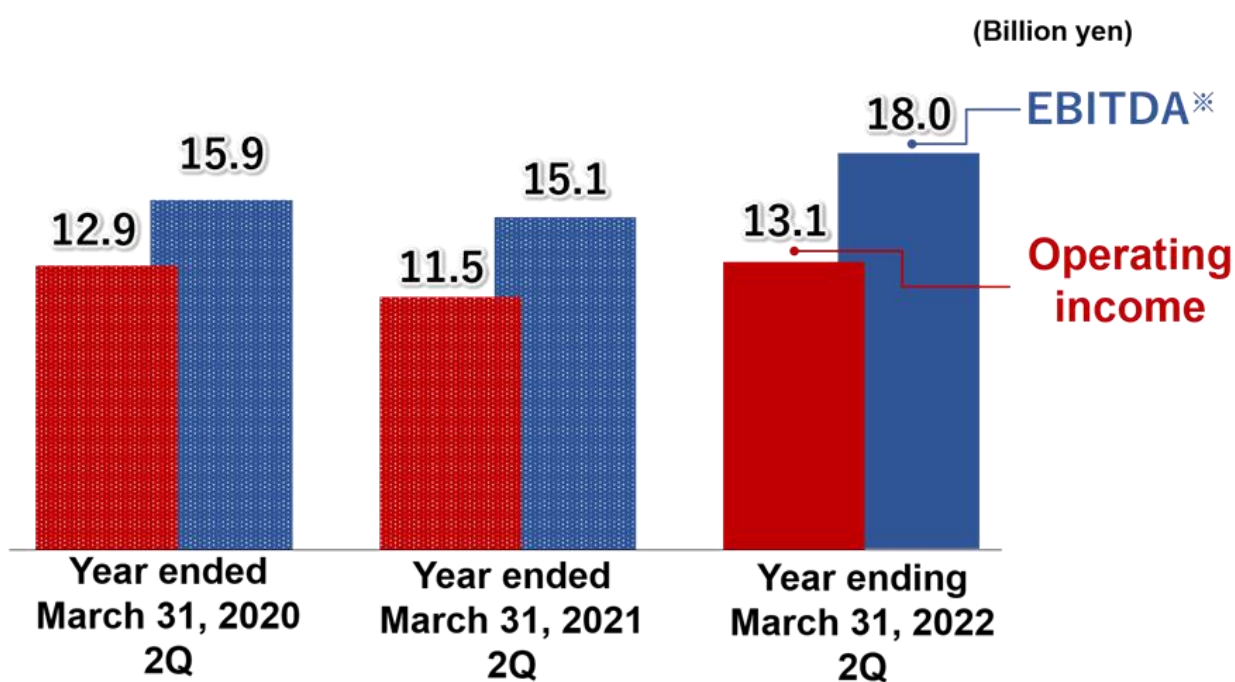
- 1 Products in principle in the "in" brand group, such as *in Jelly* and *in Bar*
- 2 *in Tablet*, *in Chocolat*, etc.
- 3 Aunt Stella Inc., Morinaga Market Development Co., Ltd.
- 4 Morinaga Shoji Co., Ltd., Morinaga Institute of Biological Science, Inc., Morinaga Takataki Country Co., Ltd., etc.
- 5 China, Southeast Asia, Europe, Oceania, etc.

6. Capital investment, depreciation expenses, and research and development expenses

(Million yen)

	Year ended March 31, 2021 2Q ended September 30, 2020	Year ending March 31, 2022 2Q ended September 30, 2021	Year-on-year comparisons
Capital investment	10,530	7,355	(3,175)
Depreciation expenses	3,593	4,815	1,222
Research and development expenses	1,115	1,099	(16)

7. Operating income and EBITDA



*Simplified EBITDA: operating income + depreciation and amortization

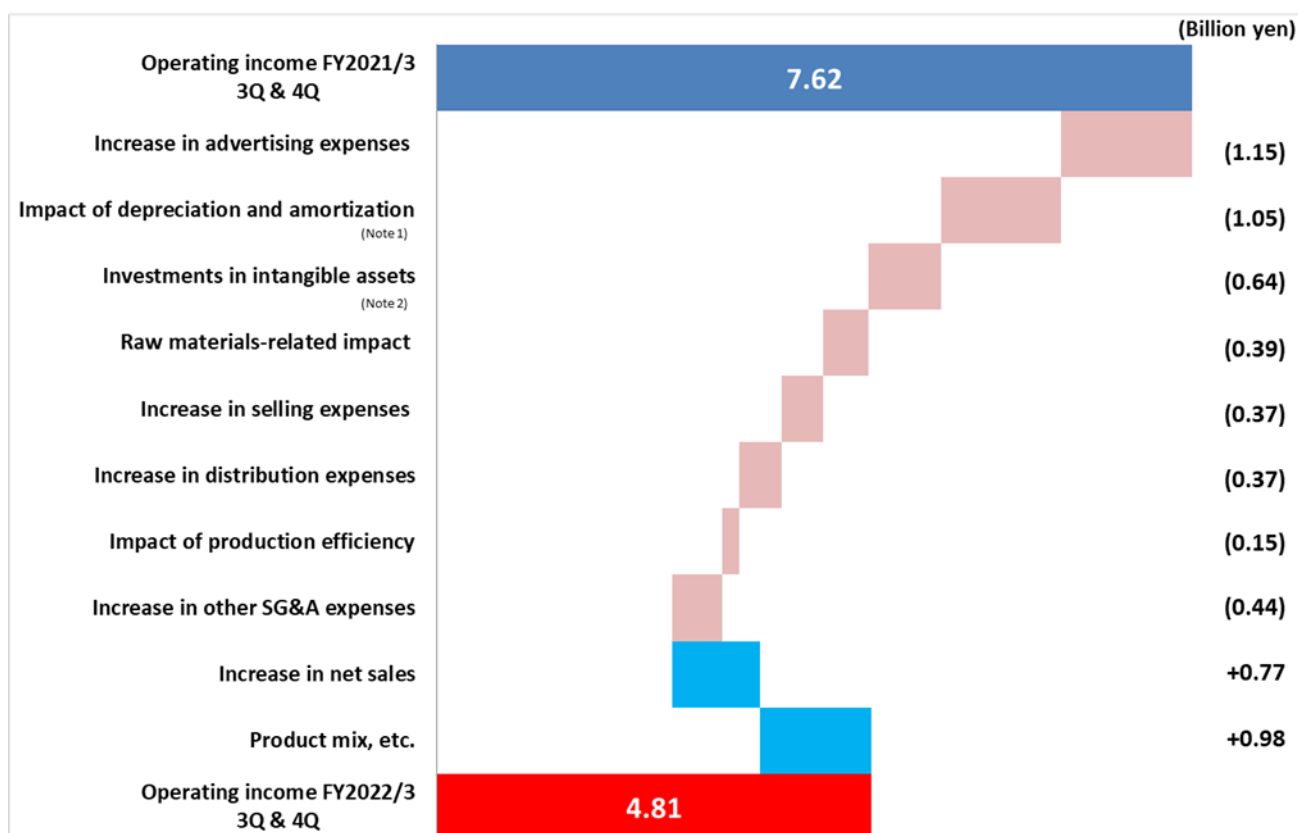
[Forecast for the second half]

1. Financial results

(Million yen)

	Year ended March 31, 2021 3Q & 4Q	Year ending March 31, 2022 3Q & 4Q	Year-on-year comparisons	Year-on-year change (%)
Net sales	83,303	85,777	2,474	+3.0
Operating income	7,628	4,811	(2,817)	(36.9)
Ordinary income	7,802	4,799	(3,003)	(38.5)
Profit attributable to owners of parent	5,095	3,255	(1,840)	(36.1)

2. Analysis of changes in operating income



(Note) 1. Total of cost of sales and SG&A expenses

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

3. Segment information

(Million yen)

Business	Year ended March 31, 2021 3Q & 4Q	Year ending March 31, 2022 3Q & 4Q	Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing				
Net sales	78,596	81,084	2,488	+3.2
(Composition ratio to total net sales)	(94.4%)	(94.5%)		
Segment operating income	7,297	4,515	(2,782)	(38.1)
Food Merchandise				
Net sales	3,391	3,461	70	+2.1
(Composition ratio to total net sales)	(4.1%)	(4.1%)		
Segment operating income	273	261	(12)	(4.4)
Real Estate and Services				
Net sales	955	947	(8)	(0.8)
(Composition ratio to total net sales)	(1.1%)	(1.1%)		
Segment operating income	435	512	77	+17.9
Others Services				
Net sales	359	284	(75)	(20.9)
(Composition ratio to total net sales)	(0.4%)	(0.3%)		
Segment operating income	122	73	(49)	(39.5)

(Note) Net sales are sales to external customers.

4. Domestic and overseas sales in Food Manufacturing

(Million yen)

	Year ended March 31, 2021 3Q & 4Q	Year ending March 31, 2022 3Q & 4Q	Year-on-year comparisons	Year-on-year change (%)
Domestic	72,153	73,399	1,246	+1.7
Overseas	6,443	7,685	1,242	+19.3

Ratio of overseas sales to consolidated net sales	7.7%	9.0%
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[Full-year forecast]

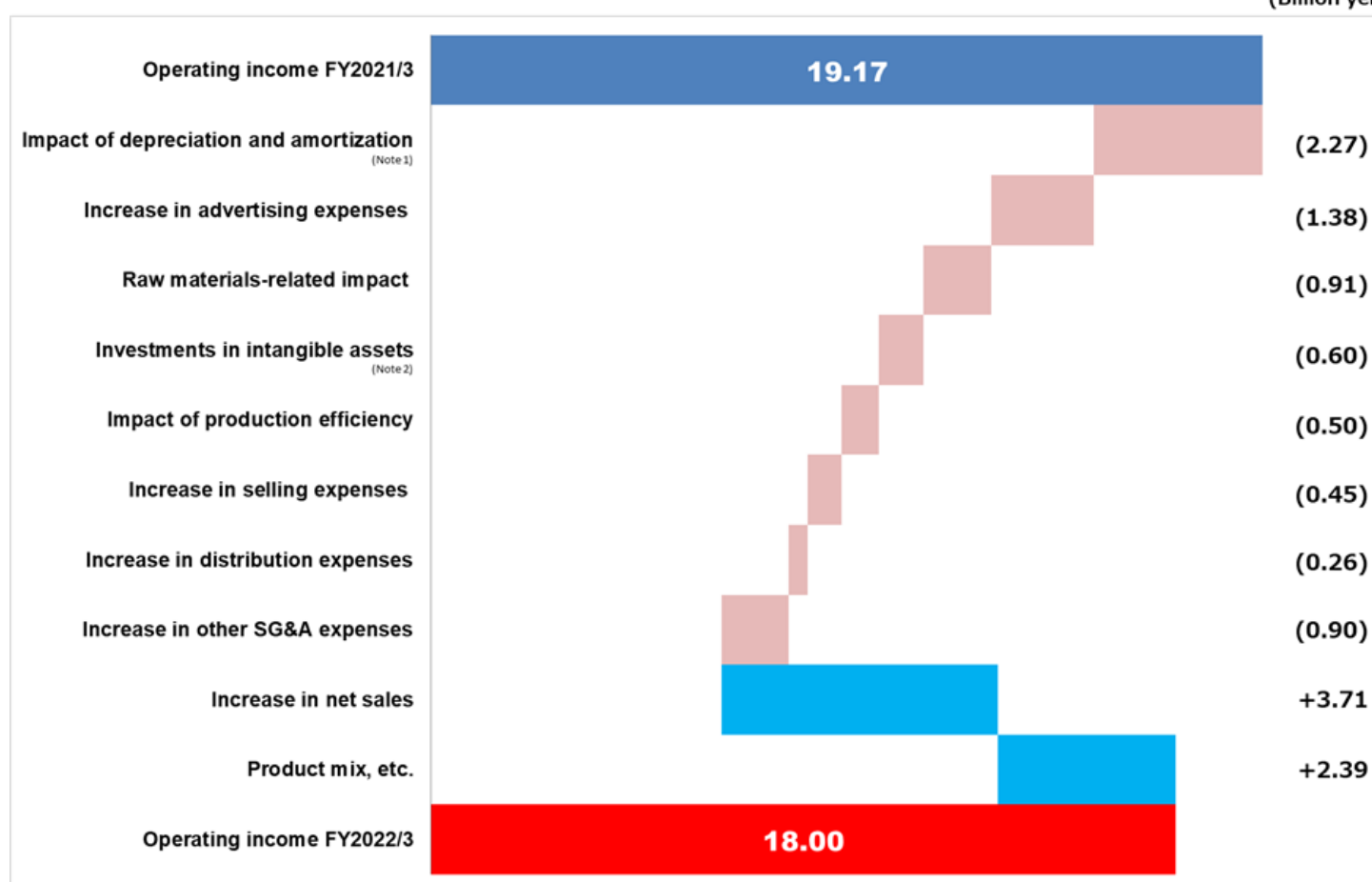
1. Financial results

(Million yen)

	Year ended March 31, 2021	Year ending March 31, 2022	Year-on-year comparisons	Year-on-year change (%)
Net sales	168,240	179,200	10,960	6.5
Operating income	19,176	18,000	(1,176)	(6.1)
Ordinary income	19,782	18,500	(1,282)	(6.5)
Profit attributable to owners of parent	13,416	12,800	(616)	(4.6)

2. Analysis of changes in operating income










(Billion yen)



(Note) 1. Total of cost of sales and SG&A expenses










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

Descriptions of products belonging to the mainstay brands

Products	Visual	Category	Year released	Description
[Confectionery & Foodstuffs]				
Morinaga Biscuits		Biscuits	1923	The <i>Morinaga Biscuits</i> series was launched in 1923. Continual enhancements to taste and texture since then have ensured that the brand enjoys high recognition levels and market share in Japan. There are a number of different <i>Morinaga Biscuits</i> brands each with their own unique tastes, including <i>Marie</i> , <i>Moonlight</i> , and <i>Choice</i> .
Chocoball		Chocolate	1967	<i>Chocoball</i> is a brand of spherical chocolate-covered peanuts (versions with caramel centers and other fillings are also available). Each one of these bite-sized chocolate treats are packed with different flavors and textures. The packages feature the popular bird-like mascot called "Kyoro-chan" and a unique beak-like opening to dispense the treats one at a time. Marks printed on the "beaks" can be collected and exchanged for a small can filled with toys. The "can of toys" campaign is well-known in Japan as it has continued for more than 50 years, ever since the product's launch.
Amazake		Soft drinks	1974	Amazake is a traditional Japanese beverage made from fermented rice. The <i>Morinaga Amazake</i> brand has the top market share in Japan, and features a diverse lineup including products using saké lees and komé koji, and those made using only komé koji. Even the types made using saké lees have an alcohol content of less than 1%, but caution needs to be exercised when the product is consumed by children, pregnant and breastfeeding women, and people who are sensitive to alcohol.
HI-CHEW		Soft candy	1975	Characterized by a soft, chewy texture and brimming with a juicy deliciousness that increases with every bite. <i>HI-CHEW</i> enjoys high recognition levels and market share as the top soft candy brand in Japan.
DARS		Chocolate	1993	Smooth-textured chocolate that melts quickly in the mouth. Each packet contains a dozen loose pieces and are reclosable and compact, making DARS easy to eat on the go.
Carré de chocolat		Chocolate	2003	<i>Carré de chocolat</i> is a brand of thin chocolate squares. They were developed with the express aim of creating Japan's most delicious chocolate, and painstaking attention was paid to ingredients, production methods, and packaging design. The diverse product range includes milk, dark, white, and high-cacao-content chocolate (<i>Cacao 70</i> and <i>Cacao 88</i>), as well as variations with special fillings.
[Frozen Desserts]				
Choco Monaka Jumbo		Ice cream	1972	<i>Choco Monaka Jumbo</i> is Japan's top domestic ice cream brand. Based on a traditional Japanese wafer-based sweet called "monaka", <i>Choco Monaka Jumbo</i> features a sheet of chocolate covered in ice cream all enclosed in a thin and crispy chocolate and wafer covering. This treat is characterized by the rich sweetness of the ice cream and the crackly texture of the chocolate.
Vanilla Monaka Jumbo		Ice cream	2011	A vanilla version of <i>Choco Monaka Jumbo</i> featuring ice cream with a full-bodied vanilla flavor enclosed in a wafer with a cake-like taste due to the addition of almond powder.
[Health Products]				
in Jelly		Jelly drinks	1994	With <i>in Jelly</i> , the first drinkable jelly in a pouch with a built-in spout, Morinaga created a new product category and the brand continues to enjoy the top market share. The product provides an easy way for people to boost their nutrient intake. Clear labelling of the nutrients each product contains, such as "energy", "vitamins", and "protein", allows quick selection of the drink that best suits one's needs. As drinkable jelly not only quenches thirst but is also filling, they can also be used as a time-saving meal replacement.



Descriptions of products belonging to the other focus brands

Products	Visual	Category	Year released	Description
[Confectionery & Foodstuffs]				
<i>Morinaga Milk Caramel</i>		Caramel	1913	<i>Milk Caramel</i> gladdens the heart and stomach with a mild sweetness and gentle milk flavor. Produced continuously since the company's founding in 1899, the product can be thought of as Morinaga's starting point. The design of the current yellow packets has been in use ever since 1913.
<i>Morinaga Milk Cocoa</i>		Cocoa	1919	<i>Morinaga Milk Cocoa</i> is an instant chocolate drink powder. Morinaga helped establish Japan's cocoa industry, being the first company in the country to produce and sell cocoa powder. <i>Morinaga Milk Cocoa</i> continues to maintain the top market share in Japan (over 50%).
<i>Morinaga Ramune</i>		Candy	1973	Refreshing ramune-flavored candy in packaging shaped like old-fashioned carbonated drink bottles.. Japanese ramune beverages taste similar to carbonated lemonade ("ramune" is a Japanese approximation of the word "lemonade").
<i>Ottotto</i>		Snacks	1982	Hollow baked crackers with a light crisp texture. The crackers are carefully shaped to look like a wide variety of different sea creatures and other animals making them even more fun to eat.
[Frozen Desserts]				
<i>Pari Pari Bar</i>		Ice cream	1986	Vanilla ice cream on a stick with thin layered sheets of chocolate providing a satisfying crackly texture.
<i>ICEBOX</i>		Ice cream	1989	A crisply refreshing and scrunchy frozen dessert made from crushed ice. Pour juice or other beverages into the cup to create a super cold drink.
<i>Ita Choco Ice</i>		Ice cream	1995	Vanilla ice cream coated in an extra-thick chocolate shell shaped like a bar of chocolate. Enjoy the snapping of the chocolate shell as the creamy ice cream melts in your mouth. Distinguished by the delectable taste of quality chocolate with a rich cacao aroma.
[Health Products]				
<i>Morinaga Collagen Drink</i>		Soft drinks	2006	A collagen drink containing 10g of easily digested and absorbed low-molecular-weight collagen peptides. The product, which is now fat-free while retaining the great original taste, is only 65Kcal per 125ml pack.
<i>in BAR</i>		Nutritional supplements	2012	A range of snack bars providing 10 to 15 grams of protein. Morinaga made full use of its snack development knowhow to create bars that are not only protein-rich, but taste great too.