



Financial Results Presentation

- Fiscal Year ended March 31, 2016 -

- I. Overview of FYE March 2016 Financial Results
- II. Outlook of Financial Results for the Year
Ending March 2017

May 2016

MORINAGA MILK INDUSTRY CO , LTD.

I. Overview of FYE March 2016 Financial Results

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	601.5	+6.7	+1.1%
Operating Income	6.8	14.3	+7.5	+110.4%
Ordinary Income	8.2	15.0	+6.7	+81.7%
Profit attributable to owners of parent	4.2	10.6	+6.4	+154.0%
ROS (Operating Income / Net Sales)	1.1%	2.4%		
ROA (Operating Income / Total Assets)	1.8%	3.8%		
ROE (Net Income / Equity Capital)	3.4%	8.4%		

[Operating Income] Year-on-year change of +7.5 billion yen

- **Change in selling unit prices (year-on-year change +8.4 billion yen)**
Price strategy for rising raw material costs in past fiscal years
 - **Improved product mix (year-on-year change +2.5 billion yen)**
Penetration of new-spec products, ice cream, expansion of single-serve yogurt
 - **Increased raw material prices (year-on-year change -0.8 billion yen)**
The dairy ingredients market was in a slump for the full year from the lingering effects of a weaker yen, and the unit price for coffee beans rose.
 - **Increased raw materials milk prices (year-on-year change -3.0 billion yen)**
Raised from April 2015 (+3 yen/kg for drink use, other)
 - **Increased sales promotion expenses (year-on-year change -0.7 billion yen)**
Active expenditure on advertising centering on new and mainstay products
- *Other 5.5 billion yen gain on sales of non-current assets (extraordinary income)**

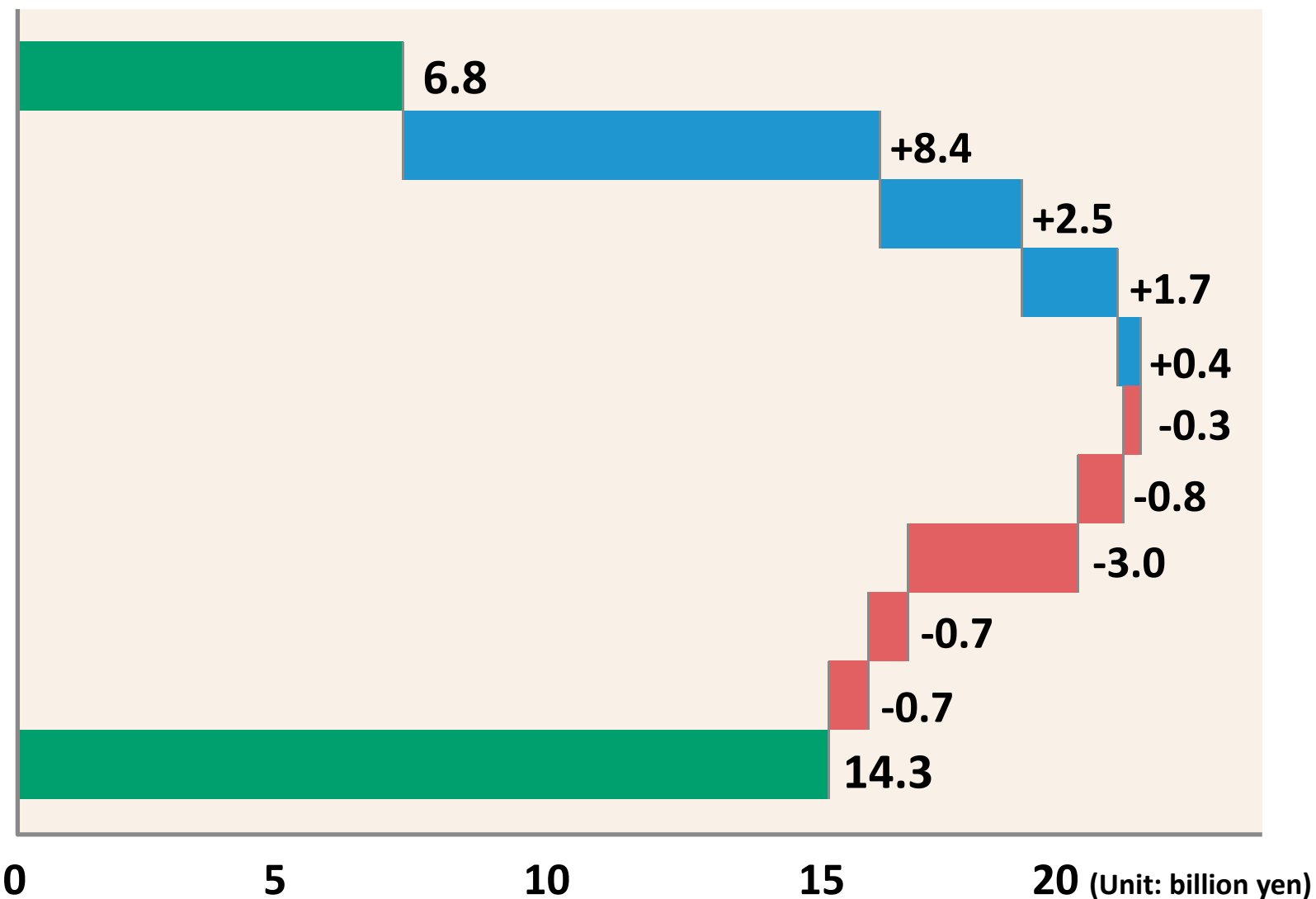
Factors Attributable to Increases and Decreases in Operating Income



FYE March 2015

- Change in selling unit prices
- Improved product mix
- Low-cost operation
- Increased sales from real estate business
- Decreased sales volume
- Increased raw material prices
- Increased raw material milk prices
- Increased sales promotion expenses
- Increased fixed cost of production (depreciation)

FYE March 2016



Net Sales & Operating Income by Business Fields



(Unit: billion yen)

FYE March 2016	Net Sales				Operating Income			
	1H		Full Year		1H		Full Year	
	Net Sales	Component ratio	Net Sales	Component ratio	Operating Income	Component ratio	Operating Income	Component ratio
B-to-B business	46.2	14%	91.1	15%	2.4	24%	4.9	34%
International Business	12.6	4%	21.7	4%	0.4	4%	0	0%
Health and Nutritional Food Business	21.6	7%	44.1	7%	0.8	8%	1.9	13%
B-to-C Business	190.8	59%	349.8	58%	5.8	57%	5.9	41%
Other / Deleted	52.1	16%	94.8	16%	0.8	8%	1.6	11%
Total	323.3	—	601.5	—	10.1	—	14.3	—

Net Sales by Product Fields in B-to-C Business (Non-consolidated)



(Unit: billion yen)

FYE March 2016	1H		Full Year	
	Net Sales	Year on Year	Net Sales	Year on Year
Chilled cup-type drinks	24.6	-4%	44.0	-3%
Chilled tea	9.1	-6%	16.8	-4%
Ice cream	28.8	+3%	45.9	+5%
Yogurt	25.6	+4%	50.2	+6%
Cheese	15.5	+4%	31.7	+2%
Milk	32.5	+5%	62.0	+5%
Chilled desserts	9.4	-4%	17.5	-5%
Commercial milk (delivery, etc.)	11.3	±0%	22.7	+1%

III. Outlook of Financial Results for the Year Ending March 2017

<4 Basic Policies>

1. Rebuilding our business domains for growth

2. Improving asset efficiency and promoting rationalization

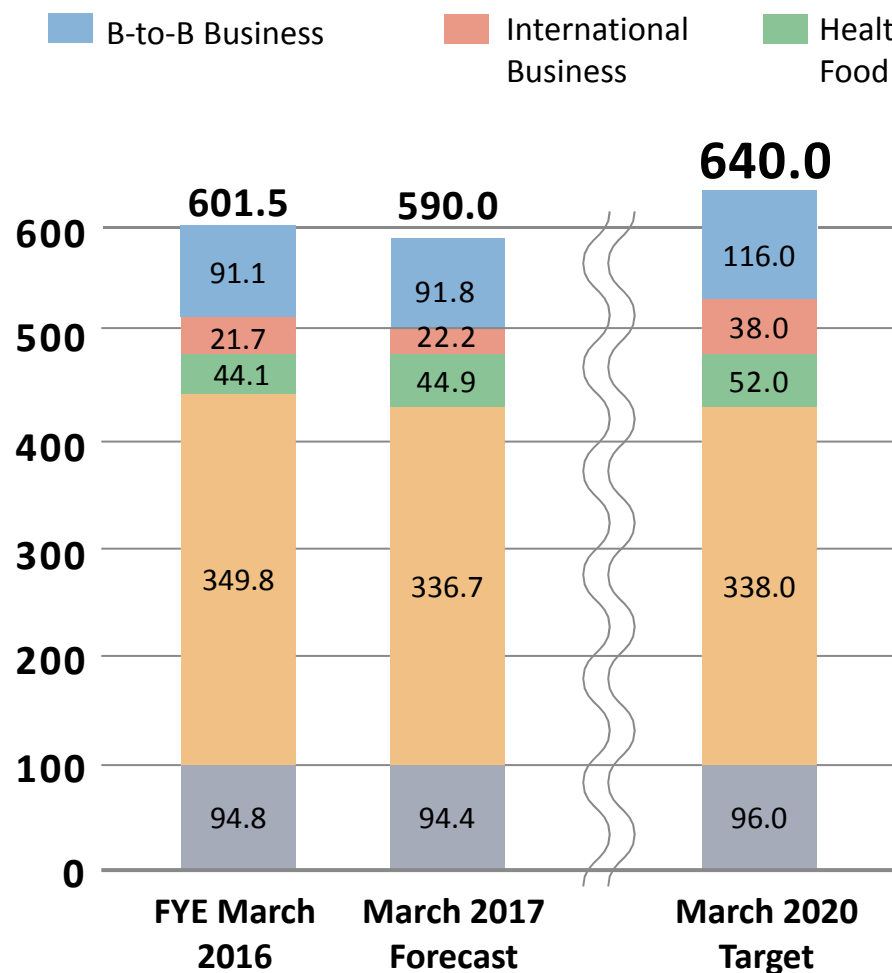
3. Strengthening the business base

4. Making a difference in society

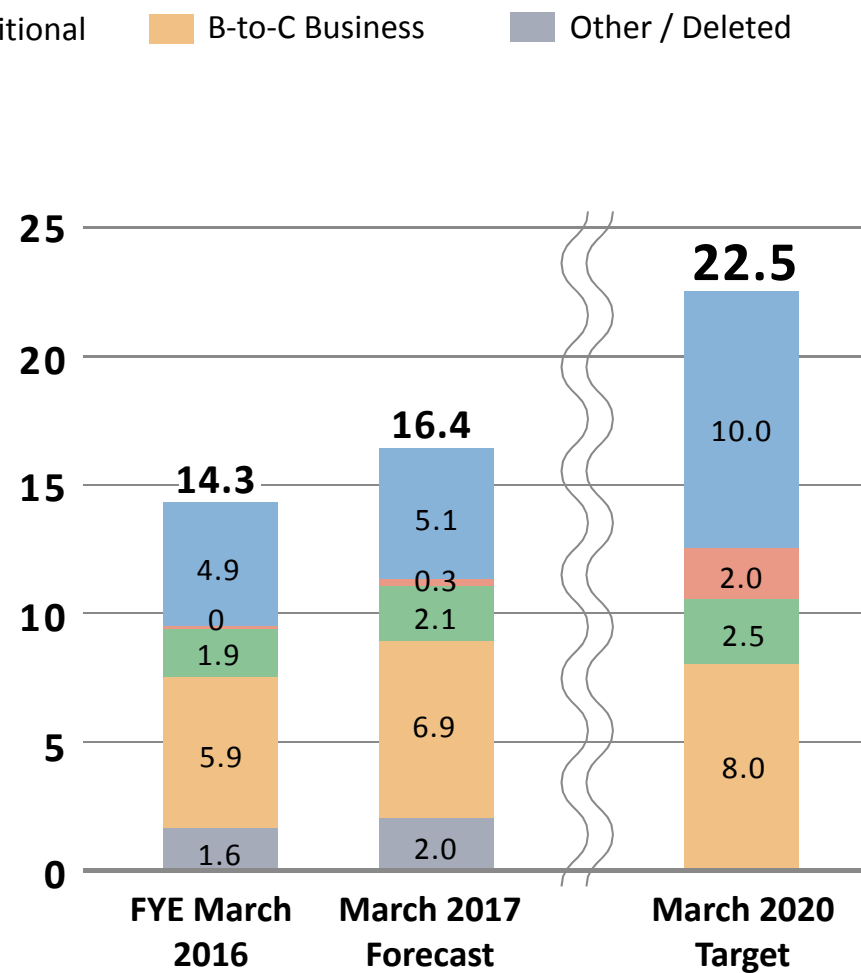
Envisioned Growth during the Medium-term Business Plan



Net Sales (billion yen)



Operating Income (billion yen)



Outlook of Financial Results for FYE March 2017



(Unit: billion yen)

	FYE March 2016	FYE March 2017	Year-on-Year Change	Year on Year
Net Sales	601.5	590.0	-11.5	-1.9%
Operating Income	14.3	16.4	+2.1	+14.5%
Ordinary Income	15.0	17.0	+2.0	+13.6%
Profit attributable to owners of parent	10.6	8.2	-2.4	-22.5%
ROS (Operating Income / Net Sales)	2.4%	2.8%		
ROA (Operating Income / Total Assets)	3.8%	4.3%		
ROE (Net Income / Equity Capital)	8.4%	6.2%		

Rebuilding Our Business Domains for Growth



Expand sales of highly original products, and meet the changing needs of customers

Focus resources on market growth

- Capital investment in the Thick Greek Yogurt PARTHENO
(Net sales of 5.4 billion yen
→Sales target of 7.0 billion yen)
- Capital investment in the ice cream bar PARM
(boost production capacity 1.3 times)



“Sweets” series for the Thick Greek Yogurt PARTHENO

Develop new key products

- Most premium café latte in the Mt. RAINER series
Mt. RAINER RICH CAFFÉ LATTE (Sales target of 2.5 billion yen in the first fiscal year)



Differentiation by promoting functional effects and increasing value addition

Develop functional products

- Develop the Aloesthe series
- Functional-labelled food including (PREMiL Everyday for your body, Bifidus Drinking Yogurt, supplements), strengthening products promoting materials



“Beauty from the inside” rare ingredients for beauty
Aloesthe series containing Aloesterol®



Expand the B-to-B materials business

- Use more B-to-C products of other companies “Shield Lactobacillus M-1®”
- Boost sales of milk substitutes and milk-flavored materials



Example of using products of other companies, such as “Shield Lactobacillus M-1®”, to help maintain and improve health

Promote Globalization

Start of operations at the new Milei GmbH plant

- Capital investment for boosting demand in the mid-to-long term

Milei GmbH Sales Plan (preliminary figures for the capital investment plan)

FY2013

€126 million



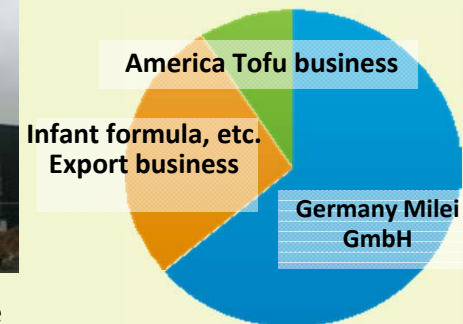
FY2020

€190 million



New plant scheduled to be operational in September

Net Sales by International Business



New Development of Growth Businesses

- Set up a sales company (December 2015) in Singapore with its concentration of leading global manufacturers of powdered milk for infants and raw materials suppliers → targeting sales of **1.7 billion yen in the first fiscal year**
- Expanding exports of infant formula to Pakistan (**No. 1 share** in imported goods market)

Review production and sales structure to increase efficiency

Focus of management resources

- Improving profitability with the transfer of the household frozen wholesale business (November 2015)
FY15 year-on-year **fall in net sales of approx. 14 billion yen**
→ 0.1-0.2 point improvement in operating profit ratio
- Number of new products → **down by approx. 30%**
Reduction in number of products → **around 100 products cut**

Review systems for greater efficiency

- Sales: **Improving sales productivity** by reorganizing the sales structure in the Kyushu region (April 2016)
Achieving optimal operations through organizational reforms in the B to C sector (retail sector) (April 2016)
Launch of Materials Strategy Department and Wellness Business Department (April 2016)
- Production: Organizational integration of the Yamato plant and Murayama plant. Integrating upstream (stocking, sterilization) and downstream (filling) processes will improve the level of manufacturing and **streamline overlapping tasks for greater efficiency** (April 2016)
- Research: Launch of a head office for research to **organically coordinate** research assets and personnel (June 2016)

Strengthen the Management Base



Financial strategy

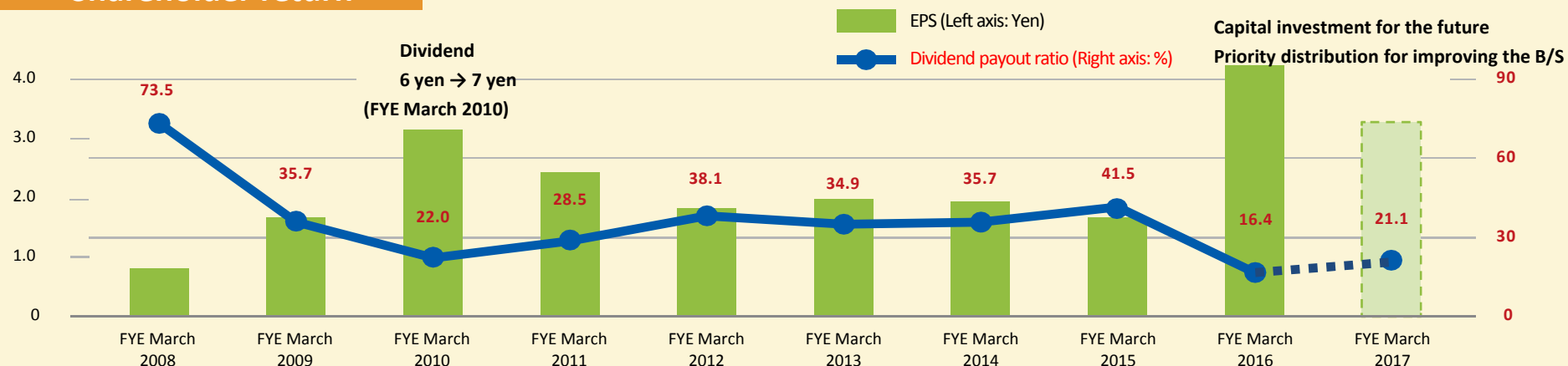
Trends in key indexes

(Unit: billion yen, times)

	FYE March 2013	FYE March 2014	FYE March 2015	FYE March 2016	FYE March 2017
Capital investment amount	16.1	16.7	25.7	25.4	23.8
Depreciation expense	17.2	15.1	16.1	16.8	17.8
Interest-bearing liabilities	101.3	90.5	107.3	100.4	100.0
DER	0.87	0.75	0.86	0.78	0.77

Shareholder return

Investment in new Milei plant



Activities of the Morinaga Milk Group

Aid for natural disasters

- Providing aid at disaster-affected areas such as the Kumamoto Earthquake and Kinugawa River flood damage (providing milk for people with allergies, etc.)
- Ongoing aid for the Great East Japan Earthquake

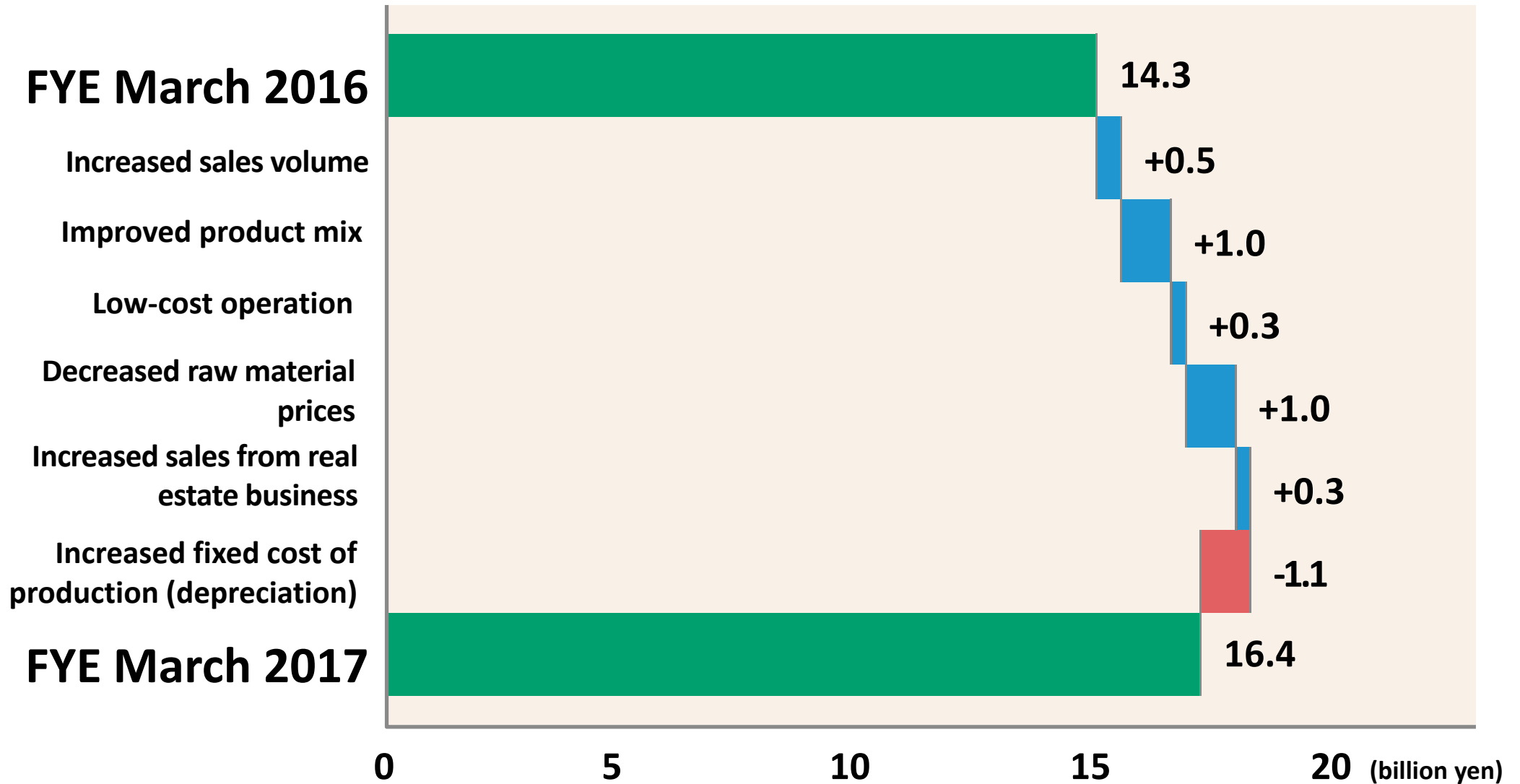
Further promote CSR activities

- Setting up the CSR Promotion Department and launching the CSR Committee
- Initiatives to reduce the environmental burden (ISO 14001 multi-site certification, reduction of energy consumption rate)
- Various social action programs (Angel 110, M'S Kitchen, plant tours, Pink Ribbon initiative, Rainforest Alliance, etc.)



Providing aid for the Great East Japan Earthquake
at the head office cafeteria
Snapshot of the "Recovery market"

Outlook of Increases and Decreases in Consolidated Operating Income (FYE March 2017)



Target Net Sales & Operating Income by Business Field



(Unit: billion yen)

FYE March 2017	Net Sales				Operating Income			
	1H		Full Year		1H		Full Year	
	Net Sales	Year on Year	Net Sales	Year on Year	Operating Income	Year-on-Year Change	Operating Income	Year-on-Year Change
B-to-B Business	46.6	+1%	91.8	+1%	2.5	+0.1	5.1	+0.2
International Business	12.5	-1%	22.2	+2%	0.4	±0	0.3	+0.3
Health and Nutritional Food Business	22.0	+2%	44.9	+2%	1.0	+0.2	2.1	+0.2
B-to-C Business	178.9	-6%	336.7	-4%	6.6	+0.8	6.9	+1.0
Other / Deleted	52.0	±0%	94.4	±0%	1.1	+0.3	2.0	+0.4
Total	312.0	-3%	590.0	-2%	11.5	+1.4	16.4	+2.1

(Reference materials)

Target Sales by Product Fields in B-to-C Business (Non-consolidated)



*Adjusted for change (%) is the % change after adjusting for the effect of transferring sales to subsidiaries in Kyushu

(Unit: billion yen)

FYE March 2017	1H			Full Year		
	Net Sales	Year on Year	*Adjusted for change (%)	Net Sales	Year on Year	*Adjusted for change (%)
Chilled cup-type drinks	25.3	+3%	+6%	45.0	+2%	+5%
Chilled tea	9.1	±0%	+1%	16.8	±0%	+1%
Ice cream	28.5	-1%	+2%	45.5	-1%	+2%
Yogurt	26.2	+3%	+4%	51.1	+2%	+3%
Cheese	15.8	+2%	+4%	32.2	+2%	+4%
Milk	31.1	-4%	-3%	58.5	-6%	-5%
Chilled desserts	8.1	-14%	-13%	15.8	-10%	-9%
Commercial Milk (delivery, etc.)	11.2	-1%	+2%	22.2	-2%	+1%

(Ref.) Shares



Share	FYE March 2015	FYE March 2016	Rank
Chilled cup-type coffee	51%	46%	1
Chilled tea	71%	70%	1
Yogurt	11%	11%	2
Chilled desserts	24%	22%	1
Cheese	13%	13%	3
Ice cream	13%	13%	3

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

Source: INTAGE Inc. (share of sales amounts in Apr 2014-Mar 2015 and Apr 2015-Mar 2016).



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.

*From hereon, the numerical values for profit will be disclosed on an operating income basis. As a result, there may be some inconsistencies with the numerical values listed in the tables.