



November 11, 2014

## Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2015 <Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.  
 Listed stock exchange: Tokyo  
 Securities code: 2264  
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Submission of quarterly report: November 12, 2014

Dividend payment commencement date: –

Preparation of explanatory materials for quarterly financial results: Yes

Holding of a briefing on quarterly financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

### 1. Consolidated Financial Results for the Cumulative First Half of the Fiscal Year Ending March 31, 2015

(April 1, 2014 to September 30, 2014)

#### (1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2014	315,762	(1.6)	5,154	(46.5)	5,591	(44.7)	3,280	(31.7)
Six months ended September 30, 2013	320,900	1.2	9,638	0.2	10,113	3.1	4,801	(7.4)

(Note) Comprehensive income: Six months ended September 30, 2014: ¥3,767 million / (39.3%)

Six months ended September 30, 2013: ¥6,207 million / 26.6%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended September 30, 2014	13.28	13.24
Six months ended September 30, 2013	19.44	19.39

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2014	366,329	121,645	32.9
As of March 31, 2014	360,578	120,959	33.3

(Reference) Shareholders' equity:

As of September 30, 2014: ¥120,519 million

As of March 31, 2014: ¥120,245 million

## 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	–	–	–	7.00	7.00
Fiscal year ending March 31, 2015	–	–			
Fiscal year ending March 31, 2015 (Forecast)			–	7.00	7.00

(Note) Amendment to forecasts of dividends recently announced: None

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% figures show year-on-year change for the full year and quarter)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	596,000	(0.5)	7,600	(36.6)	8,500	(31.4)	4,000	(17.4)	16.19

(Note) Amendment to forecasts of consolidated financial results recently announced: None

**\* Notes**

(1) Changes in significant subsidiaries during the six months ended September 30, 2014 (changes in specified subsidiaries affecting the scope of consolidation): None

New: - (Company name: ) Excluded: - (Company name: )

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

(Note) For details, refer to page 2 of the attached materials, "2. Summary Information (notes) (1) Application of special accounting for preparing quarterly consolidated financial statements."

(3) Changes in accounting policies and estimates, and retrospective restatements

(i) Changes in accounting policies in accordance with revision of accounting standards: Yes

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) For details, refer to page 2 of the attached materials, "2. Summary Information (notes) (2) Changes in accounting policies and estimates, and retrospective restatements."

(4) Number of shares issued (common stock)

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

As of September 30, 2014	253,977,218 shares
As of March 31, 2014	253,977,218 shares

(ii) Number of treasury stock at end of period

As of September 30, 2014	6,905,889 shares
As of March 31, 2014	6,986,042 shares

(iii) Average number of shares during period

For the six months ended September 30, 2014	246,996,464 shares
For the six months ended September 30, 2013	246,952,392 shares

\* Indication regarding execution of quarterly review procedures

At the time of disclosure of this quarterly earnings report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are in progress.

\* Proper use of earnings forecasts, and other special matters

The above forecasts of consolidated financial results are based on information currently available to the Company and on certain assumptions on market trends, etc. deemed to be reasonable, and are subject to uncertainties. Consequently, actual business and other results may differ substantially due to various factors. For details of the above forecasts of consolidated financial results, refer to page 2 of the attached materials, "1. Qualitative Information on Quarterly Results (3) Explanation of forward-looking information including consolidated earnings forecasts."

**[Attached Materials]**

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of consolidated operating results

During the six months ended September 30, 2014, the Japanese economy moved toward an improvement in corporate results and the employment situation on the back of the economic and monetary policies of the Japanese government and the Bank of Japan, despite the backlash from last-minute demand caused by the consumption tax rate hike in April. However, the outlook for business conditions continues to remain uncertain, in part due to concerns over the effect that a slowdown in overseas economies resulting from a volatile international situation could have on the Japanese economy.

In the food industry, although in some parts there were also signs of preference for high-value-added products, consumers' tendency of conservative spending strengthened. Meanwhile, the effect of rising prices of raw materials and energy also affected the ongoing difficult business conditions.

In this business environment, the Morinaga Milk Group has continued to develop and improve its products to meet the needs of customers while sustaining effective expenditure on promotion expenses and pursuing low-cost operations by optimizing raw material procurement and streamlining both production and distribution.

As a result of these activities, non-consolidated net sales of the Company were ¥234,391 million (down 0.1% year on year), due mainly to a year-on-year increase in the sales of such products as cheese and milk and a year-on-year decline in the sales of such products as yogurt, milk-based drinks and ice cream.

Meanwhile, net sales for consolidated subsidiaries declined from the results of the same period in the previous fiscal year, resulting in consolidated net sales for the Company of ¥315,762 million (down 1.6% year on year).

On a consolidated basis, operating income declined to ¥5,154 million (down 46.5% year on year) and ordinary income also declined to ¥5,591 million (down 44.7% year on year), while net income fell to ¥3,280 million (down 31.7% year on year). This was mainly attributable to the impact of rising prices of raw materials as well as increases in advertising expenses.

### (2) Explanation of consolidated financial position

Total assets at the end of the second quarter under review increased by ¥5,751 million to ¥366,329 million, mainly due to an increase in notes and accounts receivable—trade as well as merchandise and finished goods from seasonal factors.

Total liabilities increased by ¥5,065 million to ¥244,684 million. This was mainly due to an increase in operating debts such as notes and accounts payable—trade, electronically recorded obligations—operating, and accrued expenses due primarily to seasonal factors, plus a decrease in the total amount of loans and bonds payable.

Net assets increased by ¥685 million to ¥121,645 million, attributable to an increase in valuation difference on available-for-sale securities associated with a rise in the market price of listed securities.

As a result, the shareholders' equity ratio declined from 33.3% year on year to 32.9%.

### (3) Explanation of forward-looking information including consolidated earnings forecasts

As announced on October 24, 2014, consolidated earnings forecasts for the fiscal year ending March 31, 2015 have been amended as follows.

Based on the results until the second quarter, the following downward revisions have been made: net sales to ¥596,000 million, operating income to ¥7,600 million, ordinary income to ¥8,500 million, and net income to ¥4,000 million.

## 2. Summary Information (notes)

### (1) Application of special accounting for preparing quarterly consolidated financial statements

#### Assessment of tax expenses

The Company applies the method that reasonably estimates an effective tax rate to be assessed on income before income taxes for the fiscal year ending March 31, 2015 including this second quarter of the fiscal year under review after accounting for the tax effects, and multiplies income before income taxes during the second quarter of the fiscal year ending March 31, 2015 by said estimated effective tax rate.

### (2) Changes in accounting policies and estimates, and retrospective restatements

#### Application of accounting standards for retirement benefits

The Company has adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17,

2012; hereinafter, “Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standards for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter, “Retirement Benefits Guidance”) and, from the first quarter of the fiscal year under review, the provisions set forth the in main body of Clause 35 of the Retirement Benefits Accounting Standard and in the main body of Clause 67 of the Retirement Benefits Guidance. Based on this, the Company has revised the methods of calculating retirement benefit obligations and service costs; changed the method of attributing expected retirement benefits to periods from straight-line attribution and point-based attribution to straight-line attribution; and changed the method of determining the discount rate from one that uses a discount rate based on the number of years that approximates an employee’s average remaining length of service to a method that uses a single-weighted-average discount rate reflecting the anticipated payment period for retirement benefits and the monetary amount for each anticipated payment period. Regarding the application of accounting standards for retirement benefits, the Company adheres to the transitional accounting stipulated in Clause 37 of the Retirement Benefits Accounting Standard, and in the beginning of the second quarter under review makes a corresponding adjustment to retained earnings for the effect of changes in the methods of calculating retirement benefit obligations and service costs. As a result, at the beginning of the second quarter under review, net defined benefit liability increased by ¥2,677 million and retained earnings decreased by ¥1,723 million. Additionally, operating income, ordinary income, and income before income taxes and minority interests each declined by ¥7 million during the second quarter under review.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	7,383	6,840
Notes and accounts receivable—trade	51,813	56,589
Merchandise and finished goods	29,834	31,049
Work in process	910	676
Raw materials and supplies	11,647	12,106
Other	13,734	15,464
Allowance for doubtful accounts	(600)	(558)
Total current assets	114,723	122,169
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	68,494	69,053
Machinery, equipment and vehicles, net	58,648	57,545
Land	72,987	72,176
Other, net	13,570	13,583
Total property, plant and equipment	213,701	212,359
Intangible assets	6,730	6,756
Investments and other assets		
Investment securities	16,024	16,426
Other	9,555	8,769
Allowance for doubtful accounts	(156)	(150)
Total investments and other assets	25,422	25,044
Total noncurrent assets	245,855	244,160
<b>Total assets</b>	<b>360,578</b>	<b>366,329</b>

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	59,068	60,202
Electronically recorded obligations—operating	4,868	6,458
Short-term loans payable	6,194	2,392
Current portion of bonds	15,040	-
Current portion of long-term loans payable	5,189	4,718
Commercial papers	5,000	4,000
Income taxes payable	1,853	1,537
Accrued expenses	29,817	33,835
Deposits received	19,733	22,237
Other	11,922	12,212
Total current liabilities	158,687	147,595
Noncurrent liabilities		
Bonds payable	30,000	45,000
Long-term loans payable	29,109	28,828
Net defined benefit liability	12,458	15,348
Other	9,363	7,912
Total noncurrent liabilities	80,931	97,089
Total liabilities	239,619	244,684
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,442	19,442
Retained earnings	77,377	77,197
Treasury stock	(2,285)	(2,260)
Total shareholders' equity	116,238	116,083
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,357	4,958
Deferred gains or losses on hedges	69	28
Foreign currency translation adjustment	469	209
Remeasurements of defined benefit plans	(889)	(761)
Total accumulated other comprehensive income	4,007	4,435
Subscription rights to shares	197	203
Minority interests	516	922
Total net assets	120,959	121,645
Total liabilities and net assets	360,578	366,329

**(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income**

(Consolidated statements of income)  
(April 1, 2014 – September 30, 2014)

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	320,900	315,762
Cost of sales	224,068	222,540
Gross profit	96,831	93,221
Selling, general and administrative expenses	87,192	88,067
Operating income	9,638	5,154
Non-operating income		
Interest income	37	26
Dividends income	393	363
House rent income	273	233
Equity in earnings of affiliates	121	119
Other	625	568
Total non-operating income	1,451	1,310
Non-operating expenses		
Interest expenses	694	596
Other	281	276
Total non-operating expenses	976	873
Ordinary income	10,113	5,591
Extraordinary income		
Gain on sales of noncurrent assets	12	968
Gain on bargain purchase	147	1
Compensation income	359	-
Other	1	0
Total extraordinary income	522	969
Extraordinary losses		
Loss on disposal of noncurrent assets	208	539
Contributions to the public interest incorporated foundation Hikari Kyokai	910	870
Factory reorganization expenses	586	-
Other	805	473
Total extraordinary losses	2,510	1,882
Income before income taxes and minority interests	8,125	4,678
Income taxes	3,321	1,339
Income before minority interests	4,803	3,338
Minority interests in income	2	57
Net income	4,801	3,280

(Consolidated statements of comprehensive income)  
(April 1, 2014 – September 30, 2014)

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	4,803	3,338
Other comprehensive income		
Valuation difference on available-for-sale securities	1,100	602
Deferred gains or losses on hedges	2	(40)
Foreign currency translation adjustment	299	(260)
Remeasurements of defined benefit plans	-	127
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	1,403	429
Comprehensive income	6,207	3,767
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,205	3,709
Comprehensive income attributable to minority interests	2	58

**(3) Notes regarding the quarterly consolidated financial statements**

(Notes on premise of going concern)

No items to report.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Important Subsequent Events)

At the Board of Directors' Meeting held on October 24, 2014, the Company resolved to retire its treasury stock pursuant to the provisions of Article 178 of the Companies Act and has done so accordingly.

1. Type of stock retired: common shares
2. Number of stock retired: 5,000,000 shares  
(Percentage of total number of shares issued prior to retirement: 1.97%)
3. Date of retirement: October 31, 2014

## Consolidated Financial Results for the First Half of the Fiscal Year Ended March 31, 2015 Supplementary Data on Financial Results

(Securities Code 2264, First Section of the Tokyo Stock Exchange)

(Note) The “second quarter” mentioned below is a cumulative period (April 1 – September 30).

### (1) Consolidated Statements

#### (1) Results for the second quarter under review

(Unit: Millions of yen)

	Amount	YoY	YoY (%)
Net sales	315,762	(5,137)	98.4
Operating income	5,154	(4,484)	53.5
Ordinary income	5,591	(4,522)	55.3
Net income	3,280	(1,520)	68.3

#### (2) Forecast for the full-year results

(Unit: Millions of yen)

	Amount	YoY (%)	Change from initial forecast
Net sales	596,000	99.5	(9,000)
Operating income	7,600	63.4	(5,000)
Ordinary income	8,500	68.6	(4,500)
Net income	4,000	82.6	(2,000)

#### (3) Capital investment and depreciation expenses (trends and outlook)

(Unit: Billions of yen)

	Capital investment	Depreciation
Results for the fiscal year ended March 31, 2011	15.5	17.1
Results for the fiscal year ended March 31, 2012	18.7	16.9
Results for the fiscal year ended March 31, 2013	16.1	17.2
Results for the fiscal year ended March 31, 2014	16.7	15.1
Projected results for the fiscal year ending March 31, 2015	22.9	15.5
Results for the first half of the fiscal year ending March 31, 2015	8.5(7.0)	7.8(7.4)

Figures in parentheses show the results for the first half of the previous fiscal year

#### (4) Research and development expenses (trends)

(Unit: Millions of yen)

	Amount
Results for the fiscal year ended March 31, 2011	4,872
Results for the fiscal year ended March 31, 2012	4,839
Results for the fiscal year ended March 31, 2013	4,915
Results for the fiscal year ended March 31, 2014	4,991
Results for the first half of the fiscal year ending March 31, 2015	2,524(2,453)

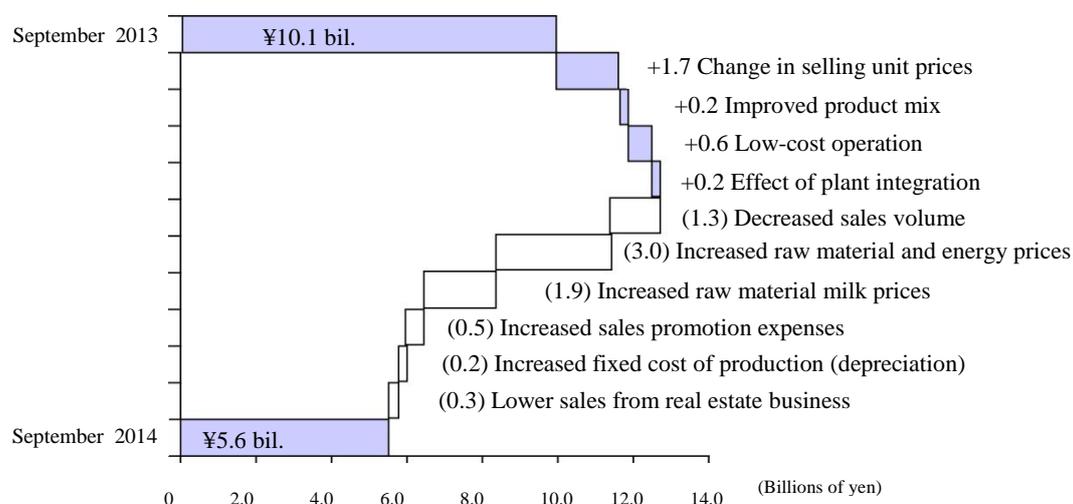
Figures in parentheses show the results for the first half of the previous fiscal year

#### (5) Number of employees (trends)

	End of September	End of March
Results for the fiscal year ended March 31, 2011	5,705	5,627
Results for the fiscal year ended March 31, 2012	5,722	5,639
Results for the fiscal year ended March 31, 2013	5,781	5,712
Results for the fiscal year ended March 31, 2014	5,795	5,664
Results for the fiscal year ending March 31, 2015	5,713	

## (2) Factors of changes in consolidated ordinary income

Factors of changes in consolidated ordinary income (Second-quarter comparison)



## (3) Non-consolidated results

(1) Sales results for the second quarter

(Unit: Millions of yen)

Product Category	Amount	Change (YoY)	YoY (%)
Total commercial milk	107,481	(1,579)	98.6
Milk	37,875	490	101.3
Milk-based drinks	35,151	(916)	97.5
Yogurt	26,804	(1,168)	95.8
Pudding	7,650	15	100.2
Total dairy products	45,151	923	102.1
Condensed milk	2,026	(65)	96.9
Powdered milk	14,990	(364)	97.6
Butter	6,313	177	102.9
Cheese	21,820	1,175	105.7
Ice cream	31,859	(691)	97.9
Total other	49,898	1,120	102.3
Drinks	13,106	(47)	99.6
Other	36,791	1,168	103.3
Total	234,391	(227)	99.9

(Notes) Other in Total other includes jelly, cream, liquid diet, etc.

\* The above non-consolidated sales items are not subject to review in statutory disclosure.

## (2) Net sales forecast by category for the next fiscal year

(Unit: Millions of yen)

	Full year		Second half	
	Amount	YoY (%)	Amount	YoY (%)
Total commercial milk	203,700	99.6	96,219	100.8
Milk	73,700	100.8	35,825	100.2
Milk-based drinks	63,000	98.6	27,849	100.1
Yogurt	52,000	98.9	25,196	102.4
Pudding	15,000	100.6	7,350	100.9
Total dairy products	92,500	100.6	47,349	99.2
Condensed milk	4,200	97.4	2,174	97.8
Powdered milk	31,000	97.0	16,010	96.4
Butter	13,000	98.1	6,687	94.0
Cheese	44,300	104.4	22,480	103.3
Ice cream	50,500	98.9	18,641	100.8
Total other	98,800	102.8	48,902	103.2
Drinks	23,500	100.4	10,394	101.3
Other	75,300	103.5	38,509	103.7
Total	445,500	100.4	211,109	101.0

## (3) Capital investment and depreciation expenses (trends and outlook)

(Unit: Billions of yen)

	Capital investment			Depreciation
	Total	Production equipment	Sales equipment	
Results for the fiscal year ended March 31, 2011	11.3	10.4	0.9	11.8
Results for the fiscal year ended March 31, 2012	14.1	13.4	0.7	12.0
Results for the fiscal year ended March 31, 2013	12.6	11.6	1.0	12.3
Results for the fiscal year ended March 31, 2014	10.1	9.4	0.7	10.5
Projected results for the fiscal year ending March 31, 2015	10.7	9.9	0.8	10.8
Results for the first half of the fiscal year ending March 31, 2015	3.8(4.1)	3.5(3.7)	0.3(0.4)	5.4(5.1)

Figures in parentheses show the results for the first half of the previous fiscal year

## (4) Number of employees (trends)

	End of September	End of March
Results for the fiscal year ended March 31, 2011	3,146	3,092
Results for the fiscal year ended March 31, 2012	3,153	3,091
Results for the fiscal year ended March 31, 2013	3,198	3,122
Results for the fiscal year ended March 31, 2014	3,174	3,123
Results for the fiscal year ending March 31, 2015	3,127	-

## (5) Collected milk volume (trends)

(Unit: Thousand tons)

	Collected milk volume		
	Total	Hokkaido	Other
Results for the fiscal year ended March 31, 2011	817	478	339
Results for the fiscal year ended March 31, 2012	811	487	324
Results for the fiscal year ended March 31, 2013	825	498	327
Results for the fiscal year ended March 31, 2014	791	480	311
Results for the first half of the fiscal year ending March 31, 2015	384(402)	231(244)	153(158)

Figures in parentheses show the results for the first half of the previous fiscal year

(Disclaimer)

This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. The actual results may differ from the forecasts, due to various factors. This document is not prepared for the purpose of soliciting investment.