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Consolidated Financial Summary for the Fiscal Year Ended March 31, 2023 (Japanese Accounting Standards)

May 11, 2023

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, 2023
Scheduled date for commencement of dividend payments: June 30, 2023
Scheduled date for filing of annual securities report: June 29, 2023
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, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	194,373	7.2	15,235	(13.9)	15,757	(13.6)	10,059	(63.8)
Year ended Mar. 31, 2022	181,251	7.7	17,685	(7.8)	18,247	(7.8)	27,773	107.0

(Note) Comprehensive income: Year ended March 31, 2023: 10,484 million yen (-19.6%);
Year ended March 31, 2022: 13,037 million yen (-41.2%)

	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, 2023	208.77	–	7.9	7.5	7.8
Year ended Mar. 31, 2022	552.59	–	22.0	8.7	9.8

(Reference) Equity in net gain (loss) of affiliated companies: Year ended March 31, 2023: 4 million yen;
Year ended March 31, 2022: -25 million yen

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Mar. 31, 2023	205,226	125,856	60.7	2,645.25
Year ended Mar. 31, 2022	214,300	131,174	60.7	2,603.95

(Reference) Shareholders' equity: Year ended March 31, 2023: 124,565 million yen;
Year ended March 31, 2022: 130,035 million yen

(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, 2023	(2,966)	(14,209)	(7,348)	36,077
Year ended Mar. 31, 2022	24,825	9,312	(5,943)	60,146

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, 2022	–	0.00	–	90.00	90.00	4,497	16.3	3.6
Year ended Mar. 31, 2023	–	0.00	–	100.00	100.00	4,712	47.9	3.8
Year ending Mar. 31, 2024 (forecast)	–	0.00	–	105.00	105.00		39.6	

3. Consolidated Results Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	106,000	7.7	11,900	16.3	12,200	16.2	8,400	27.6	182.20
Full year	204,000	5.0	17,300	13.5	17,800	13.0	12,200	21.3	265.18

* 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: None

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

(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 17 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, 2023: 48,139,769 Year ended March 31, 2022: 54,189,769

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

Year ended March 31, 2023: 1,049,444 Year ended March 31, 2022: 4,252,091

(iii) Average number of shares during the period

Year ended March 31, 2023: 48,186,160 Year ended March 31, 2022: 50,260,466

* 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 (34,181 shares in the fiscal year ended March 31, 2023 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.

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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, 2023	161,284	3.8	11,408	(9.3)	12,371	(9.8)	7,872	(68.1)
Year ended Mar. 31, 2022	155,425	5.7	12,582	(13.6)	13,714	(11.6)	24,717	110.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2023	163.39	–
Year ended Mar. 31, 2022	491.79	–

(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, 2023	183,712	104,816	57.1	2,225.85
Year ended Mar. 31, 2022	197,405	112,783	57.1	2,258.48

(Reference) Shareholders' equity: Year ended March 31, 2023: 104,816 million yen;
Year ended March 31, 2022: 112,783 million yen

* 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.

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1. Overview of Operating Results, Etc.

The information categories used to break down revenue generated from contracts with customers in the Food Manufacturing segment have been changed, effective from the beginning 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) Overview of Operating Results for the Fiscal Year Ended March 31, 2023

During the fiscal year under review, the Japanese economy continued to be impacted by inflation caused by soaring energy and raw materials prices, and the economic outlook remains uncertain. Domestic consumption behavior showed signs of positive change, however, as Japan approaches the post-pandemic phase with COVID-19 case numbers beginning to fall and the easing of related restrictions towards the end of the fiscal year.

In Europe and the United States, the outlook remained uncertain amid concerns about slowing economic growth due to monetary tightening and inflationary pressures from soaring energy and raw materials prices. In the foodstuffs industry surrounding the Group, amid growing needs for convenience and health due to thoroughgoing efforts on the safety and security of food, as well as 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 continued to engage in business activities aimed at laying a new foundation for dramatic growth as it heads into the second fiscal year covered by its 2021 Medium-term Business Plan, the first stage in efforts to achieve the goals of the 2030 Business Plan, the Group's long-term management plan.

Consolidated net sales for the fiscal year under review came to ¥194,373 million, a year-on-year increase of ¥13,122 million (+7.2%), supported by strong growth in businesses designated as focus domains in the 2030 Business Plan.

Despite the growth in sales and the positive impact of price revisions, profits were impacted by factors such as soaring energy and raw materials prices, and strategic investment in advertising targeting medium- to long-term growth.

As a result, operating income came to ¥15,235 million, down ¥2,450 million (-13.9%) year on year. Ordinary income was ¥15,757 million, down ¥2,490 million (-13.6%). Profit attributable to owners of parent was ¥10,059 million, down ¥17,714 million (-63.8%), partly due to the absence of the extraordinary income recorded in the previous fiscal year on the sale of cross shareholdings.

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

Food Manufacturing

Confectionery & Foodstuffs Business

Biscuit category sales were up year on year. Although *Morinaga Biscuits* sales were impacted by temporary supply constraints stemming from a halt in production to allow production line expansion work to be carried out in the first quarter, the launch of new products and aggressive promotion of *Moonlight* from the third quarter onward contributed to sales growth for existing products, as did a special initiative marking the *Marie* brand's 100th anniversary.

In the sugar confectionery category, sales of *HI-CHEW* remained brisk across all product formats (sticks, pouches, and packets) and were up significantly year on year due to enhanced promotions and products with appealing textures as selling points. *Morinaga Ramune* sales were supported by products targeted at students preparing for exams as well as a successful campaign promoting these products, and total net

sales for the brand reached a record high.

In the chocolate category, sales of *Carré de chocolat* were down year on year, despite efforts to bolster its value as a fine-quality chocolate brand, amid sluggish market growth. *DARS* sales remained level year on year due to the launch of new products and a promotional campaign following quality enhancements. *Chocoball* sales were up year on year, with the launch of new products and a promotional campaign marking the brand's 55th anniversary contributing to sales growth.

In the foodstuffs category, sales of both *Morinaga Amazake* and *Morinaga Cocoa* declined year on year, despite ongoing efforts to bolster their respective health brand images through promoting their functional health benefits.

Note that, as a measure to improve profitability in response to soaring energy and raw materials prices, price revisions were implemented for each product category during the fiscal year under review.

As a result, total net sales for the Confectionery & Foodstuffs business increased ¥1,865 million (+2.6%) year on year to ¥74,308 million.

Segment operating income decreased by ¥1,722 million (-52.8%) year on year to ¥1,541 million due to the significant impact of soaring energy and raw materials prices, despite efforts to improve profitability through product price revisions.

Frozen Desserts Business

Jumbo Group sales were up year on year due to quality enhancement efforts, the release of winter-only products, and a successful campaign to promote the crisp texture of *Choco Monaka Jumbo* and *Vanilla Monaka Jumbo*, which both celebrated their 50th anniversary during the fiscal year under review. Sales of *Ita Choco Ice*, in its third year of year-round sales, were down year on year, despite efforts to boost purchase rates through promoting the products' quality and characteristics. The fiscal year under review was the first year of year-round sales for *The Crepe*. *ICEBOX* performed strongly throughout the fiscal year as the promotion of new consumption scenarios to specific target demographics helped to expand purchase rates during the peak demand period, as well as success in capturing autumn and winter demand.

Note that, as a measure to improve profitability in response to soaring energy and raw materials prices, price revisions were implemented for mainstay products during the fiscal year under review.

As a result, total net sales for the Frozen Desserts business increased ¥336 million (+0.8%) year on year to ¥40,533 million.

Segment operating income decreased by ¥1,407 million (-29.0%) year on year to ¥3,445 million due to skyrocketing prices of raw materials and energy, and higher depreciation and amortization, despite efforts to improve profitability by revising product prices.

"in-" Business

Sales of *in Jelly* have remained strong since the implementation of price revisions in December due to continued capturing of demand for drinks or snacks when working or studying, and for nourishment and health-boosting products during times of poor health, as a consequence of lifestyle changes brought about by COVID-19. Sales of *in Bar* were down year on year amid continued intensification of competition with the diversification of protein intake means, despite a revamp of the lineup including the launch of new products. As a result, total net sales for the "in-" business increased ¥2,568 million (+9.2%) year on year to ¥30,602 million.

Segment operating income increased by ¥214 million (+3.1%) year on year to ¥7,020 million owing to strong net sales, which outweighed aggressive investments in advertising and surging raw materials prices.

Direct Marketing Business

Morinaga Collagen Drink sales saw continued double-digit growth despite a temporary period in which cancellations by subscription customers were seen in response to price revisions implemented in February. Sales expanded for *Morinaga Aojiru*, the second pillar candidate product in the Direct Marketing business, due to a stable increase in the number of subscription customers.

As a result, total net sales for the Direct Marketing business grew ¥1,150 million (+12.6%) year on year to

¥10,285 million.

Segment operating income increased by ¥318 million (+93.4%) year on year to ¥659 million owing to the positive impact of price revisions as well as strong net sales growth, despite soaring raw materials prices and aggressive investments in advertising against a backdrop of steadily increasing subscription customer numbers.

Operating Subsidiaries

Net sales at Aunt Stella Inc. were up year on year. This was driven by brisk sales at directly operated stores, throughout Japan, of gift products for special events and selling-by-weight fairs for which product offerings were enhanced. Brisk sales through outlets at major mass retailers also contributed to sales growth. Morinaga Market Development Co., Ltd.'s retail sales were also strong at amusement parks and "antenna shops" (special promotional satellite stores), with net sales up significantly year on year due to the easing of COVID-19-related restrictions on the movement of people.

As a result, total net sales for Operating Subsidiaries increased ¥1,666 million (+25.5%) year on year to ¥8,198 million.

Segment operating income increased by ¥328 million (+109.8%) year on year to ¥626 million.

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

Confectionery & Foodstuffs Business		Frozen Desserts Business	
<i>Morinaga Biscuits</i>	102	<i>Jumbo Group</i>	102
<i>HI-CHEW</i>	112	<i>Ita Choco Ice</i>	94
<i>Morinaga Ramune</i>	111	<i>The Crepe</i>	–
<i>Carré de chocolat</i>	94	<i>ICEBOX</i>	112
<i>DARS</i>	100	"in-" Business	
<i>Chocoball</i>	102	<i>in Jelly</i>	114
<i>Morinaga Amazake</i>	92	<i>in Bar</i>	93
<i>Morinaga Cocoa</i>	99	Direct Marketing Business	
		<i>Morinaga Collagen Drink</i>	110

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

U.S. Business

HI-CHEW sales were up significantly year on year, partly due to continued growth in the number of stores selling the products across the United States. *HI-CHEW* store turnover remained brisk, even after the implementation of price revisions in February and November 2022, as a result of proactive marketing aimed at boosting brand recognition and loyalty, including product sample giveaways.

The effort to build the *Charge!* jelly drink into a second pillar of earnings for the U.S. business is fully underway. Efforts are being aggressively pursued to boost *Charge!* brand recognition in the sports world by increasing the number of target-demographic touch points. This includes bolstering promotional and advertising activities like product sampling at sports events.

As a result, total net sales for the U.S. business rose ¥4,102 million (+38.9%) year on year to ¥14,654 million. Segment operating income decreased by ¥3 million (–0.2%) year on year to ¥1,476 million as soaring raw materials prices and shipping costs, increased personnel costs, and upfront investments in *Charge!* marketing, outweighed net sales growth and the boost from price revisions.

China, Taiwan, Exports, etc.

In China, *HI-CHEW* sales were brisk, despite the impact from lockdowns imposed in response to increases in COVID-19 case numbers. In Taiwan, sales of *HI-CHEW*, *Milk Caramel*, and *in Jelly* were all up significantly year on year, partly due to a rebound from the year-earlier negative impact of COVID-19 on sales.

As a result, total net sales for China, Taiwan, Exports, etc. increased ¥1,020 million (+17.6%) year on year

to ¥6,808 million.

Segment operating income increased by ¥233 million (+69.3%) year on year to ¥569 million.

Overall, sales in Food Manufacturing increased 7.4% year on year to ¥185,491 million. Segment operating income decreased ¥2,611 million year on year to ¥14,828 million.

Food Merchandise

Sales for the segment increased 5.8% year on year to ¥6,277 million. Segment operating income decreased ¥72 million year on year to ¥274 million.

Real Estate and Services

Sales for the segment increased 0.4% year on year to ¥1,924 million. Segment operating income decreased ¥26 million year on year to ¥847 million.

Other Services

Sales totaled ¥679 million. Segment operating income was ¥103 million.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2023

Total assets at the end of the fiscal year under review decreased ¥9,074 million from the end of the previous fiscal year to ¥205,226 million. This was chiefly due to a decrease in cash and deposits, which offset increases in merchandise and finished goods, raw materials and supplies, and income taxes receivable.

Liabilities totaled ¥79,370 million, a decrease of ¥3,756 million from the end of the previous fiscal year. The decrease mainly reflects decreases in income taxes payable and net defined benefit liability, which offset increases in notes and accounts payable—trade and bonds payable.

Net assets stood at ¥125,856 million, down ¥5,318 million from the end of the previous fiscal year. This primarily owed to increases in dividend payments and purchase of treasury stock to enhance shareholder returns.

As a result of the above, the shareholders' equity ratio was 60.7%.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2023

In the fiscal year under review, cash and cash equivalents (hereinafter "cash") decreased by ¥24,068 million year on year to ¥36,077 million. This decrease primarily owed to the payment of income taxes on extraordinary income from the sale in the previous fiscal year of cross shareholdings, and progress with implementation of financial measures to further enhance capital efficiency, such as enhancement of shareholder returns.

(Cash flows from operating activities)

Net cash used in operating activities was ¥2,966 million. The main components were ¥13,884 million in income before income taxes, ¥10,087 million in depreciation and amortization, a ¥4,760 million decrease in net defined benefit liability mainly due to financial contributions made to the retirement benefit trust, a ¥7,138 million increase in inventories, and ¥15,290 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥14,209 million. The main component was purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥7,348 million. The main components were ¥8,948 million in proceeds from issuance of bonds, ¥11,250 for purchase of treasury stock, and ¥4,497 million in cash

dividends paid.

The following table shows trends in cash flow indicators.

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Shareholders' equity ratio (%)	54.8	55.7	60.5	60.7	60.7
Equity ratio at market value (%)	137.5	118.2	98.0	88.8	86.2
Debt-to-cash flows ratio (year)	0.5	0.5	0.8	0.4	—
Interest coverage ratio (times)	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.
- * 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 ended 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.
- * The debt-to-cash flows ratio and interest coverage ratio for the fiscal year under review are not recorded as the cash flows from operating activities were negative.

(4) Future Outlook

Socioeconomic activity is beginning to recover from the impact of the pandemic. However, the Morinaga Group expects the business environment to remain highly uncertain. Concern about geopolitical risks due to the unstable international situation is expected to cause raw materials and energy prices to continue to soar, for example. With regard to the business environment over the medium- to long-term, the Group also expects a structural decline in Japan's population and the growth of the worldwide population, business model changes driven by advances in digital technology, and a continued rise in health consciousness around the world.

In light of this operating environment, the Group aims to achieve medium- to long-term growth on the way to achieving the targets of its 2030 Business Plan, while contributing to the realization of a sustainable society. The Group intends to achieve this by transforming its business portfolio through 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, to ensure the stable generation of investment resources, the Group will further enhance management efficiency and secure stable financing in line with its financial strategy. This will enable the Group to increase its investment in R&D and digital transformation to build a foundation that will contribute to its growth over the medium- to long-term.

In response to current soaring raw materials and energy prices, the Group will work on market penetration of products following price revisions, and continue reducing costs, streamlining operating expenses, improving investment efficiency, and advancing development of high value-added products.

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

Net sales	¥204.0 billion	(up 5.0% year on year)
Operating income	¥17.3 billion	(up 13.5% year on year)
Ordinary income	¥17.8 billion	(up 13.0% year on year)
Profit attributable to owners of parent	¥12.2 billion	(up 21.3% year on year)

Note: These forecast figures have been calculated assuming an exchange rate of ¥133 to the U.S. dollar.

(5) Capital Policy and Shareholder 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

To enhance corporate value over the medium to long term, the Group invests in growth carefully taking into account capital costs, while also working on asset portfolio optimization, including reduction of its cross shareholdings.

With regard to implementation of investment, 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.

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. As a general rule, the Group strives to maintain a Japan Credit Rating Agency rating of "A", positioning this as a criterion for financial security.

In addition, financing to meet funding needs will take into consideration the current level of cash on hand, capital costs, financing conditions, the shareholders' equity ratio, 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 ¥90 stated in our most recent dividend forecast and pay a year-end dividend of ¥100 per share (this proposal will be submitted to the general meeting of shareholders scheduled to be held on June 29, 2023).

We also plan to pay a dividend of ¥105 per share for the fiscal year ending March 31, 2024, an increase of ¥5 from the dividend for the fiscal year under review.

Furthermore, the Board of Directors resolved, at a meeting held today, May 11, 2023, to purchase up to 1.4 million treasury shares, or, treasury shares up to a maximum value of ¥6.7 billion, from May 12 through May

19, 2023. The Group plans to cancel, on June 15, 2023, all treasury shares thus purchased during this period. Further details are provided in the “Notice Regarding Repurchase of Treasury Stock and Cancellation of Treasury Stock”, released today. The Group will continue to consider further purchases of treasury shares as necessary in order to maintain a flexible capital policy.

2. Basic Policy for the Selection of Accounting Standards

The Group will continue, for the time being, to prepare consolidated financial statements based on Japanese accounting standards, taking into account comparability between reporting periods. The Group is currently conducting gap analysis between the Japanese and international accounting standards (IFRS) in preparation for potential future adoption of IFRS, as well as evaluation of the impact of IFRS adoption, and consideration of the timing of potential adoption.

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

(Million yen)

	FY2022/3 (Mar. 31, 2022)	FY2023/3 (Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	56,652	36,362
Notes and accounts receivable—trade	22,313	23,712
Merchandise and finished goods	13,645	16,330
Work in process	374	498
Raw materials and supplies	9,736	14,761
Income taxes receivable	157	3,328
Other	9,236	6,421
Allowance for doubtful accounts	(48)	(43)
Total current assets	112,067	101,371
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,295	62,990
Accumulated depreciation	(32,283)	(32,940)
Buildings and structures—net	30,011	30,050
Machinery, equipment and vehicles	98,116	100,894
Accumulated depreciation	(68,740)	(72,269)
Machinery, equipment and vehicles—net	29,375	28,624
Tools, furniture and fixtures	5,236	5,281
Accumulated depreciation	(4,015)	(4,112)
Tools, furniture and fixtures—net	1,221	1,168
Land	21,318	20,734
Lease assets	1,851	2,355
Accumulated depreciation	(966)	(1,051)
Lease assets—net	884	1,304
Construction in progress	2,241	4,373
Total property, plant and equipment	85,053	86,256
Intangible assets		
Goodwill	98	—
Software	—	192
Other	211	647
Total intangible assets	309	839
Investments and other assets		
Investment securities	10,447	10,167
Net defined benefit asset	4,232	4,605
Deferred tax assets	1,191	1,102
Other	1,034	919
Allowance for doubtful accounts	(36)	(35)
Total investments and other assets	16,869	16,759
Total noncurrent assets	102,233	103,855
Total assets	214,300	205,226

(Million yen)

	FY2022/3 (Mar. 31, 2022)	FY2023/3 (Mar. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	20,392	22,798
Current portion of long-term loans	10,000	—
Lease obligations	367	490
Accounts payable—other	10,538	10,156
Income taxes payable	9,974	360
Refund liabilities	3,611	3,916
Allowance for bonuses	2,697	2,696
Asset retirement obligations	453	—
Other	12,112	10,879
Total current liabilities	70,147	51,297
Long-term liabilities		
Bonds payable	—	9,000
Long-term loans	—	10,000
Lease obligations	616	950
Deferred tax liabilities	—	333
Provision for directors' stock benefits	82	88
Provision for environmental measures	274	273
Net defined benefit liability	8,231	3,640
Asset retirement obligations	—	66
Deposits received	3,642	3,633
Other	131	86
Total long-term liabilities	12,978	28,072
Total liabilities	83,126	79,370
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,292	17,186
Retained earnings	97,886	83,396
Treasury stock	(12,717)	(3,713)
Total shareholders' equity	121,074	115,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,396	5,201
Deferred gains or losses on hedges	(1)	3
Foreign currency translation adjustments	1,304	2,263
Remeasurements of defined benefit plans	2,261	1,615
Total accumulated other comprehensive income	8,960	9,082
Non-controlling interests	1,139	1,290
Total net assets	131,174	125,856
Total liabilities and net assets	214,300	205,226

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

(Million yen)

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	181,251	194,373
Cost of sales	105,425	117,721
Gross profit	75,826	76,651
Selling, general and administrative expenses	58,140	61,415
Operating income	17,685	15,235
Non-operating income		
Interest income	21	19
Dividends income	543	270
Equity in earnings of affiliates	–	4
Subsidy income	–	263
Other	228	303
Total non-operating income	793	861
Non-operating expenses		
Interest expenses	34	56
Equity in losses of affiliates	25	–
Bond issuance costs	–	51
Depreciation	112	85
Commission for purchase of treasury stock	0	76
Other	57	68
Total non-operating expenses	231	339
Ordinary income	18,247	15,757
Extraordinary income		
Gain on sales of noncurrent assets	10	7
Gain on sales of investment securities	21,952	274
Insurance income	–	100
Total extraordinary income	21,963	382
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	700	1,535
Impairment loss	99	649
IT system failure response expenses	193	–
Other	1	71
Total extraordinary loss	994	2,256
Income before income taxes	39,216	13,884
Income taxes—current	11,279	2,964
Income taxes—deferred	(22)	628
Total income taxes	11,257	3,593
Net income	27,959	10,291
Profit attributable to non-controlling interests	186	231
Profit attributable to owners of parent	27,773	10,059

(Consolidated Statements of Comprehensive Income)

(Million yen)

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Net income	27,959	10,291
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,333)	(195)
Deferred gains or losses on hedges	(23)	5
Foreign currency translation adjustments	970	1,006
Remeasurements of defined benefit plans, net of tax	(535)	(629)
Share of other comprehensive income of associates accounted for using equity method	(0)	5
Total other comprehensive income	(14,921)	193
Net comprehensive income	13,037	10,484
(Breakdown)		
Comprehensive income attributable to owners of parent	12,684	10,182
Comprehensive income attributable to non-controlling interests	353	302

(3) Consolidated Statements of Changes in Net Assets

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
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
Cancellation of treasury stock					–
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
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
Cancellation of treasury stock							–
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

FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	18,612	17,292	97,886	(12,717)	121,074
Changes of items during the period					
Dividends from surplus			(4,497)		(4,497)
Profit attributable to owners of parent			10,059		10,059
Purchase of treasury stock				(11,173)	(11,173)
Disposal of treasury stock		0		20	20
Cancellation of treasury stock		(105)	(20,052)	20,157	–
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(105)	(14,490)	9,004	(5,591)
Balance at end of the fiscal year	18,612	17,186	83,396	(3,713)	115,482

	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	5,396	(1)	1,304	2,261	8,960	1,139	131,174
Changes of items during the period							
Dividends from surplus							(4,497)
Profit attributable to owners of parent							10,059
Purchase of treasury stock							(11,173)
Disposal of treasury stock							20
Cancellation of treasury stock							–
Net changes of items other than shareholders' equity	(195)	4	958	(645)	122	150	273
Total changes of items during the period	(195)	4	958	(645)	122	150	(5,318)
Balance at end of the fiscal year	5,201	3	2,263	1,615	9,082	1,290	125,856

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Operating activities		
Income before income taxes	39,216	13,884
Depreciation	10,032	10,087
Impairment loss	99	649
Amortization of goodwill	98	98
Increase (decrease) in provision for directors' stock benefits	24	5
Increase (decrease) in net defined benefit liability	143	(4,760)
(Increase) decrease in net defined benefit asset	(159)	(1,154)
Increase (decrease) in allowance for bonuses	80	(13)
Increase (decrease) in allowance for doubtful accounts	1	(6)
Increase (decrease) in provision for environmental measures	(5)	(0)
Interest and dividends income	(564)	(290)
Subsidy income	–	(263)
Interest expenses	34	56
Equity in losses (earnings) of affiliates	25	(4)
Loss (gain) on sales of investment securities	(21,951)	(274)
(Gain) loss on sales of noncurrent assets	89	58
Loss on retirement of noncurrent assets	599	1,468
Insurance income	–	(100)
(Increase) decrease in notes and accounts receivable—trade	(2,127)	(1,128)
(Increase) decrease in inventories	(3,752)	(7,138)
Increase (decrease) in notes and accounts payable—trade	2,039	2,171
Other	2,773	(1,387)
Subtotal	26,697	11,958
Interest and dividends income received	561	288
Interest expenses paid	(33)	(34)
Income taxes (paid) refund	(2,400)	(15,290)
Proceeds from subsidy income	–	11
Proceeds from insurance income	–	100
Net cash provided by (used in) operating activities	24,825	(2,966)

(Million yen)

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Investing activities		
Payments into time deposits	(180)	(95)
Purchase of property, plant and equipment	(15,307)	(13,304)
Proceeds from sales of property, plant and equipment	369	176
Purchase of intangible assets	(15)	(282)
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	24,784	285
Other	(336)	(987)
Net cash provided by (used in) investing activities	9,312	(14,209)
Financing activities		
Proceeds from long-term loans	-	10,000
Repayments of long-term loans	-	(10,000)
Proceeds from issuance of bonds	-	8,948
Purchase of treasury stock	(1,467)	(11,250)
Proceeds from sales of treasury stock	51	20
Cash dividends paid	(4,025)	(4,497)
Dividends paid to non-controlling interests	(128)	(151)
Other	(373)	(417)
Net cash provided by (used in) financing activities	(5,943)	(7,348)
Effect of exchange rate change on cash and cash equivalents	384	454
Net increase (decrease) in cash and cash equivalents	28,578	(24,068)
Cash and cash equivalents at beginning of period	31,568	60,146
Cash and cash equivalents at end of period	60,146	36,077

(5) Notes to Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

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

(Purchase of treasury stock)

Based on a resolution of the Board of Directors meeting held on February 28, 2022, the Company repurchased 2,198,800 shares of its treasury stock during the fiscal year under review. In addition, based on a resolution of the Board of Directors meeting held on February 10, 2023, the Company repurchased 650,000 shares of its treasury stock during the fiscal year under review. As a result, treasury stock increased by ¥11,160 million.

(Cancellation of treasury stock)

Based on a resolution of the Board of Directors meeting held on November 10, 2022, the Company canceled 5,400,000 shares of its treasury stock on November 30, 2022. In addition, based on a resolution of the Board of Directors meeting held on February 10, 2023, the Company canceled 650,000 shares of its treasury stock on March 15, 2023. As a result, capital surplus decreased by ¥105 million, retained earnings decreased by ¥20,052 million and treasury stock decreased by ¥20,157 million during the fiscal year ended March 31, 2023.

As a result of the foregoing, capital surplus, retained earnings and treasury stock at the end of the fiscal year under review were ¥17,186 million, ¥83,396 million and ¥3,713 million, respectively.

(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.)

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)

(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 beginning 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.

(Changes in the method of presentation)

(Consolidated statements of operations)

“Commission for purchase of treasury stock” which was included in “Other” under “Non-operating expenses” in the previous fiscal year, is listed separately from the fiscal year under review since the 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, “Commission for purchase of treasury stock” of 0 million yen that was included in “Other” under “Non-operating expenses” in the consolidated statements of operations for the previous fiscal year, is now listed separately.

(Consolidated statements of operations)

Impairment loss

The Group recorded an impairment loss on the following assets.

FY2023/3 (April 1, 2022 – March 31, 2023)

Location	Use	Type and impairment loss (million yen)				
		Buildings and structures	Machinery, equipment and vehicles	Land	Other	Total
Yokohama, Kanagawa	Morinaga Institute of Biological Science, Inc. (assets planned for sale)	91	–	538	–	630
Shibuya, Tokyo	Store	4	–	–	5	9
Koriyama, Fukushima	Store	3	–	–	6	9

(Classification method of assets)

The Group classifies assets for business by identifying the minimum unit that generates independent cash flows based on the business segment by type. The Group classifies golf courses, assets for lease, stores, and idle assets by property, and goodwill by company. The Group classifies assets which shows no association with any particular business as shared assets.

(Background of recognition of impairment loss)

The Company has decided on a policy to sell the assets planned for sale, so their book value has been reduced to their recoverable amount. For stores, the Company has reduced the book value to their recoverable amount because the recovery of investment is considered to be impossible.

(Calculation method of recoverable amount)

The recoverable amount of the assets planned for sale is valued by net cash value, which is rationally calculated based on indicators, etc. that are considered to appropriately reflect market prices.

For stores, the recoverable amount is the net cash value or utility value, whichever is higher. The net cash value is calculated reasonably based primarily on the appraisal value.

(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)

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Cash and deposits	56,652	36,362
Time deposits with maturity of more than three months	(180)	(285)
“Other” in current assets (deposits with securities company)	3,674	–
Cash and cash equivalents	60,146	36,077

(Segment information)

[Segment information]

1. Overview of reportable segments

(1) Method to determine reportable segments

The reportable segments of the 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 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 or 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 by reportable segment

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

	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	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.

FY2023/3 (April 1, 2022 – March 31, 2023)

(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								
Outside customers	185,491	6,277	1,924	193,693	679	194,373	–	194,373
Intersegment sales or transfers	179	301	0	481	892	1,374	(1,374)	–
Total	185,671	6,579	1,924	194,175	1,572	195,747	(1,374)	194,373
Segment operating income	14,828	274	847	15,949	103	16,053	(817)	15,235
Segment assets	159,245	3,060	5,182	167,488	1,703	169,192	36,034	205,226
Other items								
Depreciation and amortization	9,879	5	140	10,024	62	10,087	–	10,087
Increase in property, plant and equipment and intangible assets	8,925	2	250	9,177	817	9,995	–	9,995

(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 817 million yen adjustment to segment operating income includes corporate expenses that are not allocated to any reportable segment of minus 836 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 36,034 million yen includes corporate assets of 39,931 million yen and an offset of inter-segment receivables of minus 3,897 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.

(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 beginning of the fiscal year under review. In addition, the information on the breakdown of revenue generated from contracts with customers for the fiscal year ended March 31, 2022 is also presented in (Revenue recognition).

[Related information]

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.

FY2023/3 (April 1, 2022 – March 31, 2023)

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

(Million yen)

Japan	U.S.	Other	Total
172,666	13,931	7,774	194,373

(Note) Sales are based on the location of customers and are classified by country or region.

(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]

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

FY2023/3 (April 1, 2022 – March 31, 2023)

(Million yen)

	Food Manufacturing	Food Merchandise	Real Estate and Services	Other	Adjustment	Total
Impairment loss	19	–	–	630	–	649

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

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

FY2023/3 (April 1, 2022 – March 31, 2023)

(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	–	–	–	–	–	–

[Information regarding gain on bargain purchase by reportable segment]

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

Not applicable.

FY2023/3 (April 1, 2022 – March 31, 2023)

Not applicable.

(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	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Food Manufacturing	Confectionery & Foodstuffs business	72,443	74,308
	Frozen Desserts business	40,197	40,533
	“in-” business	28,034	30,602
	Direct Marketing business	9,135	10,285
	Operating subsidiaries, etc.	6,597	8,300
	Domestic total	156,409	164,029
	U.S. business	10,552	14,654
	China, Taiwan, exports, etc.	5,788	6,808
	Overseas total	16,341	21,462
	Subtotal	172,750	185,491
Food Merchandise	Wholesale food service and food products	5,935	6,277
Real Estate and Services	Management of golf courses	734	768
Other Services (Note)		649	679
Revenue generated from contracts with customers total		180,069	193,217
Real Estate and Services	Real estate transactions	1,181	1,155
Other revenue total		1,181	1,155
Net sales to outside customers total		181,251	194,373

(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 Group 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 beginning 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 fiscal year ended March 31, 2022 has been presented based on the new classification after this change.

(Per-share information)

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Net assets per share	2,603.95 yen	2,645.25 yen
Net income per share	552.59 yen	208.77 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 38,000 and average number of shares of treasury stock during the period was 32,000. In the fiscal year under review, the number of shares of treasury stock held by the trust at the end of the period was 34,000 and average number of shares of treasury stock during the period was 34,000.

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

	FY2022/3 (As of Mar. 31, 2022)	FY2023/3 (As of Mar. 31, 2023)
Total net assets on consolidated balance sheets (million yen)	131,174	125,856
Amount not included in total net assets (million yen)	1,139	1,290
(Non-controlling interests) (million yen)	(1,139)	(1,290)
Net assets related to common stock (million yen)	130,035	124,565
Number of common stock included in the calculation of net assets per share (1,000 shares)	49,937	47,090

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

	FY2022/3 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023/3 (Apr. 1, 2022 – Mar. 31, 2023)
Profit attributable to owners of parent (million yen)	27,773	10,059
Amount not attributable to common stock shareholders (million yen)	–	–
Profit attributable to owners of parent related to common stock (million yen)	27,773	10,059
Average number of common stock outstanding in fiscal year (1,000 shares)	50,260	48,186

(Significant subsequent events)

(Repurchase and cancellation of treasury stock)

At its Board of Directors meeting held on May 11, 2023, the Company passed a resolution on matters relating to the repurchase of treasury stock pursuant to the provisions of Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of said act. In addition, the Company passed a resolution on matters to cancel its treasury stock pursuant to the provisions of Article 178 of said act.

1. Purpose of repurchase and cancellation of treasury stock

To enhance returns to shareholders and improve capital efficiency

2. Details of repurchase

- | | |
|---|--|
| (1) Type of shares to be repurchased: | Common shares of the Company |
| (2) Total number of shares to be repurchased: | Up to 1,400,000 shares
(Ratio of total number of shares issued (excluding treasury stock)): 2.97% |
| (3) Total amount of repurchase of shares: | Up to ¥6,700,000,000 |
| (4) Period of repurchase: | May 12, 2023 to May 19, 2023 |
| (5) Method of repurchase: | Repurchase through Tokyo Stock Exchange off-auction own share repurchase trading system (ToSTNeT-3) |

(Note) The Company may not repurchase part or all of the shares of treasury stock due to market trends and other reasons.

3. Details of cancellation

- | | |
|---|---|
| (1) Type of shares to be cancelled: | Common shares of the Company |
| (2) Total number of shares to be cancelled: | All shares of treasury stock repurchased as described in 2. above |
| (3) Scheduled date of cancellation: | June 15, 2023 |

(Reference) Treasury stock as of March 31, 2023

Total number of shares issued (excluding treasury stock): 47,124,506

Number of shares of treasury stock (including fractional shares): 1,015,263

(Note) The number of shares of treasury stock does not include the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (34,181 shares).

Supplementary Materials for the Consolidated Financial Summary for the Fiscal Year Ended March 31, 2023

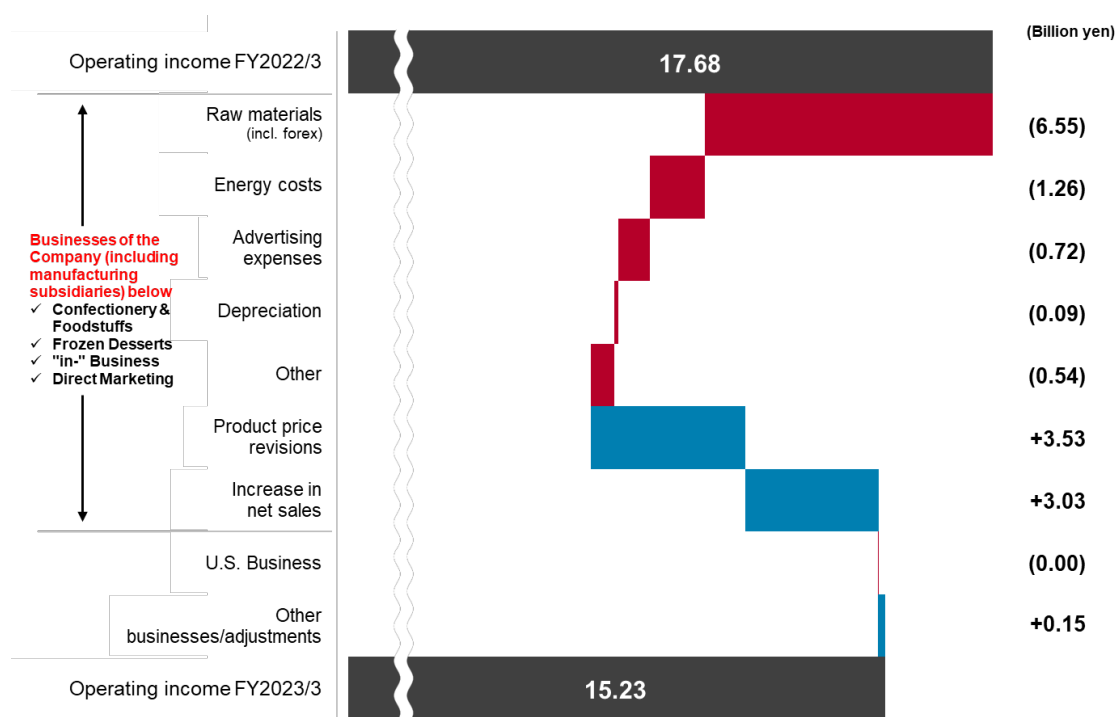
[The fiscal year under review]

1. Financial results

(Million yen)

	Year ended March 31, 2022		Year ended March 31, 2023		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	181,251		194,373		13,122		+7.2
Cost of sales	105,425	58.2	117,721	60.6	12,296	+2.4	+11.7
Gross profit	75,826	41.8	76,651	39.4	825	(2.4)	+1.1
Selling, general and administrative expenses	58,140	32.1	61,415	31.6	3,275	(0.5)	+5.6
Promotion expenses	4,845	2.7	5,283	2.7	438	+0.0	+9.0
Advertising expenses	9,390	5.2	10,374	5.3	984	+0.1	+10.5
Freightage and storage fees	16,007	8.8	16,746	8.6	739	(0.2)	+4.6
Salaries and allowances	8,901	4.9	9,471	4.9	570	(0.0)	+6.4
Provision for bonuses	1,475	0.8	1,504	0.8	29	(0.0)	+2.0
Other	17,520	9.7	18,034	9.3	514	(0.4)	+2.9
Operating income	17,685	9.8	15,235	7.8	(2,450)	(2.0)	(13.9)
Non-operating income	793	0.4	861	0.4	68	+0.0	+8.6
Non-operating expenses	231	0.1	339	0.2	108	+0.1	+46.7
Ordinary income	18,247	10.1	15,757	8.1	(2,490)	(2.0)	(13.6)
Extraordinary income	21,963	12.1	382	0.2	(21,581)	(11.9)	(98.3)
Extraordinary loss	994	0.5	2,256	1.2	1,262	+0.7	+126.8
Income before income taxes	39,216	21.6	13,884	7.1	(25,332)	(14.5)	(64.6)
Income taxes	11,257	6.2	3,593	1.8	(7,664)	(4.4)	(68.1)
Net income	27,959	15.4	10,291	5.3	(17,668)	(10.1)	(63.2)
Profit attributable to non-controlling interests	186	0.1	231	0.1	45	+0.0	+24.3
Profit attributable to owners of parent	27,773	15.3	10,059	5.2	(17,714)	(10.1)	(63.8)

2. Analysis of changes in operating income



3. Segment information

(Million yen)

Business	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing				
Net sales	172,750	185,491	12,741	+7.4
(Composition ratio to total net sales)	(95.3%)	(95.4%)		
Segment operating income	17,439	14,828	(2,611)	(15.0)
Food Merchandise				
Net sales	5,935	6,277	342	+5.8
(Composition ratio to total net sales)	(3.3%)	(3.2%)		
Segment operating income	346	274	(72)	(20.9)
Real Estate and Services				
Net sales	1,915	1,924	9	+0.4
(Composition ratio to total net sales)	(1.0%)	(1.0%)		
Segment operating income	873	847	(26)	(3.0)
Other Services				
Net sales	649	679	30	+4.6
(Composition ratio to total net sales)	(0.4%)	(0.4%)		
Segment operating income	179	103	(76)	(42.0)

(Note) Net sales are sales to external customers.

4. Domestic/overseas net sales

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparisons	Year-on-year change (%)
Domestic	164,829	172,666	7,837	+4.8
Overseas	16,421	21,706	5,285	+32.2
Consolidated	181,251	194,373	13,122	+7.2

(Note) Net sales are sales to external customers.

Ratio of overseas sales to consolidated net sales	9.1%	11.2%
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5. Capital investment, depreciation expenses, and research and development expenses

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparisons
Capital investment	20,411	9,995	(10,416)
Depreciation expenses	10,032	10,087	55
Research and development expenses	2,686	2,892	206

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

(Billion yen)

Focus domain	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparisons	Year-on-year change (%)
"in" business	28.5	31.2	2.7	+9.4
Direct Marketing business	9.1	10.3	1.2	+13.3
U.S. business	10.5	14.6	4.1	+38.9
Frozen Desserts business	40.1	40.5	0.4	+0.8
Total	88.4	96.8	8.4	+9.4
Ratio of focus domain sales to consolidated net sales	48.8%	49.8%		

(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.

7. Net sales and operating income by business

(Billion yen)

	Net sales				Operating income			
	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparisons	Year-on- year change (%)	Year ended March 31, 2022	Year ended March 31, 2023	Year-on-year comparisons	Year-on- year change (%)
Confectionery & Foodstuffs business	72.4	74.3	1.9	+2.6	3.2	1.5	(1.7)	(52.8)
Frozen Desserts business	40.1	40.5	0.4	+0.8	4.8	3.4	(1.4)	(29.0)
"in" business	28.0	30.6	2.6	+9.2	6.8	7.0	0.2	+3.1
Direct Marketing business	9.1	10.2	1.1	+12.6	0.3	0.6	0.3	+93.4
Operating subsidiaries	13.8	15.6	1.8	+13.2	0.7	0.9	0.2	+26.4
Other businesses	1.2	1.2	0.0	+0.8	(0.2)	(0.2)	(0.0)	—
Domestic total	164.9	172.6	7.7	+4.7	15.8	13.3	(2.5)	(15.4)
U.S. business	10.5	14.6	4.1	+38.9	1.4	1.4	(0.0)	(0.2)
China, Taiwan, exports, etc.	5.7	7.0	1.3	+21.8	0.3	0.5	0.2	+69.3
Overseas total	16.3	21.7	5.4	+32.8	1.8	2.0	0.2	+12.7
Adjustments, etc.					0.0	(0.2)	(0.2)	—
Total	181.2	194.3	13.1	+7.2	17.6	15.2	(2.4)	(13.9)

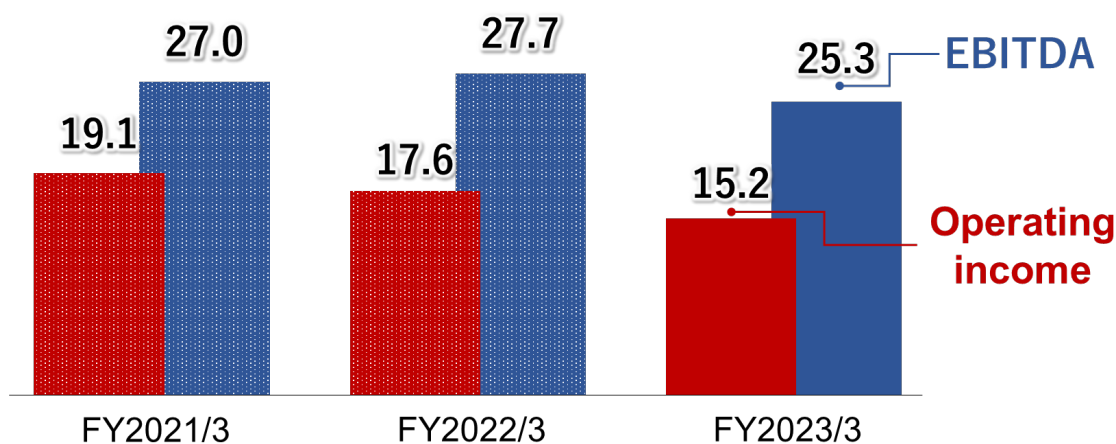
(Note 1) Net sales are sales to external customers.

(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.

8. 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 fiscal year ended March 31, 2021 are the figures after retroactive application of said accounting standard.

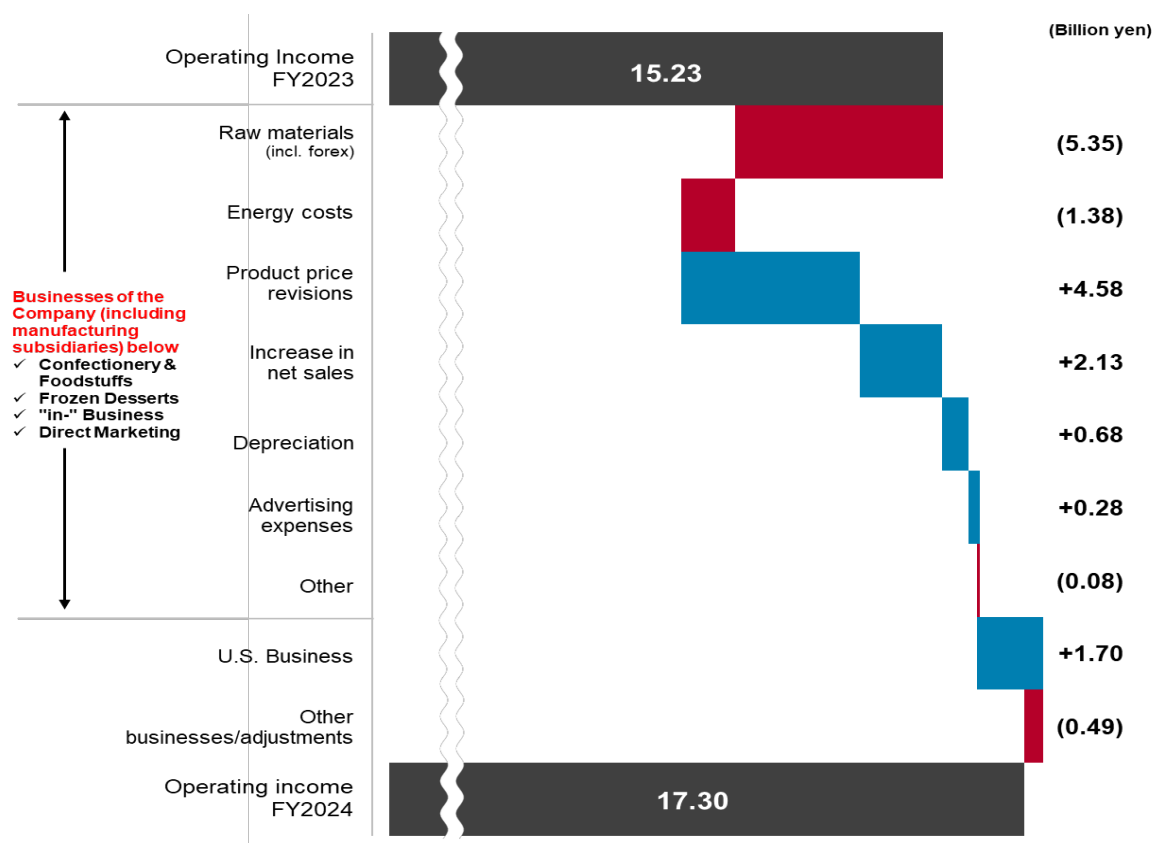
[Full-year forecast]

1. Financial results

(Million yen)

	Year ended March 31, 2023 results	Year ending March 31, 2024 forecasts	Year-on-year comparisons	Year-on-year change (%)
Net sales	194,373	204,000	9,627	+5.0
Operating income	15,235	17,300	2,065	+13.5
Ordinary income	15,757	17,800	2,043	+13.0
Profit attributable to owners of parent	10,059	12,200	2,141	+21.3

2. Analysis of changes in operating income



3. Segment information

(Million yen)

Business	Year ended March 31, 2023 results	Year ending March 31, 2024 forecasts	Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing				
Net sales	185,491	195,100	9,609	+5.2
(Composition ratio to total net sales)	(95.4%)	(95.6%)		
Segment operating income	14,828	17,123	2,295	+15.5
Food Merchandise				
Net sales	6,277	6,500	223	+3.5
(Composition ratio to total net sales)	(3.2%)	(3.2%)		
Segment operating income	274	350	76	+27.6
Real Estate and Services				
Net sales	1,924	1,800	(124)	(6.5)
(Composition ratio to total net sales)	(1.0%)	(0.9%)		
Segment operating income	847	847	(0)	(0.0)
Other Services				
Net sales	679	600	(79)	(11.7)
(Composition ratio to total net sales)	(0.4%)	(0.3%)		
Segment operating income	103	40	(63)	(61.5)

(Note) Net sales are sales to external customers.

4. Domestic/overseas net sales

(Million yen)

	Year ended March 31, 2023 results	Year ending March 31, 2024 forecasts	Year-on-year comparisons	Year-on-year change (%)
Domestic	172,666	178,100	5,434	+3.1
Overseas	21,706	25,900	4,194	+19.3
Consolidated	194,373	204,000	9,627	+5.0

(Note) Net sales are sales to external customers.

Ratio of overseas sales to consolidated net sales	11.2%	12.7%
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5. Capital investment, depreciation expenses, and research and development expenses

(Million yen)

	Year ended March 31, 2023 results	Year ending March 31, 2024 forecasts	Year-on-year comparisons
Capital investment	9,995	18,622	8,627
Depreciation expenses	10,087	9,689	(398)
Research and development expenses	2,892	3,154	262

6. Net sales and operating income by business

(Billion yen)

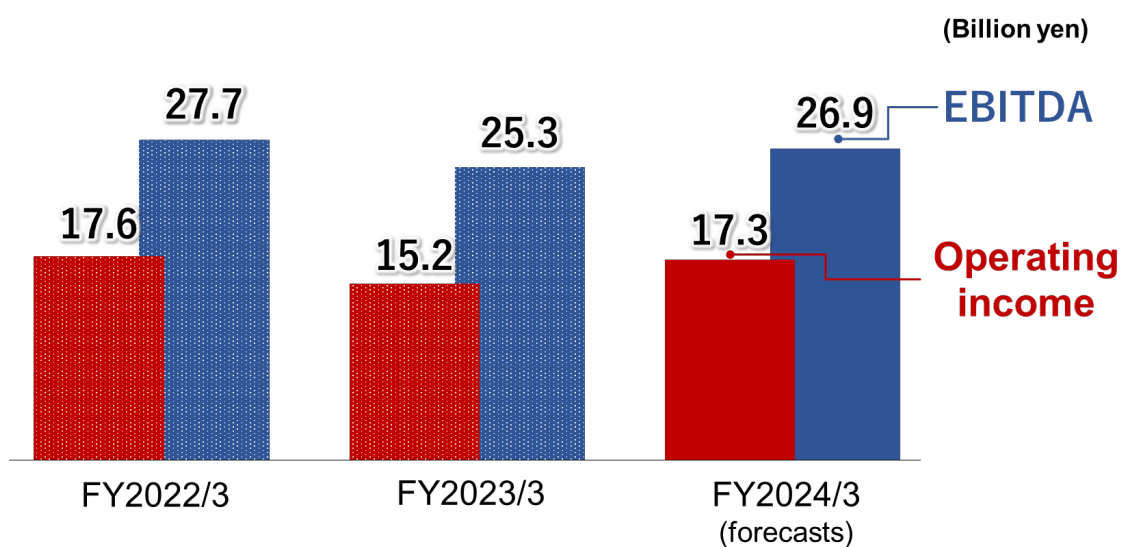
	Net sales				Operating income			
	Year ended March 31, 2023	Year ending March 31, 2024 forecasts	Year-on-year comparisons	Year-on-year change (%)	Year ended March 31, 2023	Year ending March 31, 2024 forecasts	Year-on-year comparisons	Year-on-year change (%)
Confectionery & Foodstuffs business	74.3	74.9	0.6	+0.9	1.5	1.6	0.1	+9.1
Frozen Desserts business	40.5	42.5	2.0	+4.9	3.4	3.7	0.3	+10.1
"in" business	30.6	32.4	1.8	+6.0	7.0	7.1	0.1	+2.5
Direct Marketing business	10.2	10.7	0.5	+4.8	0.6	0.8	0.2	+28.8
Operating subsidiaries	15.6	16.1	0.5	+3.3	0.9	1.0	0.1	+6.2
Other businesses	1.2	1.1	(0.1)	(7.6)	(0.2)	(0.3)	(0.1)	—
Domestic total	172.6	178.1	5.5	+3.1	13.3	14.1	0.8	+5.9
U.S. business	14.6	18.7	4.1	+28.2	1.4	3.1	1.7	+115.1
China, Taiwan, exports, etc.	7.0	7.1	0.1	+1.0	0.5	0.1	(0.4)	(81.7)
Overseas total	21.7	25.9	4.2	+19.3	2.0	3.2	1.2	+60.4
Adjustments, etc.					(0.2)	(0.1)	0.1	—
Total	194.3	204.0	9.7	+5.0	15.2	17.3	2.1	+13.5

(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



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