



February 7, 2017

## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 <Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.  
 Listed stock exchange: Tokyo  
 Securities code: 2264  
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Submission of quarterly report: February 8, 2017  
 Dividend payment commencement date: –  
 Preparation of explanatory materials for quarterly financial results: None  
 Holding of a briefing on quarterly financial results: None

(Amounts of less than one million yen are truncated.)

### 1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017

(April 1, 2016 to December 31, 2016)

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

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2016	461,383	(1.9)	22,511	57.5	23,297	56.6	14,774	26.4
Nine months ended December 31, 2015	470,455	1.5	14,291	105.3	14,873	87.9	11,690	157.5

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥15,104 million / 32.6%

Nine months ended December 31, 2015: ¥11,389 million / 116.2%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
	Yen	Yen
Nine months ended December 31, 2016	59.77	59.60
Nine months ended December 31, 2015	47.31	47.17

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	396,032	142,718	35.8
As of March 31, 2016	378,852	129,370	33.8

(Reference) Shareholders' equity:

As of December 31, 2016: ¥141,857 million

As of March 31, 2016: ¥128,205 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, 2016	–	–	–	7.00	7.00
Fiscal year ending March 31, 2017	–	–	–		
Fiscal year ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	593,000	(1.4)	20,500	43.2	21,000	40.4	12,000	13.5	48.54

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

**\* Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 2016 (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: None

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

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

As of December 31, 2016	248,977,218 shares
As of March 31, 2016	248,977,218 shares

(ii) Number of treasury stocks at end of period

As of December 31, 2016	1,786,549 shares
As of March 31, 2016	1,767,207 shares

(iii) Average number of shares during period

For the nine months ended December 31, 2016	247,201,298 shares
For the nine months ended December 31, 2015	247,087,602 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 on 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

In the consolidated cumulative third quarter, the Japanese economy remained in a modest recovery trajectory as the employment and income environment continued to improve, despite a delayed pick-up in some sectors. However, in addition to the impact on Japan's economy of a slowdown in overseas economies, particularly emerging Asian economies and resource-rich countries, there are also fluctuations in financial and capital markets due to the effect of movements in the US administration and other global affairs. As such, the environment remains uncertain.

In the food industry, although there was progress with some high added-value products as growing interest in health drew attention to functional foods, the competitive environment remained tough due to a leveling off in consumer prices, except for those for fresh foods.

In this environment, the Group endeavored to develop and improve products that meet customer needs and provide high value-added products. At the same time, the Group worked to improve profitability by ensuring the efficient outlay of sales promotion expenses, reducing the cost of raw materials and streamlining production and distribution.

As a result, the Morinaga Milk Group's consolidated net sales fell 1.9% over the previous year to 461,383 million yen. In the previous period, a consolidated subsidiary's household frozen wholesale business was transferred, and revenue was actually up 1.1% when excluding this impact. Sales by category exceeded levels in the previous fiscal year in the strong-performing yogurt, ice cream and cheese categories, but sales fell short of the previous year's in the milk and pudding categories.

On a consolidated basis, operating income increased to ¥22,511 million (up 57.5% year on year) and ordinary income also increased to ¥23,297 million (up 56.6% year on year), while profit attributable to owners of parent rose to ¥14,774 million (up 26.4% year on year).

### (2) Explanation of consolidated financial position

Total assets at the end of the third quarter under review were ¥396,032 million, up ¥17,180 million from the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable-trade resulting from the end of the quarter falling on a financial holiday.

Total liabilities were ¥253,313 million, up ¥3,831 million from the end of the previous fiscal year. This was mainly due to the redemption of bonds and, similar to total assets, also attributable to the end of the quarter falling on a financial holiday, which led to an increase in operating debts such as deposits received, notes and accounts payable-trade, and electronically recorded obligations-operating.

Net assets were ¥142,718 million, up ¥13,348 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings.

As a result, the shareholders' equity ratio rose to 35.8%, compared with 33.8% at the end of the previous fiscal year.

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

There is no amendment to consolidated earnings forecasts for the fiscal year ending March 31, 2017, disclosed on October 28, 2016.

## 2. Summary Information (notes)

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

#### Assessment of tax expenses

The Company and its consolidated subsidiaries apply the method that reasonably estimates an effective tax rate to be assessed on profit before income taxes for the fiscal year ending March 31, 2017, including this third quarter of the fiscal year under review after accounting for the tax effects, and multiplies profit before income taxes during the third quarter of the fiscal year ending March 31, 2017, by said estimated effective tax rate.

(2) **Additional information**

Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”

The Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) beginning with the first quarter of the fiscal year under review.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	6,506	12,549
Notes and accounts receivable–trade	53,511	65,267
Merchandise and finished goods	37,218	34,009
Work in process	572	1,189
Raw materials and supplies	14,559	12,210
Other	12,926	15,864
Allowance for doubtful accounts	(467)	(440)
Total current assets	124,828	140,650
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	70,339	70,031
Machinery, equipment and vehicles, net	57,600	54,769
Land	70,478	70,017
Other, net	25,709	27,190
Total property, plant and equipment	224,127	222,009
Intangible assets	6,719	6,389
Investments and other assets		
Investment securities	15,468	18,917
Other	7,832	8,177
Allowance for doubtful accounts	(124)	(111)
Total investments and other assets	23,176	26,982
Total non-current assets	254,023	255,381
<b>Total assets</b>	<b>378,852</b>	<b>396,032</b>

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	52,852	57,491
Electronically recorded obligations–operating	4,516	5,623
Short-term loans payable	6,433	3,867
Current portion of long-term loans payable	4,810	12,179
Commercial papers	2,000	–
Current portion of bonds	10,000	–
Income taxes payable	3,082	4,608
Accrued expenses	31,736	31,566
Deposits received	18,468	29,166
Other	13,903	13,112
Total current liabilities	147,804	157,615
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	42,142	35,374
Net defined benefit liability	18,011	18,391
Other	6,523	6,932
Total non-current liabilities	101,677	95,698
Total liabilities	249,481	253,313
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,518	19,877
Retained earnings	85,280	98,324
Treasury stock	(585)	(602)
Total shareholders' equity	125,918	139,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,127	7,403
Deferred gains or losses on hedges	(43)	94
Foreign currency translation adjustment	(321)	(2,564)
Remeasurements of defined benefit plans	(2,475)	(2,379)
Total accumulated other comprehensive income	2,287	2,554
Subscription rights to shares	204	252
Non-controlling interests	959	608
Total net assets	129,370	142,718
Total liabilities and net assets	378,852	396,032



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

(Consolidated statements of income)

(April 1, 2016 – December 31, 2016)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	470,455	461,383
Cost of sales	327,745	307,964
Gross profit	142,709	153,418
Selling, general and administrative expenses	128,417	130,907
Operating income	14,291	22,511
Non-operating income		
Interest income	34	25
Dividends income	497	479
House rent income	325	329
Share of profit of entities accounted for using equity method	132	170
Other	816	707
Total non-operating income	1,805	1,711
Non-operating expenses		
Interest expenses	752	690
Other	470	234
Total non-operating expenses	1,223	925
Ordinary income	14,873	23,297
Extraordinary income		
Gain on sales of non-current assets	5,217	73
Gain on sales of investment securities	243	39
Other	–	72
Total extraordinary income	5,460	185
Extraordinary losses		
Loss on disposal of noncurrent assets	526	244
Contributions to the public interest incorporated foundation Hikari Kyokai	1,353	1,343
Impairment loss	1,110	68
Loss on disaster	12	474
Other	19	23
Total extraordinary losses	3,021	2,154
Profit before income taxes	17,312	21,328
Income taxes	5,556	6,492
Profit	11,756	14,835
Profit attributable to non-controlling interests	65	61
Profit attributable to owners of parent	11,690	14,774

(Consolidated statements of comprehensive income)  
 (April 1, 2016 – December 31, 2016)

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	11,756	14,835
Other comprehensive income		
Valuation difference on available-for-sale securities	550	2,277
Deferred gains or losses on hedges	13	137
Foreign currency translation adjustment	(957)	(2,242)
Remeasurements of defined benefit plans	25	96
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(366)	268
Comprehensive income	11,389	15,104
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,319	15,041
Comprehensive income attributable to non-controlling interests	70	63

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

(Notes on premise of going concern)

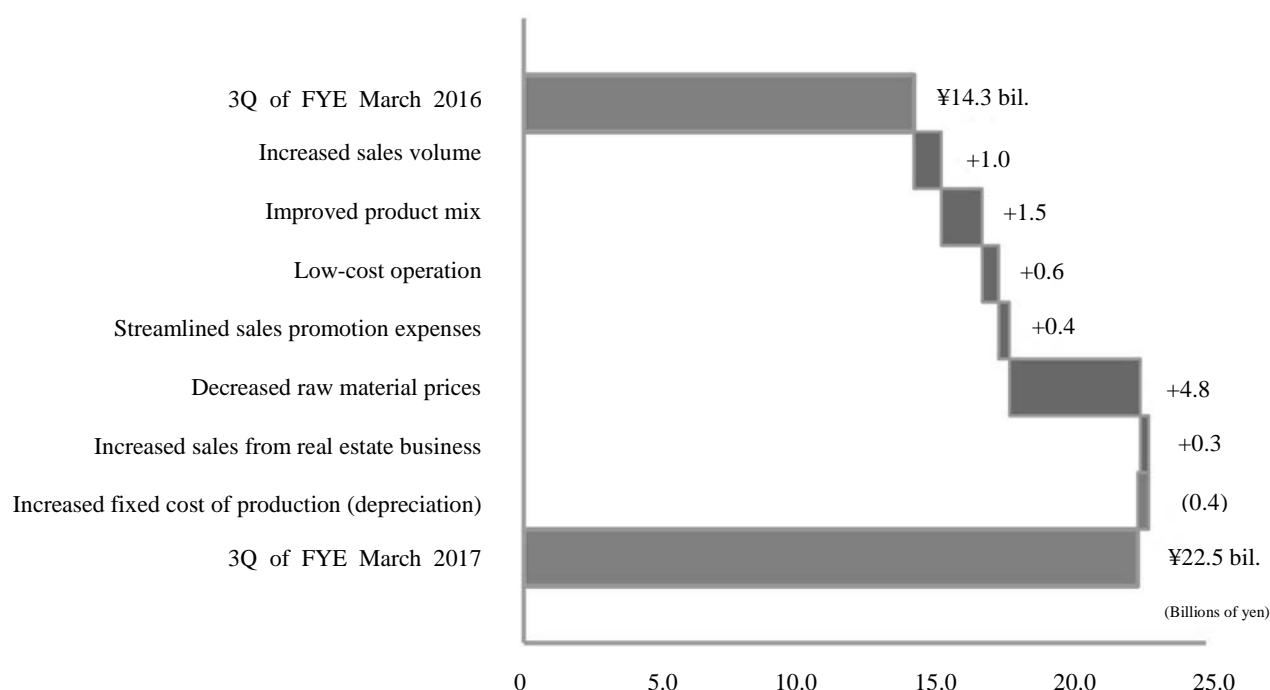
No items to report.

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

No items to report.

#### 4. Supplementary Information

##### (1) Factors of changes in consolidated operating income (Third-quarter comparison)



##### (2) Sales Results (non-consolidated)

###### (1) Sales results for the third quarter

(Unit: Millions of yen)

Product Category	Amount			(Reference) Comparison after previous year's adjustments*	
		Change (YoY)	YoY (%)	Change (YoY)	YoY (%)
Total commercial milk	154,431	(4,723)	(3.0)	(2,310)	(1.5)
Milk	55,562	(2,954)	(5.0)	(2,145)	(3.7)
Milk-based drinks	46,573	(1,777)	(3.7)	(760)	(1.6)
Yogurt	43,134	1,812	4.4	2,280	5.6
Pudding	9,162	(1,804)	(16.5)	(1,685)	(15.5)
Total dairy products	72,772	(1,024)	(1.4)	358	0.5
Condensed milk	2,537	(417)	(14.1)	(347)	(12.0)
Powdered milk	25,240	(129)	(0.5)	411	1.7
Butter	9,752	(1,063)	(9.8)	(952)	(8.9)
Cheese	35,241	585	1.7	1,246	3.7
Ice cream	44,490	1,224	2.8	2,378	5.6
Total other	73,601	(1,925)	(2.5)	(1,042)	(1.4)
Drinks	15,870	(1,739)	(9.9)	(1,463)	(8.4)
Other	57,730	(185)	(0.3)	420	0.7
Total	345,296	(6,449)	(1.8)	(616)	(0.2)

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

\*Sales in the Kyushu region were transferred to a subsidiary beginning in the fiscal year under review.

Year-on-year comparison after adjusting the sales unit price gap