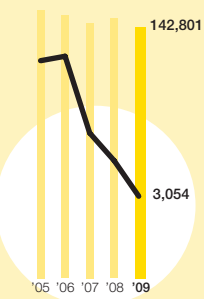


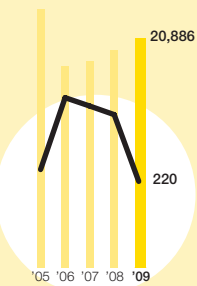
## FINANCIAL REVIEW

Food Manufacturing  
(¥ million)

In fiscal 2009, ended March 31, 2009, conditions were harsh for Morinaga's core brands in the Food Manufacturing segment, leading the Company to revise prices for some product groups. Consequently, consolidated net sales decreased ¥3,646 million, or 2.1%, to ¥167,141 million (\$1,705,520 thousand) compared to fiscal 2008. The cost of sales ratio increased 1.1 percentage points to 54.1%, mainly due to a steep rise in the cost of raw materials, while the ratio of selling, general and administrative expenses slipped 0.1 of a percentage point year on year to 43.9%.

Operating income fell ¥1,635 million, or 32.6%, to ¥3,381 million (\$34,500 thousand), due to the considerable impact of the decline in net sales and the higher cost of raw materials. Other expenses—net jumped ¥805 million year on year to ¥1,505 million (\$15,357 thousand), primarily owing to a loss on devaluation of investment securities.

As a result of these factors, income before income taxes and minority interests fell ¥2,440 million to ¥1,876 million (\$19,143 thousand). Net income dropped ¥1,500 million, or 63.4%, to ¥865 million (\$8,827 thousand), accounting for the loss on devaluation of investment securities. Net income per share was ¥3.29 (\$0.03).

Food Merchandise and Restaurant  
(¥ million)

## PERFORMANCE BY SEGMENT

## Food Manufacturing

## Confectionery

In the Confectionery Division, Morinaga carried out price revisions to mainstay products in response to steep increases in raw material costs. Sales of these products were uneven, while conditions were severe for the core brands *Morinaga Biscuits*, *Chocoball* chocolate, and *DARS* chocolate. Meanwhile, sales were especially sluggish for the major brand *HI-CHEW* candy. On the other hand, sales results were strong for the entire *Koeda* chocolate brand, with resurgent sales of existing products and steady results for new products. Sales were also strong for *Carré-de-Chocolat* and *Ottotto* snack, while proactive promotion of *Milk Caramel* led to solid sales. However, these results did not offset the drop in sales of core products, and overall sales in the Confectionery Division were lower than in fiscal 2008.

## Foodstuffs

In this division, sales of the core product *Morinaga Cocoa* remained level with fiscal 2008, while sales of *Cake Mix* products were strong as market activities of home-cooked foods intensified. As a result, total sales in the Foodstuffs Division increased slightly year on year.

## Frozen Desserts

In Frozen Desserts, mainstay products for which Morinaga revised prices, including *Choco Monaka Jumbo*, *BISCUIT SAND*, and *MARIE Biscuits*, continued to enjoy steady sales, and sales were strong for *Pari-pari Bar* and other products. This resulted in an increase in total division sales over fiscal 2008.

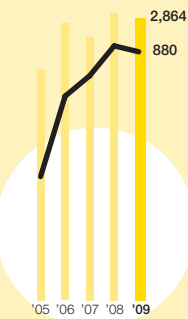
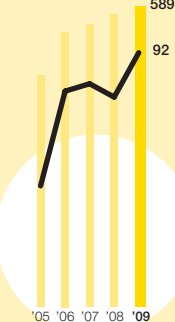
## Health Products

Sales in the Health Products Division declined year on year due to a severe market climate surrounding the core *Weider in Jelly* brand.

As a result of the above, sales in the Food Manufacturing segment totaled ¥142,801 million (\$1,457,153 thousand), down 3.2% compared to fiscal 2008. Operating income fell ¥1,321 million to ¥3,054 million (\$31,163 thousand), mainly attributable to the steep rise in the cost of raw materials.

## Food Merchandise and Restaurant

Although the Restaurant Division faced a severe sales climate, the Food Merchandise Division continued to enjoy robust sales. Taken together, sales in this segment rose 5.3% to ¥20,886 million (\$213,122 thousand). However, operating income decreased ¥248 million year on year to ¥220 million (\$2,245 thousand), due to an increase in operating expenses.

Real Estate and Services  
(¥ million)Other Services  
(¥ million)

■ Sales  
— Operating income

## Real Estate and Services

Although sales remained strong in the golf business, segment sales as a whole dipped 1.5% to ¥2,864 million (\$29,224 thousand). Operating income decreased ¥40 million to ¥880 million (\$8,980 thousand).

## Other Services

Sales in this segment totaled ¥589 million (\$6,010 thousand), and operating income was ¥92 million (\$939 thousand).

## FINANCIAL CONDITION

As of March 31, 2009, total assets stood at ¥128,604 million (\$1,312,286 thousand), a decrease of ¥7,306 million compared to the fiscal 2008 year-end. Total current assets decreased ¥1,935 million to ¥46,155 million (\$470,969 thousand), primarily due to a reduction in inventories of ¥1,311 million.

Net property, plant and equipment declined ¥2,855 million to ¥66,024 million (\$673,715 thousand). Total investments and other assets also decreased, down ¥2,516 million to ¥16,425 million (\$167,602 thousand). This was mainly attributable to a ¥3,281 million decline in investment securities to ¥11,396 million (\$116,286 thousand), resulting from a decrease in the valuation of investments in stocks and valuation losses.

On the liabilities side, total liabilities were down ¥4,883 million, amounting to ¥78,878 million (\$804,878 thousand). Short-term bank loans and the current portion of long-term loans fell ¥5,487 million, while income taxes payable decreased ¥715 million. These were the main factors for a ¥7,519 million decrease in total current liabilities to ¥37,925 million (\$386,990 thousand).

Total long-term liabilities rose ¥2,636 million to ¥40,953 million (\$417,888 thousand), mainly attributable to an increase in long-term loans of ¥2,924 million, despite a reduction in deferred tax liabilities of ¥419 million reflecting the decrease in the valuation of investments in stocks. As a result of these factors, interest-bearing debt fell ¥2,563 million to ¥27,706 million (\$282,713 thousand), and the debt-to-equity ratio dropped 2.3 percentage points from 58.0% to 55.7%.

Total equity decreased ¥2,423 million to ¥49,726 million (\$507,408 thousand) at the end of fiscal 2009. This mainly owed to a decrease in the unrealised gain on available-for-sale securities of ¥790 million, and a decline in retained earnings of ¥723 million. As a result of the above, the equity ratio rose 0.4 of a percentage point from 37.9% to 38.3%.

## CASH FLOWS

Net cash flows provided by operating activities increased ¥1,800 million to ¥8,391 million (\$85,622 thousand). The primary factors for this increase were a decrease in inventories owing to increased funds, an increase in payables, and a decrease in income taxes—paid, despite the decline in income before income taxes and minority interests.

Net cash used in investing activities decreased ¥11,192 million to ¥3,743 million (\$38,194 thousand). The primary use of cash was in purchase of property, plant and equipment, while the main inflow was proceeds from sales of investment securities.

Net cash used in financing activities was ¥4,480 million (\$45,714 thousand), compared to the net cash provided by financing activities of ¥11,234 million in fiscal 2008. The main items were a net decrease in long-term loans and the payment of cash dividends.

As a result of the above, cash and cash equivalents, end of year totaled ¥6,468 million (\$66,000 thousand), a slight increase of ¥32 million compared to at the end of fiscal 2008.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Morinaga & Co., Ltd. and Consolidated Subsidiaries  
31st March, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
<b>Current Assets:</b>			
Cash and cash equivalents .....	¥ 6,468	¥ 6,436	\$ 66,000
Time deposits .....	1,013	1,013	10,337
Receivables:			
Trade notes .....	296	292	3,020
Trade accounts .....	17,150	17,957	175,000
Allowance for doubtful accounts .....	(19)	(15)	(194)
Inventories .....	14,149	15,460	144,378
Deferred tax assets .....	1,968	2,093	20,082
Prepaid expenses and other .....	5,130	4,854	52,346
Total current assets .....	46,155	48,090	470,969
<b>Property, Plant and Equipment:</b>			
Land .....	30,249	30,241	308,663
Buildings and structures .....	53,415	53,846	545,051
Machinery and equipment .....	79,021	84,923	806,337
Tools, furniture and fixtures .....	3,138	3,232	32,020
Lease assets .....	679	—	6,929
Construction in progress .....	616	823	6,286
Total .....	167,118	173,065	1,705,286
Accumulated depreciation .....	(101,094)	(104,186)	(1,031,571)
Net property, plant and equipment .....	66,024	68,879	673,715
<b>Investments and Other Assets:</b>			
Investment securities .....	11,396	14,677	116,286
Investments in and advances to unconsolidated subsidiaries and associated companies .....	212	242	2,163
Goodwill .....	1,911	2,047	19,500
Deferred tax assets .....	376	364	3,837
Other assets .....	2,530	1,611	25,816
Total investments and other assets .....	16,425	18,941	167,602
<b>Total</b> .....	¥ 128,604	¥ 135,910	\$ 1,312,286

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at 31st March, 2009.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
<b>Current Liabilities:</b>			
Short-term bank loans .....	¥ 4,378	¥ 8,819	\$ 44,673
Current portion of long-term loans .....	149	1,195	1,520
Current portion of long-term lease obligations .....	162	—	1,653
Payables:			
Trade notes .....	993	1,156	10,133
Trade accounts .....	14,877	14,387	151,806
Construction and other .....	8,928	10,936	91,102
Income taxes payable .....	276	991	2,816
Accrued expenses .....	5,314	5,316	54,224
Other current liabilities .....	2,848	2,644	29,063
Total current liabilities .....	37,925	45,444	386,990
<b>Long-term Liabilities:</b>			
Long-term loans .....	23,179	20,255	236,520
Long-term lease obligations .....	483	—	4,929
Deposits received .....	7,409	7,694	75,602
Liability for employees' retirement benefits .....	6,960	7,077	71,020
Retirement benefits for directors and corporate auditors .....	175	201	1,786
Deferred tax liabilities .....	2,635	3,054	26,888
Other long-term liabilities .....	112	36	1,143
Total long-term liabilities .....	40,953	38,317	417,888
<b>Equity:</b>			
Common stock—authorised, 1,000,000,000 shares; issued, 270,948,848 shares in 2009 and 2008 .....	18,613	18,613	189,929
Capital surplus .....	17,187	17,192	175,378
Retained earnings .....	13,700	14,423	139,796
Unrealised gain on available-for-sale securities .....	2,313	3,103	23,602
Deferred gain on derivatives under hedge accounting .....	14	48	143
Foreign currency translation adjustments .....	(552)	(260)	(5,634)
Treasury stock—at cost, 8,011,465 shares in 2009 and 6,169,606 shares in 2008 .....	(2,020)	(1,630)	(20,612)
Total .....	49,255	51,489	502,602
Minority interests .....	471	660	4,806
Total equity .....	49,726	52,149	507,408
<b>Total</b> .....	¥ 128,604	¥ 135,910	\$ 1,312,286

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Morinaga & Co., Ltd. and Consolidated Subsidiaries  
Years Ended 31st March, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
<b>Net Sales</b> .....	<b>¥167,141</b>	¥170,787	<b>\$1,705,520</b>
<b>Cost of Sales</b> .....	<b>90,366</b>	90,547	<b>922,102</b>
Gross profit .....	<b>76,775</b>	80,240	<b>783,418</b>
<b>Selling, General and Administrative Expenses</b> .....	<b>73,394</b>	75,224	<b>748,918</b>
Operating income .....	<b>3,381</b>	5,016	<b>34,500</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income .....	<b>339</b>	297	<b>3,459</b>
Interest expense .....	<b>(383)</b>	(306)	<b>(3,908)</b>
Loss on disposal of inventories .....	—	(446)	—
Loss on disposal and sales of property, plant and equipment .....	<b>(511)</b>	(649)	<b>(5,214)</b>
Gain on sales of property, plant and equipment .....	<b>12</b>	325	<b>122</b>
Gain on sales of investment securities .....	<b>6</b>	273	<b>61</b>
Loss on devaluation of investment securities .....	<b>(1,049)</b>	—	<b>(10,704)</b>
Other—net .....	<b>81</b>	(194)	<b>827</b>
Other expenses—net .....	<b>(1,505)</b>	(700)	<b>(15,357)</b>
<b>Income Before Income Taxes and Minority Interests</b> .....	<b>1,876</b>	4,316	<b>19,143</b>
<b>Income Taxes:</b>			
Current .....	<b>821</b>	2,113	<b>8,378</b>
Deferred .....	<b>157</b>	(176)	<b>1,602</b>
Total .....	<b>978</b>	1,937	<b>9,980</b>
<b>Minority Interests in Net Income</b> .....	<b>33</b>	14	<b>336</b>
<b>Net Income</b> .....	<b>¥ 865</b>	¥ 2,365	<b>\$ 8,827</b>

Per Share of Common Stock:	Yen	U.S. Dollars
	Net income .....	<b>¥3.29</b>
Cash dividends applicable to the year .....	<b>6.00</b>	6.00

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at 31st March, 2009.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Morinaga & Co., Ltd. and Consolidated Subsidiaries  
Years Ended 31st March, 2009 and 2008

	Thousands	Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealised Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting
<b>Balance, 1st April, 2007</b> .....	269,921	¥18,613	¥17,192	¥13,677	¥ 9,486	¥ 5
Net income .....	—	—	—	2,365	—	—
Cash dividends, ¥6 per share .....	—	—	—	(1,619)	—	—
Repurchase of treasury stock (5,165,283 shares) .....	(5,165)	—	—	—	—	—
Disposal of treasury stock (23,498 shares) .....	23	—	—	—	—	—
Net change in the year .....	—	—	—	—	(6,383)	43
<b>Balance, 31st March, 2008</b> .....	264,779	18,613	17,192	14,423	3,103	48
Net income .....	—	—	—	<b>865</b>	—	—
Cash dividends, ¥6 per share .....	—	—	—	<b>(1,588)</b>	—	—
Repurchase of treasury stock (1,924,517 shares) .....	<b>(1,925)</b>	—	—	—	—	—
Disposal of treasury stock (82,658 shares) .....	<b>83</b>	—	<b>(5)</b>	—	—	—
Net change in the year .....	—	—	—	—	<b>(790)</b>	<b>(34)</b>
<b>Balance, 31st March, 2009</b> .....	<b>262,937</b>	<b>¥18,613</b>	<b>¥17,187</b>	<b>¥13,700</b>	<b>¥ 2,313</b>	<b>¥ 14</b>

	Millions of Yen				
	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
<b>Balance, 1st April, 2007</b> .....	¥(268)	¥ (243)	¥58,462	¥ 725	¥59,187
Net income .....	—	—	2,365	—	2,365
Cash dividends, ¥6 per share .....	—	—	(1,619)	—	(1,619)
Repurchase of treasury stock (5,165,283 shares) .....	—	(1,393)	(1,393)	—	(1,393)
Disposal of treasury stock (23,498 shares) .....	—	6	6	—	6
Net change in the year .....	8	—	(6,332)	(65)	(6,397)
<b>Balance, 31st March, 2008</b> .....	(260)	(1,630)	51,489	660	52,149
Net income .....	—	—	<b>865</b>	—	<b>865</b>
Cash dividends, ¥6 per share .....	—	—	<b>(1,588)</b>	—	<b>(1,588)</b>
Repurchase of treasury stock (1,924,517 shares) .....	—	<b>(410)</b>	<b>(410)</b>	—	<b>(410)</b>
Disposal of treasury stock (82,658 shares) .....	—	<b>20</b>	<b>15</b>	—	<b>15</b>
Net change in the year .....	<b>(292)</b>	—	<b>(1,116)</b>	<b>(189)</b>	<b>(1,305)</b>
<b>Balance, 31st March, 2009</b> .....	<b>¥(552)</b>	<b>¥(2,020)</b>	<b>¥49,255</b>	<b>¥ 471</b>	<b>¥49,726</b>

	Thousands of U.S. Dollars				
	Common Stock	Capital Surplus	Retained Earnings	Unrealised Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting
<b>Balance, 31st March, 2008</b> .....	\$189,929	\$175,429	\$147,173	\$31,663	\$ 490
Net income .....	—	—	<b>8,827</b>	—	—
Cash dividends, \$0.06 per share .....	—	—	<b>(16,204)</b>	—	—
Repurchase of treasury stock (1,924,517 shares) .....	—	—	—	—	—
Disposal of treasury stock (82,658 shares) .....	—	<b>(51)</b>	—	—	—
Net change in the year .....	—	—	—	<b>(8,061)</b>	<b>(347)</b>
<b>Balance, 31st March, 2009</b> .....	<b>\$189,929</b>	<b>\$175,378</b>	<b>\$139,796</b>	<b>\$23,602</b>	<b>\$ 143</b>

	Thousands of U.S. Dollars				
	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
<b>Balance, 31st March, 2008</b> .....	\$(2,653)	\$(16,633)	\$525,398	\$ 6,735	\$532,133
Net income .....	—	—	<b>8,827</b>	—	<b>8,827</b>
Cash dividends, \$0.06 per share .....	—	—	<b>(16,204)</b>	—	<b>(16,204)</b>
Repurchase of treasury stock (1,924,517 shares) .....	—	<b>(4,184)</b>	<b>(4,184)</b>	—	<b>(4,184)</b>
Disposal of treasury stock (82,658 shares) .....	—	<b>205</b>	<b>154</b>	—	<b>154</b>
Net change in the year .....	<b>(2,981)</b>	—	<b>(11,389)</b>	<b>(1,929)</b>	<b>(13,318)</b>
<b>Balance, 31st March, 2009</b> .....	<b>\$(5,634)</b>	<b>\$(20,612)</b>	<b>\$502,602</b>	<b>\$ 4,806</b>	<b>\$507,408</b>

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at 31st March, 2009.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Morinaga & Co., Ltd. and Consolidated Subsidiaries  
Years Ended 31st March, 2009 and 2008

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
<b>Operating Activities:</b>			
Income before income taxes and minority interests.....	¥ 1,876	¥ 4,316	\$ 19,143
Adjustments for:			
Income taxes—paid .....	(1,646)	(3,471)	(16,796)
Depreciation and amortisation .....	5,536	5,468	56,490
Loss on disposal of inventories .....	—	446	—
Loss on disposal and sales of property, plant and equipment.....	511	649	5,214
Gain on sales of property, plant and equipment.....	(12)	(325)	(122)
Loss on devaluation of investment securities .....	1,049	—	10,704
Gain on sales of investment securities .....	(6)	(273)	(61)
Changes in assets and liabilities:			
Decrease in receivables .....	693	3,765	7,071
Decrease (increase) in inventories .....	1,255	(1,111)	12,806
Decrease in payables .....	(452)	(2,161)	(4,612)
(Decrease) increase in liability for employees' retirement benefits.....	(116)	283	(1,184)
Other—net .....	(297)	(995)	(3,031)
Total adjustments .....	6,515	2,275	66,479
Net cash provided by operating activities.....	8,391	6,591	85,622
<b>Investing Activities:</b>			
Purchase of property, plant and equipment .....	(4,590)	(13,806)	(46,837)
Proceeds from sales of property, plant and equipment.....	106	370	1,082
Purchase of investment securities.....	(4)	(414)	(41)
Proceeds from sales of investment securities .....	1,010	1,520	10,306
Payments for purchases of investments in subsidiaries and associated companies.....	(88)	(2,287)	(898)
Other—net .....	(177)	(318)	(1,806)
Net cash used in investing activities.....	(3,743)	(14,935)	(38,194)
<b>Financing Activities:</b>			
(Decrease) increase in short-term bank loans—net.....	(4,309)	5,328	(43,969)
Proceeds from long-term loans .....	3,080	20,000	31,429
Repayments of long-term loans .....	(1,202)	(11,047)	(12,265)
Payment of cash dividends.....	(1,588)	(1,619)	(16,204)
Payment of cash dividends to minority interests.....	(19)	(41)	(194)
Purchases of treasury stock .....	(411)	(1,393)	(4,194)
Proceeds from sales of treasury stock .....	16	6	163
Payments for settlement of lease obligations .....	(47)	—	(480)
Net cash (used in) provided by financing activities .....	(4,480)	11,234	(45,714)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents.....	(149)	39	(1,520)
<b>Net Increase in Cash and Cash Equivalents .....</b>	<b>19</b>	<b>2,929</b>	<b>194</b>
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries,</b>			
Beginning of Year.....	13	—	133
<b>Cash and Cash Equivalents, Beginning of Year .....</b>	<b>6,436</b>	<b>3,507</b>	<b>65,673</b>
<b>Cash and Cash Equivalents, End of Year .....</b>	<b>¥ 6,468</b>	<b>¥ 6,436</b>	<b>\$ 66,000</b>

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at 31st March, 2009.

## CORPORATE DATA

As of 31st March, 2009

### MORINAGA & CO., LTD.

33-1, Shiba 5-chome, Minato-ku,  
Tokyo 108-8403, Japan  
Tel: 81-3-3456-0134  
Fax: 81-3-3456-1809  
URL: <http://www.morinaga.co.jp>

### Date of Establishment

August 1899

### Paid-in Capital

¥18,613 million

### Number of Employees

1,814

### Number of Group Employees

3,152

### SHAREHOLDER INFORMATION

#### Number of Shares

Authorized: 1,000,000,000 shares  
Issued: 270,948,848 shares

#### Number of Shareholders

44,304

#### Stock Exchange Listing

Tokyo Stock Exchange

#### Shareholder Registration Agent for Common Stock in Japan

Mitsubishi UFJ Trust and Banking Corporation  
4-5, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-0014, Japan