

Financial Results Presentation

- for the Fiscal Year ended March 31, 2015 -

- I. Overview of FYE March 2015 Financial Results**
- II. Morinaga Milk Industry Business Plan
for the Next Medium Term (FYE March 2016-FYE March 2020)**
- III. Outlook of Financial Results for the Year Ending March 2016**

May 2015

MORINAGA MILK INDUSTRY CO., LTD.

I. Overview of FYE March 2015 Financial Results

Financial Results for FYE March 2015



(Unit: billion yen)

	FYE March 2014	FYE March 2015	Year-on-Year Change	Year on Year
Net Sales	599.3	594.8	-4.4	-0.7%
Operating Income	12.0	6.8	-5.2	-43.2%
Ordinary Income	12.4	8.2	-4.2	-33.6%
Net Income	4.8	4.2	-0.7	-14.0%
ROS (Ordinary Income / Net Sales)	2.1%	1.4%		
ROA (Ordinary Income / Total Assets)	3.4%	2.2%		
ROE (Net Income / Equity Capital)	4.1%	3.4%		

1H	FYE March 2014	FYE March 2015	Year-on-Year Change	Year on Year
Net Sales	320.9	315.8	-5.1	-1.6%
Operating Income	9.6	5.2	-4.5	-46.5%
Ordinary Income	10.1	5.6	-4.5	-44.7%
Net Income	4.8	3.3	-1.5	-31.7%

2H	FYE March 2014	FYE March 2015	Year-on-Year Change	Year on Year
Net Sales	278.4	279.1	0.7	0.3%
Operating Income	2.3	1.7	-0.7	-29.6%
Ordinary Income	2.3	2.6	0.4	15.7%
Net Income	0	0.8	0.8	—

Net Sales by Product Category and Main Products (Non-consolidated)



Areas to be Strengthened and Developed	Net Sales (Billion yen)	Year on Year
Yogurt	51.9	-1%
Cheese	44.6	5%
Chilled cup-type drinks	45.4	2%
Functional food materials & health food	5.8	2%
Total	147.7	2%
Liquid diet (CLINICO)	(28.2)	(-3%)
Overseas Business (Consolidated)	(26.1)	(2%)

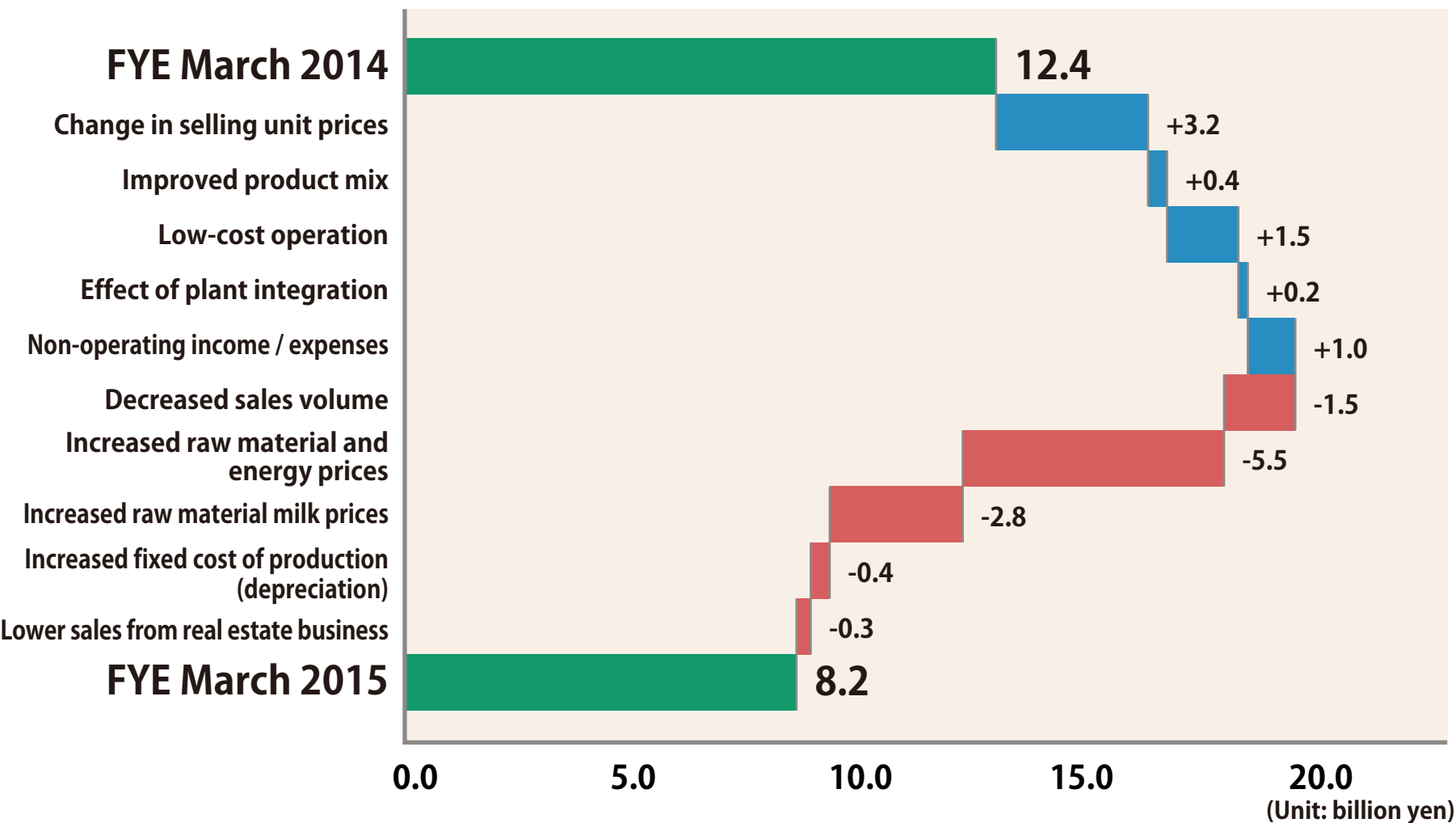
Product Group	Product	Year on Year
Yogurt	Bifidus brand	-2%
Chilled cup-type drinks	Mt.RAINIER CAFFÈ LATTE	4%
Milk	Morinaga Oishii Gyunyu Milk	0%

Profit Growth Areas	Net Sales (Billion yen)	Year on Year
Food service & institutional food products	42.0	1%
Ice cream	50.4	-1%
Home deliveries	19.6	-5%
Chilled tea	17.6	-4%
Total	129.6	-2%

Margin Improvement Areas	Net Sales (Billion yen)	Year on Year
Milk	57.1	2%
Nutritional food products	12.3	-3%
Chilled desserts	18.9	-4%
Total	88.3	0%

Note: "Liquid diet" is the net sales of the consolidated subsidiary CLINICO Co., Ltd.

Factors Attributable to Increases and Decreases in Ordinary Income



II. Morinaga Milk Industry Business Plan for the Next Medium Term

(FYE March 2016-FYE March 2020)



Review of the Previous Medium-Term Business Plan

(FYE March 2014-FYE March 2016)



(Unit: billion yen)

	FYE March 2015 Results	FYE March 2016 Current Plan (A)	FYE March 2016 Initial Plan (B)	Change (A)-(B)
Net Sales	594.8	600.0	630.0	-30.0
Ordinary Income	8.2	11.0	20.0	-9.0
Net Income	4.2	5.0	10.0	-5.0
RO S	1.4%	1.8%	3.2%	-1.4%
RO A	2.2%	2.9%	5.5%	-2.6%
RO E	3.4%	4.0%	7.7%	-3.7%
DER	0.86 times	0.90 times	0.67 times	0.23 times

⇒ The results were considerably below the targets of the initial plan, especially for income

We will start a new five-year Medium-Term Business Plan from FYE March 2016 to FYE March 2020, so that we can be sure to meet the targets

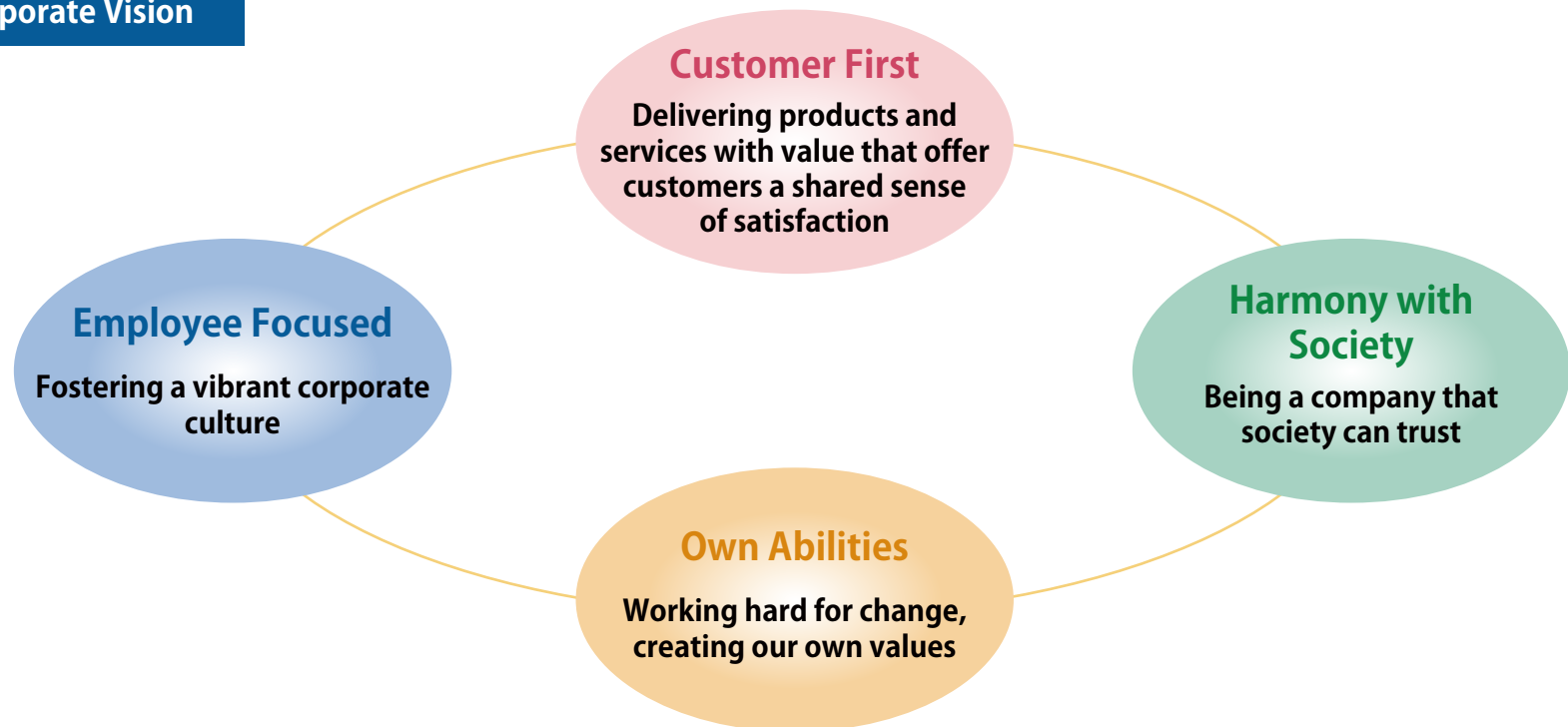
Morinaga Milk Group Corporate Philosophy & Vision



Corporate Philosophy

To create a new food culture based on the excellent power of milk, making a difference in people's health and society in general

Corporate Vision



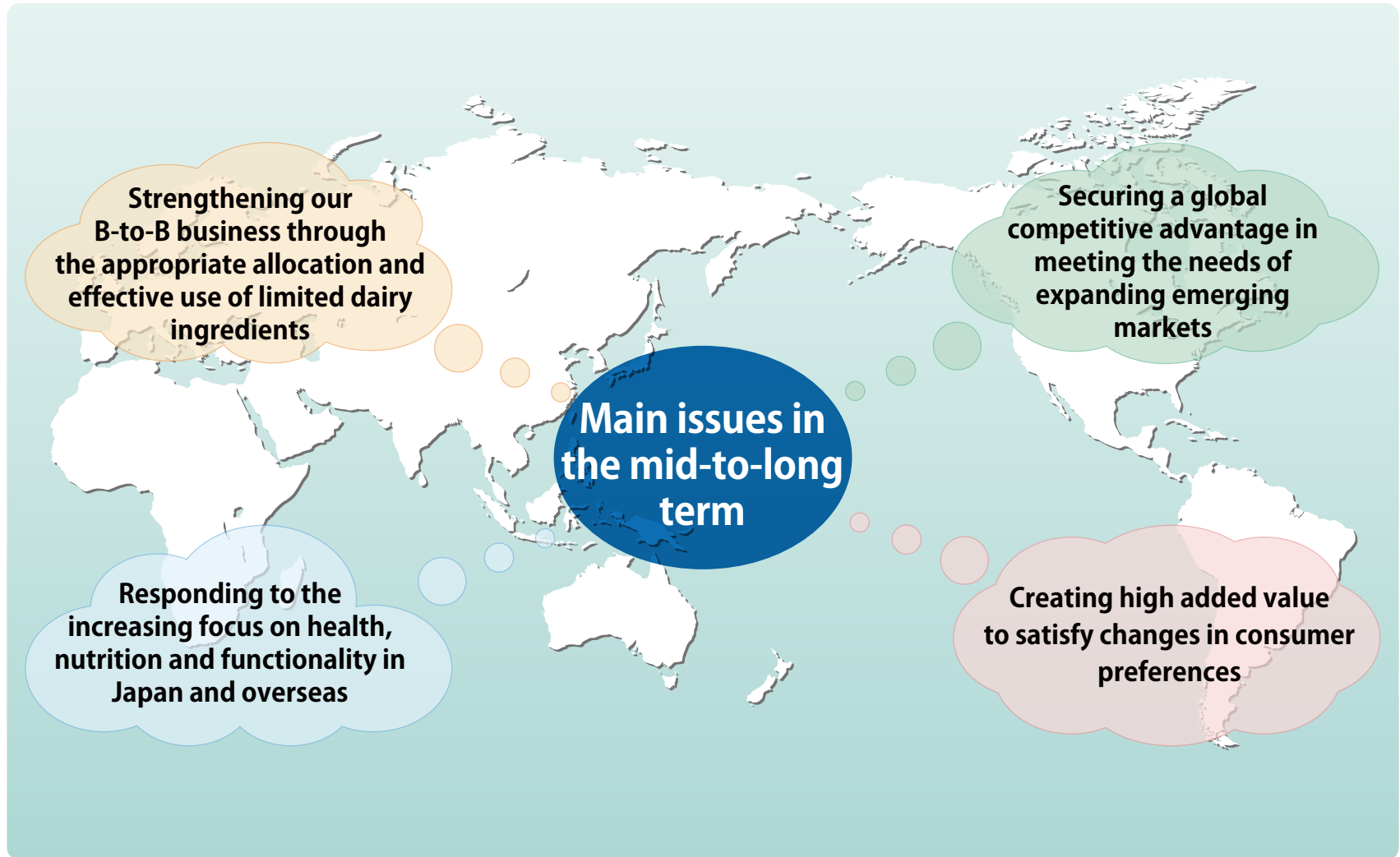
1. Rebuilding our business domains for growth

2. Improving asset efficiency and promoting rationalization

3. Strengthening the business base

4. Making a difference in society

Business Environment and Selected Issues



Basic Policy 1. Rebuilding our business domains for growth

1) Strengthening the functional and food ingredients business (B-to-B business)

2) Facilitating globalization (International business)

4 pillars of our future business

3) Developing the health and nutritional food business

4) Improving the profitability of our existing businesses (B-to-C business)

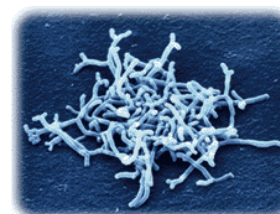
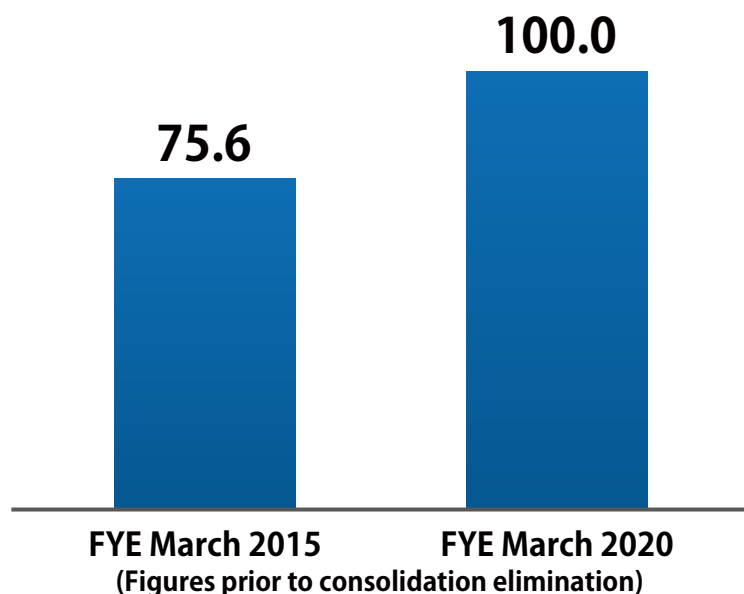
Specific Initiatives of the Basic Policy 1

1) Strengthening the functional and food ingredients business (B-to-B business)

Basic Policy of the Business Plan

- As the tight demand and supply for dairy ingredients continues, we will actively expand our sales into key markets such as the food industry and medical and health food industry, while ensuring a steady supply of resources

Net sales of B-to-B business (Unit: billion yen)



Bifidobacterium longum BB536



Mascarpone



Cream



Lactoferrin

Specific Initiatives of the Basic Policy 1



1) Strengthening the functional and food ingredients business (B-to-B business)

Strengthening sales to the food industry (livestock, marine products, flavorings, frozen foods, etc.)

Boosting sales to the medical and health food industry

Expanding the sales channels for functional products

Developing new products (cream, cheese, powdered milk, bifidobacterium powder, peptides, etc.)

Sales of dairy materials (Milei GmbH products, preparations, substitute dairy ingredients)

Enhancing the research system
(obtaining more evidence, improving application skills)

Building a flexible production system

Training and increasing the number of sales engineers

Specific Initiatives of the Basic Policy 1

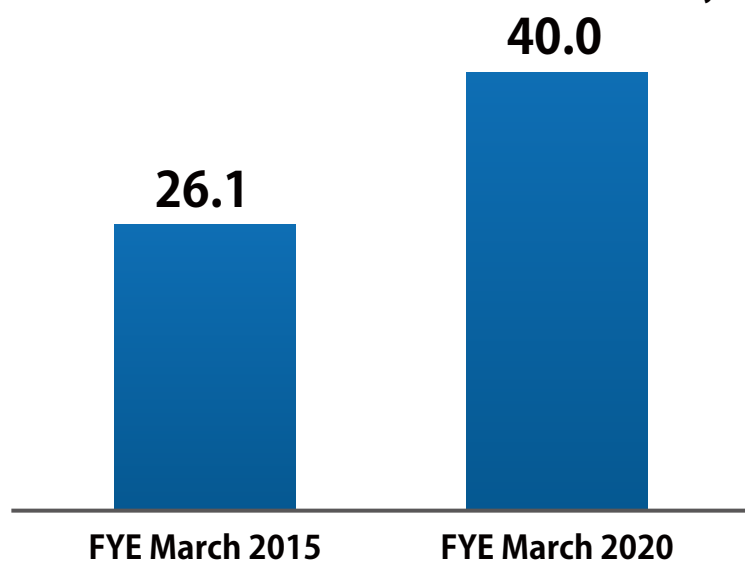


2) Facilitating globalization (International business)

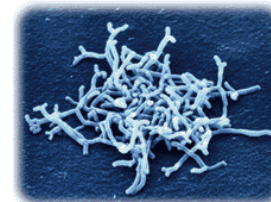
Basic Policy of the Business Plan

- We will actively invest our management resources, including the know-how we have accumulated in functional food materials and dairy products, and aim to raise brand awareness while boosting profits

Net sales of international business (Unit: billion yen)



Export of fungi, Pino,
Mt.RAINIER CAFFÈ LATTE



Chilled products in partnership
with Want Want Group



Infant formula
in Indonesia and Pakistan

Specific Initiatives of the Basic Policy 1



2) Facilitating globalization (International business)

Expand sales of high-added-value B-to-B products with the start of operations at a new Milei GmbH plant

Expand export of products starting with fungi
(Set up sales bases in Europe and the US)

Develop new markets for infant formula in new markets and in Indonesia and Pakistan

Enter the chilled products industry in China by partnering with Want Want Group

Boost exports of Pino and Mt.RAINIER CAFFÉ LATTE

Specific Initiatives of the Basic Policy 1



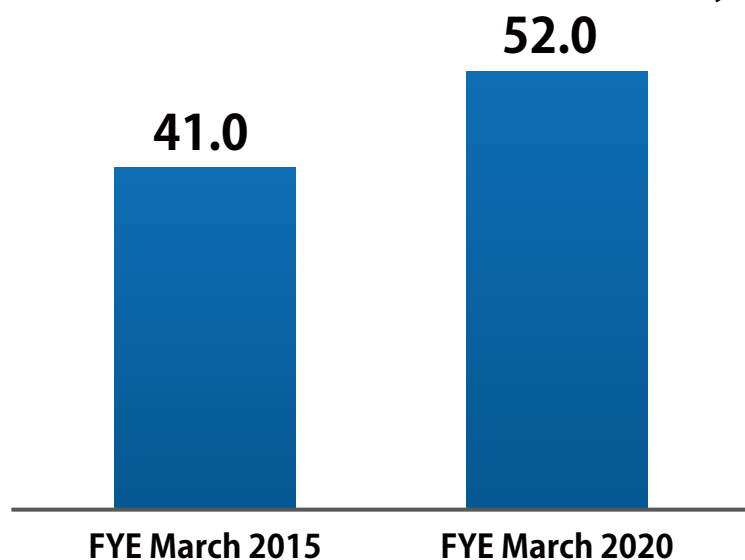
3) Developing the health and nutritional food business

Basic Policy of the Business Plan

- Promote the development of products that will meet projected future needs based on population trends and the growing trend in being health-conscious
- Establish this area as a pillar of business by combining the existing health and nutritional food business with newly developed products

Net sales of health and nutritional food

(Unit: billion yen)



Nutritional supplements /
Pochi Plus Drinking Jelly



High-nutrient liquid diet /
MA-8



Mail order sales of
supplements



Hagukumi (infant formula)



First acquire food with a
“Ask Doctors:
Doctor-approved product”
Maiasa Soukai
(Refreshing every morning)

Specific Initiatives of the Basic Policy 1



3) Developing the health and nutritional food business

Develop and sell health and nutritional food products

Meet the changing needs of consumers

Expand sales by mail order and at drug stores

Prepare a system for developing and selling clinical food for people receiving at-home care

Prepare themes for research and development in the health and nutritional food business

Actively invest management resources

Specific Initiatives of the Basic Policy 1



4) Improving the profitability of our existing businesses (B-to-C business)

Basic Policy of the Business Plan

- Focus on our highly original products and aim to improve profitability
- Create high-added-value products by developing new products and improving existing ones, such as by enhancing functionality and flavor and reviewing container shapes, etc.
- Further strengthen our product brands

Net sales of B-to-C business

(Unit: billion yen)

312.8

320.0

FYE March 2015

FYE March 2020

(Only non-consolidated and for households)



Mt.RAINIER DOUBLE
(chilled cup-type
coffee)



Pino (ice cream)



Thick Greek Yogurt PARTHENO



Morinaga Aloe Yogurt

Specific Initiatives of the Basic Policy 1



4) Improving the profitability of our existing businesses (B-to-C business)

Focus resources on highly original products
Chilled cup-type drinks, chilled tea, ice cream, etc.

Develop high-market-share products for the next generation
Yogurt, cheese, etc.

Improve profitability by reviewing low-margin products

**Improve profitability by
creating high-added-value
products and
focusing management resources**

**Review the production
system
Low-cost operation**

Basic Policy 2. Improving asset efficiency and promoting rationalization

- 1) Steady implementation of measures for absorbing cost increases
- 2) Review the production system, including rearranging the manufacturing line
- 3) Review the sales system (including affiliated companies)
- 4) Rationalize and improve the efficiency of indirect work
- 5) Improve asset efficiency by disposing of idle assets, etc.

Basic Policy 3. Strengthening the business base



Basic Policy 4. Making a difference in society

Examples of specific programs

1) Environmentally conscious

- Acquiring ISO 14001 Certification
- Acquiring Eco-Action 21 Certification
- Implementing energy-saving and recycling initiatives

2) Communication with the community

- Factory tours
- Opening up the green areas of plants
- Continue participation in community cleaning programs
- M'S Kitchen

3) Overseas initiatives

- Rainforest Alliance

4) Raising awareness and volunteering in society

- Morinaga Volunteer Society ^(Note)
- Morinyu Smile Club (social action program of Morinaga employees)
- Pink Ribbon activities
- Angel 110 (Free counseling service on child-rearing)



Note: We will assist in surveys and studies on the health and nutrition of infants and for the quality of dairy products to that end. The results of these surveys and studies will be used to improve public health

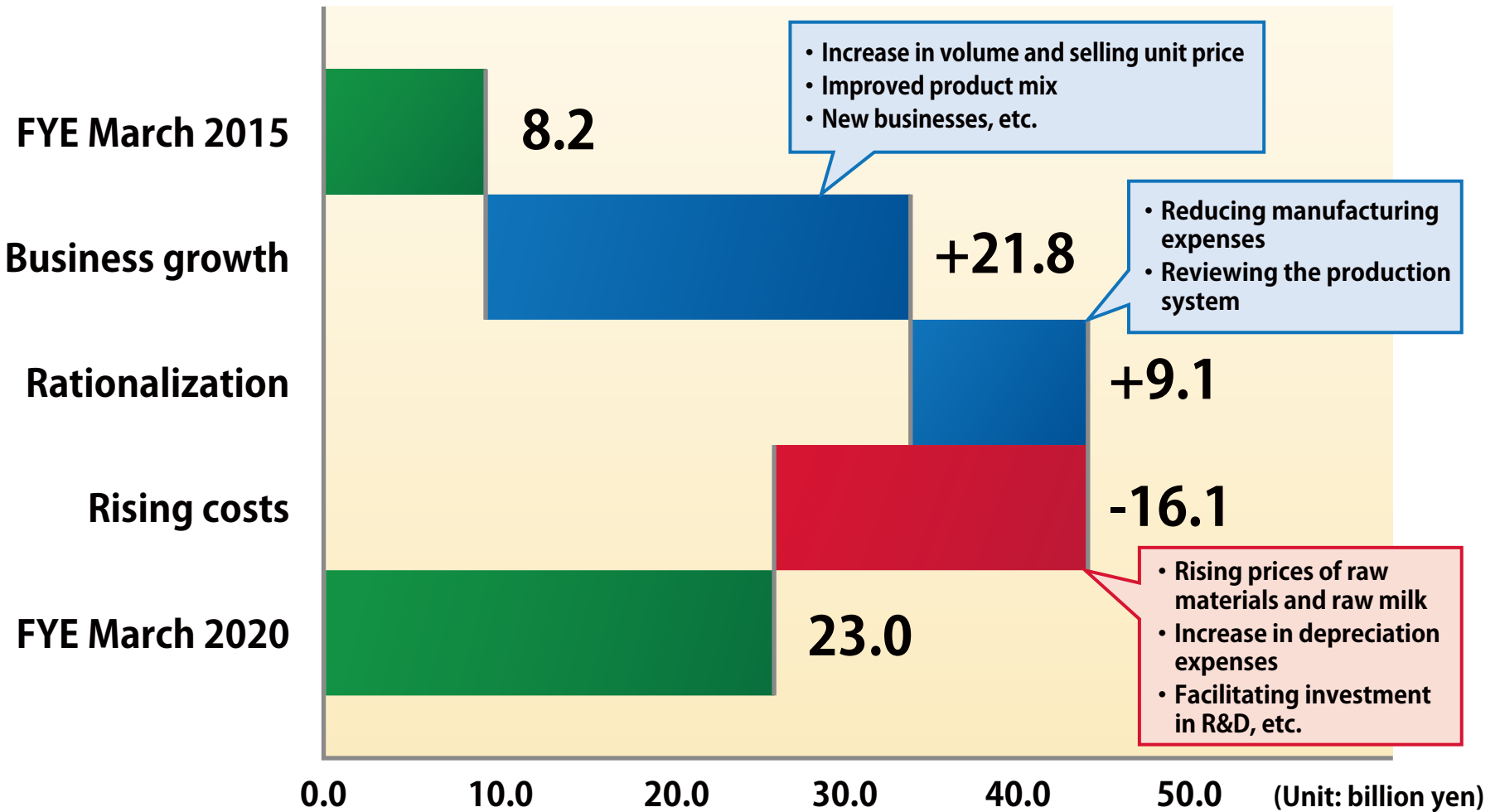
Target Figures and Management Indexes of the Medium-Term Business Plan



(Unit: billion yen)

	FYE March 2015 (Actual)	FYE March 2020 (Forecast)
Net Sales	594.8	640.0
Ordinary Income	8.2	23.0
Net Income	4.2	12.0
ROS (Ordinary Income / Net Sales)	1.4%	3.6%
ROE (Net Income / Equity Capital)	3.4%	8.0%

Change in Ordinary Income in the Medium-Term Business Plan (Forecast)



III. Outlook of Financial Results for the Year Ending March 2016

● **Boost sales of original and high-added-value products**

• **Expand sales of highly original products**

Revising and improving the product mix to boost sales of the Greek Yogurt PARTHENO and the functional drink PREMIL, etc.

• **Expand sales in the global market**

Capital expenditure in Milei, start sales of chilled dairy products via Want Want Group, expand exports

• **Raising added value and differentiation by promoting the functional benefits of our products**

Setting up the Food Ingredients Department as a new organization integrating institutional and functional materials, reorganizing our research labs

Meeting the requirements of the labeling system for functional foods

● **Measures for dealing with the rising cost of raw materials**

• **Revising product prices and changing the volume**

Carrying out price revisions and changes in volume for many key products such as milk, chilled cup-type coffee, chilled tea, yogurt, cheese, ice cream, etc.

• **Reducing costs by more effective sourcing of raw materials**

Expanding the range of suppliers and sourcing production areas, modifying the specifications of packaging and containers

● **Raising corporate value**

• **Advancing talks with capital markets**

Stewardship Code, Corporate Governance Code

• **Ensure and strengthen our appropriate governance system**

Appoint more outside directors (2014: 1; 2015: 2 (scheduled))

Partial revision of the Basic Policy for Establishing an Internal Governance System

Outlook of Financial Results for FYE March 2016



(Unit: billion yen)

	FYE March 2015	FYE March 2016	Year-on-Year Change	Year on Year
Net Sales	594.8	600.0	5.2	0.9%
Operating Income	6.8	10.3	3.5	51.3%
Ordinary Income	8.2	11.0	2.8	33.6%
Net Income	4.2	5.0	0.8	20.1%
ROS (Ordinary Income / Net Sales)	1.4%	1.8%		
ROA (Ordinary Income / Total Assets)	2.2%	2.9%		
ROE (Net Income / Equity Capital)	3.4%	4.0%		

Sales Plan by Business and Product Category (FYE March 2016)



	Net sales (Billion yen)	Year on Year
B-to-B Business	77.0	2%

	Net sales (Billion yen)	Year on Year
International Business	27.0	4%

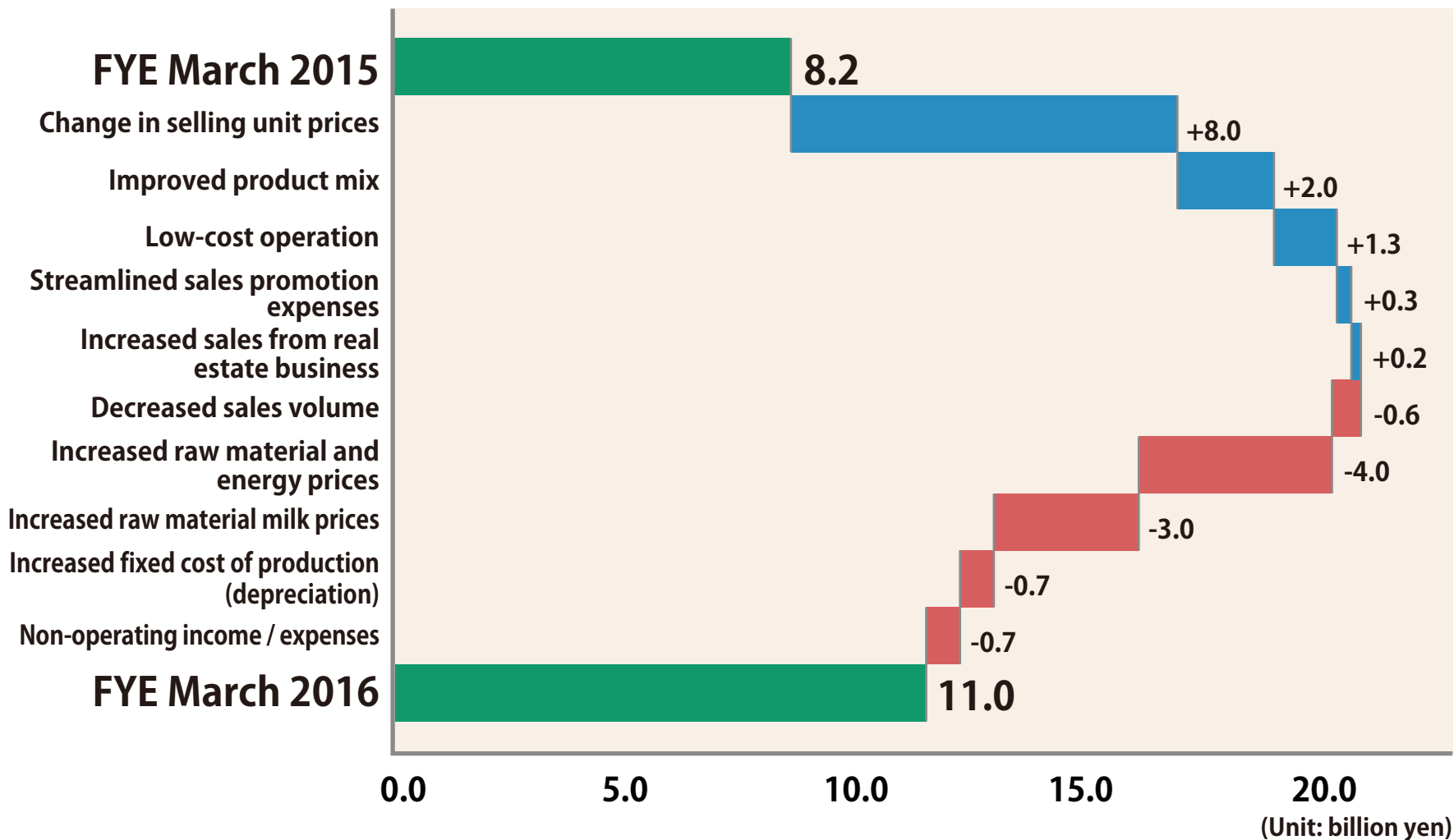
	Net sales (Billion yen)	Year on Year
Health and Nutritional Food Business	42.0	2%

	Net sales (Billion yen)	Year on Year
B-to-C Business	316.5	1%
Chilled cup-type drinks	45.5	0%
Chilled tea	17.5	-1%
Ice cream	45.0	3%
Yogurt	49.0	3%
Cheese	32.0	3%

Note 1: B-to-B business figures are before consolidation elimination

Note 2: B-to-C business figures are only non-consolidated and for households

Outlook of Increases and Decreases in Consolidated Ordinary Income (FYE March 2016)



(Reference materials)

(Ref.) Shares of Home-Use Products (FYE March 2015)



Category	Share		
	FYE March 2014	FYE March 2015	Rank
Chilled cup-type coffee	52%	51%	1
Chilled tea	70%	71%	1
Yogurt	12%	11%	2
Chilled desserts	24%	24%	1
Cheese	13%	13%	3
Ice cream	13%	13%	3
Liquid diet	36%	34%	1

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

Source: INTAGE Inc. (share of sales amounts in Apr 2013-Mar 2014 and Apr 2014-Mar 2015). Company estimates for liquid diet only.

(Ref.) Status of Consolidated Subsidiaries (FYE March 2015)



Category	Net Sales (Billion yen)	Year on Year	No. of Companies	Major Subsidiaries
Production & production sales	115.6	2%	12	<ul style="list-style-type: none">• Yokohama milk industry• MK CHEESE
Sales	132.2	1%	4	<ul style="list-style-type: none">• Daily Foods• Hokkaido Morinaga Milk Industry Sales
Other	130.0	-3%	13	<ul style="list-style-type: none">• CLINICO• Milei• MORINAGA ENGINEERING
Total	377.8	0%	29	

Note: Simple total prior to consolidation elimination

(Ref.) Sales Plan by Business and Product Category in the Medium-Term Business Plan



(Unit: billion yen)

	FYE March 2020 Target Net Sales	Year-on- year FYE March 2015
B-to-B Business	100.0	32%

	FYE March 2020 Target Net Sales	Year-on- year FYE March 2015
International Business	40.0	53%

	FYE March 2020 Target Net Sales	Year-on- year FYE March 2015
Health and Nutritional Food Business	52.0	27%

	FYE March 2020 Target Net Sales	Year-on- year FYE March 2015
B-to-C Business	320.0	2%
Chilled cup-type drinks	48.0	6%
Chilled tea	19.0	8%
Ice cream	47.0	7%
Yogurt	60.0	25%
Cheese	40.0	29%

Note 1: B-to-B business figures are before consolidation elimination

Note 2: B-to-C business figures are only non-consolidated and for households

(Ref.) Main Products for Price Revision and Volume Change



① Products for price revision

Target products	Volume	Suggested retail price (Excluding tax)		Revision amount	Revision rate
		Before change	After change		
Ajiwai Dayori	1000 ml	¥180	¥190	+¥10	5.6%
Mt.RAINIER CAFFÈ LATTE	240 ml	¥140	¥150	+¥10	7.1%
Mt.RAINIER DOUBLE	240 ml	¥160	¥170	+¥10	6.3%
Bifidus BB536 Yogurt Variety pack 4 pot	75 g × 4	¥240	¥250	+¥10	4.2%
Morinaga Aloe Yogurt 2 pack	80 g × 2	¥180	¥190	+¥10	5.6%
Morinaga Aloe Yogurt	118 g	¥120	¥125	+¥5	4.2%
Lactoferrin Yogurt	112 g	¥120	¥125	+¥5	4.2%
Bifidus BB536 Drinking Yogurt	750 g	¥200	¥210	+¥10	5.0%
PARM Chocolate 6 piece	55 ml × 6	¥380	¥420	+¥40	10.5%
PARM Chocolate	90 ml	¥120	¥130	+¥10	8.3%
Pino	10 ml × 6	¥120	¥130	+¥10	8.3%
Lipton Yellow Label 10 bags	2 g × 10	¥141	¥148	+¥7	5.0%
Creap (creaming powder) 280 g	280 g	¥570	¥598	+¥28	4.9%
Morinaga Condensed Milk (canned)	397 g	¥350	¥378	+¥28	8.0%
Morinaga Hokkaido Butter	200 g	¥390	¥405	+¥15	3.8%
Kraft Fresh Mozzarella Cheese	100 g	¥380	¥390	+¥10	2.6%
Kraft 100% Parmesan Cheese 80g	80 g	¥460	¥490	+¥30	6.5%

② Products for volume change

Target products	Suggested retail price (Excluding tax)	Volume		Volume change	Rate of change
		Before change	After change		
Morinaga Mammy	¥200	1000 ml	900 ml	-100 ml	-10.0%
Lipton Milk Tea	¥100	500 ml	470 ml	-30 ml	-6.0%
Bifidus BB536 Plain Yogurt	¥210	450 g	400 g	-50 g	-11.1%
Thick Greek Yogurt PARTHENO Plain	¥141	110 g	100 g	-10 g	-9.1%
Pino	¥500	10 ml × 26	10 ml × 24	—	-7.7%
Morinaga Skimmed Milk	¥350	200 g	185 g	-15 g	-7.5%
Morinaga Condensed Milk (tube type)	¥190	130 g	120 g	-10 g	-7.7%

③ Products for revision of manufacturer shipment price (Shipment price revision rate: Approx. 2~4%)

Target products	Volume	Suggested retail price (Excluding tax)
Morinaga Milk	1000 ml	—
Morinaga Oishii Gyunyu Milk	1000 ml	—



MORINAGA MILK INDUSTRY CO., LTD.

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 conditions 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 yen rounded to the nearest 0.1 billion yen, and as a result, total figures may differ from the sum of the corresponding breakdown figures.