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Consolidated Financial Summary for the Fiscal Year Ended March 31, 2022 (Japanese Accounting Standards)

May 13, 2022

Company name: MORINAGA & CO., LTD. Stock listing: Tokyo Stock Exchange
 Stock code: 2201 URL: <https://www.morinaga.co.jp/company/english/>
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Scheduled date of general meeting of shareholders: June 29, 2022
 Scheduled date for commencement of dividend payments: June 30, 2022
 Scheduled date for filing of annual securities report: June 29, 2022
 Supplementary documents for financial results: Yes
 Financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(1) Consolidated operating results (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 | % |
| Year ended Mar. 31, 2022 | 181,251 | 7.7 | 17,685 | (7.8) | 18,247 | (7.8) | 27,773 | 107.0 |
| Year ended Mar. 31, 2021 | 168,240 | – | 19,176 | – | 19,782 | – | 13,416 | – |

(Note) Comprehensive income: Year ended March 31, 2022: 13,037 million yen (-41.2%);
 Year ended March 31, 2021: 22,178 million yen (–%)

| | Net income per share | Diluted net income per share | ROE | Ordinary income to total asset ratio | Operating income to net sales ratio |
|--------------------------|----------------------|------------------------------|------|--------------------------------------|-------------------------------------|
| | Yen | Yen | % | % | % |
| Year ended Mar. 31, 2022 | 552.59 | – | 22.0 | 8.7 | 9.8 |
| Year ended Mar. 31, 2021 | 266.73 | – | 11.8 | 10.1 | 11.4 |

(Reference) Equity in net gain of affiliated companies: Year ended March 31, 2022: -25 million yen;
 Year ended March 31, 2021: -16 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 fiscal year ended March 31, 2022. The figures for the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard. As a result, for the fiscal year ended March 31, 2021, the year-on-year percentage changes are not presented.

(2) Consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|--------------------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Year ended Mar. 31, 2022 | 214,300 | 131,174 | 60.7 | 2,603.95 |
| Year ended Mar. 31, 2021 | 202,910 | 123,706 | 60.5 | 2,441.25 |

(Reference) Shareholders' equity: Year ended March 31, 2022: 130,035 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 fiscal year ended March 31, 2022. The figures for the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard.

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of the year |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended Mar. 31, 2022 | 24,825 | 9,312 | (5,943) | 60,146 |
| Year ended Mar. 31, 2021 | 12,127 | (19,862) | (4,084) | 31,568 |

2. Dividends

| | Annual dividends | | | | | Total dividends (annual) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|--------------------------------------|------------------|-----------|-----------|----------|-------|--------------------------|-----------------------------|---|
| | End of 1Q | End of 2Q | End of 3Q | Year end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Year ended Mar. 31, 2021 | – | 0.00 | – | 80.00 | 80.00 | 4,025 | 30.0 | 3.5 |
| Year ended Mar. 31, 2022 | – | 0.00 | – | 90.00 | 90.00 | 4,497 | 16.3 | 3.6 |
| Year ending Mar. 31, 2023 (forecast) | – | 0.00 | – | 90.00 | 90.00 | | 41.1 | |

(Note) 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 ended March 31, 2022. The figures for the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard.

3. Consolidated Results Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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 |
| Interim | 99,000 | 6.0 | 10,700 | (18.9) | 10,800 | (21.2) | 6,900 | (27.7) | 141.30 |
| Full year | 190,000 | 4.8 | 16,500 | (6.7) | 16,900 | (7.4) | 10,700 | (61.5) | 219.12 |

* Notes

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

(2) 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 “3. Consolidated Financial Statements and Major Notes: (5) Notes to Consolidated Financial Statements (Changes in accounting policies)” on page 16 of the accompanying materials for details.

(3) Number of shares issued (common shares)

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

Year ended March 31, 2022: 54,189,769 Year ended March 31, 2021: 54,189,769

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

Year ended March 31, 2022: 4,252,091 Year ended March 31, 2021: 3,891,130

(iii) Average number of shares during the period

Year ended March 31, 2022: 50,260,466 Year ended March 31, 2021: 50,299,887

* 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 fiscal year ended 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.

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(1) Non-consolidated operating results

(The percentages are year-on-year percentage changes.)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|--------------------------|-------------|-----|------------------|--------|-----------------|--------|-------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended Mar. 31, 2022 | 155,425 | 5.7 | 12,582 | (13.6) | 13,714 | (11.6) | 24,717 | 110.3 |
| Year ended Mar. 31, 2021 | 147,081 | – | 14,567 | – | 15,520 | – | 11,750 | – |

| | Net income per share | Diluted net income per share |
|--------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Year ended Mar. 31, 2022 | 491.79 | – |
| Year ended Mar. 31, 2021 | 233.62 | – |

(Note) 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 ended March 31, 2022. The figures for the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard. As a result, for the fiscal year ended March 31, 2021, the year-on-year percentage changes are not presented.

(2) Non-consolidated financial situation

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|--------------------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Year ended Mar. 31, 2022 | 197,405 | 112,783 | 57.1 | 2,258.48 |
| Year ended Mar. 31, 2021 | 190,298 | 108,851 | 57.2 | 2,164.10 |

(Reference) Shareholders' equity: Year ended March 31, 2022: 112,783 million yen;
Year ended March 31, 2021: 108,851 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 fiscal year ended March 31, 2022. The figures for the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard.

* This consolidated financial summary is not subject to audits by certified public accountants or audit corporations.

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

(Notes regarding forward-looking statements, etc.)

The results forecasts given in this document are based on assumptions, prospects, and future business plans, currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons.

○ Accompanying Materials – Contents

| | |
|--|----|
| 1. Overview of Operating Results, Etc. | 2 |
| (1) Overview of Operating Results for the Fiscal Year Ended March 31, 2022..... | 2 |
| (2) Overview of Financial Position for the Fiscal Year Ended March 31, 2022 | 4 |
| (3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2022 | 5 |
| (4) Future Outlook | 5 |
| (5) Capital Policy and Shareholders' Return Policy | 6 |
| 2. Basic Policy for the Selection of Accounting Standards..... | 7 |
| 3. Consolidated Financial Statements and Major Notes..... | 8 |
| (1) Consolidated Balance Sheets..... | 8 |
| (2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income..... | 10 |
| (3) Consolidated Statements of Changes in Net Assets | 12 |
| (4) Consolidated Statements of Cash Flows | 14 |
| (5) Notes to Consolidated Financial Statements | 16 |
| (Notes on the going concern assumption)..... | 16 |
| (Basis for preparing consolidated financial statements)..... | 16 |
| (Changes in accounting policies) | 16 |
| (Changes in the method of presentation) | 17 |
| (Additional information)..... | 17 |
| (Consolidated statements of cash flows) | 17 |
| (Segment information)..... | 18 |
| (Per-share information)..... | 21 |
| (Significant subsequent events)..... | 21 |

* Reference Materials: Supplementary Materials for the Consolidated Financial Summary for the Fiscal Year Ended March 31, 2022

1. Overview of Operating Results, Etc.

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. Year-on-year comparisons and analyses are based on figures to which the same accounting standard was retroactively applied.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2022

During the fiscal year under review, the Japanese economy continued to be affected by the spread of COVID-19 infections stifling economic activity in various ways. However, economic activity showed signs of gradually returning to normal, mainly owing to the increased movement of people as the vaccination rollout gained further momentum. Nevertheless, the outlook remains clouded by concerns about resurgences in COVID-19 infections caused by the spread of new variants and other uncertainties.

In Europe and the United States, progress with the balancing of measures to control the pandemic with economic requirements has contributed to economic recoveries despite increasing inflationary pressures. The global economy, however, continues to face uncertainties and considerable downside risks, including geopolitical risks caused by the Russia-Ukraine conflict, supply chain turmoil, and inflationary pressures coming from rising prices of raw materials and crude oil.

In the foodstuffs industry surrounding the Group, as needs for convenience and health increase due to insistence on the safety and reassurance of food and lifestyle changes, it has become necessary to create even higher value-added products that grasp changes in purchasing behavior, as well as indications of such changes. This is causing the competitive environment to become increasingly intense.

In this business environment, the Morinaga Group formulated its 2030 Business Plan, a new long-term management plan to guide the Group over the longer term through 2030, and the 2021 Medium-term Business Plan to guide the Group over the initial stage of the longer-term plan. In the fiscal year ended March 31, 2022, these first year covered by the two plans, we sought to lay the foundation for the dramatic growth, with efforts focused on improving profitability via business portfolio optimization and structural reforms, business foundation building linked to our business strategies, and promoting greater diversity in our workforce.

Consolidated net sales for the fiscal year under review came to ¥181,251 million, a year-on-year increase of ¥13,011 million (+7.7%), supported by recoveries from the COVID-19 downturn in all segments and strong growth in businesses designated as focus domains in the 2030 Business Plan.

Despite the growth in sales, profits were suppressed by the soaring prices of raw materials and crude oil as well as the increased burden from depreciation related to capital investments targeting future growth. As a result, operating income came to ¥17,685 million, down ¥1,491 million (-7.8%) year on year, and ordinary income was ¥18,247 million, down ¥1,535 million (-7.8%). Profit attributable to owners of parent, however, was increasing ¥14,357 million (+107.0%) to ¥27,773 million, mainly due to the booking of extraordinary income on the sale of cross-shareholdings.

The following is a summary of consolidated results by business segment.

Food Manufacturing

Confectionery & Foodstuffs

Regarding sales of major brands in Japan, sales of seasonal products and staple products such as *Morinaga Biscuits* were brisk. *HI-CHEW* sales increased year on year, supported by the favorable response to *Suppai HI-CHEW* and *Umai HI-CHEW*, new offerings providing different takes on the characteristic mouthfeel of *HI-CHEW* products. Sales of the *Carré de chocolat* series also increased year on year, but overall sales of core brands decreased year on year owing to weak sales of *Chocoball*, *DARS*, *Morinaga*

Amazake, and *Morinaga Milk Cocoa*. 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. Sales of the *Koeda Chocolate* series, however, increased sharply in the series' 50th anniversary year. As a result of the above, total sales in Japan increased year on year.

In overseas markets, *HI-CHEW* sales in the United States increased sharply year on year, as we steadily expanded sales outlets offering *HI-CHEW* products and the in-store turnover rate was favorable. In China, *HI-CHEW* sales increased significantly over the previous year's level, largely thanks to successful sales promotions at convenience stores. In Taiwan, *Milk Caramel* enjoyed strong sales in its 60th year in the local market, contributing to a year-on-year increase in total overseas Confectionery & Foodstuff sales.

As a result, total net sales for Confectionery & Foodstuffs totaled ¥93,414 million, an increase of ¥4,248 million (+4.8%) from the previous year's result.

Segment operating income of ¥5,461 million, however, was ¥954 million (−14.9%) less than a year earlier, as rising raw material prices and the weight of increased depreciation outweighed the positive impact of our efforts to reduce costs, including lowering 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 in the previous year. Among other brands, *Ita Choco Ice* enjoyed a record high purchase rate in its second year of year-round availability. Sales of *PAXIEL* also increased, supported by collaborative marketing campaigns featuring a popular anime series.

As a result, Frozen Desserts segment sales totaled ¥40,731 million, up ¥1,874 million (+4.8%) year on year. Segment operating income of ¥4,649 million, however, was ¥2,440 million (−34.4%) less than a year earlier, as rising raw material prices and an increase in depreciation on Takasaki Factory No. 3 outweighed the positive impact of our efforts to reduce costs, including lowering the cost of sales and curbing selling, general and administrative expenses.

Health Products

Sales of the core brand *in Jelly* rebounded to above the level in the fiscal year ended March 31, 2020, before COVID-19 began to affect personal consumption. The strong sales reflected successful 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 while working at 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* also exceeded the previous year's level, reflecting efforts to promote the product as a quick and easy way to consume protein and to meet demand for snacking when working at home.

The Direct Marketing business achieved strong sales growth, led by *Morinaga Collagen Drink*, and aggressive promotions increased the number of new subscription customers.

As a result, the Health Product segment posted record high sales of ¥38,604 million, an increase of ¥6,397 million (+19.9%) from the previous year.

Segment operating income also increased, rising to ¥7,329 million, a year-on-year gain of ¥2,024 million (+38.2%) supported by the strong performance of core brands.

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

| Confectionery & Foodstuffs | | Frozen Desserts | |
|---|-----|--------------------------------|-----|
| <i>Morinaga Biscuits</i> | 108 | <i>Jumbo Group</i> | 97 |
| <i>HI-CHEW</i> | 102 | <i>ICEBOX</i> | 94 |
| <i>Morinaga Ramune</i> | 105 | Health Products | |
| <i>Carré de chocolat</i> | 102 | <i>in Jelly</i> | 122 |
| <i>DARS</i> | 95 | <i>in Bar</i> | 101 |
| <i>Chocoball</i> | 93 | <i>Morinaga Collagen Drink</i> | 120 |
| <i>Morinaga Amazake</i> | 88 | | |
| <i>Morinaga Cocoa</i> | 87 | | |
| 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 7.8% year on year to ¥172,750 million. Segment operating income was ¥17,439 million, ¥1,370 million less than a year earlier.

Food Merchandise

Sales for the segment increased 7.0% year on year to ¥5,935 million. Segment operating income came to ¥346 million, ¥66 million more than a year earlier.

Real Estate and Services

Sales for the segment increased 4.9% year on year to ¥1,915 million. Segment operating income totaled ¥873 million, ¥83 million more than a year earlier.

Other Services

Sales totaled ¥649 million. Operating income was ¥179 million.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2022

Total assets at the end of the fiscal year under review amounted to ¥214,300 million, an increase of ¥11,390 million from the end of the previous fiscal year. The increase mainly reflects increases in cash and deposits, deposits with securities companies included in "Other" under current assets, buildings and structures-net, and machinery, equipment and vehicles-net, which more than offset decreases in construction in progress and investment securities.

Liabilities totaled ¥83,126 million, an increase of ¥3,923 million from the end of the previous fiscal year. The increase mainly reflects increases in notes and accounts payable-trade and income taxes payable, partially offset by a decrease in deferred tax liabilities.

Net assets were ¥131,174 million, an increase of ¥7,468 million from the end of the previous fiscal year. The increase mainly reflects an increase in retained earnings, which more than offset a decline in the valuation difference on available-for-sale securities.

As a result of the above, the shareholders' equity ratio was 60.7%, 0.2 percentage point increase from the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2022

In the fiscal year under review, cash and cash equivalents (hereinafter “cash”) increased by ¥28,578 million year on year to ¥60,146 million.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥24,825 million, ¥12,698 million more than in the previous fiscal year. The main components were ¥39,216 million in income before income taxes, ¥10,032 million in depreciation and amortization, a ¥21,951 million gain on sale of investment securities, and ¥2,400 million in income taxes paid.

(Cash flows from investing activities)

Net cash provided by investing activities came to ¥9,312 million. The main components were proceeds from sales of investment securities, and purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in investing activities was ¥5,943 million. The main components were purchase of treasury stock and cash dividends paid.

The following table shows trends in cash flow indicators.

| | FY2018/3 | FY2019/3 | FY2020/3 | FY2021/3 | FY2022/3 |
|----------------------------------|----------|----------|----------|----------|----------|
| Shareholders' equity ratio (%) | 55.0 | 54.8 | 55.7 | 60.5 | 60.7 |
| Equity ratio at market value (%) | 136.9 | 137.5 | 118.2 | 98.0 | 88.8 |
| Debt-to-cash flows ratio (year) | 0.6 | 0.5 | 0.5 | 0.8 | 0.4 |
| Interest coverage ratio (times) | 149.0 | 451.4 | 317.1 | 383.3 | 739.8 |

Notes: Shareholders' equity ratio = Shareholders' equity / Total assets
 Equity ratio at market value = Value of shares / Total assets
 Debt-to-cash flows ratio = Interest-bearing liabilities / Cash flows
 Interest coverage ratio = Cash flows / Interest expenses

* All indicators are based on consolidated financial data.

* In conjunction with the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the consolidated fiscal year ended March 31, 2019, trends for cash flow indicators related to the fiscal year ended March 31, 2018, and previous fiscal years are the indicators after retrospective application of said revised Accounting Standard.

* Value of shares is calculated by multiplying the closing stock price at the end of the fiscal year by the number of shares outstanding (after subtracting treasury stock) at the end of the fiscal year.

* Cash flows are operating cash flows, as shown in the consolidated statements of cash flows. Interest-bearing liabilities are the sum of all liabilities on which interest is paid that are shown in the consolidated balance sheets, except for lease obligations. Interest expenses are the interest expenses paid, as shown in the consolidated statements of cash flows.

* 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. As a result, said accounting standard has been applied retroactively to the trends in cash flow indicators for the fiscal year ended March 31, 2021.

(4) Future Outlook

Considering the geopolitical risks presented by the Russia-Ukraine conflict, ongoing supply chain turmoil, the yen's depreciation, and rising inflationary pressures from soaring raw material and crude oil prices, downside risks for the global economy remain significant. As a result, the Morinaga Group's business environment and the outlook for personal consumption remain highly uncertain. Over the medium- to long-

term, the Group's business environment is expected to be affected by various changes, including a structural decline in Japan's population and the growth of the worldwide population, business model changes driven by advances in digital technology, and the continued rise in health consciousness around the world. In this environment, the Group aims to achieve medium- to long-term growth while contributing to the realization of a sustainable society by concentrating management resources in highly profitable businesses with strong growth potential that will support expansion of the Group's business scale and enhance profitability. In addition, while implementing structural reforms that further enhance management efficiency and ensure the stable generation of investment resources, the Group will increase its investment in research and development and in digital technology to build the foundation that will contribute to its growth over the medium- to long-term.

With the prices of raw materials and crude oil expected to remain at high levels for the medium term, the Group will respond to related risks by flexibly and appropriately adjusting product prices while also strengthening efforts to reduce costs, streamlining operating expenses, and improving investment efficiency.

In light of such efforts, the Group forecasts operating results for the next consolidated fiscal year as shown below.

| | | |
|---|----------------|---------------------------|
| Net sales | ¥190.0 billion | (up 4.8% year on year) |
| Operating income | ¥16.5 billion | (down 6.7% year on year) |
| Ordinary income | ¥16.9 billion | (down 7.4% year on year) |
| Profit attributable to owners of parent | ¥10.7 billion | (down 61.5% year on year) |

Note: These forecast figures have been calculated assuming an exchange rate of ¥128 yen to the U.S. dollar.

Morinaga Group does not have manufacturing or sales bases in Russia or Ukraine. Transactions in Russia have already been discontinued, but this will have little impact on Group sales as Russia and Ukraine account for an insignificant share of sales. However, the Group's earnings could be affected if the Russia-Ukraine conflict disrupts supply chains or causes further increases in the prices of crude oil and grains.

(5) Capital Policy and Shareholders' Return Policy

By aggressively investing for growth and maintaining a solid financial foundation, Morinaga Group plans to continue enhancing its corporate value and providing stable shareholder returns.

Investments to enhance corporate value

Group investment decisions are based on clear investment decision-making criteria with consideration for capital costs, and management continuously monitors the returns on its investments. To enhance corporate value over the medium to long term, the Group will invest in growth while carefully considering capital costs. Group investments will prioritize strategically focused domains capable of generating dramatic growth, including inorganic growth through business tie-ups and M&A. In addition, we plan to achieve sustainable and stable growth by investing in exploratory and research areas that will lay the seeds for future business as well as basic domains, such as aging countermeasures. We also will strengthen investment in intangible assets such as advertising, R&D, and digital transformation that will enable the Group to respond to a rapidly changing business environment and build a foundation for creating new value.

Capital procurement policy and securing financial stability

The Morinaga Group's basic policy is to secure a level of financial security that will enable the Group to weather changes in the macro environment, uncertainty in the business environment, and expanding management risks.

In addition, financing to meet funding needs will take into consideration the current level of cash on hand,

the cost of capital, and financing conditions. Fund procurement must also take into account the shareholders' equity ratio required to ensure financial security and its impact on such financial indicators such as ROE and ROIC, as we aim to maintain an optimal capital structure.

Shareholder return policy

Morinaga Group's basic policy on returning profits to shareholders is to provide consistent and stable returns to shareholders while securing a solid management foundation.

Shareholder returns are premised on our ability to maintain a sound balance sheet. While giving due consideration to the dividend payout ratio and free cash flow, we aim to raise the dividend on equity ratio (DOE), an indicator of the Group's capital policy, over the medium to long term. With an awareness of total shareholder returns, we also will consider flexible implementation of share buybacks as needed.

Based on operating results for the fiscal year under review and the outlook for future business operations, we have decided to add ¥10 to the ¥80 stated in our most recent dividend forecast and pay a year-end dividend of ¥90 per share (this proposal will be submitted to the general meeting of shareholders scheduled to be held on June 29, 2022).

We also plan to pay a year-end dividend of ¥90 per share in the fiscal year ending March 31, 2023.

2. Basic Policy for the Selection of Accounting Standards

Because of the relatively high importance of our domestic businesses, the Group will continue to use the Japanese accounting standards for the preparation of consolidated financial statements in the immediate future. However, we plan to consider adopting IFRS (the International Financial Reporting Standards), based on the future progress in the situation of our overseas businesses.

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

(Million yen)

| | FY2021/3 (Mar. 31, 2021) | FY2022/3 (Mar. 31, 2022) |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 31,568 | 56,652 |
| Notes and accounts receivable—trade | 19,934 | 22,313 |
| Merchandise and finished goods | 11,430 | 13,645 |
| Work in process | 319 | 374 |
| Raw materials and supplies | 7,962 | 9,736 |
| Income taxes receivable | 795 | 157 |
| Other | 6,078 | 9,236 |
| Allowance for doubtful accounts | (43) | (48) |
| Total current assets | 78,045 | 112,067 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 59,335 | 62,295 |
| Accumulated depreciation | (33,562) | (32,283) |
| Buildings and structures—net | 25,773 | 30,011 |
| Machinery, equipment and vehicles | 94,239 | 98,116 |
| Accumulated depreciation | (70,659) | (68,740) |
| Machinery, equipment and vehicles—net | 23,579 | 29,375 |
| Tools, furniture and fixtures | 4,848 | 5,236 |
| Accumulated depreciation | (3,807) | (4,015) |
| Tools, furniture and fixtures—net | 1,041 | 1,221 |
| Land | 21,589 | 21,318 |
| Lease assets | 1,703 | 1,851 |
| Accumulated depreciation | (875) | (966) |
| Lease assets—net | 828 | 884 |
| Construction in progress | 9,618 | 2,241 |
| Total property, plant and equipment | 82,431 | 85,053 |
| Intangible assets | | |
| Goodwill | 196 | 98 |
| Other | 231 | 211 |
| Total intangible assets | 427 | 309 |
| Investments and other assets | | |
| Investment securities | 35,583 | 10,447 |
| Net defined benefit asset | 4,548 | 4,232 |
| Deferred tax assets | 831 | 1,191 |
| Other | 1,080 | 1,034 |
| Allowance for doubtful accounts | (37) | (36) |
| Total investments and other assets | 42,006 | 16,869 |
| Total noncurrent assets | 124,865 | 102,233 |
| Total assets | 202,910 | 214,300 |

(Million yen)

| | FY2021/3 (Mar. 31, 2021) | FY2022/3 (Mar. 31, 2022) |
|---|-----------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 18,162 | 20,392 |
| Current portion of long-term loans | – | 10,000 |
| Lease obligations | 359 | 367 |
| Accounts payable–other | 9,847 | 10,538 |
| Income taxes payable | 1,357 | 9,974 |
| Refund liabilities | 3,303 | 3,611 |
| Allowance for bonuses | 2,595 | 2,697 |
| Asset retirement obligations | – | 453 |
| Other | 13,956 | 12,112 |
| Total current liabilities | 49,583 | 70,147 |
| Long-term liabilities | | |
| Long-term loans | 10,000 | – |
| Lease obligations | 558 | 616 |
| Deferred tax liabilities | 6,852 | – |
| Provision for directors' stock benefits | 57 | 82 |
| Provision for environmental measures | 279 | 274 |
| Net defined benefit liability | 7,767 | 8,231 |
| Asset retirement obligations | 262 | – |
| Deposits received | 3,706 | 3,642 |
| Other | 135 | 131 |
| Total long-term liabilities | 29,620 | 12,978 |
| Total liabilities | 79,203 | 83,126 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 18,612 | 18,612 |
| Capital surplus | 17,281 | 17,292 |
| Retained earnings | 74,139 | 97,886 |
| Treasury stock | (11,291) | (12,717) |
| Total shareholders' equity | 98,742 | 121,074 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 20,729 | 5,396 |
| Deferred gains or losses on hedges | 23 | (1) |
| Foreign currency translation adjustments | 493 | 1,304 |
| Remeasurements of defined benefit plans | 2,803 | 2,261 |
| Total accumulated other comprehensive income | 24,049 | 8,960 |
| Non-controlling interests | 915 | 1,139 |
| Total net assets | 123,706 | 131,174 |
| Total liabilities and net assets | 202,910 | 214,300 |

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

(Million yen)

| | FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021) | FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022) |
|---|---|---|
| Net sales | 168,240 | 181,251 |
| Cost of sales | 95,664 | 105,425 |
| Gross profit | 72,575 | 75,826 |
| Selling, general and administrative expenses | 53,398 | 58,140 |
| Operating income | 19,176 | 17,685 |
| Non-operating income | | |
| Interest income | 7 | 21 |
| Dividends income | 490 | 543 |
| Other | 349 | 228 |
| Total non-operating income | 847 | 793 |
| Non-operating expenses | | |
| Interest expenses | 32 | 34 |
| Equity in losses of affiliates | 16 | 25 |
| Depreciation | 131 | 112 |
| Other | 61 | 58 |
| Total non-operating expenses | 242 | 231 |
| Ordinary income | 19,782 | 18,247 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 1 | 10 |
| Gain on sales of investment securities | 43 | 21,952 |
| Total extraordinary income | 45 | 21,963 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 796 | 700 |
| Impairment loss | 32 | 99 |
| IT system failure response expenses | — | 193 |
| Other | 38 | 1 |
| Total extraordinary loss | 867 | 994 |
| Income before income taxes | 18,959 | 39,216 |
| Income taxes—current | 3,572 | 11,279 |
| Income taxes—deferred | 1,784 | (22) |
| Total income taxes | 5,356 | 11,257 |
| Net income | 13,602 | 27,959 |
| Profit attributable to non-controlling interests | 185 | 186 |
| Profit attributable to owners of parent | 13,416 | 27,773 |

(Consolidated Statements of Comprehensive Income)

(Million yen)

| | FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021) | FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022) |
|---|---|---|
| Net income | 13,602 | 27,959 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,069 | (15,333) |
| Deferred gains or losses on hedges | 14 | (23) |
| Foreign currency translation adjustments | (90) | 970 |
| Remeasurements of defined benefit plans, net of tax | 1,590 | (535) |
| Share of other comprehensive income of associates accounted for using equity method | (7) | (0) |
| Total other comprehensive income | 8,575 | (14,921) |
| Net comprehensive income | 22,178 | 13,037 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 21,986 | 12,684 |
| Comprehensive income attributable to non-controlling interests | 191 | 353 |

(3) Consolidated Statements of Changes in Net Assets

FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of the fiscal year | 18,612 | 17,281 | 64,572 | (11,279) | 89,187 |
| Cumulative effects of changes in accounting policies | | | (226) | | (226) |
| Restated balance | 18,612 | 17,281 | 64,346 | (11,279) | 88,961 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (3,623) | | (3,623) |
| Profit attributable to owners of parent | | | 13,416 | | 13,416 |
| Purchase of treasury stock | | | | (12) | (12) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | – | 0 | 9,792 | (11) | 9,781 |
| Balance at end of the fiscal year | 18,612 | 17,281 | 74,139 | (11,291) | 98,742 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|--|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of the fiscal year | 13,660 | 7 | 600 | 1,211 | 15,478 | 821 | 105,487 |
| Cumulative effects of changes in accounting policies | | | | | | | (226) |
| Restated balance | 13,660 | 7 | 600 | 1,211 | 15,478 | 821 | 105,261 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | | | | | (3,623) |
| Profit attributable to owners of parent | | | | | | | 13,416 |
| Purchase of treasury stock | | | | | | | (12) |
| Disposal of treasury stock | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 7,069 | 15 | (106) | 1,592 | 8,570 | 93 | 8,664 |
| Total changes of items during the period | 7,069 | 15 | (106) | 1,592 | 8,570 | 93 | 18,445 |
| Balance at end of the fiscal year | 20,729 | 23 | 493 | 2,803 | 24,049 | 915 | 123,706 |

FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at beginning of the fiscal year | 18,612 | 17,281 | 74,139 | (11,291) | 98,742 |
| Cumulative effects of changes in accounting policies | | | | | – |
| Restated balance | 18,612 | 17,281 | 74,139 | (11,291) | 98,742 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (4,025) | | (4,025) |
| Profit attributable to owners of parent | | | 27,773 | | 27,773 |
| Purchase of treasury stock | | | | (1,467) | (1,467) |
| Disposal of treasury stock | | 10 | | 41 | 51 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | – | 10 | 23,747 | (1,425) | 22,331 |
| Balance at end of the fiscal year | 18,612 | 17,292 | 97,886 | (12,717) | 121,074 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|--|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of the fiscal year | 20,729 | 23 | 493 | 2,803 | 24,049 | 915 | 123,706 |
| Cumulative effects of changes in accounting policies | | | | | | | – |
| Restated balance | 20,729 | 23 | 493 | 2,803 | 24,049 | 915 | 123,706 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | | | | | | (4,025) |
| Profit attributable to owners of parent | | | | | | | 27,773 |
| Purchase of treasury stock | | | | | | | (1,467) |
| Disposal of treasury stock | | | | | | | 51 |
| Net changes of items other than shareholders' equity | (15,333) | (25) | 811 | (541) | (15,088) | 224 | (14,864) |
| Total changes of items during the period | (15,333) | (25) | 811 | (541) | (15,088) | 224 | 7,467 |
| Balance at end of the fiscal year | 5,396 | (1) | 1,304 | 2,261 | 8,960 | 1,139 | 131,174 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021) | FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022) |
|--|---|---|
| Operating activities | | |
| Income before income taxes | 18,959 | 39,216 |
| Depreciation | 7,909 | 10,032 |
| Impairment loss | 32 | 99 |
| Amortization of goodwill | 98 | 98 |
| Increase (decrease) in provision for directors' stock benefits | 24 | 24 |
| Increase (decrease) in net defined benefit liability | 379 | 143 |
| (Increase) decrease in net defined benefit asset | 50 | (159) |
| Increase (decrease) in allowance for bonuses | (13) | 80 |
| Increase (decrease) in allowance for doubtful accounts | 13 | 1 |
| Increase (decrease) in provision for environmental measures | (23) | (5) |
| Interest and dividends income | (498) | (564) |
| Interest expenses | 32 | 34 |
| Equity in losses (earnings) of affiliates | 16 | 25 |
| Loss (gain) on sale of investment securities | (36) | (21,951) |
| (Gain) loss on sales of noncurrent assets | 84 | 89 |
| Loss on retirement of noncurrent assets | 710 | 599 |
| (Increase) decrease in notes and accounts receivable—trade | 1,013 | (2,127) |
| (Increase) decrease in inventories | (1,385) | (3,752) |
| Increase (decrease) in notes and accounts payable—trade | 751 | 2,039 |
| Other | (4,037) | 2,773 |
| Subtotal | 24,082 | 26,697 |
| Interest and dividends income received | 532 | 561 |
| Interest expenses paid | (31) | (33) |
| Income taxes (paid) refund | (7,599) | (2,400) |
| Contract cancellation fee | (4,855) | – |
| Net cash provided by (used in) operating activities | 12,127 | 24,825 |

(Million yen)

| | FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021) | FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022) |
|---|---|---|
| Investing activities | | |
| Payments into time deposits | – | (180) |
| Purchase of property, plant and equipment | (19,853) | (15,307) |
| Proceeds from sales of property, plant and equipment | 10 | 369 |
| Purchase of intangible assets | (21) | (15) |
| Purchase of investment securities | (3) | (2) |
| Proceeds from sales of investment securities | 105 | 24,784 |
| Proceeds from liquidation of subsidiaries | 387 | – |
| Other | (486) | (336) |
| Net cash provided by (used in) investing activities | (19,862) | 9,312 |
| Financing activities | | |
| Purchase of treasury stock | (12) | (1,467) |
| Proceeds from sales of treasury stock | 0 | 51 |
| Cash dividends paid | (3,623) | (4,025) |
| Dividends paid to non-controlling interests | (97) | (128) |
| Other | (351) | (373) |
| Net cash provided by (used in) financing activities | (4,084) | (5,943) |
| Effect of exchange rate change on cash and cash equivalents | (39) | 384 |
| Net increase (decrease) in cash and cash equivalents | (11,858) | 28,578 |
| Cash and cash equivalents at beginning of period | 43,427 | 31,568 |
| Cash and cash equivalents at end of period | 31,568 | 60,146 |

(5) Notes to Consolidated Financial Statements
(Notes on the going concern assumption)

Not applicable.

(Basis for preparing consolidated financial statements)

1. Scope of consolidation

Consolidated subsidiaries: 16 (Name of major company: Takasaki Morinaga Co., Ltd.)

Non-consolidated subsidiaries: 2 (Name of major company: SEE THE SUN, Inc.)

(Reason for exclusion from the scope of consolidation)

The scale of non-consolidated subsidiaries is small, and the combined figures, including the total assets, net sales, net income (proportional to equity) and retained earnings (proportional to equity), have no significant impact on the consolidated financial statements.

2. Application of equity method

Non-consolidated subsidiaries: 2 (Name of major company: SEE THE SUN, Inc.)

Welights Inc., which was a non-consolidated subsidiary to which the equity method is applied, has been excluded from the scope of application of the equity method from the first quarter of the fiscal year under review because the Company transferred all of its shares on May 31, 2021.

3. Fiscal years of consolidated subsidiaries

The fiscal year-end of Aunt Stella Inc. is February 28, and the fiscal year-end of Taiwan Morinaga Co., Ltd., Shanghai Morinaga Co., Ltd., Morinaga Food (Zhejiang) Co., Ltd., Morinaga America, Inc., Morinaga America Foods, Inc. and Morinaga Asia Pacific Co., Ltd. is December 31. The fiscal year of other consolidated subsidiaries ends on March 31.

To prepare the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-ends and makes the necessary adjustments for important transactions between their fiscal year-ends and the consolidated book closing date.

(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 fiscal year ended 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 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 fiscal year ended March 31, 2021, net sales decreased by ¥31,749 million, cost of sales increased by ¥1,320 million, selling, general and administrative expenses decreased by ¥33,085 million, and operating income, ordinary income and income before income taxes each increased by ¥14 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 fiscal year ended 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 consolidated financial statements in the fiscal year ended March 31, 2022.

(Changes in the method of presentation)**(Consolidated statements of cash flows)**

“Loss (gain) on sale of investment securities” which was included in “Other” under “Operating activities” in the previous fiscal year, is listed separately from the fiscal year under review since significance of the amount has increased. To reflect this change in the method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, “Loss (gain) on sale of investment securities” of minus 36 million yen that was included in “Other” under “Operating activities” in the consolidated statements of cash flows for the previous fiscal year, is now listed separately.

(Additional information)**(Impact of COVID-19 on accounting estimates)**

Although it is still difficult to predict potential further expansion of infection and the timing of an end to the pandemic, the Group has made accounting estimates relating to impairment loss on noncurrent assets and recoverability of deferred tax assets, etc. based on the assumption that there will be no significant impact of COVID-19.

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.

(Consolidated statements of cash flows)

Relationship between the ending balance of cash and cash equivalents and the amount of accounts on the Consolidated Balance Sheets (Million yen)

| | FY2021/3 | FY2022/3 |
|--|--------------------------------|--------------------------------|
| | (Apr. 1, 2020 – Mar. 31, 2021) | (Apr. 1, 2021 – Mar. 31, 2022) |
| Cash and deposits | 31,568 | 56,652 |
| Time deposits with maturity of more than three months | – | (180) |
| “Other” in current assets (deposits with securities company) | – | 3,674 |
| Cash and cash equivalents | 31,568 | 60,146 |

(Segment information)

[Segment information]

1. Overview of reportable segments

(1) Method to determine reportable segments

The reportable segments of the Morinaga Group are its constituents for which separate financial information is available and which the Board of Directors, etc., regularly reviews to determine the allocation of management resources and to evaluate performance.

The Morinaga Group operates business activities centering on food manufacturing. The reportable segments are Food Manufacturing, Food Merchandise, and Real Estate and Services.

(2) Products and services that belong to the reportable segments

The Food Manufacturing segment manufactures confectioneries, foodstuffs, frozen desserts, health products (jelly drinks, etc.), and other products.

The Food Merchandise segment engages in wholesale food service and food products.

The Real Estate and Services segment engages in real estate transactions and the management of golf courses.

2. Method to calculate net sales, profits and losses, assets, and other items by reportable segment

The accounting methods for the reportable segments are essentially the same as the accounting methods listed in "Basis for Preparing Consolidated Financial Statements."

Intersegment sales and transfers are based on prevailing market prices, etc.

3. Information on net sales, profits or losses, assets and other items, and revenue disaggregation, by reportable segment

FY2021/3 (April 1, 2020 – March 31, 2021)

| | Reportable segment | | | | Other Services (Note 1) | Total | Adjustment (Note 2) | Amount posted in consolidated financial statements (Note 3) |
|---|-----------------------|---------------------|--------------------------------|---------|----------------------------|---------|------------------------|--|
| | Food Manufacturing | Food Merchandise | Real Estate and Services | Total | | | | |
| Net sales | | | | | | | | |
| Outside customers | 160,231 | 5,548 | 1,825 | 167,605 | 634 | 168,240 | – | 168,240 |
| Intersegment sales or transfers | 115 | 185 | 0 | 301 | 926 | 1,228 | (1,228) | – |
| Total | 160,347 | 5,734 | 1,826 | 167,907 | 1,561 | 169,469 | (1,228) | 168,240 |
| Segment operating income | 18,809 | 280 | 790 | 19,881 | 190 | 20,071 | (894) | 19,176 |
| Segment assets | 163,958 | 2,109 | 4,925 | 170,994 | 1,473 | 172,467 | 30,443 | 202,910 |
| Other items | | | | | | | | |
| Depreciation and amortization | 7,690 | 5 | 183 | 7,878 | 31 | 7,909 | – | 7,909 |
| Increase in property, plant and equipment and intangible assets | 20,198 | 7 | 188 | 20,394 | 9 | 20,404 | – | 20,404 |

(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) Adjustments are as follows:

(1) The minus 894 million yen adjustment to segment operating income includes an inter-segment elimination of 13 million yen and corporate expenses that are not allocated to any reportable segment of minus 923 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.

(2) The adjustment of segment assets of 30,443 million yen includes corporate assets of 34,163 million yen and an offset of inter-segment receivables of minus 3,720 million yen. Corporate assets represent cash and deposits of the Group and long-term investments (shares in financial institutions) of the Group.

(Note 3) The segment operating income has been adjusted to the operating income stated in the consolidated financial statements.

FY2022/3 (April 1, 2021 – March 31, 2022)

(Million yen)

| | Reportable segment | | | | Other Services (Note 1) | Total | Adjustment (Note 2) | Amount posted in consolidated financial statements (Note 3) |
|---|-----------------------|---------------------|--------------------------------|---------|----------------------------|---------|------------------------|--|
| | Food Manufacturing | Food Merchandise | Real Estate and Services | Total | | | | |
| Net sales | | | | | | | | |
| Confectionery & Foodstuffs | 93,414 | – | – | 93,414 | – | 93,414 | – | 93,414 |
| Frozen Desserts | 40,731 | – | – | 40,731 | – | 40,731 | – | 40,731 |
| Health Products | 38,604 | – | – | 38,604 | – | 38,604 | – | 38,604 |
| Other | – | 5,935 | 734 | 6,669 | 649 | 7,318 | – | 7,318 |
| Revenue generated from contracts with customers | 172,750 | 5,935 | 734 | 179,420 | 649 | 180,069 | – | 180,069 |
| Other revenue | – | – | 1,181 | 1,181 | – | 1,181 | – | 1,181 |
| Outside customers | 172,750 | 5,935 | 1,915 | 180,602 | 649 | 181,251 | – | 181,251 |
| Intersegment sales or transfers | 161 | 249 | 0 | 410 | 900 | 1,311 | (1,311) | – |
| Total | 172,911 | 6,184 | 1,916 | 181,013 | 1,549 | 182,562 | (1,311) | 181,251 |
| Segment operating income | 17,439 | 346 | 873 | 18,659 | 179 | 18,838 | (1,153) | 17,685 |
| Segment assets | 149,399 | 2,493 | 4,983 | 156,876 | 1,439 | 158,315 | 55,985 | 214,300 |
| Other items | | | | | | | | |
| Depreciation and amortization | 9,836 | 5 | 164 | 10,005 | 26 | 10,032 | – | 10,032 |
| Increase in property, plant and equipment and intangible assets | 20,312 | 3 | 86 | 20,402 | 9 | 20,411 | – | 20,411 |

(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) Adjustments are as follows:

- (1) The minus 1,153 million yen adjustment to segment operating income includes corporate expenses that are not allocated to any reportable segment of minus 1,172 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.
- (2) The adjustment of segment assets of 55,985 million yen includes corporate assets of 59,811 million yen and an offset of inter-segment receivables of minus 3,825 million yen. Corporate assets represent cash and deposits of the Group and long-term investments (shares in financial institutions) of the Group.

(Note 3) The segment operating income has been adjusted to the operating income stated in the consolidated financial statements.

4. Changes to reportable segments

As noted under (Changes in accounting policies) in the Notes to Consolidated Financial Statements, the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year ended March 31, 2022. The associated changes in accounting methods relating to revenue recognition mean that the methods for calculating business segment profits or losses have also been changed.

Segment information presented for the fiscal year ended March 31, 2021 is based on the calculation method for profits or losses adopted after this change.

In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, information on breakdowns of revenue generated from contracts with customers for the fiscal year ended March 31, 2021 is not presented.

[Related information]

FY2021/3 (April 1, 2020 – March 31, 2021)

1. Information on each product and service

This information is omitted because the same information is disclosed in the section on segment information.

2. Information on each geographic area

(1) Sales

This information is omitted because the amount of sales to external customers in Japan exceeds 90% of the sales on the consolidated statements of operations.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information on major customers

(Million yen)

| Name of customer | Net sales | Name of related segment |
|-------------------------------|-----------|-------------------------|
| Mitsubishi Shokuhin Co., Ltd. | 19,040 | Food Manufacturing |

FY2022/3 (April 1, 2021 – March 31, 2022)

1. Information on each product and service

This information is omitted because the same information is disclosed in the section on segment information.

2. Information on each geographic area

(1) Sales

This information is omitted because the amount of sales to external customers in Japan exceeds 90% of the sales on the consolidated statements of operations.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information on major customers

There is no description because there are no parties to which sales account for 10% or more of the net sales to external customers on the consolidated statements of operations.

[Information on impairment loss on noncurrent assets by reportable segment]

FY2021/3 (April 1, 2020 – March 31, 2021)

(Million yen)

| | Food Manufacturing | Food Merchandise | Real Estate and Services | Other | Adjustment | Total |
|-----------------|--------------------|------------------|--------------------------|-------|------------|-------|
| Impairment loss | 32 | – | – | – | – | 32 |

FY2022/3 (April 1, 2021 – March 31, 2022)

(Million yen)

| | Food Manufacturing | Food Merchandise | Real Estate and Services | Other | Adjustment | Total |
|-----------------|--------------------|------------------|--------------------------|-------|------------|-------|
| Impairment loss | 99 | – | – | – | – | 99 |

[Information on amortization of goodwill and unamortized balance by reportable segment]

FY2021/3 (April 1, 2020 – March 31, 2021)

(Million yen)

| | Food Manufacturing | Food Merchandise | Real Estate and Services | Other | Adjustment | Total |
|---|--------------------|------------------|--------------------------|-------|------------|-------|
| Amortization during fiscal year | 98 | – | – | – | – | 98 |
| Unamortized balance at end of fiscal year | 196 | – | – | – | – | 196 |

FY2022/3 (April 1, 2021 – March 31, 2022)

(Million yen)

| | Food Manufacturing | Food Merchandise | Real Estate and Services | Other | Adjustment | Total |
|---|--------------------|------------------|--------------------------|-------|------------|-------|
| Amortization during fiscal year | 98 | – | – | – | – | 98 |
| Unamortized balance at end of fiscal year | 98 | – | – | – | – | 98 |

[Information regarding gain on bargain purchase by reportable segment]

FY2021/3 (April 1, 2020 – March 31, 2021)

Not applicable.

FY2022/3 (April 1, 2021 – March 31, 2022)

Not applicable.

(Per-share information)

| | FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021) | FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022) |
|----------------------|---|---|
| Net assets per share | 2,441.25 yen | 2,603.95 yen |
| Net income per share | 266.73 yen | 552.59 yen |

(Note 1) Diluted net income per share is not stated, as there are no dilutive shares.

(Note 2) Shares of the Company held by the officer compensation BIP trust are included in the number of shares of treasury stock deducted from the total number of shares issued at the end of the period in calculating the net assets per share. Furthermore, shares of the Company held by the trust are included in number of shares of treasury stock deducted to calculate the average number of shares during the period in calculating the net income per share. In the previous fiscal year, the number of shares of treasury stock held by the trust at the end of the period was 24,000 and average number of shares of treasury stock during the period was 24,000. In the fiscal year under review, the number of shares of treasury stock held by the trust at the end of the period was 38,000 and average number of shares of treasury stock during the period was 32,000.

(Note 3) The calculation basis for net assets per share is as follows:

| | FY2021/3 (As of Mar. 31, 2021) | FY2022/3 (As of Mar. 31, 2022) |
|--|-----------------------------------|-----------------------------------|
| Total net assets on consolidated balance sheets (million yen) | 123,706 | 131,174 |
| Amount not included in total net assets (million yen) | 915 | 1,139 |
| (Non-controlling interests) | (915) | (1,139) |
| Net assets related to common stock (million yen) | 122,791 | 130,035 |
| Number of common stock included in the calculation of net assets per share (1,000 shares) | 50,298 | 49,937 |

(Note 4) The calculation basis for net income per share is as follows:

| | FY2021/3 (Apr. 1, 2020 – Mar. 31, 2021) | FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022) |
|--|---|---|
| Profit attributable to owners of parent (million yen) | 13,416 | 27,773 |
| Amount not attributable to common stock shareholders (million yen) | – | – |
| Profit attributable to owners of parent related to common stock (million yen) | 13,416 | 27,773 |
| Average number of common stock outstanding in fiscal year (1,000 shares) | 50,299 | 50,260 |

(Significant subsequent events)

Not applicable.

Supplementary Materials for the Consolidated Financial Summary for the Fiscal Year Ended March 31, 2022

* 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 ended March 31, 2022. The figures for results recorded prior to the fiscal year ended March 31, 2022, are the figures after retroactive application of the said accounting standard.

[The fiscal year under review]

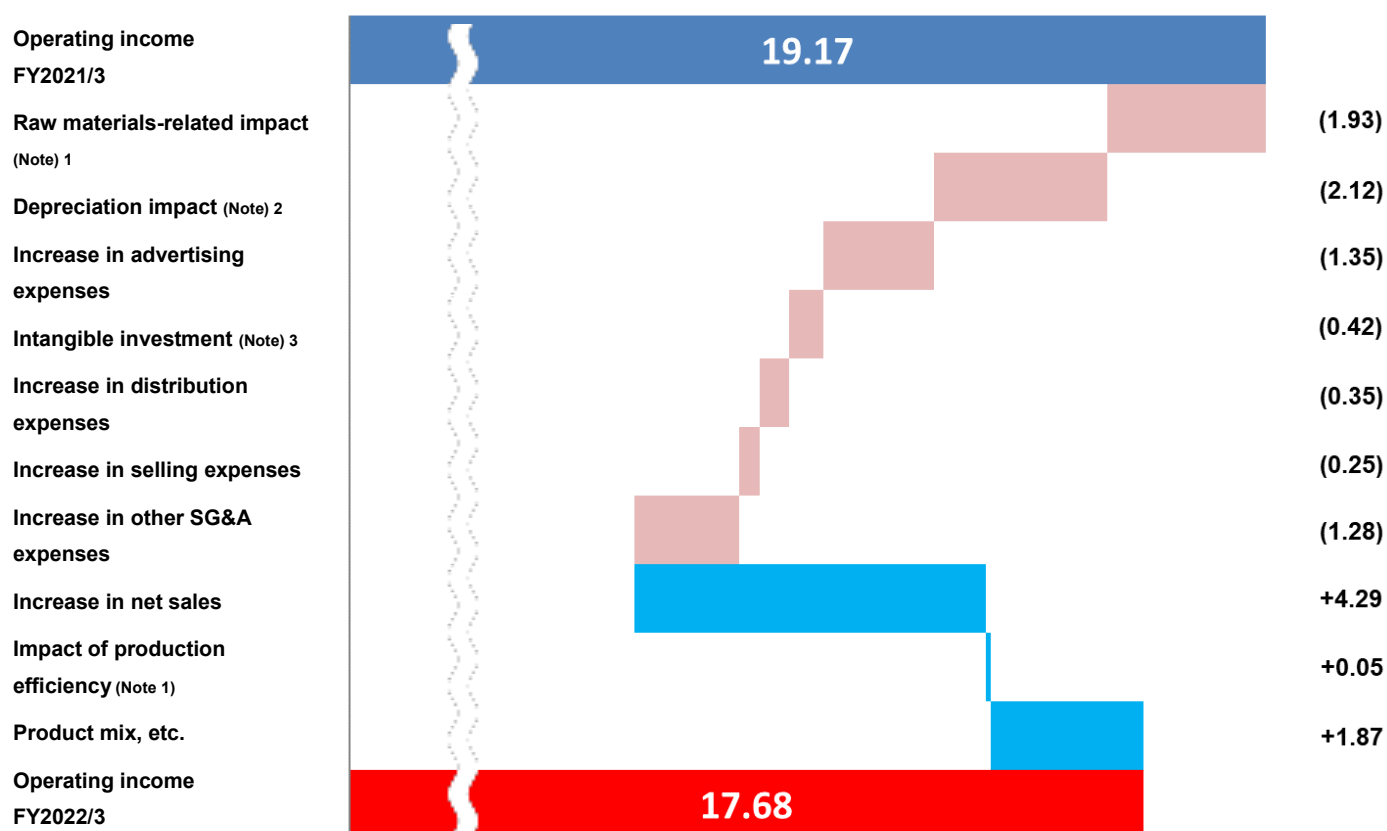
1. Financial results

(Million yen)

| | Year ended March 31, 2021 | | Year ended March 31, 2022 | | 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 | 168,240 | | 181,251 | | 13,011 | | +7.7 |
| Cost of sales | 95,664 | 56.9 | 105,425 | 58.2 | 9,761 | +1.3 | +10.2 |
| Selling, general and administrative expenses | 53,398 | 31.7 | 58,140 | 32.1 | 4,742 | +0.4 | +8.9 |
| Promotion expenses | 4,221 | 2.5 | 4,845 | 2.7 | 624 | +0.2 | +14.8 |
| Advertising expenses | 8,037 | 4.8 | 9,390 | 5.2 | 1,353 | +0.4 | +16.8 |
| Freightage and storage fees | 14,700 | 8.7 | 16,007 | 8.8 | 1,307 | +0.1 | +8.9 |
| Salaries and allowances | 8,493 | 5.0 | 8,901 | 4.9 | 408 | (0.1) | +4.8 |
| Provision for bonuses | 1,418 | 0.8 | 1,475 | 0.8 | 57 | (0.0) | +4.0 |
| Other | 16,527 | 9.8 | 17,520 | 9.7 | 993 | (0.1) | +6.0 |
| Operating income | 19,176 | 11.4 | 17,685 | 9.8 | (1,491) | (1.6) | (7.8) |
| Non-operating income | 847 | 0.5 | 793 | 0.4 | (54) | (0.1) | (6.4) |
| Non-operating expenses | 242 | 0.1 | 231 | 0.1 | (11) | (0.0) | (4.5) |
| Ordinary income | 19,782 | 11.8 | 18,247 | 10.1 | (1,535) | (1.7) | (7.8) |
| Extraordinary income | 45 | 0.0 | 21,963 | 12.1 | 21,918 | +12.1 | +48,701.1 |
| Extraordinary loss | 867 | 0.5 | 994 | 0.5 | 127 | +0.0 | +14.6 |
| Income before income taxes | 18,959 | 11.3 | 39,216 | 21.6 | 20,257 | +10.3 | +106.8 |
| Income taxes | 5,356 | 3.2 | 11,257 | 6.2 | 5,901 | +3.0 | +110.1 |
| Net income | 13,602 | 8.1 | 27,959 | 15.4 | 14,357 | +7.3 | +105.5 |
| Profit attributable to non-controlling interests | 185 | 0.1 | 186 | 0.1 | 1 | (0.0) | +0.2 |
| Profit attributable to owners of parent | 13,416 | 8.0 | 27,773 | 15.3 | 14,357 | +7.3 | +107.0 |

2. Analysis of changes in operating income

(Billion yen)



(Note)1. On domestic Confectionery & Foodstuffs business, Frozen Desserts business, and "in" business (the Company and manufacturing subsidiaries)

(Note)2. Total of cost of sales and SG&A expenses.

(Note)3. Amount of R&D and DX-related investments

3. Segment information

(Million yen)

| Business | Year ended March 31, 2021 | Year ended March 31, 2022 | Year-on-year comparisons | Year-on-year change (%) |
|--|------------------------------|------------------------------|-----------------------------|----------------------------|
| Food Manufacturing | | | | |
| Net sales | 160,231 | 172,750 | 12,519 | +7.8 |
| (Composition ratio to total net sales) | (95.2%) | (95.3%) | | |
| Segment operating income | 18,809 | 17,439 | (1,370) | (7.3) |
| Food Merchandise | | | | |
| Net sales | 5,548 | 5,935 | 387 | +7.0 |
| (Composition ratio to total net sales) | (3.3%) | (3.3%) | | |
| Segment operating income | 280 | 346 | 66 | +23.5 |
| Real Estate and Services | | | | |
| Net sales | 1,825 | 1,915 | 90 | +4.9 |
| (Composition ratio to total net sales) | (1.1%) | (1.0%) | | |
| Segment operating income | 790 | 873 | 83 | +10.5 |
| Other Services | | | | |
| Net sales | 634 | 649 | 15 | +2.3 |
| (Composition ratio to total net sales) | (0.4%) | (0.4%) | | |
| Segment operating income | 190 | 179 | (11) | (5.8) |

(Note) Net sales are sales to external customers.

4. Net sales and operating income in Food Manufacturing

(Million yen)

| | Year ended March 31, 2021 | Year ended March 31, 2022 | Year-on-year comparisons | Year-on-year change (%) |
|-------------------------------------|------------------------------|------------------------------|-----------------------------|----------------------------|
| Consolidated net sales | 168,240 | 181,251 | 13,011 | +7.7 |
| Operating income | 19,176 | 17,685 | (1,491) | (7.8) |
| Food Manufacturing Net sales | 160,231 | 172,750 | 12,519 | +7.8 |
| Operating income | 18,809 | 17,439 | (1,370) | (7.3) |
| Confectionery& Foodstuffs Net sales | 89,166 | 93,414 | 4,248 | +4.8 |
| Operating income | 6,415 | 5,461 | (954) | (14.9) |
| Frozen Desserts Net sales | 38,857 | 40,731 | 1,874 | +4.8 |
| Operating income | 7,089 | 4,649 | (2,440) | (34.4) |
| Health Products Net sales | 32,207 | 38,604 | 6,397 | +19.9 |
| Operating income | 5,305 | 7,329 | 2,024 | +38.2 |

(Note) Net sales are sales to external customers.

| | | | | |
|----------|---------|---------|-------|-------|
| Domestic | 148,456 | 156,328 | 7,872 | +5.3 |
| Overseas | 11,775 | 16,421 | 4,646 | +39.5 |

| | | |
|---|------|------|
| Ratio of overseas sales to consolidated net sales | 7.0% | 9.1% |
|---|------|------|

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

(Million yen)

| | Year ended March 31, 2021 | Year ended March 31, 2022 | Year-on-year comparisons |
|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Capital investment | 20,404 | 20,411 | 7 |
| Depreciation expenses | 7,909 | 10,032 | 2,123 |
| Research and development expenses | 2,217 | 2,686 | 469 |

6. Net sales in focus domains prioritized in the 2030 Business Plan

(Billion yen)

| Focus domain | Year ended March 31, 2021 | Year ended March 31, 2022 | Year-on-year comparisons | Year-on-year change (%) |
|---|---------------------------|---------------------------|--------------------------|-------------------------|
| "in" business | 24.3 | 28.5 | 4.2 | +17.5 |
| Direct Marketing business | 7.4 | 9.1 | 1.7 | +22.6 |
| U.S. business | 7.2 | 10.5 | 3.3 | +46.3 |
| Frozen Desert business | 38.4 | 40.1 | 1.7 | +4.6 |
| Total | 77.4 | 88.4 | 11.0 | +14.3 |
| Ratio of focus domain sales to consolidated net sales | 46.0% | 48.8% | | |

(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 | | 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.

7. Net sales and operating income by business

(Billion yen)

| | Net sales | | | | Operating income | | | |
|-------------------------------------|---------------------------|---------------------------|--------------------------|-------------------------|---------------------------|---------------------------|--------------------------|-------------------------|
| | Year ended March 31, 2021 | Year ended March 31, 2022 | Year-on-year comparisons | Year-on-year change (%) | Year ended March 31, 2021 | Year ended March 31, 2022 | Year-on-year comparisons | Year-on-year change (%) |
| Confectionery & Foodstuffs business | 73.3 | 72.4 | (0.9) | (1.3) | 6.1 | 3.2 | (2.9) | (46.6) |
| Frozen Desserts business | 38.4 | 40.1 | 1.7 | +4.6 | 7.4 | 4.8 | (2.6) | (35.0) |
| "in" business | 23.6 | 28.0 | 4.4 | +18.4 | 4.5 | 6.8 | 2.3 | +49.9 |
| Direct Marketing business | 7.4 | 9.1 | 1.7 | +22.6 | 0.6 | 0.3 | (0.3) | (47.6) |
| Operating subsidiaries | 11.9 | 13.8 | 1.9 | +15.5 | 0.1 | 0.7 | 0.6 | +674.5 |
| Other businesses | 1.5 | 1.2 | (0.3) | (17.4) | (0.8) | (0.2) | 0.6 | — |
| Domestic total | 156.4 | 164.9 | 8.5 | +5.4 | 18.0 | 15.8 | (2.2) | (12.3) |
| U.S. business | 7.2 | 10.5 | 3.3 | +46.3 | 1.0 | 1.4 | 0.4 | +39.5 |
| China, Taiwan, exports, etc. | 4.5 | 5.7 | 1.2 | +27.5 | 0.0 | 0.3 | 0.3 | +437.3 |
| Overseas total | 11.7 | 16.3 | 4.6 | +39.0 | 1.1 | 1.8 | 0.7 | +61.5 |
| Total | 168.2 | 181.2 | 13.0 | +7.7 | 19.1 | 17.6 | (1.5) | (7.8) |

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

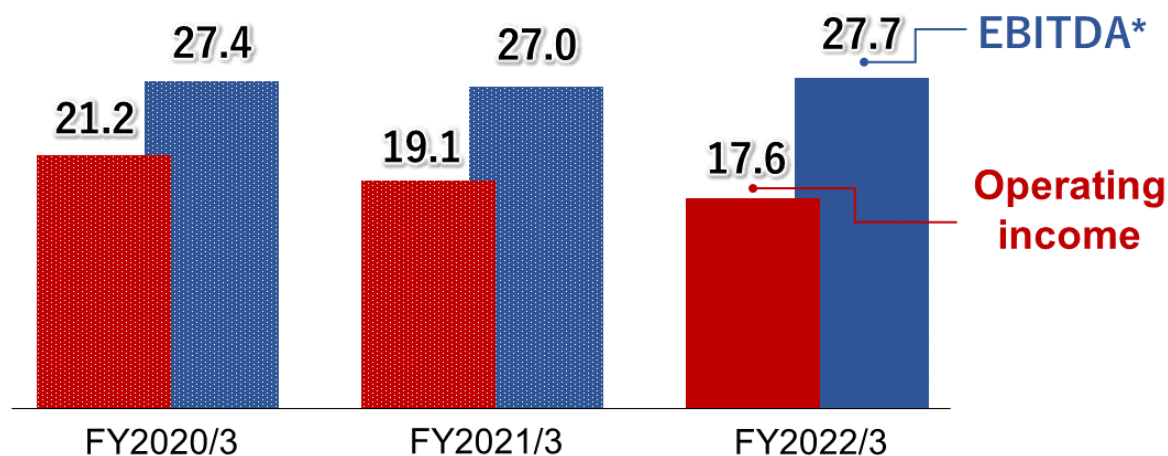
(Note)2. Confectionery & Foodstuffs business includes "in" brand confectioneries and foodstuffs.

(Note)3. Direct Marketing business includes overseas sales.

(Note)4. U.S. business includes income resulting from exports from China/Taiwan to the United States.

8. Operating income and EBITDA

(Billion yen)



*Simplified EBITDA: operating income + depreciation and amortization

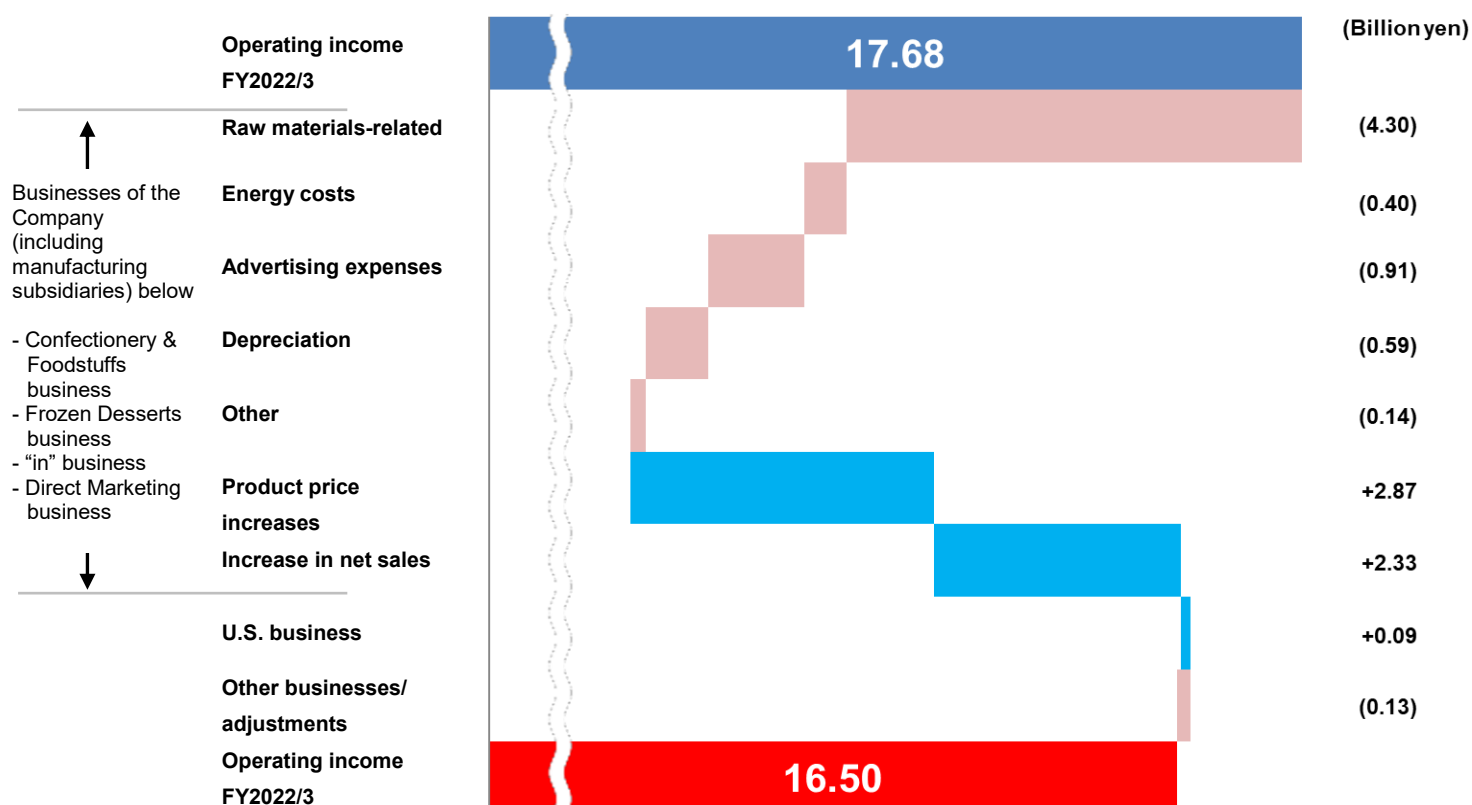
[Full-year forecast]

1. Financial results

(Million yen)

| | Year ended March 31, 2022 results | Year ending March 31, 2023 forecasts | Year-on-year comparisons | Year-on-year change (%) |
|---|---|--|-----------------------------|----------------------------|
| Net sales | 181,251 | 190,000 | 8,749 | +4.8 |
| Operating income | 17,685 | 16,500 | (1,185) | (6.7) |
| Ordinary income | 18,247 | 16,900 | (1,347) | (7.4) |
| Profit attributable to owners of parent | 27,773 | 10,700 | (17,073) | (61.5) |

2. Analysis of changes in operating income



3. Segmer

(Million yen)

| Business | Year ended March 31, 2022 results | Year ending March 31, 2023 forecasts | Year-on-year comparisons | Year-on-year change (%) |
|--|---|--|-----------------------------|----------------------------|
| Food Manufacturing | | | | |
| Net sales | 172,750 | 181,000 | 8,250 | +4.8 |
| (Composition ratio to total net sales) | (95.3%) | (95.3%) | | |
| Segment operating income | 17,439 | 16,169 | (1,270) | (7.3) |
| Food Merchandise | | | | |
| Net sales | 5,935 | 6,400 | 465 | +7.8 |
| (Composition ratio to total net sales) | (3.3%) | (3.4%) | | |
| Segment operating income | 346 | 467 | 121 | +34.7 |
| Real Estate and Services | | | | |
| Net sales | 1,915 | 2,000 | 85 | +4.4 |
| (Composition ratio to total net sales) | (1.0%) | (1.0%) | | |
| Segment operating income | 873 | 797 | (76) | (8.8) |
| Other Services | | | | |
| Net sales | 649 | 600 | (49) | (7.6) |
| (Composition ratio to total net sales) | (0.4%) | (0.3%) | | |
| Segment operating income | 179 | 55 | (124) | (69.3) |

(Note) Net sales are sales to external customers.

4. Domestic and overseas sales in Food Manufacturing

(Million yen)

| | Year ended March 31, 2022 results | Year ending March 31, 2023 forecasts | Year-on-year comparisons | Year-on-year change (%) |
|----------|-----------------------------------|--------------------------------------|--------------------------|-------------------------|
| Domestic | 156,328 | 160,600 | 4,272 | +2.7 |
| Overseas | 16,421 | 20,400 | 3,979 | +24.2 |

| | | |
|---|------|-------|
| Ratio of overseas sales to consolidated net sales | 9.1% | 10.7% |
|---|------|-------|

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

(Million yen)

| | Year ended March 31, 2022 results | Year ending March 31, 2023 forecasts | Year-on-year comparisons |
|-----------------------------------|-----------------------------------|--------------------------------------|--------------------------|
| Capital investment | 20,411 | 16,059 | (4,352) |
| Depreciation expenses | 10,032 | 10,616 | 584 |
| Research and development expenses | 2,686 | 3,304 | 618 |

6. Net sales and operating income by business

(Billion yen)

| | Net sales | | | | Operating income | | | |
|-------------------------------------|---------------------------|--------------------------------------|--------------------------|-------------------------|---------------------------|--------------------------------------|--------------------------|-------------------------|
| | Year ended March 31, 2022 | Year ending March 31, 2023 forecasts | Year-on-year comparisons | Year-on-year change (%) | Year ended March 31, 2022 | Year ending March 31, 2023 forecasts | Year-on-year comparisons | Year-on-year change (%) |
| Confectionery & Foodstuffs business | 72.4 | 73.6 | 1.2 | +1.7 | 3.2 | 2.1 | (1.1) | (33.7) |
| Frozen Desserts business | 40.1 | 41.6 | 1.5 | +3.7 | 4.8 | 5.0 | 0.2 | +4.8 |
| "in" business | 28.0 | 29.4 | 1.4 | +4.9 | 6.8 | 6.3 | (0.5) | (6.1) |
| Direct Marketing business | 9.1 | 10.1 | 1.0 | +11.2 | 0.3 | 0.4 | 0.1 | +41.8 |
| Operating subsidiaries | 13.8 | 14.9 | 1.1 | +8.4 | 0.7 | 0.8 | 0.1 | +2.4 |
| Other businesses | 1.2 | 1.2 | 0.0 | +2.2 | (0.2) | (0.1) | 0.1 | - |
| Domestic total | 164.9 | 171.1 | 6.2 | +3.8 | 15.8 | 14.7 | (1.1) | (6.8) |
| U.S. business | 10.5 | 14.4 | 3.9 | +36.5 | 1.4 | 1.5 | 0.1 | +6.4 |
| China, Taiwan, exports, etc. | 5.7 | 6.0 | 0.3 | +3.7 | 0.3 | 0.1 | (0.2) | (52.6) |
| Overseas total | 16.3 | 20.4 | 4.1 | +24.8 | 1.8 | 1.7 | (0.1) | (4.5) |
| Total | 181.2 | 190.0 | 8.8 | +4.8 | 17.6 | 16.5 | (1.1) | (6.7) |

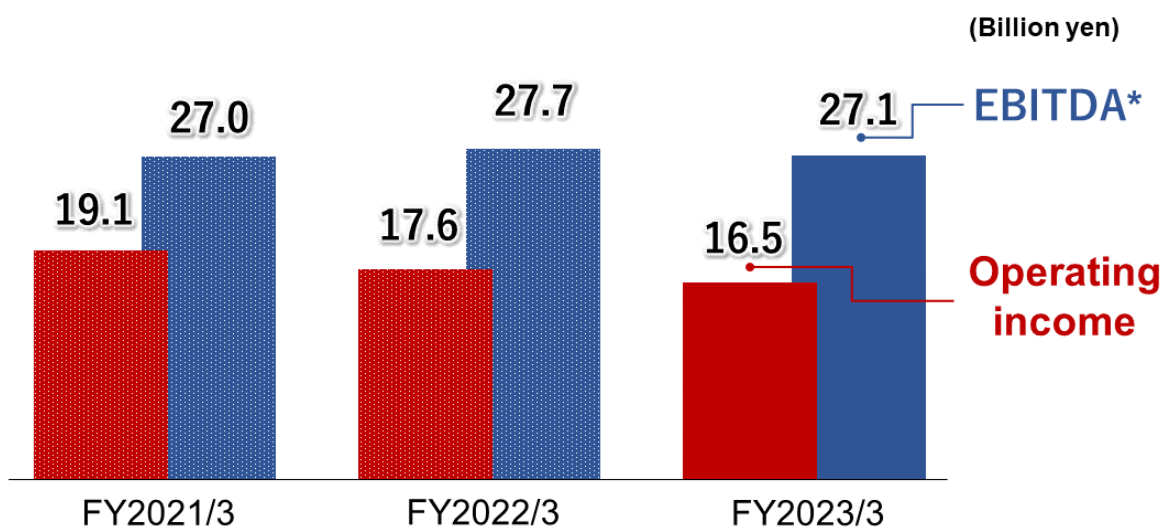
(Note)1. Net sales are sales to external customers.

(Note)2. Confectionery & Foodstuffs business includes "in" brand confectioneries and foodstuffs.

(Note)3. Direct Marketing business includes overseas sales.










(Note)4. U.S. business includes income resulting from exports from China/Taiwan to the United States.

7. 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 "Kyro-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 " <i>monaka</i> ", <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. |