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Consolidated Financial Summary for the Nine Months Ended December 31, 2021 (3Q) (Japanese Accounting Standards)

February 9, 2022

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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: February 14, 2022

Scheduled date for commencement of dividend payments: –

Supplementary documents for quarterly results: None

Quarterly results briefing: None

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

1. Consolidated Financial Results for the First Three Quarters Ended December 31, 2021 (April 1, 2021 – December 31, 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	%
3Q ended December 31, 2021	138,663	6.9	17,283	0.8	17,860	1.1	12,515	2.7
3Q ended December 31, 2020	129,694	–	17,151	–	17,658	–	12,184	–

(Note) Comprehensive income: 3Q ended December 31, 2021: 11,863 million yen (-25.6%);
 3Q ended December 31, 2020: 15,943 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q ended December 31, 2021	248.85	–
3Q ended December 31, 2020	242.24	–

(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 nine months of the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard. As a result, for the 3Q ended December 31, 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	%
3Q ended December 31, 2021	215,745	131,333	60.4
Year ended March 31, 2021	202,910	123,706	60.5

(Reference) Shareholders' equity: 3Q ended December 31, 2021: 130,283 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
Year ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 80.00	Yen 80.00
Year ending March 31, 2022	—	0.00	—		
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 (April 1, 2021 – March 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: None

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: (3) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 9 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)

3Q ended December 31, 2021: 54,189,769 Year ended March 31, 2021: 54,189,769

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

3Q ended December 31, 2021: 3,911,964 Year ended March 31, 2021: 3,891,130

(iii) Average number of shares during the period

3Q ended December 31, 2021: 50,293,402 3Q ended December 31, 2020: 50,300,267

* 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 third 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.

○ Accompanying Materials – Contents

1. Qualitative Information on Consolidated Results for the First Three Quarters	2
(1) Qualitative information on consolidated results	2
(2) Qualitative information on consolidated financial position	4
(3) Qualitative information on future forecasts, including consolidated results forecasts.....	4
2. Quarterly Consolidated Financial Statements and Major Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income.....	7
(3) Notes to the Quarterly Consolidated Financial Statements	9
(Notes on the going concern assumption).....	9
(Notes if there is a significant change in the amount of shareholders' equity).....	9
(Changes in accounting policies)	9
(Additional information).....	9
(Segment information).....	10
3. Supplementary Information	11

1. Qualitative Information on Consolidated Results for the First Three Quarters

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 remains clouded, especially in light of skyrocketing raw materials prices and marine transportation expenses, as well as concerns about resurgences in COVID-19 infections caused by the spread of new variants.

Consolidated net sales for the first three quarters increased ¥8,969 million (+6.9%) year on year to ¥138,663 million.

Operating income came to ¥17,283 million, up ¥132 million (+0.8%) year on year owing to the higher net sales. Ordinary income totaled ¥17,860 million, up ¥202 million (+1.1%) year on year. Profit attributable to owners of parent rose ¥331 million (+2.7%) year on year to ¥12,515 million.

The following is consolidated results by business segment.

Food Manufacturing

Confectionery & Foodstuffs

With regard to sales of major brands in Japan, sales of seasonal products and staple products such as *Morinaga Biscuits* were brisk. Sales of *HI-CHEW* were largely unchanged year on year. Sales of new products in the *Morinaga Ramune* series and *Carré de chocolat* series were also strong. Total sales for the mainstay brands decreased year on year partly because sales of *DARS*, *Chocoball*, *Morinaga Amazake*, and *Morinaga Milk Cocoa* were down year on year. Overall sales of other brands in Japan declined year on year, mainly reflecting weaker sales of *Morinaga Hotcake Mix* as a result of the leveling off of stay-at-home demand. As a result, total sales in Japan decreased year on year. In overseas markets, economic activity appeared to be normalizing largely as a result of vaccination rollouts. Sales rose sharply year on year in the United States and China. Sales of *Milk Caramel* were strong in Taiwan, where the product is celebrating its 60th anniversary this year. All up, total overseas sales increased sharply year on year.

As a result, total net sales for Confectionery & Foodstuffs grew ¥2,017 million (+3.0%) year on year to ¥68,309 million.

Segment operating income decreased by ¥148 million (-2.9%) year on year to ¥4,966 million despite efforts to lower costs, such as improving the cost of sales and curbing selling, general and administrative expenses.

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 increased sharply year on year for *Ita Choco Ice* and *PAXIEL*, partly reflecting the benefits of collaborative marketing campaigns featuring a popular anime series.

As a result, total net sales for Frozen Desserts grew ¥1,326 million (+4.1%) year on year to ¥33,918 million.

Segment operating income decreased by ¥1,598 million (-23.4%) year on year to ¥5,218 million

despite efforts to lower 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 various ways to consume the products, such as nourishment after working out at home or as an energy boost to enhance mental faculties when working from home. The sales growth also reflected increased demand for meal replacements when feeling unwell, and the launch of new products that meet new consumer needs, including demand for products with fruit-like textures. Sales of *in Bar* were strong owing 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, sales of *Morinaga Collagen Drink* were solid 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 ¥5,248 million (+21.1%) year on year to ¥30,158 million.

Segment operating income totaled ¥6,673 million, an increase of ¥1,734 million (+35.1%) year on year 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>	109	<i>Jumbo Group</i>	95
<i>HI-CHEW</i>	100	<i>ICEBOX</i>	92
<i>Morinaga Ramune</i>	109	Health Products	
<i>Carré de chocolat</i>	102	<i>in Jelly</i>	121
<i>DARS</i>	91	<i>in Bar</i>	111
<i>Chocoball</i>	95	<i>Morinaga Collagen Drink</i>	118
<i>Morinaga Amazake</i>	84		
<i>Morinaga Cocoa</i>	85		
Total for mainstay confectionery products	99		

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

Overall, sales in the Food Manufacturing business segment increased 6.9% year on year to ¥132,385 million. Operating income for the segment decreased by ¥12 million year on year to ¥16,858 million.

Food Merchandise

Sales for the segment increased 6.3% year on year to ¥4,330 million. Segment income rose ¥56 million year on year to ¥251 million.

Real Estate and Services

Sales for the segment increased 6.4% year on year to ¥1,464 million. Segment income rose ¥100 million year on year to ¥684 million.

Other Services

Sales totaled ¥482 million. Segment income was ¥139 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the third quarter under review increased ¥12,835 million from the end of the previous fiscal year to ¥215,745 million. This was mainly attributable to increases in notes and accounts receivable–trade, buildings and structures–net, and machinery, equipment and vehicles–net. Liabilities increased by ¥5,208 million from the end of the previous fiscal year to ¥84,411 million. This was chiefly due to an increase in notes and accounts payable–trade.

Net assets stood at ¥131,333 million, up ¥7,627 million from the end of the previous fiscal year. This was primarily attributable to an increase in retained earnings, despite a decrease in the valuation difference on available-for-sale securities.

As a result of the above, the shareholders' equity ratio dipped 0.1 percentage points from the end of the previous fiscal year to 60.4%.

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

The results forecasts announced on November 10, 2021 remain unchanged.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

	(Million yen)	
	FY2021/3 (Mar. 31, 2021)	3Q 2022 (Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	31,568	35,063
Notes and accounts receivable–trade	19,934	27,880
Merchandise and finished goods	11,430	12,987
Work in process	319	408
Raw materials and supplies	7,962	8,903
Income taxes receivable	795	32
Other	6,078	5,407
Allowance for doubtful accounts	(43)	(41)
Total current assets	78,045	90,642
Noncurrent assets		
Property, plant and equipment		
Buildings and structures–net	25,773	30,011
Machinery, equipment and vehicles–net	23,579	28,031
Land	21,589	21,366
Other–net	11,488	5,340
Total property, plant and equipment	82,431	84,750
Intangible assets		
Goodwill	196	122
Other	231	215
Total intangible assets	427	337
Investments and other assets		
Investment securities	35,583	33,646
Net defined benefit asset	4,548	4,529
Deferred tax assets	831	753
Other	1,080	1,122
Allowance for doubtful accounts	(37)	(36)
Total investments and other assets	42,006	40,014
Total noncurrent assets	124,865	125,102
Total assets	202,910	215,745

(Million yen)

	FY2021/3 (Mar. 31, 2021)	3Q 2022 (Dec. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	18,162	24,049
Current portion of long-term loans	—	10,000
Accounts payable—other	9,847	9,172
Income taxes payable	1,357	2,612
Allowance for bonuses	2,595	1,394
Asset retirement obligations	—	219
Other	17,619	17,395
Total current liabilities	49,583	64,845
Long-term liabilities		
Long-term loans	10,000	—
Deferred tax liabilities	6,852	6,671
Provision for directors' stock benefits	57	76
Provision for environmental measures	279	279
Net defined benefit liability	7,767	8,092
Asset retirement obligations	262	43
Deposits received	3,706	3,663
Other	694	739
Total long-term liabilities	29,620	19,566
Total liabilities	79,203	84,411
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,281	17,292
Retained earnings	74,139	82,629
Treasury stock	(11,291)	(11,384)
Total shareholders' equity	98,742	107,149
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,729	19,414
Deferred gains or losses on hedges	23	(3)
Foreign currency translation adjustments	493	1,055
Remeasurements of defined benefit plans	2,803	2,668
Total accumulated other comprehensive income	24,049	23,134
Non-controlling interests	915	1,049
Total net assets	123,706	131,333
Total liabilities and net assets	202,910	215,745

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Operations)
 (First three quarters ended December 31, 2021)

(Million yen)

	3Q 2021 (Apr. 1, 2020 – Dec. 31, 2020)	3Q 2022 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	129,694	138,663
Cost of sales	72,966	79,071
Gross profit	56,728	59,591
Selling, general and administrative expenses	39,576	42,308
Operating income	17,151	17,283
Non-operating income		
Interest income	4	17
Dividends income	481	533
Other	208	194
Total non-operating income	694	745
Non-operating expenses		
Interest expenses	24	25
Equity in losses of affiliates	11	18
Depreciation	95	86
Other	55	37
Total non-operating expenses	187	167
Ordinary income	17,658	17,860
Extraordinary income		
Gain on sales of noncurrent assets	0	9
Gain on sales of investment securities	42	2
Total extraordinary income	42	12
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	460	347
Other	24	0
Total extraordinary loss	484	347
Income before income taxes	17,216	17,525
Income taxes—current	3,001	4,257
Income taxes—deferred	1,892	601
Total income taxes	4,893	4,858
Net income	12,322	12,666
Profit attributable to non-controlling interests	137	151
Profit attributable to owners of parent	12,184	12,515

(Quarterly Consolidated Statements of Comprehensive Income)

(First three quarters ended December 31, 2021)

(Million yen)

	3Q 2021 (Apr. 1, 2020 – Dec. 31, 2020)	3Q 2022 (Apr. 1, 2021 – Dec. 31, 2021)
Net income	12,322	12,666
Other comprehensive income		
Valuation difference on available-for-sale securities	3,730	(1,314)
Deferred gains or losses on hedges	(17)	(27)
Foreign currency translation adjustments	(115)	676
Remeasurements of defined benefit plans, net of tax	32	(134)
Share of other comprehensive income of associates accounted for using equity method	(9)	(2)
Total other comprehensive income	3,621	(803)
Net comprehensive income	15,943	11,863
(Breakdown)		
Comprehensive income attributable to owners of parent	15,805	11,600
Comprehensive income attributable to non-controlling interests	138	262

(3) 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 nine months ended December 31, 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 nine months of the fiscal year ended March 31, 2021, net sales decreased by ¥24,507 million, cost of sales increased by ¥839 million, selling, general and administrative expenses decreased by ¥25,327 million, and operating income, ordinary income and income before income taxes each decreased by ¥19 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 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 three quarters of Fiscal 2021 (Apr. 1, 2020 – Dec. 31, 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	123,795	4,075	1,377	129,247	446	129,694	—	129,694
Intersegment sales	99	136	0	236	694	931	(931)	—
Total	123,894	4,212	1,377	129,484	1,141	130,625	(931)	129,694
Segment operating income	16,870	195	584	17,650	124	17,774	(623)	17,151

(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 623 million yen adjustment to segment operating income includes inter-segment elimination of 11 million yen, and corporate expenses that are not allocated to any reportable segment of minus 649 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 three quarters of Fiscal 2022 (Apr. 1, 2021 – Dec. 31, 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	68,309	—	—	68,309	—	68,309	—	68,309
Frozen desserts	33,918	—	—	33,918	—	33,918	—	33,918
Health products	30,158	—	—	30,158	—	30,158	—	30,158
Other	—	4,330	575	4,906	482	5,388	—	5,388
Revenue generated from contracts with customers	132,385	4,330	575	137,292	482	137,774	—	137,774
Other revenue	—	—	888	888	—	888	—	888
Outside customers	132,385	4,330	1,464	138,180	482	138,663	—	138,663
Intersegment sales	105	176	0	281	678	959	(959)	—
Total	132,491	4,506	1,465	138,462	1,160	139,623	(959)	138,663
Segment operating income	16,858	251	684	17,794	139	17,934	(651)	17,283

(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 651 million yen adjustment to segment operating income includes inter-segment elimination of 13 million yen, and corporate expenses that are not allocated to any reportable segment of minus 665 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 nine months 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 nine months of the fiscal year ended March 31, 2021 is not presented.

3. Supplementary Information

* 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.

1. Financial results

	Year ended March 31, 2021 3Q ended December 31, 2020		Year ending March 31, 2022 3Q ended December 31, 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	129,694		138,663		8,969		+6.9
Cost of sales	72,966	56.3	79,071	57.0	6,105	+0.7	+8.4
Selling, general and administrative expenses	39,576	30.5	42,308	30.5	2,732	(0.0)	+6.9
Promotion expenses	3,228	2.5	3,606	2.6	378	+0.1	+11.7
Advertising expenses	5,594	4.3	6,279	4.5	685	+0.2	+12.3
Freightage and storage fees	11,319	8.7	12,280	8.9	961	+0.2	+8.5
Salaries and allowances	6,330	4.9	6,611	4.8	281	(0.1)	+4.4
Provision for bonuses	774	0.6	779	0.6	5	(0.0)	+0.7
Other	12,329	9.5	12,751	9.2	422	(0.3)	+3.4
Operating income	17,151	13.2	17,283	12.5	132	(0.7)	+0.8
Non-operating income	694	0.5	745	0.5	51	+0.0	+7.3
Non-operating expenses	187	0.1	167	0.1	(20)	(0.0)	(10.6)
Ordinary income	17,658	13.6	17,860	12.9	202	(0.7)	+1.1
Extraordinary income	42	0.0	12	0.0	(30)	(0.0)	(72.0)
Extraordinary loss	484	0.4	347	0.3	(137)	(0.1)	(28.3)
Income before income taxes	17,216	13.3	17,525	12.6	309	(0.7)	+1.8
Income taxes	4,893	3.8	4,858	3.5	(35)	(0.3)	(0.7)
Net income	12,322	9.5	12,666	9.1	344	(0.4)	+2.8
Profit attributable to non-controlling interests	137	0.1	151	0.1	14	+0.0	+9.9
Profit attributable to owners of parent	12,184	9.4	12,515	9.0	331	(0.4)	+2.7

2. Segment information

Business	Year ended March 31, 2021 3Q ended December 31, 2020		Year ending March 31, 2022 3Q ended December 31, 2021		Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing						
Net sales	123,795		132,385		8,590	+6.9
(Composition ratio to total net sales)	(95.5%)		(95.5%)			
Segment operating income	16,870		16,858		(12)	(0.1)
Food Merchandise						
Net sales	4,075		4,330		255	+6.3
(Composition ratio to total net sales)	(3.1%)		(3.1%)			
Segment operating income	195		251		56	+28.6
Real Estate and Services						
Net sales	1,377		1,464		87	+6.4
(Composition ratio to total net sales)	(1.1%)		(1.1%)			
Segment operating income	584		684		100	+17.0
Others Services						
Net sales	446		482		36	+8.0
(Composition ratio to total net sales)	(0.3%)		(0.3%)			
Segment operating income	124		139		15	+12.6

(Note) Net sales are sales to external customers.

3. Net sales and operating income in Food Manufacturing

(Million yen)

	Year ended March 31, 2021 3Q ended December 31, 2020	Year ending March 31, 2022 3Q ended December 31, 2021	Year-on-year comparisons	Year-on-year change (%)
Consolidated net sales	129,694	138,663	8,969	+6.9
Operating income	17,151	17,283	132	+0.8
Food Manufacturing				
Net sales	123,795	132,385	8,590	+6.9
Operating income	16,870	16,858	(12)	(0.1)
Confectionery & Foodstuffs				
Net sales	66,292	68,309	2,017	+3.0
Operating income	5,114	4,966	(148)	(2.9)
Frozen Desserts				
Net sales	32,592	33,918	1,326	+4.1
Operating income	6,816	5,218	(1,598)	(23.4)
Health Products				
Net sales	24,910	30,158	5,248	+21.1
Operating income	4,939	6,673	1,734	+35.1

(Note) Net sales are sales to external customers.

Domestic	115,175	120,479	5,304	+4.6
Overseas	8,619	11,906	3,287	+38.1

Ratio of overseas sales to consolidated net sales	6.6%	8.6%
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4. Net sales in focus domains prioritized in the 2030 Business Plan

(Million yen)

Focus domain	Year ended March 31, 2021 3Q ended December 31, 2020	Year ending March 31, 2022 3Q ended December 31, 2021	Year-on-year comparisons	Year-on-year change (%)
"in" business	19,117	22,865	3,748	+19.6
Direct marketing business	5,579	6,700	1,121	+20.1
U.S. business	5,507	7,553	2,046	+37.2
Frozen desserts business	32,312	33,484	1,172	+3.6
Total	62,516	70,604	8,088	+12.9

(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

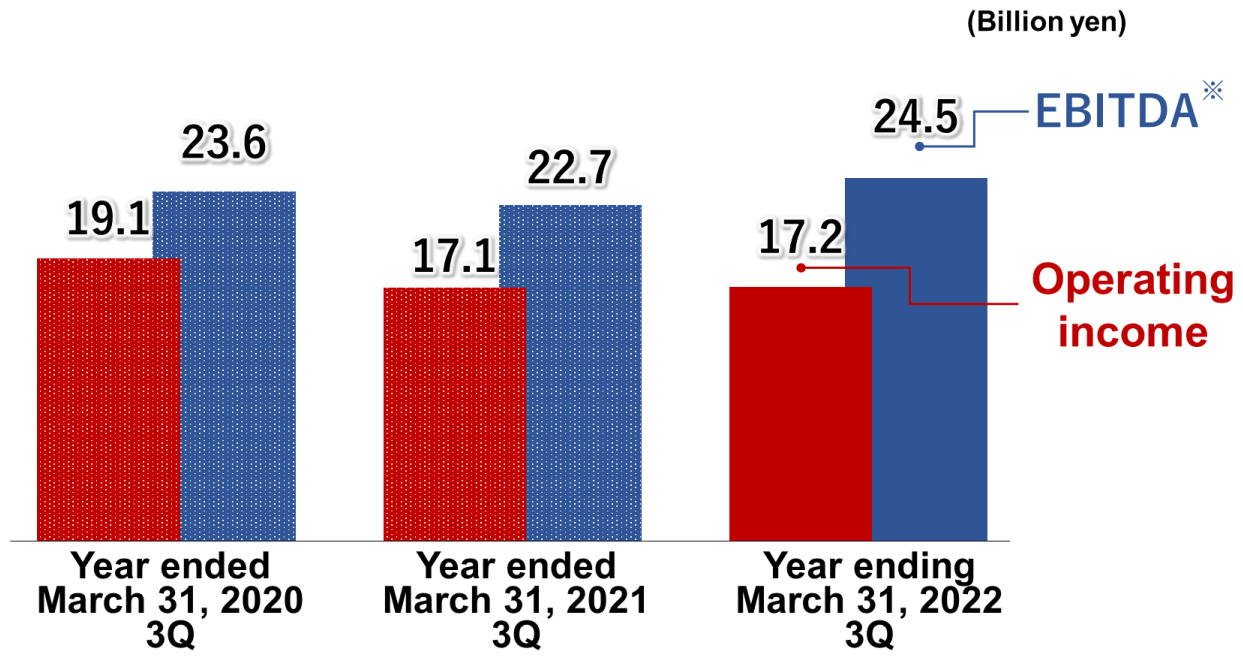
1 Products in principle in the "in" brand group, such as *in Jelly* and *in Bar*2 *in Tablet*, *in Chocolat*, etc.

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.

5. Operating income and EBITDA







*Simplified EBITDA: operating income + depreciation and amortization




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]				
Morinaga Milk Caramel		Caramel	1913	Milk Caramel 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.
Morinaga Milk Cocoa		Cocoa	1919	Morinaga Milk Cocoa 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. Morinaga Milk Cocoa continues to maintain the top market share in Japan (over 50%).
Morinaga Ramune		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").
Ottotto		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]				
Pari Pari Bar		Ice cream	1986	Vanilla ice cream on a stick with thin layered sheets of chocolate providing a satisfying crackly texture.
ICEBOX		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.
Ita Choco Ice		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]				
Morinaga Collagen Drink		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.
in BAR		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.