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Consolidated Financial Summary for the Three Months Ended June 30, 2022 (1Q) (Japanese Accounting Standards)

August 10, 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 to submit the Quarterly Securities Report: August 12, 2022
 Scheduled date for commencement of dividend payments: —
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2022 (April 1, 2022 - June 30, 2022)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q ended June 30, 2022	46,803	5.0	4,640	(25.8)	4,824	(28.4)	3,408	(29.4)
1Q ended June 30, 2021	44,563	10.8	6,255	17.7	6,736	18.0	4,830	20.4

(Note) Comprehensive income: 1Q ended June 30, 2022: 3,454 million yen (-34.3%);
 1Q ended June 30, 2021: 5,258 million yen (-17.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q ended June 30, 2022	69.26	—
1Q ended June 30, 2021	96.04	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
1Q ended June 30, 2022	201,432	126,133	62.0
Year ended Mar. 31, 2022	214,300	131,174	60.7

(Reference) Shareholders' equity: 1Q ended June 30, 2022: 124,905 million yen;
 Year ended March 31, 2022: 130,035 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2022	—	0.00	—	90.00	90.00
Year ending Mar. 31, 2023	—				
Year ending Mar. 31, 2023 (forecast)		0.00	—	90.00	90.00

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

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

(Note) 1. Revisions to results forecasts published most recently: None

* Notes

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

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

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

(i) Changes in accounting policies associated with revisions to accounting standards: None

(ii) Changes in accounting policies other than changes in (i): Yes

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) Please see "2. Quarterly Consolidated Financial Statements and Major Notes: (3) Notes to the Quarterly Consolidated Financial Statements (Changes in accounting policies)" on page 10 of the accompanying materials for details.

(4) Number of shares issued (common shares)

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

1Q ended June 30, 2022:	54,189,769	Year ended March 31, 2022:	54,189,769
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(ii) Number of shares of treasury stock at end of period

1Q ended June 30, 2022:	5,273,213	Year ended March 31, 2022:	4,252,091
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(iii) Average number of shares during the period

1Q ended June 30, 2022:	49,210,460	1Q ended June 30, 2021:	50,298,101
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* 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 (36,737 shares in the first quarter ended June 30, 2022 and 38,764 shares in the fiscal year ended March 31, 2022). The Company's shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted in the calculation of the average number of shares during the period.

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

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

The results forecasts are prepared based on adequate information, but actual results might be different from them, depending on a range of factors.

○ Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Results for the First Quarter

The information categories used to break down revenue generated from contracts with customers in the Food Manufacturing segment have been changed, effective from the first quarter of the fiscal year under review. Accordingly, the Food Manufacturing segment categories were changed for the comparative analyses discussed below and the year-on-year comparisons and analyses are based on figures after the category changes were made.

(1) Qualitative information on consolidated results

With repeated waves of COVID-19 infections coming and going, the Japanese government continued to pursue a policy of balancing preventive measures with economic activity during the first quarter of the fiscal year under review. At the same time, soaring global raw material and energy prices caused primarily by the Russia-Ukraine conflict and high prices of commodities exacerbated by a weaker yen have affected consumer confidence. In Europe and the United States as well, the outlook still remains clouded as the effects of rising raw material and energy costs, supply chain holdups, labor shortages, and other factors are pushing inflation higher and fueling concerns of an economic recession.

In this environment, net sales in the first quarter increased ¥2,240 million (+5.0%) year on year to ¥46,803 million.

Despite the boost from higher sales, operating income decreased ¥1,615 million (-25.8%) year on year to ¥4,640 million and ordinary income declined ¥1,912 million (-28.4%) year on year to ¥4,824 million, mainly reflecting rising raw material and energy prices and investments in advertising for future growth. Profit attributable to owners of the parent decreased by ¥1,422 million (-29.4%) year on year to ¥3,408 million.

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

Food Manufacturing

Confectionery & Foodstuffs Business

In the biscuits category, even though demand for *Morinaga Biscuits* as a tea time snack has taken hold and sales have hitherto continued to grow steadily owing to the increase in teleworking and other lifestyle changes, sales declined year on year because of supply/demand adjustments stemming from the planned halt in production to allow production line expansion work to be carried out with a view to further growth up ahead.

In the sugar confectionery category, the broad lineup of different *HI-CHEW* textures is a perfect remedy for stress relief and sales therefore remained brisk across all product formats (sticks, pouches, and packets). Sales of the *Morinaga Ramune* series, including the new *Otsubu Ramune*, were also strong.

In the chocolate category, sales of *Carré de chocolat* were flat year on year, reflecting efforts to market the product as a fine-quality chocolate for snacking and a promotion that leveraged the use of limited edition packaging. Net sales of *DARS* dipped year on year even though the purchase rate increased on the back of ongoing promotions targeting generation Z, while sales of *Chocoball*—which is coming up on 55 years since first going on sale—also fell short of the year-earlier level.

In the foodstuffs category, sales of both *Morinaga Amazake* and *Morinaga Cocoa* declined year on year, despite valiant efforts in a sluggish market to capture spring and summer demand by promoting consumption scenarios in order to bolster their respective health brand images.

Price hikes for some products were rolled out successively starting on May 31.

As a result, total net sales for the Confectionery & Foodstuffs business decreased ¥174 million

(-1.1%) year on year to ¥16,138 million.

Segment operating income decreased by ¥584 million (-62.5%) year on year to ¥350 million as raw material and energy prices continued to climb higher. Efforts are being made to improve profitability by revising product prices.

Frozen Desserts Business

Jumbo Group sales were brisk owing to efforts aimed at boosting recognition of the *Choco Monaka Jumbo* brand ahead of its 50th anniversary, as well as aggressive sales promotions focusing on so-called “freshness marketing.” However, sales of *Ita Choco Ice* struggled in its third year of year-round sales, impacted mainly by the sharp increase in net sales recorded last year. Also, the autumn/winter-only product *The Crepe* transitioned to full-year sales starting in April 2022. Sales of *ICEBOX* were solid, driven by target-specific marketing to communicate the functional value of the product—i.e., consumers can easily enjoy a cooling effect that only ice can provide and conveniently obtain hydration and replenishment in a single cup.

The prices of some products shipped out after June 1 were revised.

As a result, total net sales for the Frozen Desserts business decreased ¥108 million (-0.9%) year on year to ¥11,553 million.

Segment operating income decreased by ¥798 million (-37.0%) year on year to ¥1,357 million due to skyrocketing prices of raw materials and energy and higher depreciation and amortization. Efforts are being made to improve profitability by revising product prices.

“in-” Business

Sales of *in Jelly* increased sharply year on year due to the continued increase in consumption as a snack and when working or studying as a consequence of lifestyle changes brought about by COVID-19, and partly because of sustained demand for its nourishment and health-boosting functions during times of poor health. Sales were also boosted by the development of consumption settings and target customers, including spending on advertising for a fruity texture version of *in Jelly* and the sales launch of a product designed to combat heatstroke. Sales of *in Bar* were weak due to the growing diversification of protein intake means and the increasingly intense competitive market.

As a result, total net sales for the “in-” business increased ¥909 million (+12.5%) year on year to ¥8,166 million.

Segment operating income increased by ¥4 million (+0.2%) year on year to ¥1,839 million owing to strong net sales, which outweighed aggressive investments in advertising and surging raw material prices.

Direct Marketing Business

Even though the price of *Morinaga Collagen Drink* was hiked to reflect a product revamp starting with shipments sent out on May 16, the number of subscription customers increased steadily during the quarter and came in higher on a year-on-year basis. Sales are also expanded steadily for *Morinaga Aojiru*, the second pillar candidate product in the Direct Marketing business.

As a result, total net sales for the Direct Marketing business grew ¥396 million (+18.8%) year on year to ¥2,506 million.

Segment operating income decreased by ¥35 million (-19.1%) year on year to ¥145 million owing to higher raw material prices and the continuation of aggressive investments in advertising to steadily gain subscription customers.

Operating Subsidiaries

First quarter net sales at Aunt Stella Inc., which operates a cookie production and sales business, increased year on year, driven by brisk sales at directly operated stores nationwide and through outlets at the major mass retailers. Morinaga Market Development Co., Ltd. is in the business of planning, developing, and selling souvenirs and other original products for amusement parks and the like. It also operates antenna shops. Its net sales grew sharply year on year thanks to brisk sales supported by an increase in the movement of people in the first quarter under review.

As a result, total net sales for Operating Subsidiaries increased ¥328 million (+21.0%) year on year to ¥1,890 million.

Segment operating income increased by ¥69 million (+60.5%) year on year to ¥183 million.

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

Confectionery & Foodstuffs Business		Frozen Desserts Business	
<i>Morinaga Biscuits</i>	84	<i>Jumbo Group</i>	105
<i>HI-CHEW</i>	115	<i>Ita Choco Ice</i>	68
<i>Morinaga Ramune</i>	116	<i>The Crepe</i>	—
<i>Carré de chocolat</i>	99	<i>ICEBOX</i>	105
<i>DARS</i>	96	“in-” Business	
<i>Chocoball</i>	96	<i>in Jelly</i>	122
<i>Morinaga Amazake</i>	88	<i>in Bar</i>	77
<i>Morinaga Cocoa</i>	92	Direct Marketing Business	
		<i>Morinaga Collagen Drink</i>	119

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

U.S. Business

Price revisions in the *HI-CHEW* series were successively carried out from December 1, 2021. Sales rose sharply year on year even after the revision in prices as a result of not only sustained growth in the number of stores selling *HI-CHEW*, but also a significant increase in store turnover in all regions of the U.S. for all packaging types, including sticks, stand up pouches, and packets. The wide-ranging needs of consumers continue to be met with an expanded health-focused lineup that includes products that use only natural flavors and those that use 30% less sugar. In addition, with a view to developing a jelly drinks market in the U.S. and the creation of a second pillar of earnings for the U.S. business, the *Charge!* jelly drink went on sale in February 2022. The full-fledged launch was accompanied by product sampling at sports events and the like.

As a result, total net sales for the U.S. business rose ¥732 million (+34.5%) year on year to ¥2,857 million.

Segment operating income decreased by ¥22 million (-5.6%) year on year to ¥372 million as higher raw material prices and shipping costs, together with upfront investments in *Charge!* advertising, outweighed sales growth and the boost from price hikes.

China, Taiwan, Exports, etc.

Strong sales of *HI-CHEW* continued in China, increasing year on year on the back of stepped up sales promotions at convenience stores. In Taiwan, sales of *Milk Caramel* were brisk by virtue of

demand during the Chinese New Year and new product launches, but sales of *HI-CHEW* and *in Jelly* were weak, falling short of year-earlier levels.

As a result, total net sales for China, Taiwan, Exports, etc. increased ¥108 million (+6.7%) year on year to ¥1,711 million.

Segment operating income increased by ¥19 million (+8.0%) year on year to ¥256 million.

Overall, sales in Food Manufacturing increased 5.2% year on year to ¥44,854 million. Segment operating income decreased ¥1,635 million year on year to ¥4,515 million.

Food Merchandise

Sales for the segment increased 1.4% year on year to ¥1,292 million. Segment operating income decreased ¥1 million year on year to ¥36 million.

Real Estate and Services

Sales for the segment decreased 0.9% year on year to ¥496 million. Segment operating income decreased ¥30 million year on year to ¥217 million.

Other Services

Sales totaled ¥160 million. Segment income was ¥41 million.

(2) Qualitative information on consolidated financial position

Total assets at the end of the first quarter under review decreased ¥12,868 million from the end of the previous fiscal year to ¥201,432 million. This was chiefly due to a decrease in cash and deposits, which offset increases in merchandise and finished goods, as well as raw materials and supplies.

Liabilities decreased by ¥7,827 million from the end of the previous fiscal year to ¥75,299 million. This was mainly attributable to decreases in income taxes payable and allowance for bonuses, which offset an increase in notes and accounts payable–trade.

Net assets stood at ¥126,133 million, down ¥5,041 million from the end of the previous fiscal year. This primarily owed to an increase in treasury stock deducted from net assets.

As a result of the above, the shareholders' equity ratio rose 1.3 percentage points from the end of the previous fiscal year to 62.0%.

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

The results forecasts announced on May 13, 2022 remain unchanged. Due to the uncertain impact of soaring raw materials and energy costs, exchange rate fluctuations, and other factors, if it becomes necessary to revise the forecasts, any such revisions will be promptly disclosed.

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

(Million yen)

	FY2022/3 (Mar. 31, 2022)	1Q 2023 (Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	56,652	40,432
Notes and accounts receivable–trade	22,313	22,891
Merchandise and finished goods	13,645	15,378
Work in process	374	483
Raw materials and supplies	9,736	11,034
Income taxes receivable	157	93
Other	9,236	9,859
Allowance for doubtful accounts	(48)	(49)
Total current assets	112,067	100,124
Noncurrent assets		
Property, plant and equipment		
Buildings and structures–net	30,011	29,805
Machinery, equipment and vehicles–net	29,375	28,551
Land	21,318	21,266
Other–net	4,347	5,692
Total property, plant and equipment	85,053	85,315
Intangible assets		
Goodwill	98	73
Other	211	210
Total intangible assets	309	284
Investments and other assets		
Investment securities	10,447	9,561
Net defined benefit asset	4,232	4,223
Deferred tax assets	1,191	931
Other	1,034	1,028
Allowance for doubtful accounts	(36)	(35)
Total investments and other assets	16,869	15,708
Total noncurrent assets	102,233	101,308
Total assets	214,300	201,432

(Million yen)

	FY2022/3 (Mar. 31, 2022)	1Q 2023 (Jun. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	20,392	22,887
Current portion of long-term loans	10,000	10,000
Accounts payable–other	10,538	10,649
Income taxes payable	9,974	706
Refund liabilities	3,611	3,472
Allowance for bonuses	2,697	1,386
Asset retirement obligations	453	453
Other	12,479	12,126
Total current liabilities	70,147	61,681
Long-term liabilities		
Deferred tax liabilities	—	382
Provision for directors' stock benefits	82	79
Provision for environmental measures	274	274
Net defined benefit liability	8,231	8,376
Deposits received	3,642	3,627
Other	748	877
Total long-term liabilities	12,978	13,617
Total liabilities	83,126	75,299
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,292	17,292
Retained earnings	97,886	96,797
Treasury stock	(12,717)	(16,715)
Total shareholders' equity	121,074	115,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,396	4,779
Deferred gains or losses on hedges	(1)	38
Foreign currency translation adjustments	1,304	1,899
Remeasurements of defined benefit plans	2,261	2,200
Total accumulated other comprehensive income	8,960	8,918
Non-controlling interests	1,139	1,228
Total net assets	131,174	126,133
Total liabilities and net assets	214,300	201,432

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Operations)
 (First quarter ended June 30, 2022)

(Million yen)

	1Q 2022 (Apr. 1, 2021 – Jun. 30, 2021)	1Q 2023 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	44,563	46,803
Cost of sales	24,860	27,216
Gross profit	19,702	19,587
Selling, general and administrative expenses	13,447	14,947
Operating income	6,255	4,640
Non-operating income		
Interest income	8	2
Dividends income	453	167
Other	89	67
Total non-operating income	551	237
Non-operating expenses		
Interest expenses	8	8
Equity in losses of affiliates	16	3
Depreciation	29	21
Other	16	19
Total non-operating expenses	70	53
Ordinary income	6,736	4,824
Extraordinary income		
Gain on sales of noncurrent assets	0	2
Gain on sales of investment securities	0	273
Total extraordinary income	1	276
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	125	174
Total extraordinary loss	125	174
Income before income taxes	6,612	4,926
Income taxes—current	1,406	543
Income taxes—deferred	309	919
Total income taxes	1,716	1,463
Net income	4,895	3,463
Profit attributable to non-controlling interests	64	54
Profit attributable to owners of parent	4,830	3,408

(Quarterly Consolidated Statements of Comprehensive Income)
(First quarter ended June 30, 2022)

(Million yen)

	1Q 2022 (Apr. 1, 2021 – Jun. 30, 2021)	1Q 2023 (Apr. 1, 2022 – Jun. 30, 2022)
Net income	4,895	3,463
Other comprehensive income		
Valuation difference on available-for-sale securities	(79)	(616)
Deferred gains or losses on hedges	(20)	28
Foreign currency translation adjustments	506	636
Remeasurements of defined benefit plans, net of tax	(44)	(60)
Share of other comprehensive income of associates accounted for using equity method	1	3
Total other comprehensive income	363	(8)
Net comprehensive income	5,258	3,454
(Breakdown)		
Comprehensive income attributable to owners of parent	5,127	3,365
Comprehensive income attributable to non-controlling interests	130	88

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

(Changes in the method of converting revenues and expenses of foreign subsidiaries, etc.)

Previously, revenues and expenses of foreign subsidiaries, etc. were converted into Japanese yen at the spot exchange rate on the closing date of the foreign subsidiaries, etc. However, effective from the first quarter of the fiscal year under review, the Group has changed to a method of converting to yen at the average exchange rate of the applicable period. Amid the recent economic climate of extreme fluctuations in exchange rates, this change was made to mitigate the impact of temporary fluctuations in exchange rates on profit/loss during the period and to more appropriately reflect the business results of foreign subsidiaries, etc. in the Group's consolidated financial statements, given that the importance of sales and profit/loss at foreign subsidiaries, etc. is expected to further increase going forward due to the expansion of the Group's overseas businesses focused on the United States.

The impact of this change is minor.

(Additional information)

(Impact of COVID-19 on accounting estimates)

With regard to the impact of COVID-19, the Group has not made any material changes to the assumptions in the (Impact of COVID-19 on accounting estimates) section under (Additional information) in the annual securities report for the fiscal year ended March 31, 2022. The Group has made accounting estimates relating to impairment loss on noncurrent assets and recoverability of deferred tax assets, etc. based on said assumptions.

There continues to be a high degree of uncertainty concerning these assumptions, and the Company's future financial position and operating results may be materially impacted by the further spread or the economic effects of COVID-19.

(Segment information)

1. Information on net sales and profits or losses by reportable segment

First quarter of Fiscal 2022 (Apr. 1, 2021 – Jun. 30, 2021)

(Million yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of operations (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Outside customers	42,646	1,275	500	44,422	141	44,563	—	44,563
Intersegment sales or transfers	52	61	0	114	227	342	(342)	—
Total	42,699	1,336	501	44,537	369	44,906	(342)	44,563
Segment operating income	6,150	37	247	6,435	27	6,463	(207)	6,255

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

(Note 2) The minus 207 million yen adjustment to segment operating income includes inter-segment elimination of 4 million yen, and corporate expenses that are not allocated to any reportable segment of minus 212 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.

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

First quarter of Fiscal 2023 (Apr. 1, 2022 – Jun. 30, 2022)

(Million yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of operations (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Outside customers	44,854	1,292	496	46,643	160	46,803	—	46,803
Intersegment sales or transfers	2	85	0	88	232	321	(321)	—
Total	44,857	1,378	496	46,732	393	47,125	(321)	46,803
Segment operating income	4,515	36	217	4,769	41	4,811	(171)	4,640

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

(Note 2) The minus 171 million yen adjustment to segment operating income includes inter-segment elimination of 4 million yen, and corporate expenses that are not allocated to any reportable segment of minus 176 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.

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

(Changes in the method of presentation)

The Company has changed its method of presenting the information on the breakdown of revenue generated from contracts with customers in (Revenue Recognition) from the first quarter of the fiscal year under review. In addition, the information on the breakdown of revenue generated from contracts with customers for the first quarter of the fiscal year ended on March 31, 2022 is also presented in (Revenue Recognition).

(Revenue Recognition)

Information on the breakdown of revenue generated from contracts with customers

The Group presents the revenue generated from contracts with customers by breaking each segment down into main sales management classification based on the contracts with customers.

(Million yen)

Reportable segment	Main product/area classification	1Q 2022 (Apr. 1, 2021 – Jun. 30, 2021)	1Q 2023 (Apr. 1, 2022 – Jun. 30, 2022)
Food Manufacturing	Confectionery & Foodstuffs business	16,312	16,138
	Frozen Desserts business	11,661	11,553
	"in-" business	7,257	8,166
	Direct Marketing business	2,110	2,506
	Operating subsidiaries, etc.	1,574	1,921
	Domestic total	38,917	40,285
	U.S. business	2,125	2,857
	China, Taiwan, exports, etc.	1,603	1,711
	Overseas total	3,728	4,569
	Subtotal	42,646	44,854
Food Merchandise	Wholesale food service and food products	1,275	1,292
Real Estate and Services	Management of golf courses	202	203
Other Services (Note)		141	160
Revenue generated from contracts with customers total		44,265	46,510
Real Estate and Services	Real estate transactions	298	293
Other revenue total		298	293
Net sales to outside customers total		44,563	46,803

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

(Changes in the method of presentation)

The information on the breakdown of revenue generated from contracts with customers in the Food Manufacturing segment was previously classified into Confectionery & Foodstuffs, Frozen Desserts and Health Products, but the Company has changed its classification of business to Confectionery & Foodstuffs business, Frozen Desserts business, "in-" business, Direct Marketing business, Operating subsidiaries, etc., U.S. business and China, Taiwan, exports, etc. from the first quarter of the fiscal year under review, in order to present clearly the actual condition of the business management in line with the 2030 Business Plan and the 2021 Medium-term Business Plan.

The information on the breakdown of revenue generated from contracts with customers for the first quarter of the fiscal year ended on March 31, 2022 has been presented based on the new classification after this change.

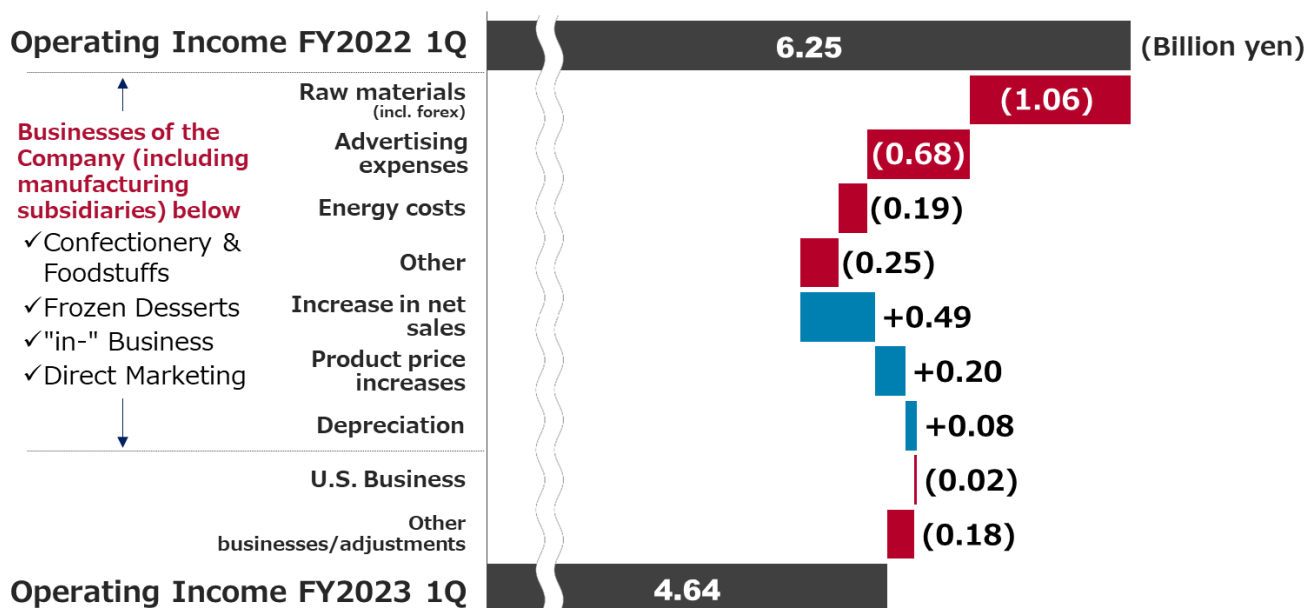
3. Supplementary Information

1. Financial results

(Million yen)

	Year ended March 31, 2022 1Q ended June 30, 2021		Year ending March 31, 2023 1Q ended June 30, 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	44,563		46,803		2,240		+5.0
Cost of sales	24,860	55.8	27,216	58.2	2,356	+2.4	+9.5
Gross profit	19,702	44.2	19,587	41.8	(115)	(2.4)	(0.6)
Selling, general and administrative expenses	13,447	30.2	14,947	31.9	1,500	+1.7	+11.2
Promotion expenses	991	2.2	1,228	2.6	237	+0.4	+23.9
Advertising expenses	1,713	3.8	2,453	5.2	740	+1.4	+43.2
Freightage and storage fees	3,998	9.0	4,225	9.0	227	+0.0	+5.7
Salaries and allowances	2,223	5.0	2,301	4.9	78	(0.1)	+3.5
Provision for bonuses	689	1.5	697	1.5	8	(0.0)	+1.1
Other	3,830	8.6	4,039	8.6	209	+0.0	+5.5
Operating income	6,255	14.0	4,640	9.9	(1,615)	(4.1)	(25.8)
Non-operating income	551	1.2	237	0.5	(314)	(0.7)	(56.9)
Non-operating expenses	70	0.2	53	0.1	(17)	(0.1)	(24.3)
Ordinary income	6,736	15.1	4,824	10.3	(1,912)	(4.8)	(28.4)
Extraordinary income	1	0.0	276	0.6	275	+0.6	+22,461.0
Extraordinary loss	125	0.3	174	0.4	49	+0.1	+39.3
Income before income taxes	6,612	14.8	4,926	10.5	(1,686)	(4.3)	(25.5)
Income taxes	1,716	3.9	1,463	3.1	(253)	(0.8)	(14.8)
Net income	4,895	11.0	3,463	7.4	(1,432)	(3.6)	(29.3)
Profit attributable to non-controlling interests	64	0.1	54	0.1	(10)	(0.0)	(15.4)
Profit attributable to owners of parent	4,830	10.8	3,408	7.3	(1,422)	(3.5)	(29.4)

2. Analysis of changes in operating income



3. Segment information

(Million yen)

Business	Year ended March 31, 2022 1Q ended June 30, 2021	Year ending March 31, 2023 1Q ended June 30, 2022	Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing				
Net sales	42,646	44,854	2,208	+5.2
(Composition ratio to total net sales)	(95.7%)	(95.8%)		
Segment operating income	6,150	4,515	(1,635)	(26.6)
Food Merchandise				
Net sales	1,275	1,292	17	+1.4
(Composition ratio to total net sales)	(2.9%)	(2.8%)		
Segment operating income	37	36	(1)	(1.1)
Real Estate and Services				
Net sales	500	496	(4)	(0.9)
(Composition ratio to total net sales)	(1.1%)	(1.1%)		
Segment operating income	247	217	(30)	(11.9)
Others Services				
Net sales	141	160	19	+13.5
(Composition ratio to total net sales)	(0.3%)	(0.3%)		
Segment operating income	27	41	14	+49.9

(Note) Net sales are sales to external customers.

4. Domestic/Overseas Net sales

(Million yen)

	Year ended March 31, 2022 1Q ended June 30, 2021	Year ending March 31, 2023 1Q ended June 30, 2022	Year-on-year comparisons	Year-on-year change (%)
Domestic	40,830	42,178	1,348	+3.3
Overseas	3,733	4,625	892	+23.9
Consolidated	44,563	46,803	2,240	+5.0

(Note) Net sales are sales to external customers.

Ratio of overseas sales to consolidated net sales	8.4%	9.9%
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5. Net sales in focus domains prioritized in the 2030 Business Plan

(Billion yen)

Focus domain	Year ended March 31, 2022 1Q ended June 30, 2021	Year ending March 31, 2023 1Q ended June 30, 2022	Year-on-year comparisons	Year-on-year change (%)
"in-" business	7.4	8.5	1.1	+13.6
Direct Marketing business	2.1	2.5	0.4	+19.7
U.S. business	2.1	2.8	0.7	+34.5
Frozen Desserts business	11.6	11.5	(0.1)	(0.9)
Total	23.3	25.4	2.1	+8.8
Ratio of focus domain sales to consolidated net sales	52.5%	54.4%		

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

(Note)2. "in-" business includes "in" brand confectioneries and foodstuffs.

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

6. Net sales and operating income by business

(Billion yen)

	Net sales				Operating income			
	Year ended March 31, 2022 1Q ended June 30, 2021	Year ended March 31, 2023 1Q ended June 30, 2022	Year-on-year comparisons	Year-on- year change (%)	Year ended March 31, 2022 1Q ended June 30, 2021	Year ended March 31, 2023 1Q ended June 30, 2022	Year-on-year comparisons	Year-on- year change (%)
Confectionery & Foodstuffs business	16.3	16.1	(0.2)	(1.1)	0.9	0.3	(0.6)	(62.5)
Frozen Desserts business	11.6	11.5	(0.1)	(0.9)	2.1	1.3	(0.8)	(37.0)
"in-" business	7.2	8.1	0.9	+12.5	1.8	1.8	0.0	+0.2
Direct Marketing business	2.1	2.5	0.4	+18.8	0.1	0.1	(0.0)	(19.1)
Operating subsidiaries	3.1	3.4	0.3	+9.7	0.1	0.2	0.1	+32.4
Other businesses	0.3	0.3	0.0	+4.1	0.1	0.0	(0.1)	(53.9)
Domestic total	40.8	42.1	1.3	+3.3	5.4	4.0	(1.4)	(26.2)
U.S. business	2.1	2.8	0.7	+34.5	0.3	0.3	(0.0)	(5.6)
China, Taiwan, exports, etc.	1.6	1.7	0.1	+10.3	0.2	0.2	0.0	+8.0
Overseas total	3.7	4.6	0.9	+24.1	0.6	0.6	(0.0)	(0.5)
Adjustments, etc.					0.1	(0.0)	(0.1)	—
Total	44.5	46.8	2.3	+5.0	6.2	4.6	(1.6)	(25.8)

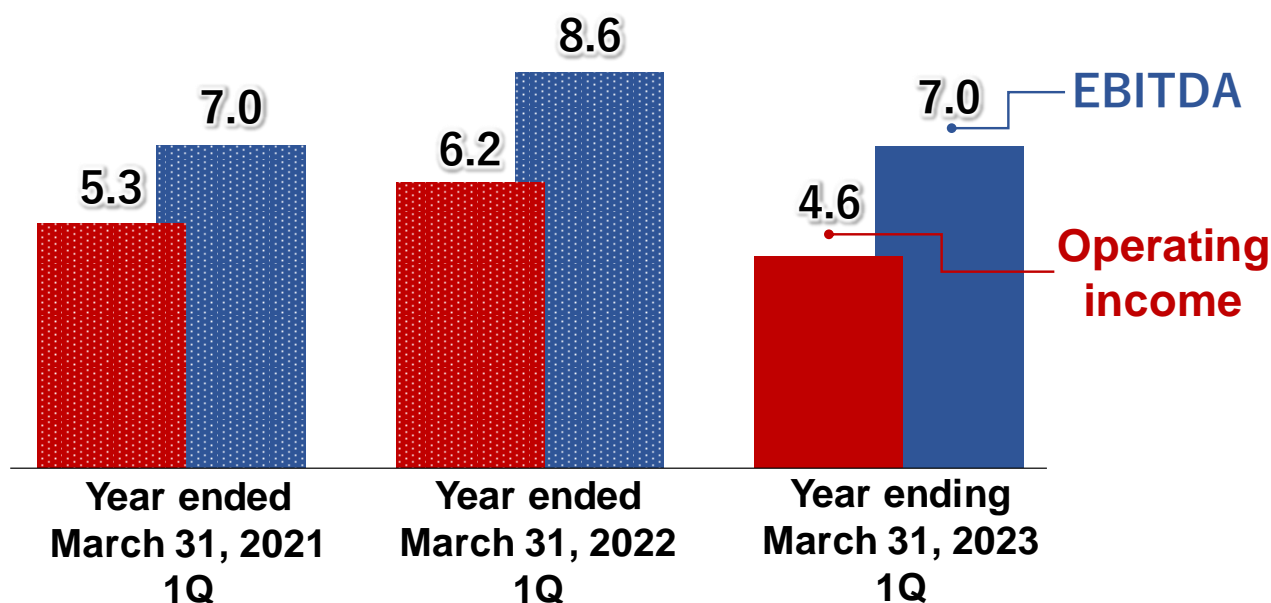
(Note)1. Net sales are sales to external customers.

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

(Note)3. U.S. business includes income resulting from exports from China/Taiwan to the United States.

7. Operating income and EBITDA









(Billion yen)











(Note)1. Simplified EBITDA: operating income + depreciation and amortization

(Note)2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. The figures for the first quarter of the fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard.

Main domestic products

Products	Visual	Category	Year released	Description
<i>Morinaga Biscuits</i>		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> .
<i>HI-CHEW</i>		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.
<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"). Sales have grown rapidly in recent years following the launch of larger-sized <i>Morinaga Ramune</i> candy products, which are sold in small pouches and targeted at adult consumers.
<i>Carré de chocolat</i>		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, white, and high-cacao-content chocolate (<i>Cacao 70</i> and <i>Cacao 88</i>), as well as variations with special fillings.
<i>DARS</i>		Chocolate	1993	Bite-sized chocolates with a satisfyingly rich milk flavor. In addition to the standard milk chocolate version, the white chocolate version is also highly popular and boasts the top market share in the white chocolate category. <i>DARS</i> chocolates are sold in resealable boxes that are compact and easily portable, making it easy to enjoy them anytime, anywhere.
<i>Chocoball</i>		Chocolate	1967	<i>Chocoball</i> is a brand of spherical chocolate-covered peanuts (versions with caramel centers and other fillings are also available). Each one of these bite-sized chocolate treats are packed with different flavors and textures. The packages feature the popular bird-like mascot called "Kyoro-chan" and a unique beak-like opening to dispense the treats one at a time. Marks printed on the "beaks" can be collected and exchanged for a small can filled with toys. The "can of toys" campaign is well-known in Japan as it has continued for more than 50 years, ever since the product's launch.
<i>Amazake</i>		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.
<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 enjoy the top market share in Japan.

Main domestic products

Products	Visual	Category	Year released	Description
<i>Choco Monaka Jumbo</i>		Ice cream	1972	<i>Choco Monaka Jumbo</i> is Japan's top domestic ice cream brand. Based on a traditional Japanese wafer-based sweet called "monaka", <i>Choco Monaka Jumbo</i> features a sheet of chocolate covered in ice cream all enclosed in a thin and crispy chocolate and wafer covering. This treat is characterized by the rich sweetness of the ice cream and the crackly texture of the chocolate.
<i>Vanilla Monaka Jumbo</i>		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.
<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.
<i>THE Creap</i>		Ice cream	1988	Crepe-style ice cream featuring crunchy chocolate and vanilla ice cream wrapped in a crepe sheet. Characterized by its triangular shape and a unique mouthfeel. The crepe sheet is produced using a patented method that delivers a uniquely chewy texture that Japanese consumers love.
<i>in Jelly</i>		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.
<i>in BAR</i>		Nutritional supplements	2009	A range of snack bars providing 8 to 20 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.
<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.

