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Consolidated Financial Summary for the Three Months Ended June 30, 2023 (1Q) (Japanese Accounting Standards)

August 8, 2023

Company name: Morinaga & Co., Ltd. Stock listing: Tokyo Stock Exchange
 Stock code: 2201 URL: <https://www.morinaga.co.jp/company/english/>
 Representative: Eijiro Ota, Representative Director, President
 Contact: Natsuko Okamoto, General Manager, Corporate Communication Division
 TEL +81-3-3456-0150

Scheduled date to submit the Quarterly Securities Report: August 9, 2023
 Scheduled date for commencement of dividend payments: —
 Supplementary documents for quarterly financial results: Yes
 Quarterly 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 First Quarter of the Fiscal Year Ending March 31, 2024 (April 1, 2023 – June 30, 2023)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q ended June 30, 2023	51,092	9.2	5,803	25.1	5,985	24.1	4,322	26.8
1Q ended June 30, 2022	46,803	5.0	4,640	(25.8)	4,824	(28.4)	3,408	(29.4)

(Note) Comprehensive income: 1Q ended June 30, 2023: 5,155 million yen (49.2%)
 1Q ended June 30, 2022: 3,454 million yen (-34.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q ended June 30, 2023	93.36	—
1Q ended June 30, 2022	69.26	—

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
1Q ended June 30, 2023	205,374	121,039	58.3
Year ended Mar. 31, 2023	205,226	125,856	60.7

(Reference) Shareholders' equity: 1Q ended June 30, 2023: 119,678 million yen
 Year ended Mar. 31, 2023: 124,565 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2023	—	0.00	—	100.00	100.00
Year ending Mar. 31, 2024	—	—	—	—	—
Year ending Mar. 31, 2024 (forecast)	—	0.00	—	105.00	105.00

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

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

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

* Notes

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

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

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

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

(ii) Changes in accounting policies other than changes in (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares issued (common shares)

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

1Q of the year ending Mar. 31, 2024:	46,959,769	Year ended Mar. 31, 2023:	48,139,769
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(ii) Number of shares of treasury stock at end of period

1Q of the year ending Mar. 31, 2024:	1,049,951	Year ended Mar. 31, 2023:	1,049,444
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(iii) Average number of shares during the period (quarter-to-date)

1Q of the year ending Mar. 31, 2024:	46,298,970	1Q of the year ended Mar. 31, 2023:	49,210,460
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* The number of shares of treasury stock at end of period includes the Company's shares held by the officer compensation Board Incentive Plan (BIP) trust (34,181 shares in the first quarter of the fiscal year ending March 31, 2024 and 34,181 shares in the fiscal year ended March 31, 2023). The Company's shares held by the officer compensation BIP trust are included in shares of treasury stock that are deducted in the calculation of the average number of shares during the period.

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

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

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

○ Accompanying Materials – Contents

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three-month period ended June 30, 2023, the Japanese economy experienced a gradual recovery, with consumer spending picking up amid the acceleration of normalization of economic activities and social life following the transition of COVID-19 to a Class 5 category infectious disease. On the other hand, the environment surrounding businesses continued to be uncertain as raw materials and energy prices remained at high levels due to the unstable international situation, the depreciation of the yen and other factors, and the accompanying progress of inflation impacted consumer sentiment.

Under these circumstances, consolidated net sales increased by ¥4,289 million (+9.2%) to ¥51,092 million year on year.

In terms of profit, despite soaring raw materials and energy prices, operating income came to ¥5,803 million, up ¥1,163 million (+25.1%) year on year due to the growth in sales and the positive impact of price revisions. Ordinary income was ¥5,985 million, up ¥1,161 million (+24.1%) year on year. Profit attributable to owners of parent was ¥4,322 million, up ¥914 million (+26.8%) year on year.

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

Food Manufacturing

Confectionery & Foodstuffs Business

Biscuit category sales achieved a record high across all brands. The expansion of the production line last year made it possible for *Morinaga Biscuits* to actively develop products. The limited-time design of existing products, the launch of new products, and a special initiative marking the *Marie* brand's 100th anniversary all contributed to sales growth.

In the sugar confectionery category, sales of *HI-CHEW* remained brisk due to the launch of products to meet the leisure demand and products with new appealing textures as selling points. *Morinaga Ramune* sales, both in bottles and pouches (*Otsubu Ramune*), continued to be strong due to the product and promotional development of each target, and were up significantly year on year.

In the chocolate category, sales of *Carré de chocolat* were up year on year thanks to the launch of premium-line new products, and *DARS* sales increased year on year due to the launch of new products that capture new eating opportunities. Although sales of existing *Chocoball* products remained strong, total *Chocoball* sales decreased year on year due to the narrowing down of the number of items sold due to the end of sales of some products.

In the foodstuffs category, sales of *Morinaga Amazake* remained level, and those of *Morinaga Cocoa* declined year on year, despite ongoing efforts to bolster their respective health brand images and capture demand through promoting their functional health benefits and proposing drinking opportunities.

Note that, as a measure to improve profitability in response to soaring energy and raw material prices, price revisions were implemented in March for each product category.

As a result, total net sales for the Confectionery & Foodstuffs business increased ¥1,327 million (+8.2%) year on year to ¥17,465 million.

In terms of profit, segment operating income increased by ¥502 million (+143.6%) year on year to ¥852 million by overcoming soaring energy and raw material prices with the sales growth and the positive impact of price revisions.

Frozen Desserts Business

Choco Monaka Jumbo in the *Jumbo Group* underwent a quality renewal this spring to reinforce the brand's value of crisp texture. In addition, thanks to the successful promotion to widely appeal freshness marketing initiatives to achieve the crisp texture, sales remained strong. Sales of *Vanilla Monaka Jumbo* increased year on year due to the strong store turnover as a result of the launch of a stand-alone TV commercial for the first time in two years to appeal the unique quality. Sales of *Ita Choco Ice* increased year on year by switching to "summer only" quality to attract new customers and promote repeat purchase. *The Crepe*, in its second year of year-round sales, struggled, partly due to an increase in sales in the previous year. *ICEBOX* performed strongly due to the continued promotion to expand new consumption scenarios.

Note that, as a measure to improve profitability in response to soaring energy and raw material prices, price revisions were implemented in March for mainstay products.

As a result, total net sales for the Frozen Desserts business grew ¥146 million (+1.3%) year on year to

¥11,699 million.

In terms of profit, segment operating income increased by ¥159 million (+11.7%) year on year to ¥1,516 million by overcoming soaring energy and raw material prices with the sales growth and the positive impact of price revisions.

“in-” Business

The purchase rate of *in Jelly* increased as we promoted drinking scenarios for each target and appealed to consumer needs diversifying as a result of the normalization of economic activities and social life. On the other hand, sales remained unchanged year on year due to a backlash from the previous year's sales to supply products to local governments for COVID-19 patients. Sales of *in Bar* were up year on year as a result of the improvement of brand recognition by launching a TV commercial starring a major leaguer, amid continued intensification of competition with the diversification of protein intake means.

As a result, total net sales for the “in-” business grew ¥93 million (+1.1%) year on year to ¥8,259 million. In terms of profit, segment operating income decreased by ¥264 million (-14.3%) year on year to ¥1,575 million due to the significant impact of soaring energy and raw material prices despite the improved profitability thanks to price revisions.

Direct Marketing Business

Morinaga Collagen Drink sales in 1Q increased year on year with a steady growth in subscription customers 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 ¥128 million (+5.1%) year on year to ¥2,634 million.

In terms of profit, segment operating income increased by ¥71 million (+48.3%) year on year to ¥216 million owing to the strong net sales growth as well as the positive impact of price revisions, despite soaring raw materials prices.

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 for selling-by-weight fairs, and of gift products for special events. Sales through more 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 recovery of the flow of people and increase of foreign visitors.

As a result, total net sales for Operating Subsidiaries grew ¥627 million (+33.2%) year on year to ¥2,517 million.

Segment operating income increased by ¥157 million (+85.6%) year on year to ¥340 million.

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

Confectionery & Foodstuffs Business		Frozen Desserts Business	
<i>Morinaga Biscuits</i>	124	<i>Jumbo Group</i>	107
<i>HI-CHEW</i>	115	<i>Ita Choco Ice</i>	104
<i>Morinaga Ramune</i>	120	<i>The Crepe</i>	79
<i>Carré de chocolat</i>	105	<i>ICEBOX</i>	102
<i>DARS</i>	108	“in-” Business	
<i>Chocoball</i>	88	<i>in Jelly</i>	100
<i>Morinaga Amazake</i>	100	<i>in Bar</i>	116
<i>Morinaga Cocoa</i>	96	Direct Marketing Business	
		<i>Morinaga Collagen Drink</i>	101

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

U.S. Business

HI-CHEW sales were significantly up year on year continuing to grow as a business, partly due to continued growth in the number of stores selling the products across the United States and to the brisk store turnover, as a result of continued proactive marketing aimed at boosting brand recognition and loyalty. In addition, we launched a new product form, *HI-CHEW Bites*, and are working to expand points of contacts with customers. The effort to build the *Chargel* jelly drink into a second pillar of earnings for the U.S. business is fully underway. While the product is being gradually launched at stores selling Japanese products, efforts are being aggressively pursued to boost *Chargel* brand recognition and understanding of the product, toward promotion of product launch at U.S. supermarkets and sports channels. 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 ¥1,337 million (+46.8%) year on year to ¥4,194 million.

In terms of profit, segment operating income increased by ¥609 million (+163.5%) year on year to ¥981 million due to higher profitability brought by the sales growth and the positive impact of price revisions, despite the impact of soaring raw materials prices and increasing labor costs.

China, Taiwan, Exports, etc.

In China, while *HI-CHEW* sales continued to be brisk, import sales of Japanese products struggled. In Taiwan, sales of *HI-CHEW* and *in Jelly* were strong. Sales of *HI-CHEW* were also steadily growing in East Asia and Oceania, which is the exploration and research area.

As a result, total net sales for China, Taiwan, Exports, etc., increased ¥407 million (+23.8%) year on year to ¥2,118 million.

Segment operating income increased by ¥57 million (+22.2%) year on year to ¥313 million.

From the above-mentioned results, sales in Food Manufacturing increased 9.1% year on year to ¥48,922 million. Segment operating income increased ¥1,188 million year on year to ¥5,703 million.

Food Merchandise

Sales for the segment increased 16.7% year on year to ¥1,508 million. Segment operating income increased ¥4 million year on year to ¥40 million.

Real Estate and Services

Sales for the segment decreased 3.0% year on year to ¥481 million. Segment operating income decreased ¥3 million year on year to ¥214 million.

Other Services

Sales totaled ¥179 million. Segment operating income was ¥41 million.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review increased ¥148 million from the end of the previous fiscal year to ¥205,374 million. This was chiefly due to increases in notes and accounts receivable—trade, merchandise and finished goods, and construction in progress included in other—net under property, plant and equipment, which offset a decrease in cash and deposits.

Liabilities totaled ¥84,334 million, an increase of ¥4,964 million from the end of the previous fiscal year. The increase mainly reflects increases in notes and accounts payable—trade, income taxes payable and accounts payable—facilities included in other under current liabilities, which offset a decrease in allowance for bonuses.

Net assets stood at ¥121,039 million, down ¥4,817 million from the end of the previous fiscal year. This was primarily owed to a decrease as a result of dividend payments and purchase of treasury stock, which offset an increase as a result of the recording of profit attributable to owners of parent.

As a result of the above, the shareholders' equity ratio was 58.3%, down 2.4 points from the end of the previous fiscal year.

(3) Explanation of Future Forecasts Such As Consolidated Results Forecasts

There is no change to the results forecasts announced on May 11, 2023. The Company will promptly disclose any revisions to the results forecasts as they become necessary due to uncertainties regarding the impact of soaring raw materials and energy prices, exchange rate fluctuations and others.

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

(Million yen)

	FY2023/3 (March 31, 2023)	1Q 2024 (June 30, 2023)
Assets		
Current assets		
Cash and deposits	36,362	30,463
Notes and accounts receivable–trade	23,712	25,597
Merchandise and finished goods	16,330	17,182
Work in progress	498	516
Raw materials and supplies	14,761	15,118
Income taxes receivable	3,328	3,327
Other	6,421	6,451
Allowance for doubtful accounts	(43)	(44)
Total current assets	101,371	98,614
Noncurrent assets		
Property, plant and equipment		
Buildings and structures–net	30,050	29,672
Machinery, equipment and vehicles–net	28,624	28,015
Land	20,734	20,744
Other–net	6,846	9,199
Total property, plant and equipment	86,256	87,631
Intangible assets		
Software	192	202
Other	647	1,217
Total intangible assets	839	1,419
Investments and other assets		
Investment securities	10,167	10,999
Net defined benefit asset	4,605	4,613
Deferred tax assets	1,102	1,160
Other	919	971
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	16,759	17,709
Total noncurrent assets	103,855	106,759
Total assets	205,226	205,374

(Million yen)

	FY2023/3 (March 31, 2023)	1Q 2024 (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	22,798	24,596
Accounts payable–other	10,156	10,614
Income taxes payable	360	1,402
Refund liabilities	3,916	3,518
Allowance for bonuses	2,696	1,342
Other	11,369	14,056
Total current liabilities	51,297	55,530
Long-term liabilities		
Bonds payable	9,000	9,000
Long-term loans	10,000	10,000
Deferred tax liabilities	333	919
Provision for directors' stock benefits	88	95
Provision for environmental measures	273	273
Net defined benefit liability	3,640	3,773
Asset retirement obligations	66	66
Deposits received	3,633	3,633
Other	1,037	1,042
Total long-term liabilities	28,072	28,804
Total liabilities	79,370	84,334
Net assets		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,186	17,186
Retained earnings	83,396	78,264
Treasury stock	(3,713)	(4,230)
Total shareholders' equity	115,482	109,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,201	5,775
Deferred gains or losses on hedges	3	100
Foreign currency translation adjustments	2,263	2,408
Remeasurements of defined benefit plans	1,615	1,560
Total accumulated other comprehensive income	9,082	9,844
Non-controlling interests	1,290	1,361
Total net assets	125,856	121,039
Total liabilities and net assets	205,226	205,374

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

Quarterly Consolidated Statements of Operations
First quarter ended June 30, 2023

(Million yen)

	1Q 2023 (Apr. 1, 2022 – Jun. 30, 2022)	1Q 2024 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	46,803	51,092
Cost of sales	27,216	29,815
Gross profit	19,587	21,277
Selling, general and administrative expenses	14,947	15,473
Operating income	4,640	5,803
Non-operating income		
Interest income	2	2
Dividends income	167	177
Equity in earnings of affiliates	-	3
Other	67	55
Total non-operating income	237	239
Non-operating expenses		
Interest expenses	8	25
Equity in losses of affiliates	3	-
Depreciation	21	12
Other	19	19
Total non-operating expenses	53	57
Ordinary income	4,824	5,985
Extraordinary income		
Gain on sales of noncurrent assets	2	6
Gain on sales of investment securities	273	130
Total extraordinary income	276	137
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	174	117
Other	-	15
Total extraordinary loss	174	133
Income before income taxes	4,926	5,989
Income taxes—current	543	1,355
Income taxes—deferred	919	258
Total income taxes	1,463	1,614
Net income	3,463	4,374
Profit attributable to non-controlling interests	54	52
Profit attributable to owners of parent	3,408	4,322

Quarterly Consolidated Statements of Comprehensive Income
First quarter ended June 30, 2023

(Million yen)

	1Q 2023 (Apr. 1, 2022 – Jun. 30, 2022)	1Q 2024 (Apr. 1, 2023 – Jun. 30, 2023)
Net income	3,463	4,374
Other comprehensive income		
Valuation difference on available-for-sale securities	(616)	574
Deferred gains or losses on hedges	28	96
Foreign currency translation adjustments	636	162
Remeasurements of defined benefit plans, net of tax	(60)	(54)
Share of other comprehensive income of associates accounted for using equity method	3	1
Total other comprehensive income	(8)	780
Net comprehensive income	3,454	5,155
(Breakdown)		
Comprehensive income attributable to owners of parent	3,365	5,084
Comprehensive income attributable to non-controlling interests	88	71

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable.

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

(Purchase of treasury stock)

Based on a resolution of the Board of Directors meeting held on May 11, 2023, the Company repurchased 1,180,000 shares of its treasury stock during the three-month period ended June 30, 2023. As a result, treasury stock increased by ¥5,256 million.

(Cancellation of treasury stock)

Based on a resolution of the Board of Directors meeting held on May 11, 2023, the Company canceled 1,180,000 shares of its treasury stock on June 15, 2023. As a result, capital surplus decreased by ¥0 million, retained earnings decreased by ¥4,742 million and treasury stock decreased by ¥4,742 million during the three-month period ended June 30, 2023.

As a result of the foregoing, capital surplus was ¥17,186 million, retained earnings were ¥78,264 million, and treasury stock was ¥4,230 million at the end of the first quarter of the fiscal year under review.

(Segment information, etc.)

[Segment information]

Information on net sales and profits or losses by reportable segment

First quarter of Fiscal 2023 (From April 1, 2022 to June 30, 2022)

(Million yen)

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

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

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

(Note 3) The segment operating income has been adjusted to the operating income stated in the Quarterly Consolidated Statements of Operations.

First quarter of Fiscal 2024 (From April 1, 2023 to June 30, 2023)

(Million yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in quarterly consolidated statements of operations (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Outside customers	48,922	1,508	481	50,912	179	51,092	—	51,092
Intersegment sales or transfers	3	64	0	68	212	280	(280)	—
Total	48,926	1,572	481	50,980	391	51,372	(280)	51,092
Segment operating income	5,703	40	214	5,959	41	6,001	(198)	5,803

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

(Note 2) The minus 198 million yen adjustment to segment operating income includes inter-segment elimination of 4 million yen, and corporate expenses that are not allocated to any reportable segment of minus 209 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.

(Note 3) The segment operating income has been adjusted to the operating income stated in the Quarterly Consolidated Statements of Operations.

(Revenue recognition)

Information on the breakdown of revenue generated from contracts with customers

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

(Million yen)

Reportable segment	Main product/area classification	1Q 2023 (Apr. 1, 2022 – Jun. 30, 2022)	1Q 2024 (Apr. 1, 2023 – Jun. 30, 2023)
Food Manufacturing	Confectionery & Foodstuffs business	16,138	17,465
	Frozen Desserts business	11,553	11,699
	“in-” business	8,166	8,259
	Direct Marketing business	2,506	2,634
	Operating subsidiaries, etc.	1,921	2,550
	Domestic total	40,285	42,609
	U.S. business	2,857	4,194
	China, Taiwan, exports, etc.	1,711	2,118
	Overseas total	4,569	6,313
	Subtotal	44,854	48,922
Food Merchandise	Wholesale food service and food products	1,292	1,508
Real Estate and Services	Management of golf courses	203	197
Other Services (Note)		160	179
Revenue generated from contracts with customers total		46,510	50,808
Real Estate and Services	Real estate transactions	293	284
Other revenue total		293	284
Net sales to outside customers total		46,803	51,092

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

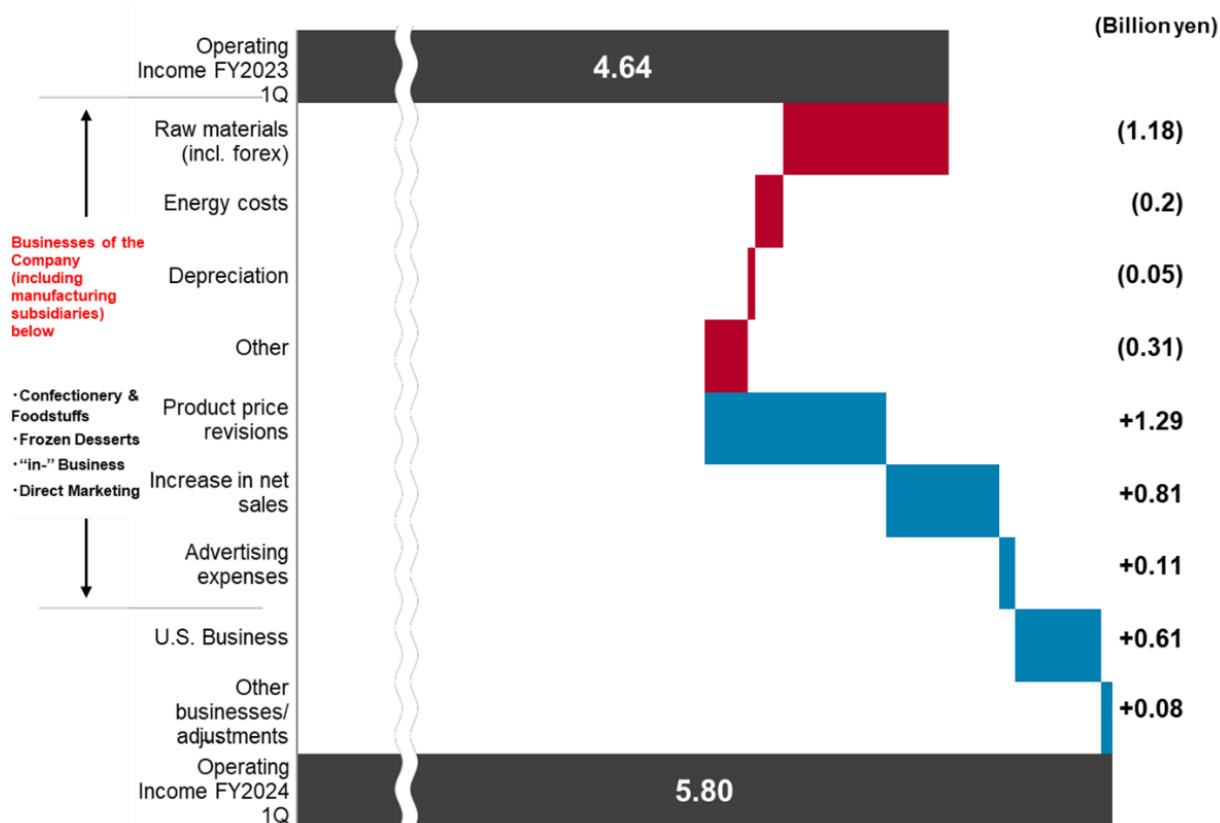
3. Supplementary Information

1. Financial results

(Million yen)

	Year ended March 31, 2023 1Q ended June 30, 2022		Year ending March 31, 2024 1Q ended June 30, 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	46,803		51,092		4,289		9.2
Cost of sales	27,216	58.2	29,815	58.4	2,599	0.2	9.5
Gross profit	19,587	41.8	21,277	41.6	1,690	(0.2)	8.6
Selling, general and administrative expenses	14,947	31.9	15,473	30.3	526	(1.6)	3.5
Promotion expenses	1,228	2.6	1,448	2.8	220	0.2	17.9
Advertising expenses	2,453	5.2	2,345	4.6	(108)	(0.6)	(4.4)
Freightage and storage fees	4,225	9.0	4,361	8.5	136	(0.5)	3.2
Salaries and allowances	2,301	4.9	2,433	4.8	132	(0.1)	5.7
Provision for bonuses	697	1.5	630	1.2	(67)	(0.3)	(9.5)
Other	4,039	8.6	4,253	8.3	214	(0.3)	5.3
Operating income	4,640	9.9	5,803	11.4	1,163	1.5	25.1
Non-operating income	237	0.5	239	0.5	2	(0.0)	0.8
Non-operating expenses	53	0.1	57	0.1	4	(0.0)	8.7
Ordinary income	4,824	10.3	5,985	11.7	1,161	1.4	24.1
Extraordinary income	276	0.6	137	0.3	(139)	(0.3)	(50.3)
Extraordinary loss	174	0.4	133	0.3	(41)	(0.1)	(23.5)
Income before income taxes	4,926	10.5	5,989	11.7	1,063	1.2	21.6
Income taxes	1,463	3.1	1,614	3.2	151	0.1	10.3
Net income	3,463	7.4	4,374	8.6	911	1.2	26.3
Profit attributable to non-controlling interests	54	0.1	52	0.1	(2)	(0.0)	(4.3)
Profit attributable to owners of parent	3,408	7.3	4,322	8.5	914	1.2	26.8

2. Analysis of changes in operating income



3. Segment information

(Million yen)

Business	Year ended March 31, 2023 1Q ended June 30, 2022	Year ending March 31, 2024 1Q ended June 30, 2023	Year-on-year comparisons	Year-on-year change (%)
Food Manufacturing				
Net sales	44,854	48,922	4,068	9.1
(Composition ratio to total net sales)	(95.8%)	(95.8%)		
Segment operating income	4,515	5,703	1,188	26.3
Food Merchandise				
Net sales	1,292	1,508	216	16.7
(Composition ratio to total net sales)	(2.8%)	(3.0%)		
Segment operating income	36	40	4	11.9
Real Estate and Services				
Net sales	496	481	(15)	(3.0)
(Composition ratio to total net sales)	(1.1%)	(0.9%)		
Segment operating income	217	214	(3)	(1.4)
Other Services				
Net sales	160	179	19	11.9
(Composition ratio to total net sales)	(0.3%)	(0.3%)		
Segment operating income	41	41	(0)	(0.1)

(Note) Net sales are sales to external customers.

4. Domestic/overseas net sales

(Million yen)

	Year ended March 31, 2023 1Q ended June 30, 2022	Year ending March 31, 2024 1Q ended June 30, 2023	Year-on-year comparisons	Year-on-year change (%)
Domestic	42,178	44,712	2,534	6.0
Overseas	4,625	6,379	1,754	37.9
Consolidated	46,803	51,092	4,289	9.2

(Note) Net sales are sales to external customers.

Ratio of overseas sales to consolidated net sales	9.9%	12.5%
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5. Net sales in focus domains prioritized in the 2030 Business Plan

(Billion yen)

Focus domain	Year ended March 31, 2023 1Q ended June 30, 2022	Year ending March 31, 2024 1Q ended June 30, 2023	Year-on-year comparisons	Year-on-year change (%)
"in-" business	8.5	8.7	0.2	2.8
Direct Marketing business	2.5	2.6	0.1	4.9
U.S. business	2.8	4.1	1.3	46.8
Frozen Desserts business	11.5	11.6	0.1	1.3
Total	25.4	27.2	1.8	7.2
Ratio of focus domain sales to consolidated net sales	54.4%	53.4%		

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

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

(Note 3) Direct Marketing business includes overseas sales.

6. Net sales and operating income by business

(Billion yen)

	Net sales				Operating income			
	Year ended March 31, 2023 1Q ended June 30, 2022	Year ending Mar. 31, 2024 1Q ended June 30, 2023	Year-on-year comparisons	Year-on-year change (%)	Year ended March 31, 2023 1Q ended June 30, 2022	Year ending Mar. 31, 2024 1Q ended June 30, 2023	Year-on-year comparisons	Year-on-year change (%)
Confectionery & Foodstuffs business	16.1	17.4	1.3	8.2	0.3	0.8	0.5	143.6
Frozen Desserts business	11.5	11.6	0.1	1.3	1.3	1.5	0.2	11.7
"in-" business	8.1	8.2	0.1	1.1	1.8	1.5	(0.3)	(14.3)
Direct Marketing business	2.5	2.6	0.1	5.1	0.1	0.2	0.1	48.3
Operating subsidiaries	3.4	4.3	0.9	24.3	0.2	0.4	0.2	60.2
Other businesses	0.3	0.3	(0.0)	(2.1)	0.0	(0.0)	(0.0)	—
Domestic total	42.1	44.7	2.6	6.0	4.0	4.5	0.5	12.8
U.S. business	2.8	4.1	1.3	46.8	0.3	0.9	0.6	163.5
China, Taiwan, exports, etc.	1.7	2.1	0.4	23.6	0.2	0.3	0.1	22.2
Overseas total	4.6	6.3	1.7	37.9	0.6	1.2	0.6	105.9
Adjustment, etc.					(0.0)	(0.0)	(0.0)	—
Total	46.8	51.0	4.2	9.2	4.6	5.8	1.2	25.1

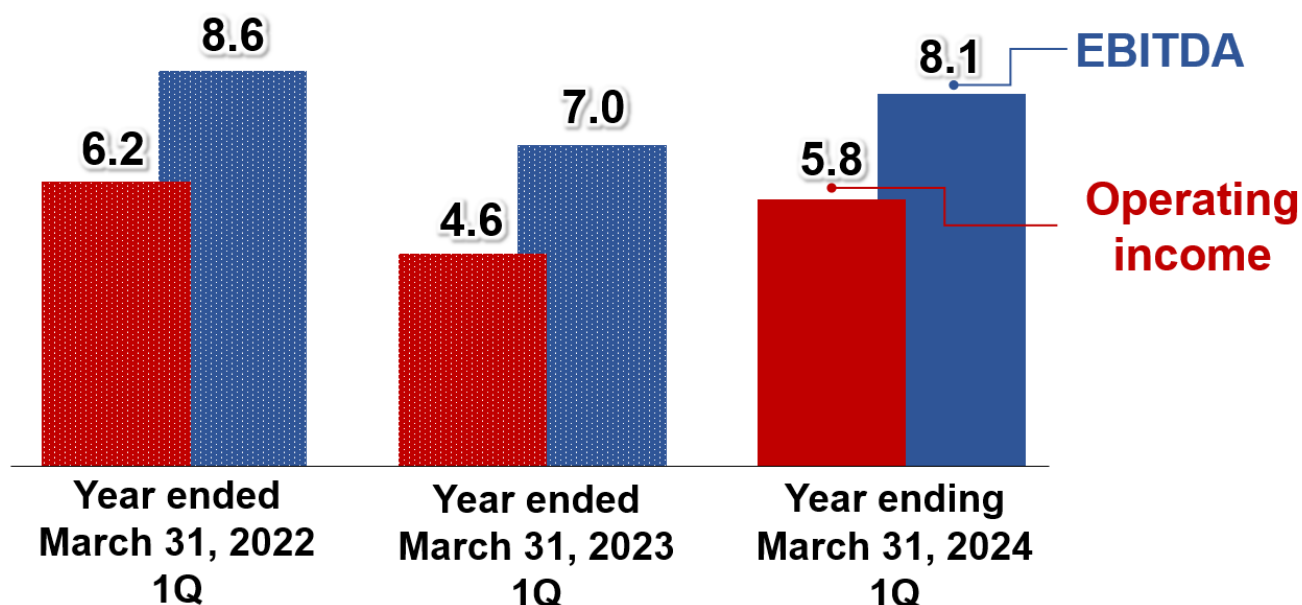
(Note 1) Net sales are sales to external customers.

(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 trends

(Billion yen)



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