



February 13, 2014

## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2014 <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 14, 2014  
 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 Cumulative Third Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to December 31, 2013)

#### (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	%
Nine months ended December 31, 2013	466,129	1.2	11,675	7.6	12,324	10.4	5,617	(3.4)
Nine months ended December 31, 2012	460,787	2.2	10,854	(18.2)	11,159	(16.9)	5,813	16.0

(Note) Comprehensive income: Nine months ended December 31, 2013: ¥8,265 million / 38.5 %  
 Nine months ended December 31, 2012: ¥5,968 million / 17.7 %

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2013	22.75	22.68
Nine months ended December 31, 2012	23.20	23.13

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2013	371,459	123,232	33.0
As of March 31, 2013	368,498	116,750	31.4

(Reference) Shareholders' equity:

As of December 31, 2013: ¥122,526 million

As of March 31, 2013: ¥115,840 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, 2013	–	–	–	7.00	7.00
Fiscal year ending March 31, 2014	–	–	–		
Fiscal year ending March 31, 2014 (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, 2014 (April 1, 2013 to March 31, 2014)

(% figures show year-on-year change)

	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	598,000	1.2	11,500	13.1	12,000	13.7	5,100	1.7	20.65

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

**\* Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 2013 (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: Yes

(iii) Changes in accounting estimates: Yes

(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 December 31, 2013	253,977,218 shares
As of March 31, 2013	253,977,218 shares

(ii) Number of treasury stock at end of period

As of December 31, 2013	6,977,094 shares
As of March 31, 2013	7,022,892 shares

(iii) Average number of shares during period

For the nine months ended December 31, 2013	246,958,259 shares
For the nine months ended December 31, 2012	250,632,938 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 nine months ended December 31, 2013, the Japanese economy moved towards a recovery partly due to the economic and monetary policies of the Japanese government and the Bank of Japan, which facilitated an adjustment of the strong yen and boosted share prices. However, the risk of a global economic slowdown and the economic impact of a planned hike in the Japanese consumption tax in April are continuing to make business conditions uncertain.

In the food industry, the tendency of consumers' conservative spending remains, while the impact of escalating prices of raw materials and energy also contributed to the ongoing tough 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 also focusing on extensive low-cost operations by optimizing raw material procurement and streamlining both distribution and sales and promotion expenses.

As a result of these activities, non-consolidated net sales of the Company were ¥343,870 million (down 1.2% year on year) due mainly to a year-on-year decline in the sales of cheese, powdered milk and milk-based drinks, etc. that surpassed a year-on-year increase in the sales of yogurt. Meanwhile, net sales for consolidated subsidiaries surpassed the results of the same period in the previous year, thus contributing to a 1.2% increase year on year in consolidated net sales for the Company to ¥466,129 million.

On a consolidated basis, operating income rose to ¥11,675 million (up 7.6% year on year) and ordinary income also grew to ¥12,324 million (up 10.4% year on year), while net income fell to ¥5,617 million (down 3.4% year on year) partly due to costs posted for streamlining the production system.

### (2) Explanation of consolidated financial position

Total assets at the end of the third quarter under review increased by ¥2,960 million to ¥371,459 million. This was mainly due to an increase in notes and accounts receivable-trade from seasonal factors, along with a substantial rise in investment securities resulting from an increase in the market value of listed securities, although the redemption of bonds led to a year-on-year decrease in cash and deposits.

Total liabilities fell by ¥3,521 million to ¥248,227 million. This was mainly due to a large-scale decrease in the total amount of loans and bonds payable as a result of the redemption of bonds, while seasonal factors contributed to year-on-year increases in notes and accounts payable-trade, electronically recorded obligations-operating and deposits received.

For net assets, a year-on-year increase in retained earnings and valuation difference on available-for-sale securities along with other factors resulted in a ¥6,482 million increase to ¥123,232 million.

As a result, the shareholders' equity ratio rose from 31.4% year on year to 33.0%.

### (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, 2014 disclosed on May 14, 2013.

## 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, 2014 including this third quarter of the fiscal year under review after accounting for the tax effects and multiplies income before income taxes during the third quarter of the fiscal year ending March 31, 2014 by said estimated effective tax rate.

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

#### Change in depreciation method of property, plant and equipment

Previously, the Company and its consolidated subsidiaries predominantly used the declining-balance method (some offices and subsidiaries used the straight-line method) for the depreciation of its property, plant and equipment such as production facilities (excluding buildings). However, as of the first quarter of the fiscal year ending March 31, 2014, the depreciation method used for all property, plant and equipment has been changed to

the straight-line method.

This change is the result of a review of the depreciation method used for property, plant and equipment, which the Company conducted in light of formulating a plan that incorporates a forecast increase in capital investment overseas owing to improved international competitiveness and initiatives for the consolidation and renewal of production facilities as a part of the Company's drastic reform of productivity in its long-term vision. The property, plant and equipment of the Company and its domestic consolidated subsidiaries are expected to maintain steady operations from hereon over their useful life. The change of the depreciation method used for property, plant and equipment to the straight-line method is intended to realize a more appropriate expense allocation, and is deemed to more accurately reflect the actual usage of the assets.

Compared to the previous method used, this change to the straight-line method has resulted in respective increases of ¥1,586 million in operating income, ordinary income and income before income taxes and minority interests for the nine months ended December 31, 2013.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	17,612	13,355
Notes and accounts receivable-trade	56,144	61,141
Merchandise and finished goods	31,256	28,872
Work in process	990	593
Raw materials and supplies	6,646	7,294
Other	15,355	15,758
Allowance for doubtful accounts	(655)	(607)
Total current assets	127,348	126,408
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	68,691	68,358
Machinery, equipment and vehicles, net	58,176	59,042
Land	73,501	73,275
Lease assets, net	10,149	10,613
Total property, plant and equipment	210,518	211,290
Intangible assets	5,827	5,895
Investments and other assets		
Investment securities	14,515	17,505
Other	10,465	10,531
Allowance for doubtful accounts	(177)	(171)
Total investments and other assets	24,803	27,865
Total noncurrent assets	241,150	245,051
<b>Total assets</b>	<b>368,498</b>	<b>371,459</b>

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	59,192	62,616
Electronically recorded obligations-operating	5,025	6,531
Short-term loans payable	4,863	3,784
Current portion of bonds	15,000	15,040
Current portion of long-term loans payable	11,331	10,908
Income taxes payable	726	2,283
Accrued expenses	30,013	28,668
Deposits received	22,591	30,257
Other	10,721	10,574
Total current liabilities	159,466	170,666
Noncurrent liabilities		
Bonds payable	45,000	30,000
Long-term loans payable	25,088	25,367
Provision for retirement benefits	11,525	11,755
Other	10,668	10,438
Total noncurrent liabilities	92,282	77,561
<b>Total liabilities</b>	<b>251,748</b>	<b>248,227</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,442	19,442
Retained earnings	74,126	78,154
Treasury stock	(2,298)	(2,282)
Total shareholders' equity	112,974	117,019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,091	5,314
Deferred gains or losses on hedges	(0)	27
Foreign currency translation adjustment	(225)	165
Total accumulated other comprehensive income	2,865	5,507
Subscription rights to shares	196	197
Minority interests	713	508
Total net assets	116,750	123,232
<b>Total liabilities and net assets</b>	<b>368,498</b>	<b>371,459</b>



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

(Consolidated statements of income)

(April 1, 2013 – December 31, 2013)

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net sales	460,787	466,129
Cost of sales	319,423	326,606
Gross profit	141,363	139,522
Selling, general and administrative expenses	130,509	127,847
Operating income	10,854	11,675
Non-operating income		
Interest income	62	46
Dividends income	379	501
House rent income	374	406
Equity in earnings of affiliates	87	136
Other	836	952
Total non-operating income	1,740	2,042
Non-operating expenses		
Interest expenses	1,190	1,019
Other	245	373
Total non-operating expenses	1,435	1,393
Ordinary income	11,159	12,324
Extraordinary income		
Gain on sales of noncurrent assets	250	60
Gain on bargain purchase	23	181
Compensation income	–	359
Other	6	1
Total extraordinary income	279	603
Extraordinary loss		
Loss on disposal of noncurrent assets	276	540
Contributions to the public interest incorporated foundation Hikari Kyokai	1,338	1,350
Impairment loss	165	598
Factory reorganization expenses	214	784
Other	95	376
Total extraordinary losses	2,091	3,651
Income before income taxes and minority interests	9,347	9,276
Income taxes	3,475	3,655
Income before minority interests	5,871	5,621
Minority interests	58	3
Net income	5,813	5,617

(Consolidated statements of comprehensive income)  
(April 1, 2013 – December 31, 2013)

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Income before minority interests	5,871	5,621
Other comprehensive income		
Valuation difference on available-for-sale securities	84	2,224
Deferred gains or losses on hedges	13	28
Foreign currency translation adjustment	(0)	390
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	96	2,644
Comprehensive income	5,968	8,265
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,869	8,259
Comprehensive income attributable to minority interests	99	5

**(3) Note 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

Cumulative Third-quarter Sales Results (non-consolidated)

(Unit: Million yen)

Product Category	Results for nine months ended Dec. 31, 2013		
	Amount	Change (YoY)	YoY (%)
Total commercial milk	158,648	(1,596)	99.0
Milk	55,897	(567)	99.0
Milk-based drinks	51,162	(868)	98.3
Yogurt	40,246	339	100.9
Pudding	11,341	(499)	95.8
Total dairy products	69,176	(2,028)	97.2
Condensed milk	3,081	(9)	99.7
Powdered milk	23,737	(902)	96.3
Butter	9,978	(7)	99.9
Cheese	32,378	(1,108)	96.7
Ice cream	42,424	(212)	99.5
Total other	73,621	(380)	99.5
Drinks	18,612	28	100.2
Other	55,009	(408)	99.3
Total	343,870	(4,218)	98.8

Notes) The other products included in Other are jelly and cream products, etc.

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