



Overview of FYE March 2022 Financial Results Outlook of Financial Results for FYE March 2023(Reference)

1. Overview of FYE March 2022 Financial Results

*The accounting standard for revenue recognition is applied from FYE March 2022.

2. Outlook of Financial Results for FYE March 2023

May 13, 2022

MORINAGA MILK INDUSTRY CO., LTD.

1. Overview of FYE March 2022 Financial Results

Summary : Net sales were below the target, but net sales and profits increased.*1

➤ **Net sales: ¥503.4 billion (+3.0% YoY, +0.7% vs target*2)**

Operating income: ¥29.8 billion (+¥0.9 billion YoY, -¥0.2 billion vs target*2)

Net sales

- Continued increases in products that contribute to wellness and high-value-added products
→ Higher net sales for yogurt, ice cream, etc.
- Impact of COVID-19
→ B-to-B Business: Commercial dairy products rebounded year on year (demand from restaurants, etc.)
- Global Business: Infant and toddler milk exports fell in reaction to previous-year strength, but bacteria, MILEI GmbH, and US were solid. Consolidation of Elovi

Operating income

- **Substantial impact of increase in raw material and energy prices** (-¥2.9 billion YoY, including -¥2.8 billion in second half), **prices to be revised** for some goods
- Profit increase driven by **product mix improvements** in yogurt, ice cream and others, **effect of higher sales in B-to-B Business, contribution from Global Business**, cost reductions, etc.
- However, **second-half profit decrease despite first-half profit increase** (First half: +¥3.8 billion, Second half: -¥2.9 billion)

*1 Year-on-year value / % change based on comparison with actual figures from FYE Mar. 2021 after application of revenue recognition accounting standard

*2 Revised forecast announced on February 9, 2022

Financial Results for FYE March 2022



(Unit: billion yen)

	FYE Mar. 2021	FYE Mar. 2021 (after application)	FYE Mar. 2022 target*2	FYE Mar. 2022	Year-on-year change*1	Year on year*1	Change from target*2	Rate of change vs target*2
Net sales	583.6	488.7	500.0	503.4	+14.7	+3.0%	+3.4	+0.7%
Operating income	28.9	28.9	30.0	29.8	+0.9	+3.2%	-0.2	-0.7%
Ordinary income	30.1	30.1	30.8	31.1	+1.0	+3.4%	+0.3	+1.1%
Profit attributable to owners of parent	18.7	18.7	34.6	33.8	+15.0	+80.2%	-0.8	-2.4%
Operating income to Net Sales	4.9%	5.9%	6.0%	5.9%				
ROE (net income /equity capital)	9.8%	9.9%	16.1%	16.7%				
Dividend per share	70 yen	70 yen	80 yen	80 yen				

- **Higher net sales and higher profits** (like-for-like basis). Growth in profits driven by effect of higher sales, improved product mix
- **Approx. ¥20.9 billion (before tax)** in extraordinary income from transfer of fixed assets (1Q: Konan Building ¥4.1 billion, 4Q: Former Kinki Plant site ¥16.8 billion)
- **Sixth straight year of dividend increases**

*1 Year-on-year value / % change based on comparison with actual figures from FYE Mar. 2021 after application of revenue recognition accounting standard

*2 Revised forecast announced on February 9, 2022

Factors Attributable to Increases and Decreases in Operating Income in FYE March 2022



Figures in brackets indicate difference with targets

Change in selling unit prices +0.2 <±0.0>
Sales volume +4.6 <+0.9>
Product mix +1.5 <-2.0>

FYE March 2021

28.9

Business growth

Operation cost +1.5 <+0.1>
Sales promotion expenses +1.4 <+0.6>

+6.3
<-1.1>

Rationalization

Operation cost -5.0 <+0.3>
Raw materials and energy -2.9 <-0.2>
(Milk ±0.0<±0.0>, Others -2.9<-0.2>)
Fixed cost of production (depreciation) -0.3 <+0.1>
Sales from real estate business -0.1 <±0.0>

+2.9
<+0.7>

Rising costs

-8.3
<+0.2>

FYE March 2022

29.8 <-0.2>

* Targets announced on February 9, 2022

0.0 10.0 20.0 30.0 40.0 (billion yen)

- Sales volume: Recovery in B-to-B Business (commercial dairy products), decrease of Mt. RAINIER CAFFÈ LATTE after the price revision
- Product mix: Expansion of functional yogurts and ice creams. MILEI GmbH was solid. However, net sales of bacteria in Japanese B-to-B Business fell in reaction to previous-year strength in 4Q.
- Operation cost: Implemented streamlining, but impact of rising personnel and logistics costs significant. Goodwill amortization for Elovi (approx. ¥0.4 billion)
- Raw materials and energy: Significant impact beginning in 2H. Increases in energy, coffee, fat and oil, and sugar prices

Net Sales & Operating Income by Business Segment in FYE Mar. 2022



(Unit: billion yen)

	Net sales				Operating income (operating income to net sales)			
	FYE Mar. 2021 (after application)	FYE Mar. 2022	Year on year*1	Rate of change vs target*2	FYE Mar. 2021 (after application)	FYE Mar. 2022	Year on year change*1	Rate of change vs target*2
B-to-C Business	262.3	260.1	-0.8%	-0.7%	16.1 (6.1%)	14.6 (5.6%)	-1.5	-1.3
Wellness Business	43.0	44.2	+2.7%	+1.0%	3.5 (8.0%)	3.8 (8.5%)	+0.3	+0.1
B-to-B Business	74.2	82.1	+10.7%	+1.2%	2.6 (3.5%)	3.4 (4.1%)	+0.8	-0.2
Global Business	36.8	43.9	+19.2%	+2.9%	5.5 (15.0%)	7.2 (16.5%)	+1.7	+0.3
Other / Eliminated	72.4	73.1	+0.9%	+3.5%	1.2 (1.6%)	0.8 (1.0%)	-0.4	+1.0
Total	488.7	503.4	+3.0%	+0.7%	28.9 (5.9%)	29.8 (5.9%)	+0.9	-0.2

- B-to-C Business: Growth in yogurt and ice cream led to product mix improvements, but sales of beverages and ice cream decreased. Raw material prices increased. Price revision of the Mt.RAINIER products in February.
- Wellness Business: Nutritional milk powder (Milk Life) and Jelly both grew, Clinico solid, health food mail-order business expanded, but raw material prices increased
- B-to-B Business: Commercial dairy products rebounded from previous-year weakness (demand from restaurants, etc.); interest in bacteria continued despite lower net sales, but raw material prices increased
- Global Business: Infant formula exports declined in reaction to previous-year strength, but bacteria, MILEI GmbH. and US strong. Contribution from consolidation of Elovi

*1 Year-on-year value / % change based on comparison with actual figures from FYE Mar. 2021 after application of revenue recognition accounting standard

*2 Revised forecast announced on February 9, 2022

Subsegment Net Sales in FYE Mar. 2022 (B-to-C Business, Global Business)



(Unit: billion yen)

B-to-C Business (Non-Consolidated)	FYE Mar. 2021 (after application)	FYE Mar. 2022	Year on year*1	Rate of change vs target*2
Beverages	48.1	45.3	-6%	-2%
Yogurt	51.8	53.1	+3%	-1%
Ice cream	38.7	39.8	+3%	-1%
Cheese	27.1	26.0	-4%	-2%
Milk	53.6	54.1	+1%	± 0%
Chilled desserts	7.9	7.9	+1%	+3%
Commercial milk (Home deliveries, etc.)	19.6	19.3	-1%	-3%
Total for main brands*3	106.7	108.0	+1%	± 0%

- Beverages: Small decline of Mt.RAINIER CAFFÈ LATTE despite promotion and contribution from flavored products. Price revision of the Mt.RAINIER products in February 2022. Lipton net sales fell.
- Yogurt: Caught up with the projected line for functional yogurt (approx. +30%), Memory Protection Yogurt performance strong. PARTHENO continued to perform well
- Ice cream: Increased revenue for each of PARM, Pino, MOW. Shipments for some products limited due to supply problems (impact surfaced mainly in 4Q)

Global Business	FYE Mar. 2021 (after application)	FYE Mar. 2022	Year on year*1
MILEI GmbH	¥24.7 billion / €195 million	¥29.8 billion / €229 million	+21% / +17%

- MILEI GmbH: Fading contribution from lactoferrin. Lactose and whey protein concentrate both grew, partly due to sharp rise in dairy ingredients market
- Exports, etc. (infant and toddler milk, bacteria, etc.): Infant-and-toddler-milk: Decreased after substantial increase last year; Bacteria: Significantly increased revenue due in part to demand for supplements in the USA
- Elovi: Added to P&L from FYE Mar. 2022. Net sales exceeded YoY to over ¥3.0 billion. Net sales increased.

*1 Year-on-year value / % change based on comparison with actual figures from FYE Mar. 2021 after application of revenue recognition accounting standard

*2 Revised forecast announced on February 9, 2022

*3 Main brand total is the total of eight brands: Mt.RAINIER CAFFÈ LATTE, Bifidus Yogurt, Morinaga Aloe Yogurt, PARTHENO, PARM, Pino, MOW, Fresh Mozzarella Cheese

2. FYE March 2023: Full-Year Business Forecasts

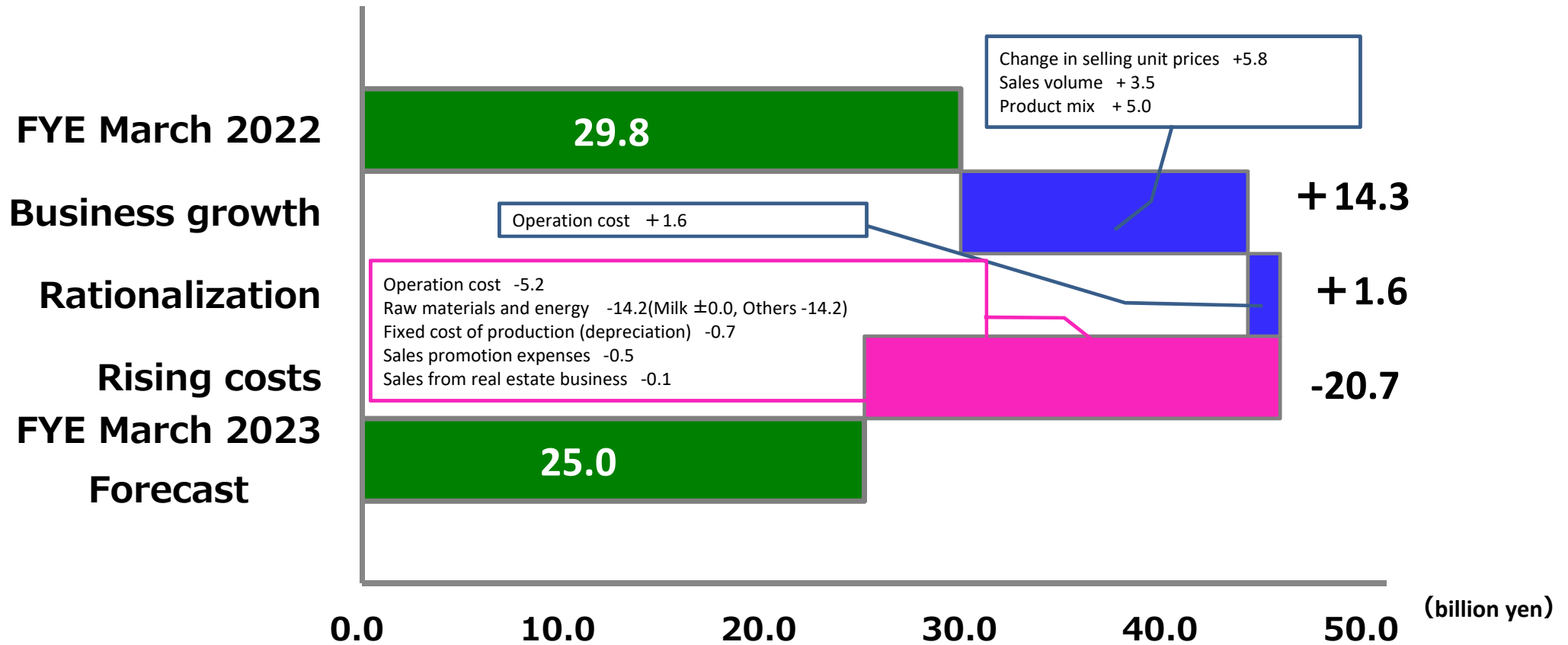


(Unit: billion yen)

	FYE Mar. 2022	FYE Mar. 2023 full year target	Year-on-year change*1	Year on year*1	FYE Mar. 2022 first half	FYE Mar. 2023 first half (target)	Year-on-year change*1	Year on year*1
Net Sales	503.4	520.0	+16.6	+3.3%	261.3	270.0	+8.7	+3.3%
Operating Income	29.8	25.0	-4.8	-16.1%	20.7	17.0	-3.7	-18.0%
Ordinary Income	31.1	25.9	-5.2	-16.8%	21.5	17.7	-3.8	-17.6%
Profit attributable to owners of parent	33.8	15.8	-18.0	-53.2%	17.2	10.7	-6.5	-37.9%
Operating Income to Net Sales	5.9%	4.8%						
ROE (Net Income / Equity Capital)	16.7%	7.5%						
Dividend per share	80 yen	90 yen						

- Expecting reduced operating profit in light of rapid changes in the external environment.
- Net profit: Will decline; was higher last year due to profit from sale of fixed assets
It is projected that an extraordinary loss of approximately ¥1.200 billion will be posted in the 1Q of the FYE Mar. 2023, as result of the head office building reconstruction and writing off. (See p. 12 of the Appendix for more information)
- **Raise the target payout ratio to 30%.** Despite expecting reduced profit, we plan to distribute **¥90 (an extra ¥10) per share**
- Policy of initiatives
 - 1. First and foremost, respond to rising raw material/energy costs**
 - 2. Promote initiatives in line with the Medium-Term Business Plan and the Sustainability Medium- to Long-Term Plan 2030**

FYE March 2023: Forecasts of Fluctuations to Operating Income



- Change in selling unit prices: Effect of price revisions (e.g. Mt. RAINIER CAFFÈ LATTE, cheese, ice cream)
- Product mix: Revise product specs, revise of sales transaction, and other measures beside price revisions. Expand high added value products (e.g. functional yogurt, ice cream)
- Operation costs: Despite rationalization, substantial impact of increase in personnel expenses and cost distribution
- Raw materials and energy: Impact of increase for imported dairy ingredients, imported unprocessed cheese, energy, coffee, packaging materials, etc.; impact of exchange rates

FYE March 2023: Target Sales and Operating Profit for Each Business Segment



(Unit: billion yen)

FYE Mar. 2023	Net sales				Operating income (operating income to net sales)			
	First half target		Full year target		First half target		Full year target	
	Net sales	Year on year	Net sales	Year on year	Operating income	Year-on-year change	Operating income	Year-on-year change
Nutrition and Healthcare Foods Business	64.4	+4.0%	129.0	+4.8%	4.7 (7.3%)	-1.1	7.9 (6.1%)	-1.2
Core Dairy Foods Business	101.5	+1.2%	184.0	+1.5%	8.1 (8.0%)	-1.7	9.0 (4.9%)	-1.8
B-to-B Business *	43.4	+8.8%	87.0	+5.9%	1.2 (2.6%)	-0.4	2.1 (2.4%)	-0.5
Global Business *	23.0	+9.8%	46.4	+5.8%	2.7 (11.7%)	-0.5	5.3 (11.1%)	-1.0
Other / Eliminated *	37.7	-1.4%	73.6	-0.7%	0.4 (0.9%)	-0.1	0.7 (1.0%)	-0.3
Total	270.0	+3.3%	520.0	+3.3%	17.0 (6.3%)	-3.7	25.0 (4.8%)	-4.8

* "Year on year" and "Year-on-year change" of B-to-B Business, Global Business and Other/Eliminated are adjusted to reflect the revised business segments under the new Medium-term Business Plan

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FYE March 2023: Target Sales for Sub-segments



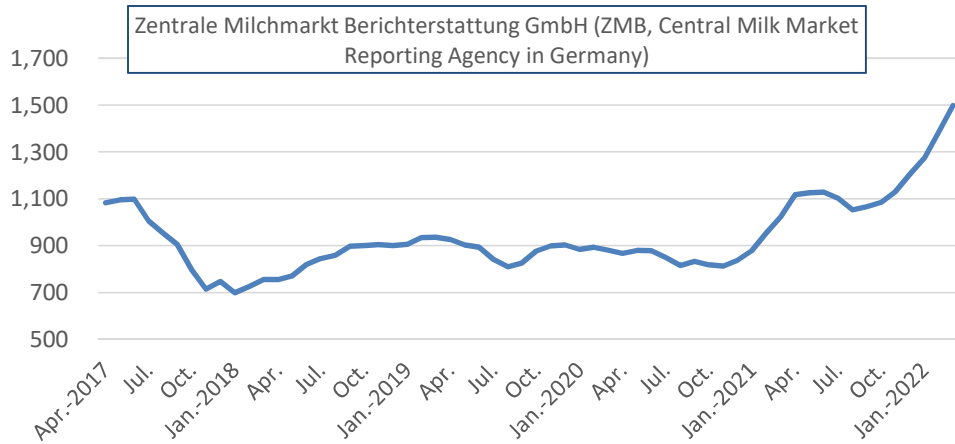
(Unit: billion yen)

First half target	Full year target		Net Sales	
	Net Sales	Year on year	Net Sales	Year on year
Nutrition and Healthcare Foods Business				
Yogurt	29.0	+6%	57.2	+8%
Commercial milk * ₁ (Home deliveries, etc.)	9.7	± 0%	19.3	+1%
Nutritional food products	6.6	± 0%	13.0	+1%
CLINICO Co., Ltd.	12.5	+3%	25.1	+2%
Core Dairy Foods Business				
Beverages * ₂	31.0	+2%	55.8	+2%
Ice Cream	26.8	+5%	42.8	+7%
Cheese	14.0	+6%	27.4	+5%
Milk * ₂	23.0	-2%	43.9	-2%
Chilled desserts	4.1	-2%	7.8	-2%

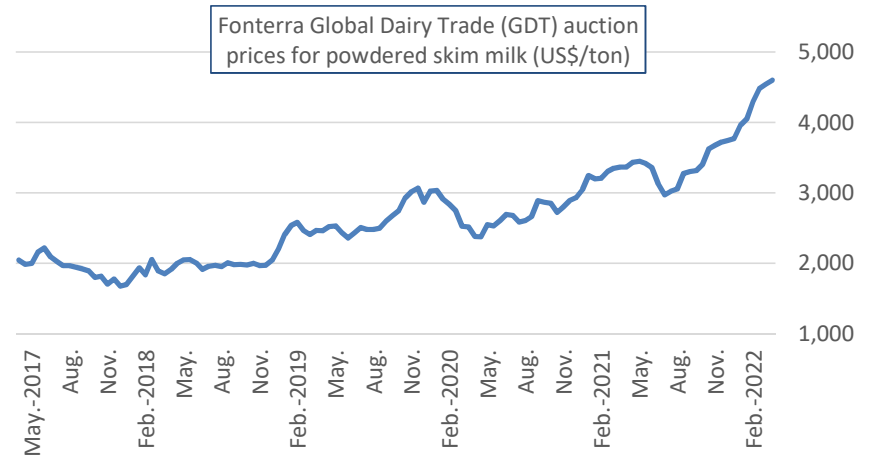
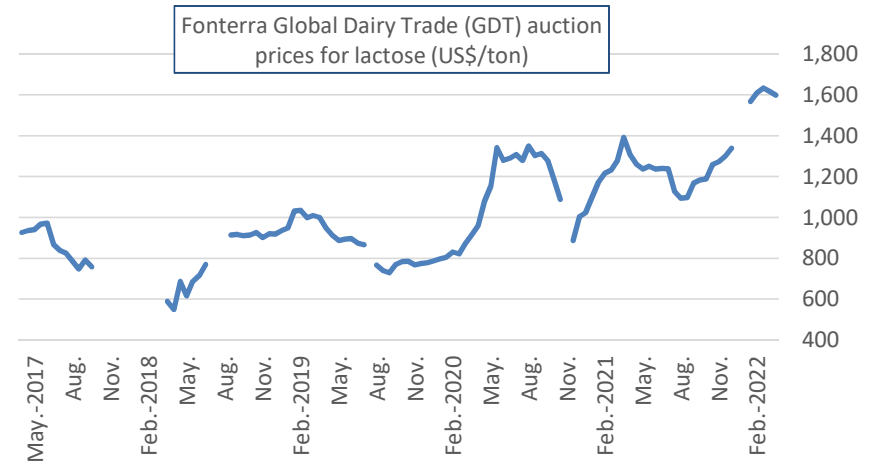
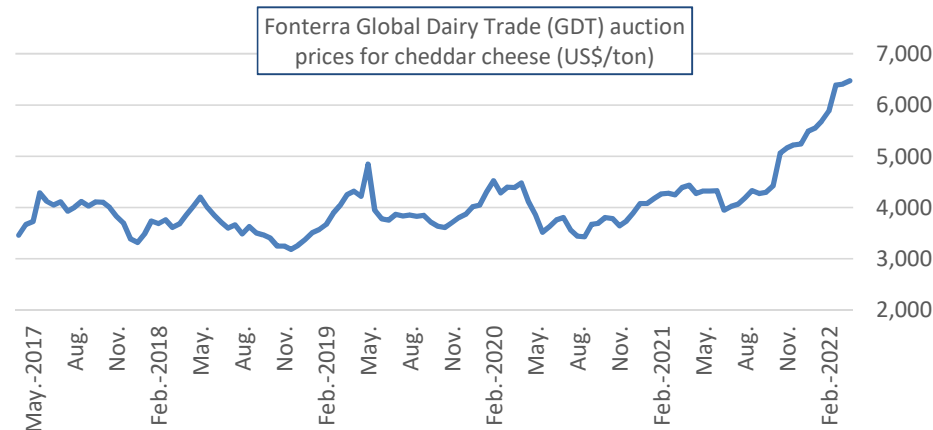
*₁ FYE March 2022 actual results of Commercial milk (Home deliveries, etc.) is adjusted to reflect the revised business segments under the new Medium-term Business Plan

*₂ Adjusted the results of FYE March 2022 to those after transfer to transfer products between Beverages and Milk

(Reference) Dairy Ingredient Market Data (Last 5 Years)



➤ Correlates with price for whey raw materials procured by MILEI GmbH.



Source: ZMB (culinary-use whey powder), Fonterra Global Dairy Trade auctions (lactose, cheddar cheese, powdered skim milk) *Areas without lines are those where no trades took place

(Reference) Notice Regarding Reconstruction of Morinaga Plaza Building(May 13)



May 13, 2022

Notice Regarding Reconstruction of Morinaga Plaza Building

Morinaga Milk Industry Co., Ltd. (hereafter “the Company”) hereby announces that, at the meeting of the Board of Directors held on May 13, 2022, the Company resolved to reconstruct Morinaga Plaza Building where the Company's Head Office is located. Details are as follows.

1. Reconstruction of Morinaga Plaza Building

A decision is made at this time on reconstruction of Morinaga Plaza Building (completed in 1974), a 48-year-old building where the Company is currently located, due to aging, an issue which the Company has been examining for some time. The building will be reconstructed at the same location.

In the reconstruction of the building, we will seek to improve asset value through utilization of the urban planning proposal system, and will give due consideration to environmental performance and coexistence with the local community for realization of a sustainable society.

(1) Location

33-1, Shiba 5-Chome, Minato-ku, Tokyo

(2) Site area

6,135.55 m²

(3) Outline of the new building

The specifications of the building, investment amount, and schedule (timing of start and completion of construction work) are yet to be determined.

2. The Company's location during reconstruction

The Company plans to move to the following location.

(1) Address

Shiodome City Center

5-2, Higashi Shimbashi 1-Chome, Minato-ku, Tokyo

(2) Timing of relocation

Spring 2024 (planned)

3. Impact of the building reconstruction

In connection with the subject resolution, it is projected that an extraordinary loss of approximately ¥1,200 million will be posted in the first quarter of the fiscal year ending March 31, 2023, as result of writing off the rental portion of the building.

In addition, by adopting new useful life for the rest of the building, it is projected that depreciation will increase by approximately ¥200 million in the fiscal year ending March 31, 2023.

All amounts are currently under review.

Disclaimer: This English translation is provided for the benefit of readers. In the case that discrepancies exist between the original Japanese version and the English translation, precedence goes to the original Japanese version.



MORINAGA MILK INDUSTRY CO., LTD.

Cautionary Note Regarding Business Forecasts

Figures for plans, policies, and other figures included in this report other than actual past results are forecasts of future business performance, and are calculated based on management's estimates and understanding of the information available to the Company at the time this presentation was prepared.

Accordingly, these forward - looking figures contain elements of risk and uncertainty, and actual results may differ from these forecasts for a variety of reasons. These elements of potential risk and uncertainty include economic conditions in the Company's major markets, trends in demand for the Company's products, exchange rate movements, and regulatory changes and changes in accounting standards and business practices in Japan and other countries.

Monetary amounts in this presentation are shown in billions of yen, with amounts of less than 0.1 billion yen rounded to the nearest 0.1 billion yen, and as a result, total figures may differ from the sum of the corresponding breakdown figures.