



# New Steps on the Path to Growth in Our Second Century

## Corporate Profile



“For Ever Brighter Smiles”  
**MORINAGA MILK INDUSTRY CO., LTD.**

March 2019

(Securities code: 2264)  
<http://www.morinagamilk.co.jp/english/ir/>



# 1. Revenue by Business

## International business



## Health and Nutritional food business

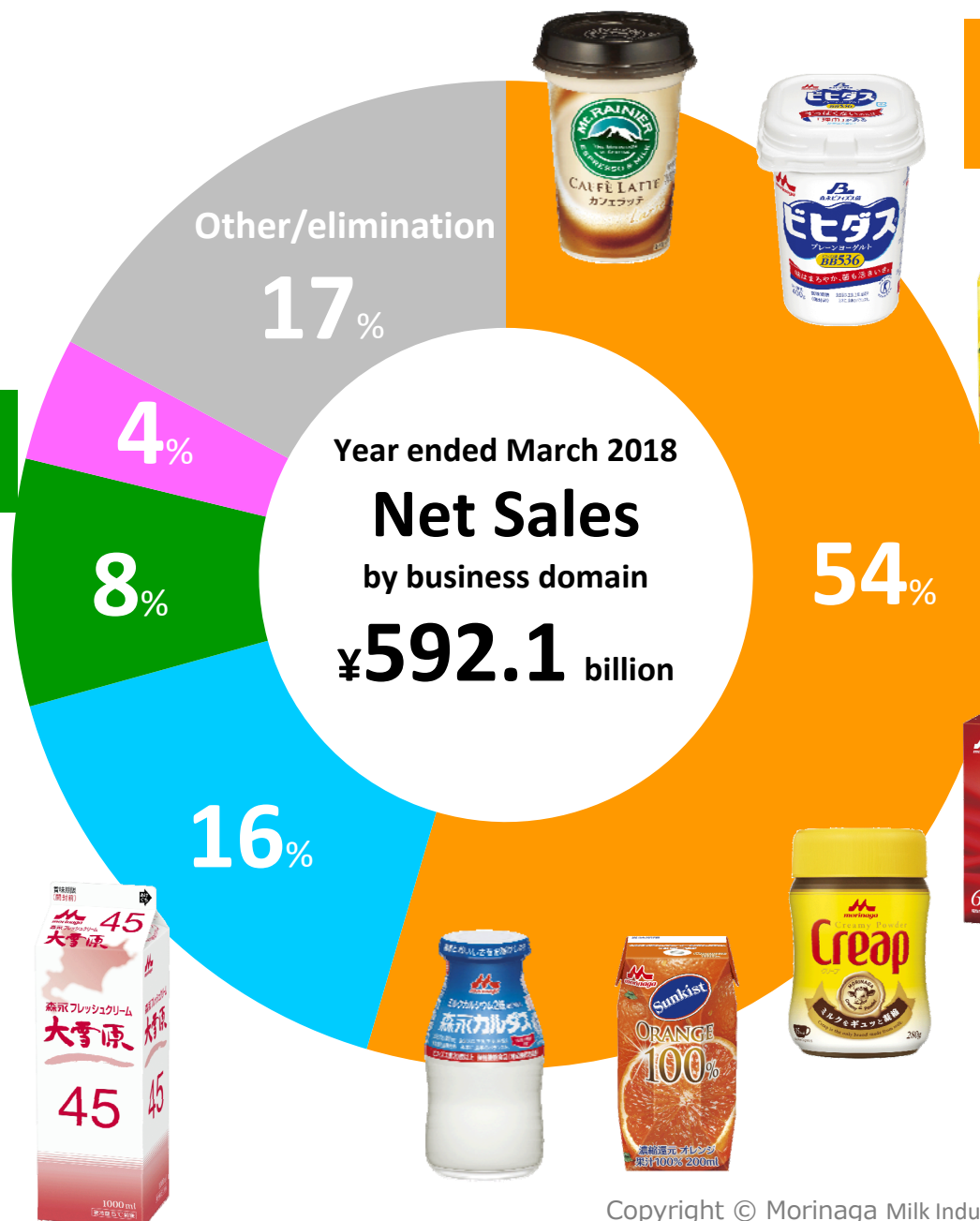


## B-to-B business



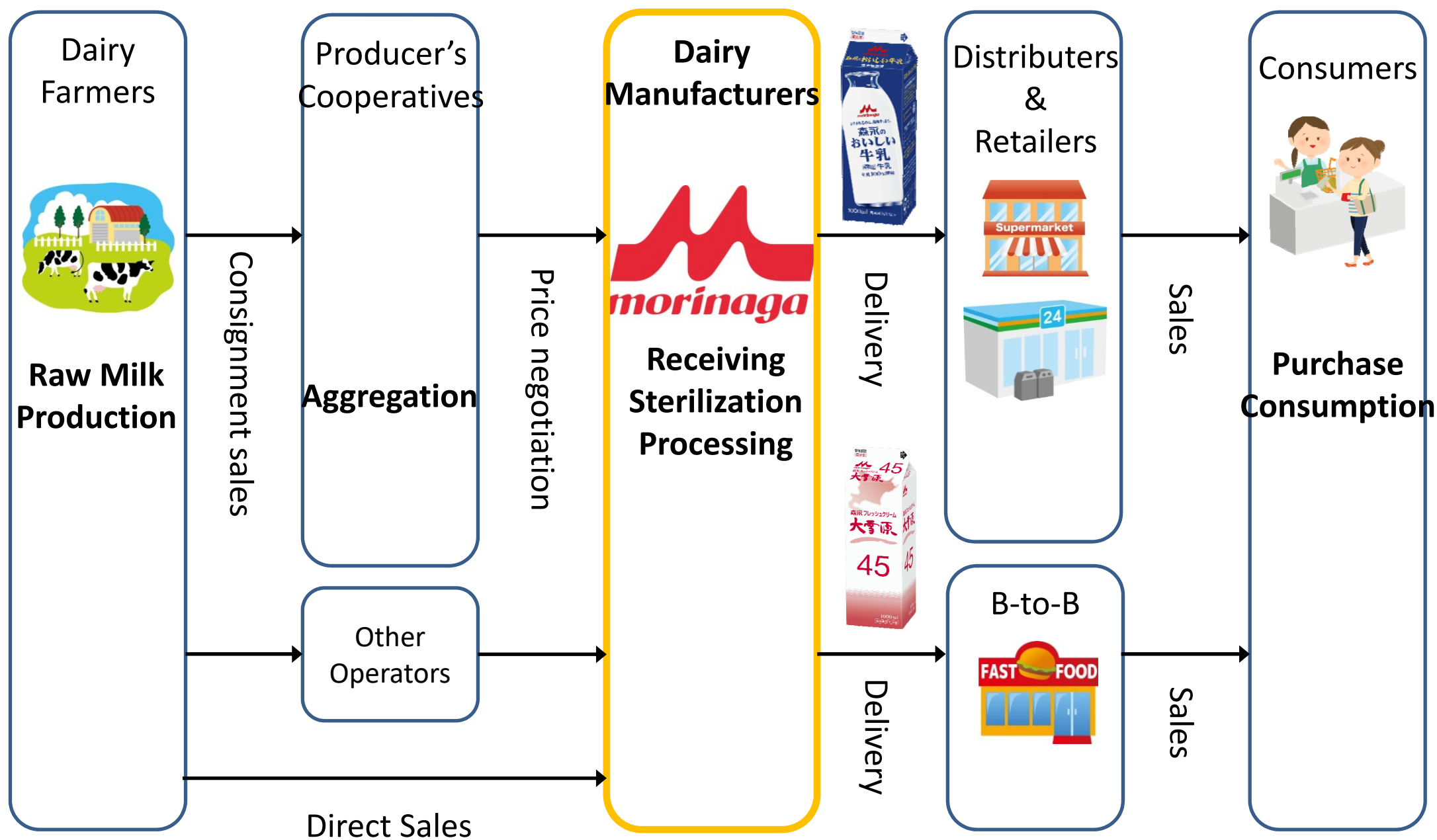
LAC-Shield™

## B-to-C business





## 2. Distribution of Milk and Dairy products





# 3. Corporate Mission & Guiding Principles

## Corporate slogan

**For Ever Brighter Smiles**

## Corporate Philosophy

**Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.**

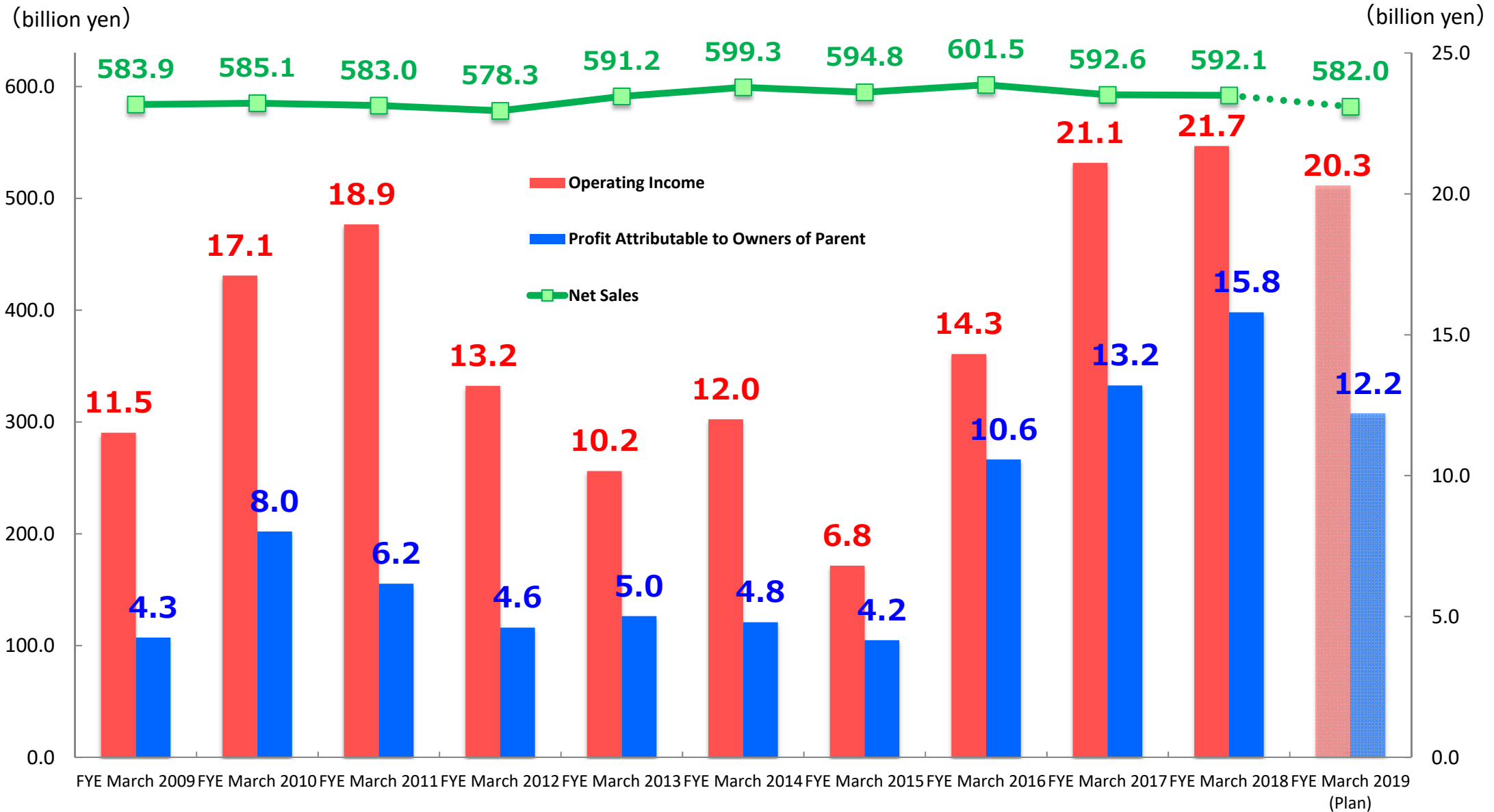
## Guiding Principles: Our Eight Questions

1. Do we share our passion with our customers?
2. Do we feel and express gratitude to all stakeholders?
3. Do we have confidence in our quality?
4. Do we always pursue safety and reliability?
5. Do we continue to challenge ourselves?
6. Do we contribute to building "Team Morinaga"?
7. Do we engage in and enjoy what we do?
8. Do we exchange our visions and progress toward them?





# 4. Financial Summary





# 4. Financial Summary



(Unit: billion yen)

	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019 (Plan)	Year on Year Change	Year on Year (%)
<b>Net Sales</b>	594.8	601.5	592.6	592.1	<b>582.0</b>	<b>-10.1</b>	<b>-1.7%</b>
<b>Operating Income</b>	6.8	14.3	21.1	21.7	<b>20.3</b>	<b>-1.4</b>	<b>-6.4%</b>
<b>Ordinary Income</b>	8.2	15.0	22.0	22.4	<b>21.2</b>	<b>-1.2</b>	<b>-5.2%</b>
<b>Profit</b> Attributable to Owners of Parent	4.2	10.6	13.2	15.8	<b>12.2</b>	<b>-3.6</b>	<b>-22.7%</b>
<b>ROS</b> (Operating Income / Net Sales)	1.1%	2.4%	3.6%	3.7%	<b>3.5%</b>		
<b>ROA</b> (Operating Income / Total Assets)	1.8%	3.8%	5.5%	5.4%	<b>4.9%</b>		
<b>ROE</b> (Net Income / Equity Capital)	3.4%	8.4%	9.8%	10.5%	<b>7.5%</b>		



# 5. Four Business Domains (Product category)

## B-to-B Business

Food service & institutional food products



Functional food materials



Bifidobacterium Longum

Purester



Lactoferrin  
Shield Lactobacillus M-1

Acidic electrolyzed water device



## International Business



## Health and Nutritional Food Business

Nutritional food products (Infant formula)



Liquid diet (CLINICO), Health food, etc.



## B-to-C Business

Chilled cup-type drinks



Chilled tea



Ice cream



Yogurt



Cheese



Milk



Chilled dessert



Commercial Milk (Home deliveries, etc.)



Other products





# 5. Four Business Domains

(Net Sales and Operating Income)



(Unit: billion yen)

Sales	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019 (Plan)	Year on Year
B-to-B	91.1	90.6	95.5	<b>97.0</b>	<b>1.6%</b>
International	21.7	21.8	26.3	<b>31.0</b>	<b>17.7%</b>
Health and Nutritional	44.1	47.2	48.8	<b>49.5</b>	<b>1.5%</b>
B-to-C	349.8	330.5	322.7	<b>315.5</b>	<b>-2.2%</b>
Other/Eliminated	94.8	102.5	98.8	<b>89.0</b>	<b>-9.9%</b>
Total	601.5	592.6	592.1	<b>582.0</b>	<b>-1.7%</b>

Operating Income	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019 (Plan)	Year on Year
B-to-B	4.9	5.9	6.1	<b>5.9</b>	<b>-0.2</b>
International	0	0.5	-0.8	<b>0.9</b>	<b>1.7</b>
Health and Nutritional	1.9	2.5	2.5	<b>2.9</b>	<b>0.4</b>
B-to-C	5.9	10.1	11.5	<b>10.0</b>	<b>-1.5</b>
Other/Eliminated	1.6	2.1	2.4	<b>0.6</b>	<b>-1.8</b>
Total	14.3	21.1	21.7	<b>20.3</b>	<b>-1.4</b>



# 5. Four Business Domains

(Net Sales by product field in B-to-C Business (Non-consolidated) )



(Unit: billion yen)

Sales	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019 (Plan)	Year on Year
Chilled cup-type drinks	44.0	42.3	41.4	40.5	-2%
Chilled tea	16.8	15.3	14.8	15.2	3%
Ice cream*	45.9	47.1	48.8	45.5	-7%
Yogurt	50.2	51.4	49.9	52.0	4%
Cheese	31.7	32.0	33.1	33.8	2%
Milk	62.0	59.2	57.6	54.5	-5%
Chilled desserts	17.5	14.3	13.4	10.3	-23%
Commercial milk (Home deliveries, etc.)	22.7	22.1	21.8	21.2	-3%

\*Changes to transaction system for ice cream beginning FYE March 2019 (on basis of actual delivery price).

Effect: Approximately 3 billion yen (approx. 6% decrease in revenue)



# 6. Market Shares of Major Categories



Chilled cup-type coffee  
**1st 44%**



Chilled tea  
**1st 67%**



Cheese  
**3rd 12%**



Yogurt  
**3rd 10%**



Chilled desserts  
**1st 19%**

Ice cream  
**4th 12%**



Note: Shares of home-use products by monetary amount

Source: INTAGE Inc.'s SRI (share of sales amounts in Apr 2017-Mar 2018)



## 7. Partner Brands



Kraft Foods is the biggest food company in North America. Morinaga and Kraft have been technology partners since 1970 in the area of cheese and cheese-related products.



Lipton is the main tea brand of Unilever, which is one of the world's biggest food and grocery manufacturers. With a history of over a century, it is a favorite of tea lovers worldwide.

Morinaga and Unilever have entered license agreement since 1984. Morinaga sells product chilled tea of Lipton brand.



Sunkist is a leading fruit brand in the United States. Morinaga and Sunkist have entered license agreement since 1971. In Japan, Morinaga sells products such as Sunkist fruit juices.





# 8. Strength of Technologies & Proprietary Materials

To explore the amazing potential of milk, and to make optimal use of that potential.

## • Bifidobacteria

Morinaga Milk has used its original technology to develop commercial uses for powdered bacteria. There is intense international interest in powdered Bifidobacteria.

## • Lactulose

Morinaga Milk overcome major difficulties before succeeding in the production of powdered lactulose. There are many potential uses for this oligosaccharide.

## • Lactoferrin

Morinaga Milk created the world's first infant formula containing powdered lactoferrin, which can be added to a wide variety of products.

## • Lac-Shield™

Capable of providing useful effects even in small quantities, this product has minimal effect on flavor and is being used in an expanding range of processed foods.

## • Aloesterol®

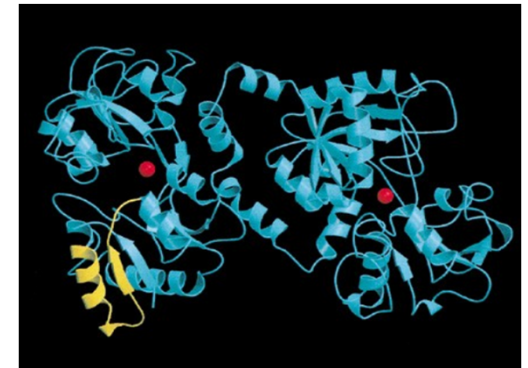
Morinaga Milk has obtained more than 10 Japanese patents for applications based on this rare functional food ingredient.

## • OrabARRIER®

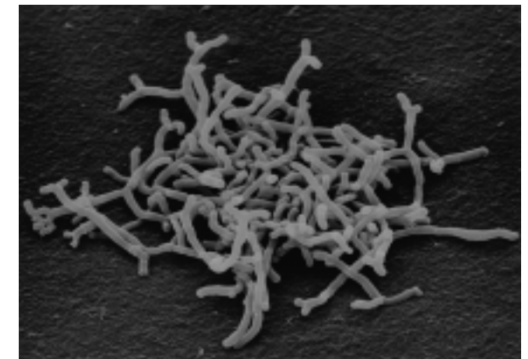
A highly safe original functional ingredient containing an antimicrobial component.

## • Peptides

Original Morinaga Milk technology has resulted in the development of milk products for those who have milk allergies.



Multifunctional peptide, Lactoferrin



Bifidobacterium longum BB536



# 9. Medium-Term Business Plan (Current)

## Four Basic Policies

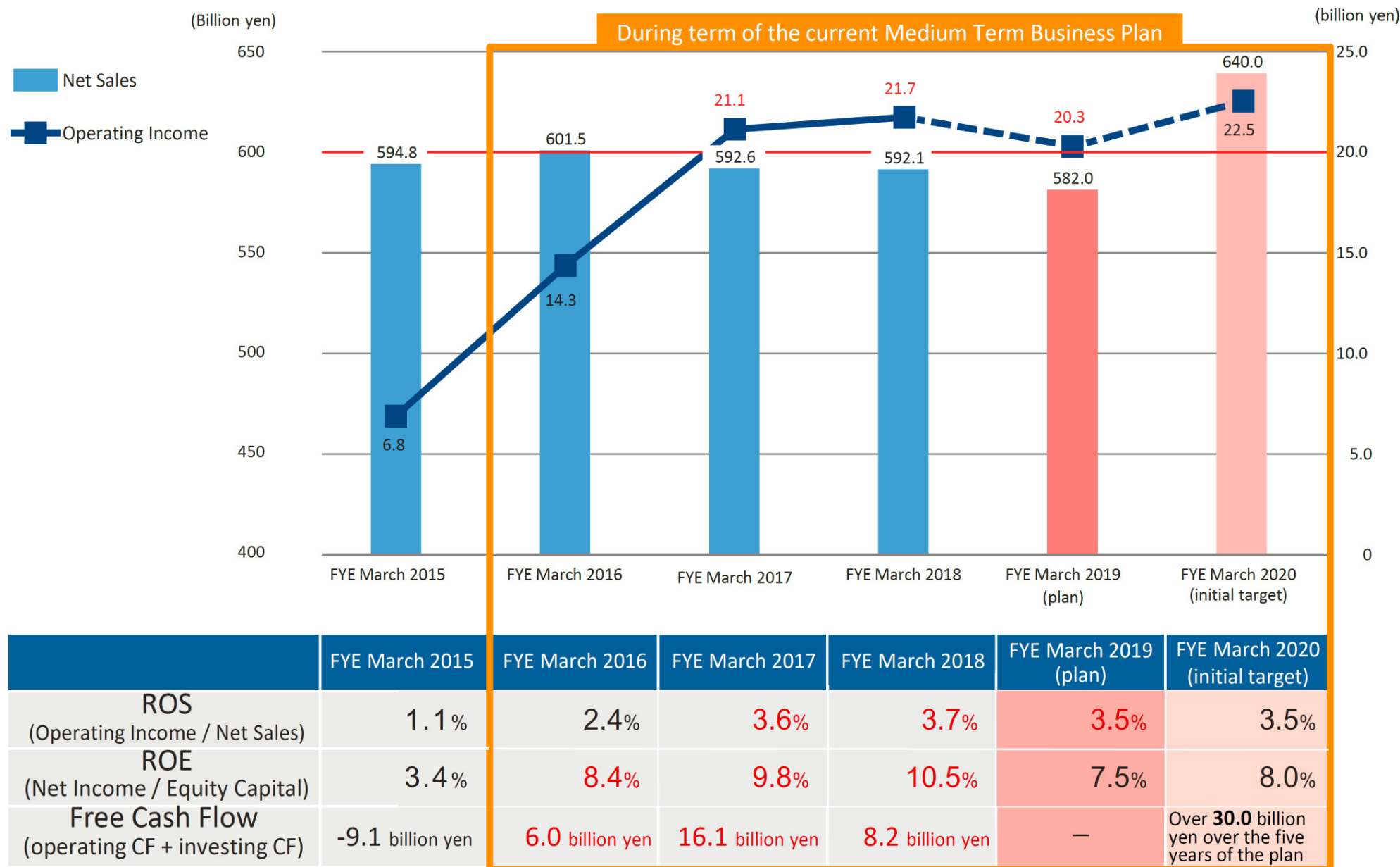


## Four Business Domains





# 9. Medium-Term Business Plan (Current)





# 10. Medium- to Long-term Direction of the Morinaga Milk Group



## For Ever Brighter Smiles

**Corporate Philosophy:** Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.

Current products

Initiatives extending across divisions  
Making the most of seeds unique to Morinaga Milk

New products focused on  
health, nutrition, and  
functionality

B-to-C Business

B-to-B Business

Wellness and Clinical Business

Overseas Business

**Our technological and development strengths** enable us to extensively address customer needs.

**Our brand strengths** enable us to provide safety and reliability to our customers.



# 1 1. Sustainable Management

(Adoption of Seven Priority Issues)



In April 2017, we formulated and published a new growth philosophy structure, including a new corporate slogan. The next step, in 2018, was to identify priority issues to act as guidelines for our next century, in which we will contribute to the development of a sustainable society and maintain our role as a company that contributes to human health.

## Health and Nutrition

We will achieve our goal of creating Ever Brighter Smiles by developing and selling products that combine functionality with delicious taste, and providing products that contribute to health and nutrition.

## Human Rights

We respect human rights throughout our business activities. We also value diversity and will create an environment in which all people can achieve their full potential.

## Nurturing the Next Generation

We will help build the future by nurturing new generations with the potential to contribute to the creation of a sustainability society.

## Corporate Governance

We will work to achieve sustainable growth and enhance our corporate value by creating and continually improving highly effective governance structures.

## The Environment

We will contribute to the creation of a sustainable society by manufacturing safe, dependable products, while working to reduce energy consumption and waste.

## Supply Chains

We will consider the impacts on the environment and human rights when procuring raw materials. We emphasize safety and dependability in our manufacturing operations as part of supplying high-quality products.

## Human Resource Development

We will work to develop employees capable of realizing our vision of Ever Brighter Smiles.



# 1 1. Sustainable Management

(Helps many babies to achieve healthy growth)



## Bifidobacteria breve M-16V for Low Birth Weight Babies

Bifidobacteria normally make up over 90% of the intestinal flora of a healthy newborn baby. However, the presence of harmful bacteria, such as E. coli and Staphylococcus aureus, tends to increase in very low birth weight (VLBW) babies weighing less than 1,500 grams at birth, and extremely low birth weight (ELBW) babies. Joint research with a university research institute has shown that the administration of Bifidobacteria breve M-16V, originally developed by Morinaga Milk Industry, to VLBW and ELBW babies helps speed up the formation of an intestinal flora environment dominated by Bifidobacteria, thereby preventing necrotizing enterocolitis (NEC) and sepsis in newborn babies.

- **Currently administered at over 120 facilities throughout Japan**

Neonatal intensive care units (NICU)

Pediatric hospitals, etc.

- **Has been used globally spreading**

NICUs in Australia since 2012

Recently introduced at NICUs in New Zealand and Singapore





# 1 2. Shareholder Returns (Dividend)

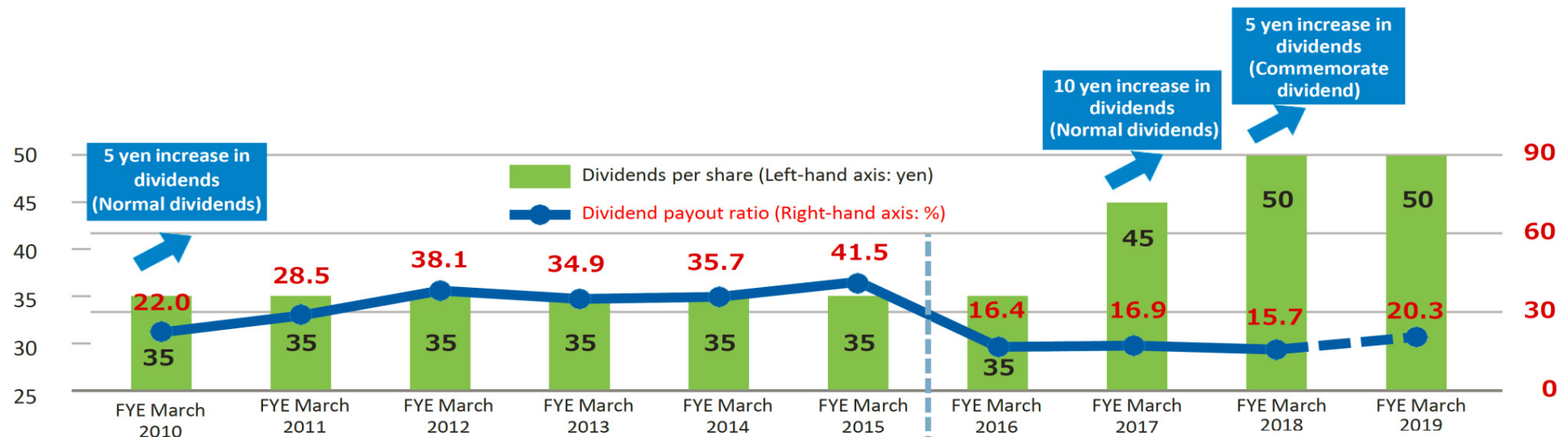


## Dividend (Fiscal year-end)

- In addition to stable and ongoing dividends, returns to shareholders taking earnings into account

<Shareholder returns anticipating demand for cash for capital investments and other uses>

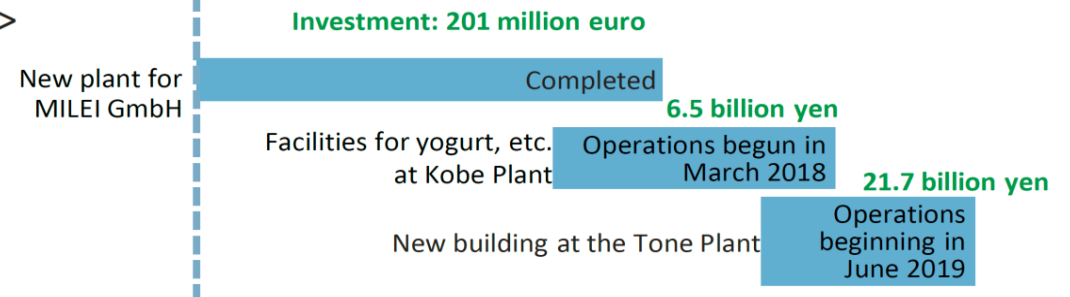
50 yen in FYE March 2019 (Forecast)



<Demand for cash to make large-scale investments>

Demand for money to fund capital investments has increased since the fiscal year ended in March 2016

Capital investment in the new building for the Tone





# Appendix



<b>Company name</b>	Morinaga Milk Industry Co., Ltd.
<b>Head office</b>	33-1, Shiba 5-chome, Minato-ku, Tokyo
<b>Founded</b>	September 1, 1917
<b>Established</b>	April 13, 1949
<b>Capital</b>	¥21,704 million
<b>Employees</b>	Consolidated 5,987 (M 4,659 F 1,328) Non-consolidated 3,144 (M 2,556 F 588)
<b>Representative</b>	Michio Miyahara (President and Representative Director) Junichi Noguchi (Executive Vice President and Representative Director)
<b>Business year</b>	From April 1 to March 31 in the following year
<b>Date of record for shareholders eligible to receive dividends</b>	March31 (The company doesn't pay an interim dividend.)
<b>Group</b>	32 consolidated subsidiaries and two equity method companies

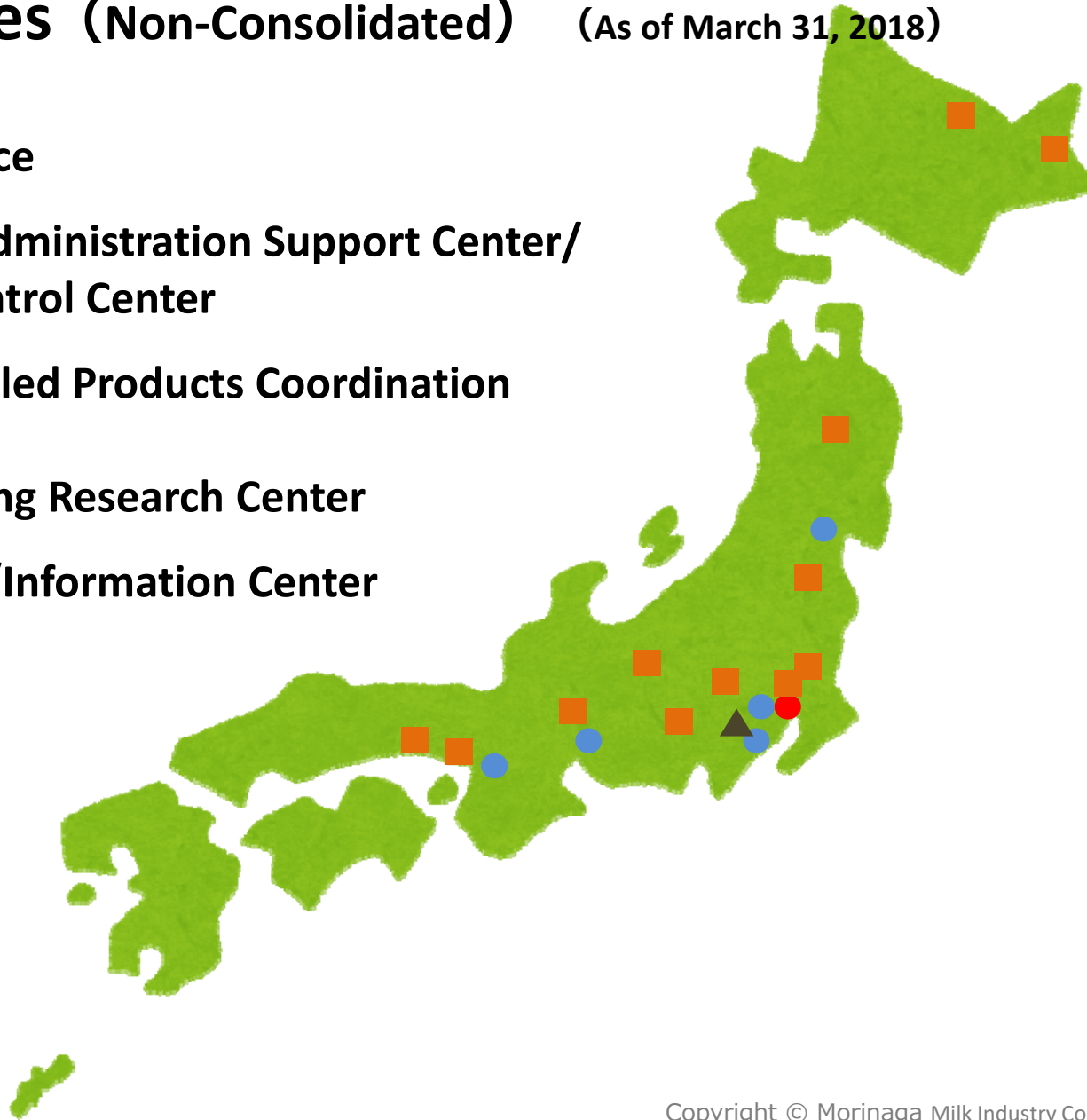


(As of March 31, 2018)



## Business Sites (Non-Consolidated) (As of March 31, 2018)

- Head Office
- Branch/Administration Support Center/  
Order Control Center
- Plant/Chilled Products Coordination  
Center/
- ▲ Engineering Research Center
- Research/Information Center





## Business Sites (Overseas) (As of March 31, 2018)

### ● MILEI GmbH

Established as a Japanese-German joint venture in 1972. It is now a wholly owned subsidiary of Morinaga Milk Industry. It manufactures products such as whey protein, lactose, and lactoferrin.

### ● Morinaga Milk Industry (Shanghai) Co., Ltd.

The wholly owned subsidiary was established in Shanghai in 2011.

### ● Morinaga Nutritional Foods (Asia Pacific) Pte., Ltd.

Established in Singapore in 2015, this company markets dairy raw materials, such as whey protein concentrate and lactose, and Bifidobacteria, to infant formula manufacturers and other users in Southeast Asia and the Pacific region.

### ● Morinaga Nutritional Foods

Established in Los Angeles in 1985, this company supplies long-life TOFU made possible by Morinaga technology throughout the United States.

### ● PT. Kalbe Morinaga Indonesia

This infant formula manufacturing company is a joint venture with Kalbe, Indonesia's biggest pharmaceutical manufacturer.



## Chronology of Morinaga Milk (1917-1971)

- Sep. 1917      Founded as Nippon Rennyu Co., Ltd. \*To procure condensed milk for the Milk Caramel of Morinaga & Co., Ltd.
- May. 1919      Launched Morinaga Milk, small cans of condensed milk
- Jul. 1920      Merged Nippon Rennyu with Morinaga & Co., Ltd.
- Nov. 1921      Launched Morinaga Dried Milk (infant formula) \*It is Japan's first domestically infant formula by machinery.
- Apr. 1927      Split off the Rennyu Division to establish Morinaga Rennyu Co., Ltd.
- Dec. 1929      Launched Morinaga Pasteurized Milk (bottled milk)
- May. 1941      Changed company name to Morinaga Milk Industry Co., Ltd.
- Oct. 1942      Merged Morinaga & Co., Ltd. with Morinaga Milk Industry Co., Ltd., Morinaga Food Industry Co., Ltd., Tokai Seika KK, Ltd., and Morinaga Kansai Milk Co., Ltd.
- Apr. 1949      Re-established Morinaga Milk Industry Co., Ltd.
- Sep. 1954      Listed shares on the Tokyo Stock Exchange
- Aug. 1955      Morinaga arsenic milk poisoning incident occurred
- Apr. 1961      Launched Creap (creaming powder)
- Feb. 1970      Established affiliation with Kraft, Inc. \*currently Kraft Foods Group, Inc. and Mondelēz International, Inc.
- Dec. 1971      Conclusion of a trademark licensing agreement with Sunkist Growers, Inc.



## Chronology of Morinaga Milk (1972-2018)

Feb. 1972	Established MILEI GmbH, a joint venture company in West Germany
Apr. 1974	Established Hikari Foundation
Nov. 1978	Launched Morinaga Bifidus Yogurt
May. 1984	Established affiliation with Lipton Japan *currently Unilever Japan Beverage K.K.
May. 1985	Established Morinaga Nutritional Foods, Inc. to expand the sales of aseptically packaged tofu in the U.S.
Feb. 1993	Launched Mt. RAINIER CAFFE LATTE (milk-based beverage in an aseptic cup)
Dec. 1994	Launched Morinaga Aloe Yogurt
Apr. 2005	Launched PARM (ice cream bar)
Sep. 2011	Launched PARTHENO, a Greek-style thick yogurt
Nov. 2011	Concluded a technical assistance agreement with the Want Want Group
May. 2012	Capitalized MILEI GmbH as a wholly owned subsidiary
Dec. 2015	Established Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd. in Singapore
Sep. 2017	Celebrated the 100 <sup>th</sup> anniversary of the founding of Morinaga Milk Industry, Co., Ltd.





“For Ever Brighter Smiles”  
**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.