



February 6, 2015

## Consolidated Financial Results for the Third Quarter 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: February 9, 2015  
 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, 2015

(April 1, 2014 to December 31, 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	%
Nine months ended December 31, 2014	463,363	(0.6)	6,962	(40.4)	7,916	(35.8)	4,540	(19.2)
Nine months ended December 31, 2013	466,129	1.2	11,675	7.6	12,324	10.4	5,617	(3.4)

(Note) Comprehensive income: Nine months ended December 31, 2014: ¥5,269 million / (36.2%)  
 Nine months ended December 31, 2013: ¥8,265 million / 38.5%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2014	18.38	18.32
Nine months ended December 31, 2013	22.75	22.68

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2014	382,896	123,143	31.9
As of March 31, 2014	360,578	120,959	33.3

(Reference) Shareholders' equity:

As of December 31, 2014: ¥122,002 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)

	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 nine months ended December 31, 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 December 31, 2014	248,977,218 shares
As of March 31, 2014	253,977,218 shares

(ii) Number of treasury stock at end of period

As of December 31, 2014	1,888,293 shares
As of March 31, 2014	6,986,042 shares

(iii) Average number of shares during period

For the nine months ended December 31, 2014	247,026,465 shares
For the nine months ended December 31, 2013	246,958,259 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, 2014, despite a backlash in rush demand from the consumption tax hike in April, the Japanese economy saw an improvement in corporate results and the employment situation backed by the economic and monetary policies of the Japanese government and Bank of Japan. However, there are also concerns over a drop in consumer confidence and the impact of a global economic slowdown on the Japanese economy, and so business conditions remain in a state of uncertainty.

In the food industry, although there are signs of a preference for high-value-added products in some areas, amidst a growing consumer tendency towards conservative spending due to the effects of the consumption tax hike, factors such as the rising prices of raw materials and energy coupled with unseasonable summer weather have continued to create 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 pursuing low-cost operations by optimizing raw material procurement and streamlining both production and distribution, as well as sustaining effective expenditure on promotion expenses. These and other activities resulted in the Group posting an increase in both income and profit for consolidated net sales and ordinary income over the three months in the third quarter under review.

As a result of these activities, non-consolidated net sales of the Company in the third quarter under review were ¥345,179 million (up 0.4% year on year). This is mainly due to a year-on-year increase in the sales of such products as cheese, milk and butter, which offset a year-on-year decline in the sales of such products as yogurt, milk-based drinks and ice cream, and overall absorbed the decline in revenue up to the second quarter. 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 Group of ¥463,363 million (down 0.6% year on year).

On a consolidated basis, operating income declined to ¥6,962 million (down 40.4% year on year) and ordinary income also fell to ¥7,916 million (down 35.8% year on year), while net income decreased to ¥4,540 million (down 19.2% year on year).

### (2) Explanation of consolidated financial position

For total assets at the end of the third quarter under review, as the end of the quarter was a holiday for financial institutions, an increase in notes and accounts receivable–trade and cash and deposits resulted in a total increase over the end of the previous consolidated fiscal year by ¥22,318 million to ¥382,896 million.

For total liabilities, as per in total assets, the end of the quarter was a holiday for financial institutions, and so this and other factors led to an increase in deposits received and operating debts such as notes and accounts payable–trade and electronically recorded obligations. As a result, total liabilities increased over the end of the previous consolidated fiscal year by ¥20,134 million to ¥259,753 million.

Net assets increased in total over the end of the previous consolidated fiscal year by ¥2,183 million to ¥123,143 million. This was attributable to factors such as the effect of the application of accounting standards for retirement benefits, even though net income was posted.

As a result, the shareholders' equity ratio declined from 33.3% year on year to 31.9%.

### (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, 2015 disclosed on October 24, 2014.

## 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 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, 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 in the 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 third 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 third 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 ¥11 million during the third quarter under review.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	7,383	12,047
Notes and accounts receivable—trade	51,813	63,444
Merchandise and finished goods	29,834	32,340
Work in process	910	892
Raw materials and supplies	11,647	13,091
Other	13,734	16,974
Allowance for doubtful accounts	(600)	(555)
Total current assets	114,723	138,233
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	68,494	68,547
Machinery, equipment and vehicles, net	58,648	57,565
Land	72,987	72,507
Other, net	13,570	13,858
Total property, plant and equipment	213,701	212,479
Intangible assets	6,730	6,732
Investments and other assets		
Investment securities	16,024	16,405
Other	9,555	9,203
Allowance for doubtful accounts	(156)	(158)
Total investments and other assets	25,422	25,450
Total noncurrent assets	245,855	244,663
Total assets	360,578	382,896

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	59,068	62,382
Electronically recorded obligations—operating	4,868	7,379
Short-term loans payable	6,194	3,290
Current portion of bonds	15,040	-
Current portion of long-term loans payable	5,189	4,630
Commercial papers	5,000	8,000
Income taxes payable	1,853	759
Accrued expenses	29,817	29,816
Deposits received	19,733	32,719
Other	11,922	13,119
Total current liabilities	158,687	162,096
Noncurrent liabilities		
Bonds payable	30,000	45,000
Long-term loans payable	29,109	29,263
Net defined benefit liability	12,458	15,606
Other	9,363	7,787
Total noncurrent liabilities	80,931	97,656
Total liabilities	239,619	259,753
<b>Net assets</b>		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,442	19,442
Retained earnings	77,377	76,819
Treasury stock	(2,285)	(618)
Total shareholders' equity	116,238	117,347
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,357	5,066
Deferred gains or losses on hedges	69	22
Foreign currency translation adjustment	469	265
Remeasurements of defined benefit plans	(889)	(698)
Total accumulated other comprehensive income	4,007	4,655
Subscription rights to shares	197	196
Minority interests	516	944
Total net assets	120,959	123,143
Total liabilities and net assets	360,578	382,896

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

(Consolidated statements of income)

(April 1, 2014 – December 31, 2014)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net sales	466,129	463,363
Cost of sales	326,606	327,438
Gross profit	139,522	135,925
Selling, general and administrative expenses	127,847	128,963
Operating income	11,675	6,962
Non-operating income		
Interest income	46	40
Dividends income	501	487
House rent income	406	352
Amortization of negative goodwill	139	430
Equity in earnings of affiliates	136	148
Other	812	693
Total non-operating income	2,042	2,152
Non-operating expenses		
Interest expenses	1,019	838
Other	373	360
Total non-operating expenses	1,393	1,199
Ordinary income	12,324	7,916
Extraordinary income		
Gain on sales of noncurrent assets	60	971
Gain on bargain purchase	181	1
Compensation income	359	-
Other	1	115
Total extraordinary income	603	1,088
Extraordinary losses		
Loss on disposal of noncurrent assets	540	650
Contributions to the public interest incorporated foundation Hikari Kyokai	1,350	1,330
Impairment loss	598	231
Factory reorganization expenses	784	340
Other	376	162
Total extraordinary losses	3,651	2,715
Income before income taxes and minority interests	9,276	6,289
Income taxes	3,655	1,669
Income before minority interests	5,621	4,619
Minority interests in income	3	78
Net income	5,617	4,540

(Consolidated statements of comprehensive income)  
(April 1, 2014 –December 31, 2014)

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Income before minority interests	5,621	4,619
Other comprehensive income		
Valuation difference on available-for-sale securities	2,224	710
Deferred gains or losses on hedges	28	(46)
Foreign currency translation adjustment	390	(204)
Remeasurements of defined benefit plans	-	190
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	2,644	649
Comprehensive income	8,265	5,269
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,259	5,188
Comprehensive income attributable to minority interests	5	80

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

(Notes on premise of going concern)

No items to report.

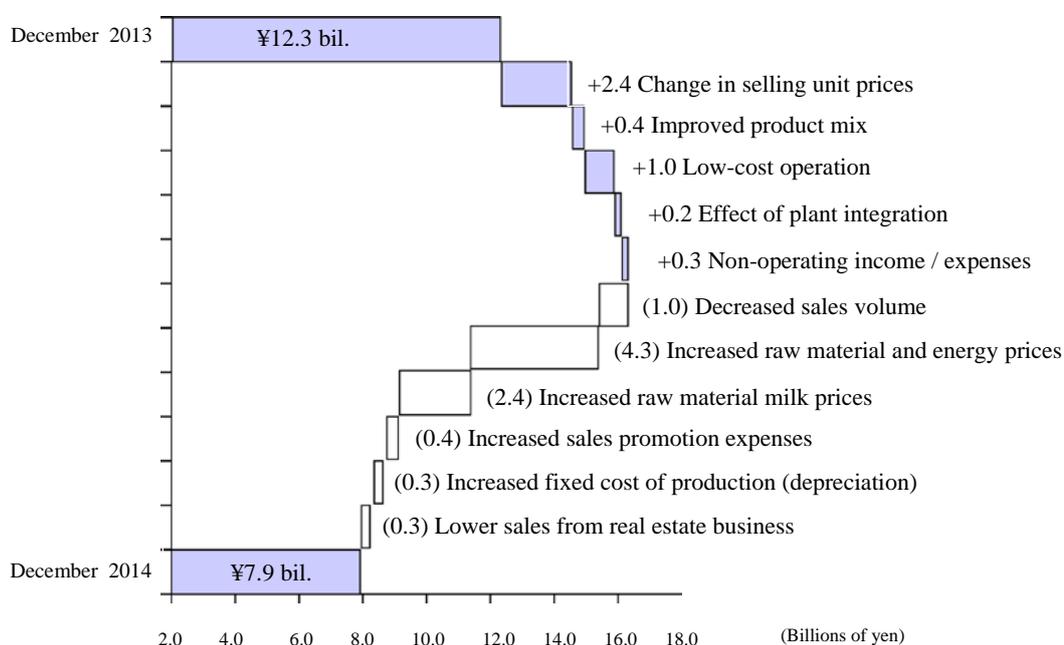
(Notes on significant changes in the amount of shareholders' equity)

Based on the resolution passed at the Board of Directors Meeting held on October 24, 2014, the Company retired 5,000,000 of our treasury stock on October 31, 2014. As a result, retained earnings and treasury stock in the third quarter under review both decreased by 1,636 million yen, respectively.

## 4. Supplementary Information

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

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



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

Sales results for the third quarter

(Unit: Millions of yen)

Product Category	Amount		
		Change (YoY)	YoY (%)
Total commercial milk	157,020	(1,627)	99.0
Milk	56,100	202	100.4
Milk-based drinks	50,333	(829)	98.4
Yogurt	39,311	(934)	97.7
pudding	11,274	(66)	99.4
Total dairy products	70,808	1,632	102.4
Condensed milk	2,985	(95)	96.9
Powdered milk	23,779	41	100.2
Butter	10,150	171	101.7
Cheese	33,893	1,514	104.7
Ice cream	41,896	(527)	98.8
Total other	75,454	1,832	102.5
Drinks	18,364	(248)	98.7
Other	57,089	2,080	103.8
Total	345,179	1,308	100.4

(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.

(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.