



Financial Results Presentation

- for the Fiscal Year ended March 31, 2013-

May 2013

MORINAGA MILK INDUSTRY CO., LTD.

- 1. Overview of FYE March 2013 Financial Results**
- 2. Revision of Medium-Term Business Plan**
- 3. FYE March 2014 Full-Year Business Forecasts**

Cautionary Note Regarding Business Forecasts

Figures for plans, policies and other figures included in this report other than actual past results are forecasts of future business performance, and are calculated based on management's estimates and understanding of the information available to the Company at the time this presentation was prepared.

Accordingly, these forward-looking figures contain elements of risk and uncertainty, and actual results may differ from these forecasts for a variety of reasons. These elements of potential risk and uncertainty include economic condition in the Company's major markets, trends in demand for the Company's products, exchange rate movements, and regulatory changes and changes in accounting standards and business practices in Japan and other countries.

Monetary amounts in this presentation are shown in billions of yen, with amounts of less than ¥0.1 billion rounded to the nearest ¥0.1 billion, and as a result, total figures may differ from the sum of the corresponding breakdown figures.

1. Overview of FYE March 2013 Financial Results

Financial Results for FYE March 2013



(Unit: billion yen)

	FYE March 2012	FYE March 2013	Year on Year Change	Year on Year (%)
Net Sales	578.3	591.2	12.9	2.2%
Operating Income	13.2	10.2	-3.0	-22.9%
Ordinary Income	13.2	10.6	-2.6	-20.0%
Net Income	4.6	5.0	0.4	8.8%
R O S (Ordinary income / Net Sales)	2.3%	1.8%		
R O A (Ordinary Income / Total Assets)	3.7%	2.9%		
R O E (Net Income / Equity Capital)	4.2%	4.4%		

Sales by Product Group and Major Product (Non-Consolidated)



Areas to be Strengthened and Developed	Net Sales (billion yen)	Year on Year (%)
Yogurt	53.0	12%
Cheese	43.0	-4%
Chilled cup-type drinks	43.7	1%
Functional food materials & health food	5.5	-4%
Total	145.3	3%

Liquid diet (Clinico)	(28.5)	(4%)
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Note: Liquid diet indicates net sales at Clinico Co., Ltd., which is a consolidated subsidiary of the Company. Food service & institutional food products excludes dairy ingredient products.

Product Group	Product	Year on Year (%)
Yogurt	Bifidus brand	18%
Chilled cup-type drinks	Mt. Rainier	3%
Milk	Morinaga Oishii Gyunyu Milk	1%

Profit Growth Areas	Net Sales (billion yen)	Year on Year (%)
Food service & institutional food products	40.1	2%
Ice cream	51.2	1%
Home deliveries	21.1	-4%
Chilled tea	20.3	-2%
Total	132.7	0%

Margin Improvement Areas	Net Sales (billion yen)	Year on Year (%)
Milk	56.2	1%
Nutritional food products	13.5	-5%
Chilled desserts	20.3	8%
Total	90.0	2%

Total net sales (non-consolidated): ¥446.2 billion, 2% (year on year)

Shares of Home-Use Products



Category	Share		
	FYE March 2012	FYE March 2013	Rank
Chilled cup-type coffee	52%	53%	1
Chilled tea beverages	66%	71%	1
Yogurt	13%	13%	2
Chilled desserts	23%	25%	1
Cheese	14%	14%	2
Ice cream	14%	13%	2
Liquid diet	36%	36%	1

Note: Shares of home-use products by monetary amount.

Source: INTAGE Inc. (share of sales amounts in FYE March 2012 and FYE March 2013). Company estimates for liquid diet only.

Net Sales by Consolidated Subsidiary



Category	Net Sales	Year on Year (%)	No. of Companies	Major Subsidiaries
Production & production sales	¥108.2 billion yen	2%	13	Yokohama Milk Industry MK Cheese
Sales	¥131.3 billion yen	0%	4	Daily Foods Hokkaido Morinaga Milk Hanbai
Other	¥125.1 billion yen	7%	13	Clinico Morinaga Rakunou Hanbai
Total	¥364.6 billion yen	3%	30	

Note: Totals are simple sums

Change in Consolidated Ordinary Income



FYE March 2012

13.2 (billion yen)

Increased sales

+2.5^(note)

Low-cost operation

+0.2

Effect of plant integration

+0.4

Non-operating profit and loss

+0.4

Deteriorated profit margin

-2.0

Increased raw material and energy prices

-0.6

Increased raw material milk prices

-1.7

-1.1

Increased sales promotion expenses

-0.7

Increased fixed cost of production (depreciation)

10.6

FYE March 2013

Note: Includes +0.7 from price revisions.

2. Revision of Medium-Term Business Plan (From FYE March 2014 to FYE March 2016)

Reasons for Revision of Medium-Term Business Plan

External

Sharp rise in prices of raw materials and energy

Passage of bill to raise consumption tax

Continuing rise in price of raw material milk

Heightened awareness of safeguarding consumers' daily lives

Higher costs from weaker yen

Internal



More time will be required to develop next core products, achieve significant cost reductions, and further expand overseas business

Although the basic direction of the Medium-Term Business Plan is unchanged, the period covered has been adjusted

Evaluation of 1st Year under Medium-Term Business Plan (Results)



Results

Sales were on plan, but profit fell short by a wide margin

Taking into account ¥9.0 billion adjustment for advance redemption of bonds, interest-bearing debt is in line with estimate

(Unit: billion yen)

	FYE March 2013 Initial Plan	FYE March 2013 Result	Difference from Plan	Achievement Rate
Net sales	590.0	591.2	1.2	100%
Ordinary income	16.0	10.6	-5.4	66%
Net income	7.6	5.0	-2.6	66%
ROS (Ordinary income / Net sales)	2.7%	1.8%	-0.9%	—
Interest-bearing debt	92.2	101.2	9.0	—

Sales (Areas to be strengthened and developed)

(Unit: billion yen)

	FYE March 2013 Initial Plan	FYE March 2013 Result	Difference from Plan	Achievement Rate
Yogurt	50.0	53.0	3.0	107%
Cheese	45.5	43.0	-2.5	96%
Chilled cup-type drinks	43.7	43.7	0.0	100%
Functional ingredients & health food	6.0	5.5	-0.5	92%
Liquid diet (Clinico)	30.0	28.5	-1.5	95%
Overseas business	17.0	18.8	1.8	111%

Evaluation of 1st Year under Medium-Term Business Plan (Progress on Issues)



1. Cultivate products that are No. 1 in their category

- 1) Increase the lineup of No.1 products in each category
- 2) Create new markets
- 3) Further strengthen Morinaga brands

2. Business selection and concentration

- 1) Concentrate management resources in areas to be strengthened and developed
- 2) Address special features and future potential of business areas

3. Drastically reform productivity Improve capital efficiency

- 1) Reorganize domestic production structure
- 2) Low-cost operations

4. Strengthen international competitiveness

- 1) Expand into growth markets
- 2) Strengthen raw material procurement base
- 3) Secure and develop human resources

5. Change corporate culture

- 1) Enhance management quality
- 2) Promote CSR activities

- Strengthened Bifidus brand through increased awareness of bifidobacteria BB536
- Strengthened development and planning function to commercialize research seeds
- Developed products for seniors with teams organized across research center business units
- Strengthened existing business brands (Eco-Raku-Pack, Partheno, etc.)
- Success of research in functional ingredients (Bifidobacteria: JSBBA Award; Lactoferrin: JIDF Mitsuoka Award)

- Priority given to capital investment in areas to be strengthened and developed (liquid diet, yogurt)
- Reduced number of low-profit products
- Decided to increase capital investment for bifidobacteria powder
- Released new functional ingredient products (bifidobacteria powder, milk-flavored ingredients, peptides)

- Built stable supply structure for cream with construction of new production facility at Urahoro Nyugyo and discontinuation of production at Sapporo plant
- Discontinued milk production at Shimizu Milk Industry and Morinaga-Hokuriku Milk Industry's Fukui Plant

- Provided technical support to Wang Wang Group (China)
- Made Milei GmbH (Germany) a wholly owned subsidiary
- Developed bacillus powder business for Europe, Asia

- Promoted new ways of thinking through JQA program
- Raised internal awareness of CSR

Revisions to Medium-Term Business Plan



Numerical Targets (Previous)

Period covered by plan extended from FYE March 2015 to FYE March 2016

	FYE March 2012 Result	FYE March 2013 Plan	FYE March 2015 Plan
Net sales	578.3 billion yen	590.0 billion yen	620.0 – 640.0 billion yen
Ordinary income	13.2 billion yen	16.0 billion yen	20.0 – 23.0 billion yen
Net income	4.6 billion yen	7.6 billion yen	10.0 – 11.0 billion yen
ROS (Ordinary income / Net sales)	2.3%	2.7%	3.2% or more
ROA (Ordinary income / Total assets)	3.7%	4.4%	5.0% or more
ROE (Net income / Equity capital)	4.2%	6.6%	7.5% or more

Numerical Targets (Revised)

FYE March 2013 DER result is calculated excluding the adjustment for advance redemption of bonds (¥9.0 billion)

	FYE March 2013 Result	FYE March 2014 Plan	FYE March 2016 Plan
Net sales	591.2 billion yen	598.0 billion yen	630.0 billion yen
Ordinary income	10.6 billion yen	12.0 billion yen	20.0 billion yen
Net income	5.0 billion yen	5.1 billion yen	10.0 billion yen
ROS (Ordinary income / Net sales)	1.8%	2.0%	3.2%
ROA (Ordinary income / Total assets)	2.9%	3.3%	5.5%
ROE (Net income / Equity capital)	4.4%	4.3%	7.7%
DER	0.80	0.83	0.67

Revisions to Medium-Term Business Plan



Sales Target (Areas to be strengthened and developed)

(Unit: billion yen)

	FYE March 2013 Result	FYE March 2014 Plan	FYE March 2016 Plan	Growth Rate (vs. FYE March 2012)
Yogurt	53.0	55.5	64.0	+21%
Cheese	43.0	45.0	47.5	+10%
Chilled cup-type drinks	43.7	44.5	48.0	+10%
Functional ingredients & health food	5.5	6.0	9.0	+63%
Total	145.3	151.0	168.5	+16%

Liquid diet (Clinico)	28.5	31.0	45.0	+58%
Overseas business	18.8	19.8	21.0	+12%

Initiatives and Issues under Medium-Term Business Plan (1)



1. Cultivate products that are No. 1 in their category

1) Increase the lineup of No. 1 products in each category

Revitalize markets

Enhance product lineup

2) Create new markets

Develop and expand **Active Life foods** lineup

Consolidate knowledge in medical foods, develop latent needs

Pursue joint research

3) Further strengthen Morinaga brands

Strengthen existing business brands

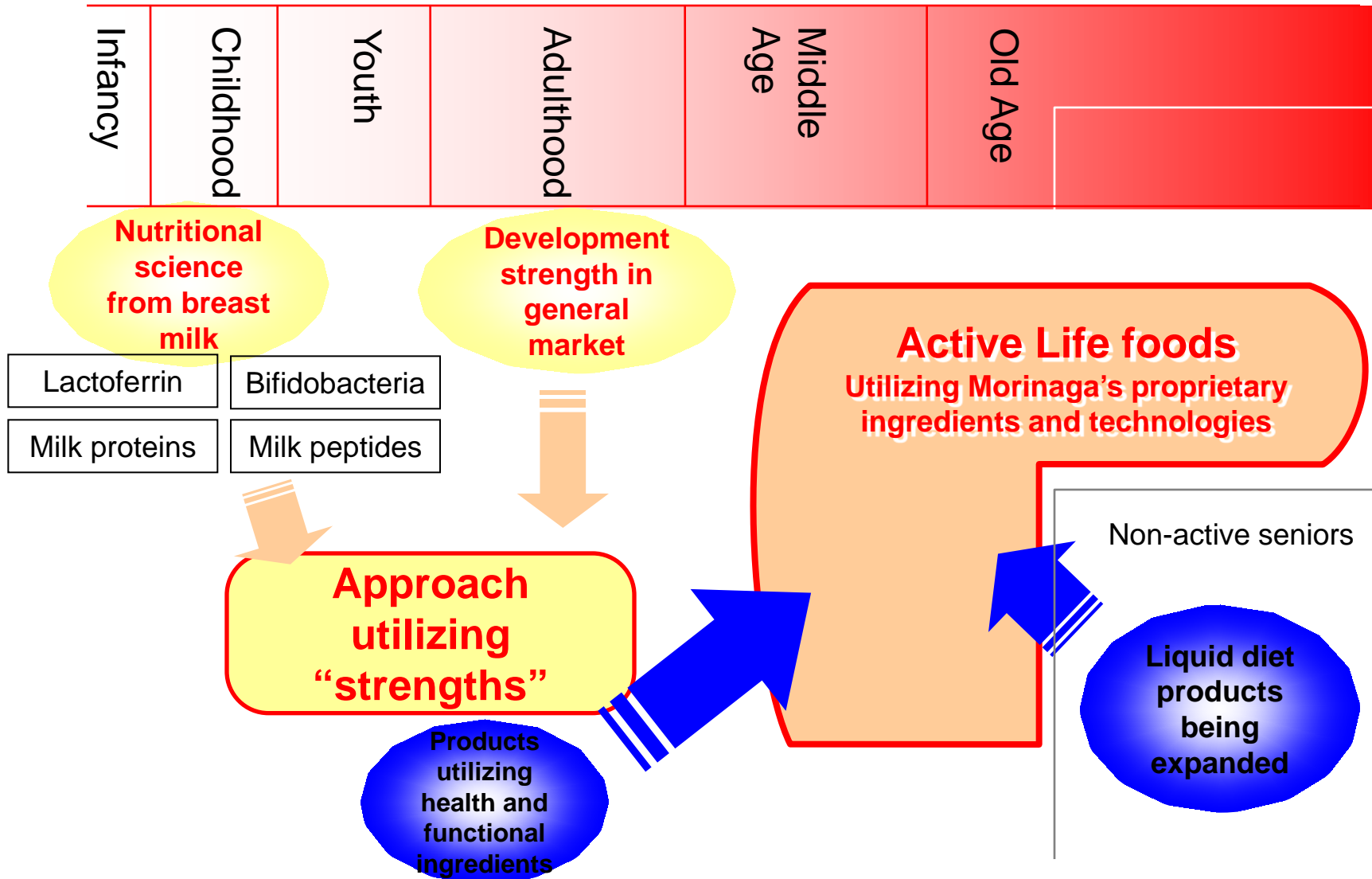
Pursue tie-ups with product brands



Initiatives and Issues under Medium-Term Business Plan (1)



~ A new framework established by Morinaga ~ **Active Life foods**



Initiatives and Issues under Medium-Term Business Plan (2)



2. Business selection and concentration

1) Concentrate management resources in areas to be strengthened and developed

Focus resources and capital investment in growth markets

- Utilize liquid food, yogurt lines, where capacity has been increased
- Invest in bifidobacteria powder facilities in growing probiotics market
- Efficiently promote sales of selected products

2) Address special features and future potential of business areas

Develop and expand new products using health and functional ingredients

2013

2014

2015

(FYE March)



Lactoferrin



Bifidobacteria BB536



Initiatives and Issues under Medium-Term Business Plan (3)



3. Drastically reform productivity Improve capital efficiency

1) Reorganize domestic production structure

Integrate plants, primarily at milk business

- Plant integration (Sapporo Plant, Morinaga-Hokuriku Milk Industry's Fukui Plant [milk business], Shimizu Milk Industry)
- Stable, efficient supply of cream with commencement of new production facility at Urahoro Nyugyo

2) Low-cost operations

Reduce costs to absorb price increases for raw materials and raw material milk

- Improve raw material handling and yields
- Further streamline logistics and SGA expenses

2013

2014

2015

(FYE March)

Sapporo Plant, April 2013

Shimizu Milk Industry, October 2013

Fukui Plant, Morinaga-Hokuriku Milk Industry (milk business), September 2013

Construction completed May 23, 2013

New production facility at Urahoro Nyugyo



Initiatives and Issues under Medium-Term Business Plan (4)



4. Strengthen international competitiveness

1) Expand into growth markets

Pursue joint businesses with Wang Wang Group

Develop bacillus powder business for Europe, Asia

2) Strengthen raw material procurement base

Secure stable supply of raw material milk from Milei GmbH

Globally consider new suppliers for raw materials

3) Secure and develop human resources

Build management structure and develop human resources

2013

2014

2015

(FYE March)



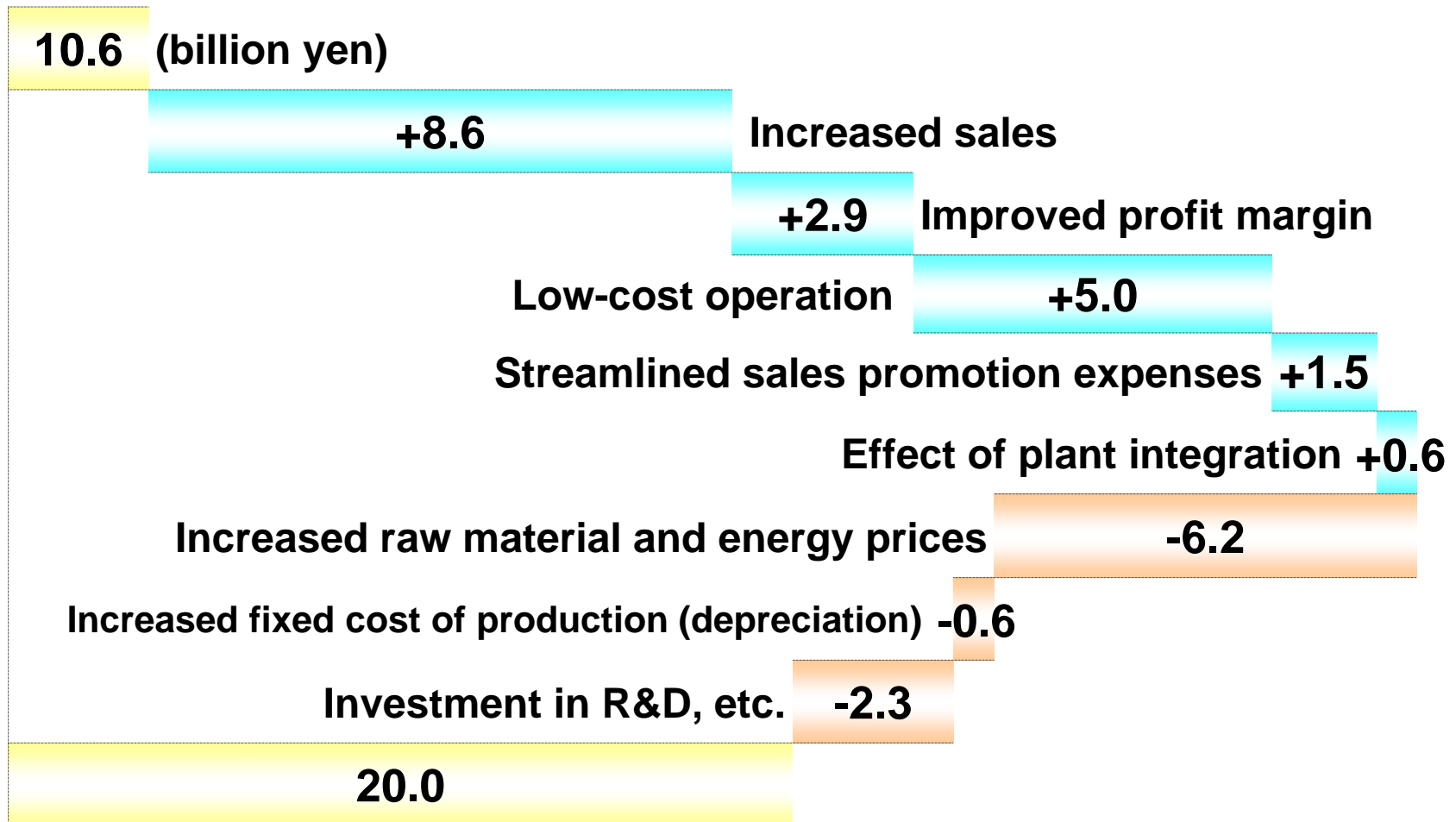
Milei GmbH of Germany made wholly owned subsidiary in May 2012



Change in Ordinary Income during Period of Medium-Term Business Plan



FYE March 2013



FYE March 2016

3. FYE March 2014 Full-Year Business Forecasts

FYE March 2014 Business Forecasts



(Unit: billion yen)

	FYE March 2013	FYE March 2014	Year on Year Change	Year on Year (%)
Net Sales	591.2	598.0	6.8	1.2%
Operating Income	10.2	11.6	1.4	14.1%
Ordinary Income	10.6	12.0	1.4	13.7%
Net Income	5.0	5.1	0.1	1.7%
R O S (Ordinary income / Net Sales)	1.8%	2.0%		
R O A (Ordinary Income / Total Assets)	2.9%	3.3%		
R O E (Net Income / Equity Capital)	4.4%	4.3%		

Sales Forecasts by Product Group (Non-Consolidated)



(Unit: billion yen)

Areas to be Strengthened and Developed	FYE March 2013	FYE March 2014	Year on Year (%)
Yogurt	53.0	55.5	5%
Cheese	43.0	45.0	5%
Chilled cup-type drinks	43.7	44.5	2%
Functional food materials & health food	5.5	6.0	9%
Total	145.3	151.0	4%

Liquid diet (Clinico)	28.5	31.0	9%
Overseas business	18.8	19.8	5%

Change in Consolidated Ordinary Income (Forecast)



FYE March 2013

10.6 (billion yen)

+1.6

Increased sales

+0.5

Improved profit margin

Low-cost operation

+1.4

Streamlined sales promotion expenses

+1.5

Effect of plant integration

+0.3

Increased raw material and energy prices

-3.2

-0.6

Increased fixed cost of production (depreciation)

12.0

FYE March 2014

Investment Strategy, Financial Strategy, Returns to Shareholders



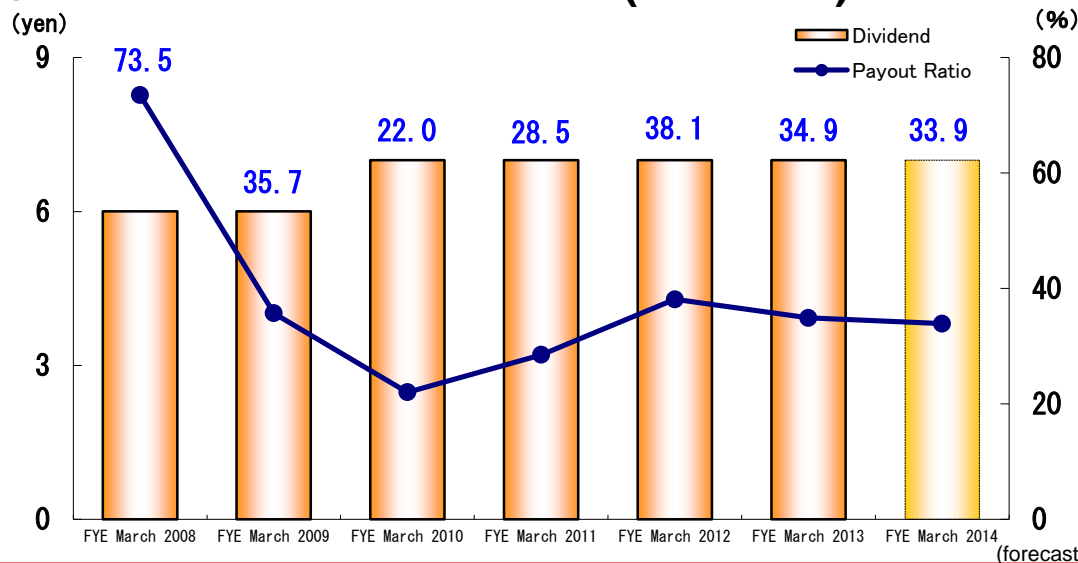
● Capital Investment, Depreciation Expenses, Interest-Bearing Debt

(Unit: billion yen; times)

	FYE March 2011	FYE March 2012	FYE March 2013	FYE March 2014
Capital investment	15.5	18.7	16.1	15.9
Depreciation expenses	17.1	16.9	17.2	16.2
Interest-bearing debt	102.5	102.9	101.2	98.9
DER	0.94	0.83	0.80	0.83

Note: Interest-bearing debt indicates loans payable and bonds payable. Includes adjustments of ¥10.0 billion in FYE March 2012 and ¥9.0 billion in FYE March 2013 for advance redemptions of bonds (DER is calculated excluding the aforementioned ¥10.0 billion and ¥9.0 billion).

● Returns to shareholders (dividend)





MORINAGA MILK INDUSTRY CO., LTD.