



May 14, 2014

Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 <Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.
 Listed stock exchange: Tokyo
 Securities code: 2264
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 Planned Date of General Shareholders' Meeting: June 27, 2014
 Planned Commencement Date of Dividend Payments: June 30, 2014
 Planned Filing Date of Securities Report: June 30, 2014
 Preparation of explanatory materials for financial results: Yes
 Holding of a briefing on financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Consolidated operating results (% 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	%
For the fiscal year ended								
March 31, 2014	599,273	1.4	11,982	17.9	12,395	17.5	4,839	(3.5)
March 31, 2013	591,197	2.2	10,166	(22.9)	10,551	(20.0)	5,016	8.8

(Note) Comprehensive income: the fiscal year ended March 31, 2014: ¥6,899 million / 12.5%
 the fiscal year ended March 31, 2013: ¥6,133 million / 8.8%

	Net income per share	Net income per share-diluted	Net income to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
March 31, 2014	19.60	19.54	4.1	3.4	2.0
March 31, 2013	20.04	19.98	4.4	2.9	1.7

(Reference) Equity method investment gain or loss: the fiscal year ended March 31, 2014: ¥122 million
 the fiscal year ended March 31, 2013: ¥54 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	360,578	120,959	33.3	486.84
As of March 31, 2013	368,498	116,750	31.4	469.07

(Reference) Shareholders' equity: As of March 31, 2014: ¥120,245 million
 As of March 31, 2013: ¥115,840 million

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2014	21,946	(15,930)	(18,211)	7,080
March 31, 2013	21,055	(13,312)	(6,859)	17,305

2. Dividends

	Annual dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Total Amount of Dividends to Shareholders' Equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2014	–	–	–	7.00	7.00	1,728	34.9	1.5
March 31, 2013	–	–	–	7.00	7.00	1,728	35.7	1.5
For the fiscal year ending March 31, 2015 (Forecast)	–	–	–	7.00	7.00		28.8	

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 for the full year and quarter)

	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
Second quarter-end (Cumulative)	320,000	(0.3)	9,500	(1.4)	10,000	(1.1)	5,000	4.1	20.24
Full year	605,000	1.0	12,600	5.2	13,000	4.9	6,000	24.0	24.29

*** Notes**

(1) Change in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None

New: - (Company name:) Excluded: - (Company name:)

(2) 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: Yes

(iii) Changes in accounting estimates: Yes

(iv) Retrospective restatements: None

(Note) For details, refer to page 16 of the attached materials, "4. Consolidated Financial Statements (5) Note regarding the consolidated financial statements (Changes in accounting policies)."

(3) Number of shares issued (common stock)

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

As of March 31, 2014	253,977,218 shares
As of March 31, 2013	253,977,218 shares

(ii) Number of treasury shares at end of period

As of March 31, 2014	6,986,042 shares
As of March 31, 2013	7,022,892 shares

(iii) Average number of shares during period

Fiscal year ended March 31, 2014	246,967,165 shares
Fiscal year ended March 31, 2013	250,328,355 shares

(Reference) Outline of non-consolidated business results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Non-consolidated financial results (% 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	%
For the fiscal year ended								
March 31, 2014	443,640	(0.6)	2,941	23.8	7,050	18.0	3,327	38.9
March 31, 2013	446,218	2.0	2,376	(56.4)	5,977	(31.3)	2,394	(9.8)

	Net income per share		Net income per share-diluted	
	Yen		Yen	
For the fiscal year ended				
March 31, 2014	13.47		13.43	
March 31, 2013	9.57		9.54	

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	304,633	83,787	27.4	338.44
As of March 31, 2013	310,518	80,977	26.0	327.11

(Reference) Shareholders' equity: As of March 31, 2014: ¥83,590 million

As of March 31, 2013: ¥80,780 million

* Presentation regarding status of audit procedures

At the time of disclosure of this earnings report, the audit procedures for consolidated 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 3.

[Attached Materials]

Index

1. Analysis of Operating Results and Financial Position	2
(1) Analysis of operating results	2
(2) Analysis of financial position	3
(3) Basic policy regarding profit distribution and dividends for the fiscal year ended March 31, 2014 and the fiscal year ending March 31, 2015	4
(4) Businesses and Other Risk Factors	5
2. Status of the Corporate Group	5
3. Management Policy	7
(1) Basic management policy	7
(2) Medium- and long-term management strategy of the Company and issues facing the Company	7
4. Consolidated Financial Statements	8
(1) Consolidated balance sheets	8
(2) Consolidated statements of income and consolidated statements of comprehensive income	10
(Consolidated statements of income)	10
(Consolidated statements of comprehensive income)	11
(3) Consolidated statement of changes in shareholders' equity	12
(4) Consolidated statement of cash flows	14
(5) Note regarding the consolidated financial statements	16
(Notes on premise of going concern)	16
(Changes in accounting policies)	16
Consolidated Financial Results for the Fiscal Year Ended March 31, 2014	
Supplementary Data on Financial Results	

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

i) Operating results for the fiscal year under review

In the fiscal year ended March 31, 2014, 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, due to factors such as the risk of a slowdown in overseas economies and the economic effect of the consumption tax rate hike from April, business conditions continue to remain uncertain.

In the food industry, although in some parts there were also signs of rush of demand prior to the increase in the consumption tax rate, consumers' tendency of conservative spending continued. Meanwhile, the effect of escalating prices of raw materials and energy also affected the ongoing tough business conditions.

In the dairy and milk industry, in response to skyrocketing prices of feed, the raw milk trading price for drinks was increased last October for the first time in roughly four-and-a-half years, and the factory prices of milk and other products were revised accordingly.

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 production and distribution, and effective expenditure on sales promotion expenses.

As a result of these activities, consolidated net sales for the fiscal year under review were ¥599,273 million (up 1.4% year on year).

On the profit front, consolidated operating income rose to ¥11,982 million (up 17.9% year on year) and consolidated ordinary income also grew to ¥12,395 million (up 17.5% year on year). Meanwhile, consolidated net income fell to ¥4,839 million (down 3.5% year on year), due in part to a rise in costs for streamlining the production system.

Business conditions by segment (before the elimination of intersegment transactions) are as follows.

Food industry (Commercial milk, dairy products, ice cream, drinks, etc.)

Net sales for the fiscal year under review were ¥576,427 million (up 1.3% year on year), while operating income rose to ¥18,193 million (up 18.3% year on year).

Other industries (feed, design and construction of plant equipment, etc.)

Net sales in other industries were ¥29,367 million (down 1.5% year on year), while operating income fell to ¥2,479 million (down 30.7% year on year).

Expenses relating to the administrative division of the Company and other group-wide expenses not allocated to business segments are ¥8,090 million.

ii) Overview of non-consolidated results of Morinaga Milk Industry

Overview

The Company's results saw a decrease in net sales to ¥443,640 million (down 0.6% year on year). On the profit front, operating income rose to ¥2,941 million (up 23.8% year on year), ordinary income also grew to ¥7,050 million (up 18.0% year on year), and net income increased to ¥3,327 million (up 38.9% year on year).

Sales by products

Commercial milk

Although sales of white milk drinks such as *Ajiwai Dayori* substantially grew over the previous year's levels, a fall in sales of *Morinaga Oishii Gyunyu Milk* and the quality-governing milk *Makiba no Sora* over the same period resulted in a slight decline in net sales overall.

In milk-based drinks, sales of the *Mt. Rainier Caffé Latte* series surpassed the previous year's levels. However, a decline in sales of the *Piknik* series and *Lipton Milk Tea* over the same period resulted in a decrease in net sales overall.

In yogurt products, although sales of *Thick Greek Yogurt PARTHENO* and *Lactoferrin Yogurt* significantly rose over the

previous year's levels, a fall in sales of the *Bifidus Yogurt* series over the same period resulted in a slight decline in net sales overall.

In pudding products, there was a decline in net sales overall from the previous year's levels due to a fall in sales of *Morinaga Yaki Pudding* over the same period.

As a result, net sales of commercial milk products decreased to ¥204,509 million (down 1.2% year on year).

Dairy products

In powdered milk, sales of the modified powdered milk products *Morinaga Dry Milk Hagukumi* and *Morinaga Follow Up Milk Chil-Mil* decreased from the previous year's levels, leading to a slight decrease in net sales overall.

In butter products, sales of butter for household use declined over the previous year's levels while butter for commercial use rose over the same period, resulting in an increase in net sales overall.

In cheese products, sales of the Kraft brand Mozzarella Cheese increased over the previous year's levels. However, a decline in sales of Sliced Cheese over the same period resulted in a decrease in net sales overall.

As a result, net sales of dairy products decreased to ¥91,941 million (down 0.4% year on year).

Ice Cream

In ice cream products, although sales of PARM grew over the previous year's levels, a fall in sales of MOW and Pino over the same period resulted in a slight decline in net sales overall.

As a result, net sales of ice cream products decreased to ¥51,037 million (down 0.4% year on year).

Other

In addition to a decline in earnings from the real estate business, sales of Lipton Fruit Tea fell over the previous year's levels. However, sales of commercial-use cream increased over the same period, and in particular there was a substantial rise in sales of the TBC Drink series from the previous year's levels.

As a result, net sales of other products increased to ¥96,151 million (up 0.5% year on year).

iii) Projected results for the fiscal year ending March 31, 2015

The full-year consolidated earnings forecasts for the fiscal year ended March 31, 2014 are as follows: net sales of ¥605,000 million (up 1.0% year on year), operating income of ¥12,600 million (up 5.2% year on year), ordinary income of ¥13,000 million (up 4.9% year on year), and net income of ¥6,000 million (up 24.0% year on year).

The Japanese economy in the next fiscal year is expected to continue on its gradual recovery. However, due to factors such as the effect of a backlash in the rush of demand prior to the consumption tax rate hike and the risk of a downturn in overseas economies, the outlook for economic conditions remains uncertain.

In the food industry as well, while there are concerns over the effect of the consumption tax rate hike on consumption, the anticipated rise in raw material prices and other factors mean that the forecast remains for a tough business environment.

In the dairy and milk industry, along with concerns over the effect of a decline in raw milk production on the price and demand of dairy products, the issue now is strengthening the dairy production base and Morinaga's international competitiveness by focusing on the Trans Pacific Strategic Economic Partnership Agreement (TPP).

The forecast for the fiscal year ending March 31, 2015 is for an ongoing rise in the cost of raw materials. In order to absorb these costs, the Morinaga Group will focus on expanding profitable sales and facilitating low-cost operations by streamlining sales promotion expenses as a key issue.

(2) Analysis of financial position

i) Assets, liabilities, and net assets

For assets at the end of the consolidated fiscal year under review, the total of property, plant and equipment increased due to various factors including the formerly non-consolidated subsidiary Urahoro Milk Industry Co., Ltd. becoming a

consolidated subsidiary in the first quarter of this consolidated fiscal year. Meanwhile, a decline in cash and deposits associated with a redemption of bonds, along with other factors such as the end of the previous fiscal year being a holiday for financial institutions, resulted in a substantial fall in notes and accounts receivable-trade. As a result, total assets decreased by ¥7,920 million year on year to ¥360,578 million.

Total liabilities fell by ¥12,129 million year on year to ¥239,619 million, due to a decrease in the total amount of loans payable and bonds as a result of the redemption of bonds, among other factors.

Total net assets increased by ¥4,209 million year on year to ¥120,959 million. This was attributable to a rise in retained earnings and an increase in the valuation difference on available-for-sale securities associated with a rise in the market price of listed securities.

As a result, the shareholders' equity ratio rose from 31.4% of the previous year to 33.3%, and net assets per share rose from ¥469.07 of the previous year to ¥486.84.

ii) Cash flows

The status of each type of cash flow for the consolidated fiscal year under review is as follows.

For cash flow from operating activities, although there was some effect from factors such as the end of the previous fiscal year being a holiday for financial institutions, cash flow rose by generally the same level of ¥890 million year on year to ¥21,946 million.

Cash flow from investing activities rose by ¥2,618 million in outflows year on year to the outflows of ¥15,930 million. This was attributable to various factors including a fall in proceeds from sales of investment securities.

The total free cash flow of these activities fell by ¥1,728 million year on year to ¥6,015 million.

Cash flow from financing activities increased by ¥11,352 million in outflows year on year to the outflows of ¥18,211 million. This was attributable to a year on year increase in outflows for the repayment of loans payable and redemption of bonds, among other factors.

As a result of these activities, cash and cash equivalents at the end of the consolidated fiscal year under review fell by ¥10,224 million year on year to ¥7,080 million.

The trend of cash flow indicators is as follows.

	For the fiscal year ended March 31, 2010	For the fiscal year ended March 31, 2011	For the fiscal year ended March 31, 2012	For the fiscal year ended March 31, 2013	For the fiscal year ended March 31, 2014
Shareholders' equity ratio (%)	28.4	31.3	30.8	31.4	33.3
Shareholders' equity ratio at market value (%)	25.8	21.4	22.2	19.2	22.7
Ratio of cash flows to interest-bearing debts (times)	4.4	3.7	5.0	5.5	4.7
Interest coverage ratio (times)	17.3	16.1	13.4	12.8	14.6

Shareholders' equity ratio: (Total net assets - Subscription rights to shares - Minority interests) / Total assets

Shareholders' equity ratio at market value: Market capitalization / Total assets

Ratio of cash flows to interest-bearing debts: Interest-bearing debts / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Payment of interest

* All indicators are calculated on the basis of consolidated financial values.

* Market capitalization is calculated by multiplying the closing price of the Company's shares at the fiscal year-end by the number of shares outstanding at end of period.

* The term "cash flow from operating activities" refers to cash flow from operating activities used in the consolidated statements of cash flows. The term "interest-bearing debts" refers to those liabilities posted in the consolidated balance sheets on which interest is paid. Payment of interest equates with the interest paid recorded in the consolidated statements of cash flows.

(3) Basic policy regarding profit distribution and dividends for the fiscal year ended March 31, 2014 and the fiscal year ending March 31, 2015

Regarding profit distribution, Morinaga will earmark retained earnings for maintaining and enhancing its corporate

structure, and will continue its policy of providing stable dividends while also placing due consideration on the Company's results and dividend payout ratio. Accordingly, the dividend to shareholders for the consolidated fiscal year under review will be ¥7 per share. The dividend for the next fiscal year will also be of the same level.

(4) Businesses and Other Risk Factors

Risks that could have a possible impact on the operating results and financial position of the Morinaga Milk Group are as follows. Forward-looking statements are current as of the date of the release of these financial results.

i) Dairy and milk industry

- The raw milk and dairy products produced by the Morinaga Milk Group are under a tariff system set in place to protect the domestic agricultural industry. However, in the event that there are significant changes to the tariff system depending on the results of WTO, TPP and FTA agricultural negotiations, there is the possibility of such changes having a substantial impact on the operating results and financial position of the Morinaga Milk Group.

- The producers of raw milk, which is the raw material in dairy products produced by the Morinaga Milk Group, are paid a subsidy based on the Act on Temporary Measures concerning Compensation Price for Producers of Milk for Manufacturing Use. However, in the event that this Act is substantially modified or abolished in the future and the level of subsidies changes, there is the possibility of such changes having an impact on the purchase price of raw materials for the Morinaga Milk Group.

ii) Safety of food products

The Morinaga Milk Group applies its own stringent quality control standards, which go beyond those required by law, in the manufacture of its food products, and takes every measure to ensure the safety and quality of these products. However, in the event that an unforeseen situation occurs that is linked to product liability compensation or a large-scale product recall, there is the possibility of such an event having a substantial impact on the operating results and financial position of the Morinaga Milk Group.

iii) Market price and exchange rate effects

The Morinaga Milk Group procures part of its raw materials and products from overseas, and thus the purchase price of these items is subject to the effect of market price and exchange rate fluctuations. A sharp rise in the market price and progression in a weaker yen are factors leading to a rise in costs, and there is the possibility of such factors having an impact on the operating results and financial position of the Morinaga Milk Group.

iv) Unseasonable weather

Net sales of the Ice Cream Division and Commercial Milk Division of the Morinaga Milk Group may be affected by the weather. In particular, in the event of a cool summer, the net sales of these divisions decline, and there is the possibility of such an event having an impact on the operating results and financial position of the Morinaga Milk Group.

v) Natural disasters

The effect of a large-scale natural disaster, such as an earthquake, may cause damage to production and distribution facilities, and subsequently halt production and result in the incurrence of costs to restore operations. As such, there is the possibility of such an event having an impact on the operating results and financial position of the Morinaga Milk Group.

vi) Information security

Each group company in the Morinaga Milk Group has formulated information security countermeasures for preventing unauthorized access to information systems and for protecting and managing stored personal information held by each company, and carries out these measures accordingly. However, in the event that an unforeseen situation occurs resulting in the leakage of information or other damage, there is the possibility of such an event having an impact on the operating results and financial position of the Morinaga Milk Group due to a fall in social credibility, etc.

2. Status of the Corporate Group

The Morinaga Milk Group, which comprises the Morinaga Milk Industry, 62 subsidiaries and 7 affiliate companies, engages primarily in the manufacture and sale of food products such as commercial milk, dairy products and ice cream, as well as the sale of feed, the design and construction of plant equipment and other business activities. The following diagram sets out the positioning and business of each company in the Group's principal business activities.

(1) Positioning of each company in the Group's principal business activities

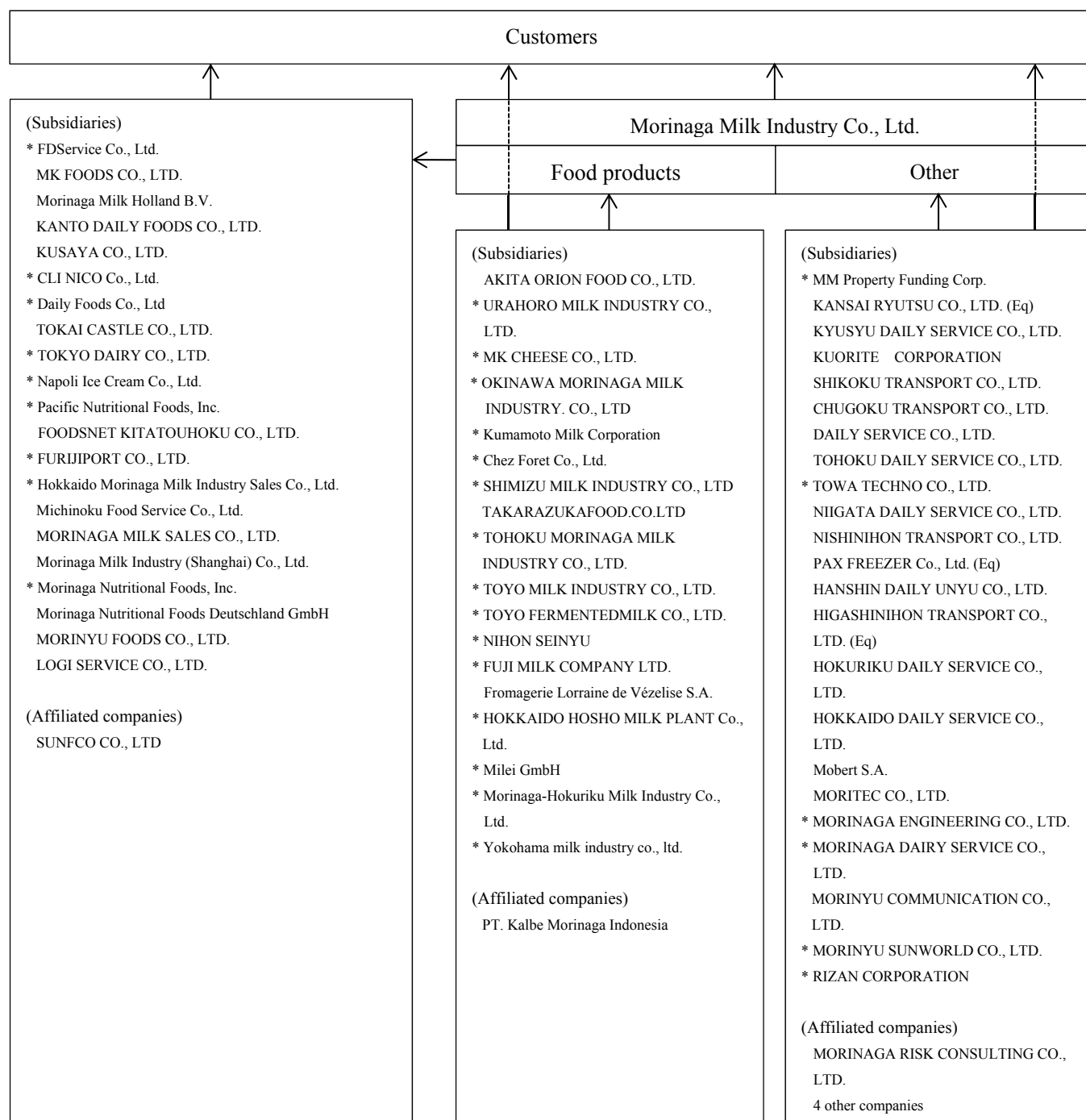
i) Food industry (commercial milk, dairy products, ice cream, drinks, etc.)

In addition to the manufacture and sale of food products, the Company commissions the manufacture of some products on the market to 15 companies in addition to MK Cheese Co., Ltd., Yokohama milk industry co., ltd., Fuji Milk Company Ltd. and Tohoku Morinaga Milk Industry Co., Ltd. There are also 21 companies, in addition to Daily Foods Co., Ltd., that primarily stock products from the Company for sale to customers nationwide.

ii) Other businesses (feed, design and construction of plant equipment, etc.)

Morinaga Daily Service Co., Ltd. and Morinyu SUNWORLD Co., Ltd. engage in the purchase and sale of feed and pet foods, respectively. There are also 25 companies, in addition to Morinaga Engineering Co., Ltd., that engage in the design and construction of plant equipment, leasing of real estate, and the transport and warehousing business, etc.

(2) Diagram of businesses



- (Notes) 1. Due to an increase in its level of importance, Urahoro Milk Industry Co., Ltd., which was a non-consolidated subsidiary until the end of the previous consolidated fiscal year, became a consolidated subsidiary as of the current consolidated fiscal year under review.
2. Towa Techno Co., Ltd. acquired the non-consolidated subsidiary Howa Machinery Ltd. on April 1, 2013.
 3. Shimizu Milk Industry Co., Ltd. ceased production as of the end of September 2013, and is carrying out liquidation proceedings.
 4. The consolidated subsidiary Kyushu Morinaga Milk Industry Co., Ltd. was liquidated in July 2013.
 5. Dairy Unyu Co., Ltd., which was a non-consolidated subsidiary until the end of the previous consolidated fiscal year, has been liquidated.
 6. Harbin Morinaga Milk Industry Ltd., which was an equity-method affiliate company until the end of the previous consolidated fiscal year, has been excluded from the application of the equity method due to the transfer of its equity interest.
 7. The → indicates the flow of manufactured goods and sales products.
 8. Companies marked with an * are consolidated subsidiaries, and those marked with (Eq) are equity-method affiliate companies.

3. Management Policy

(1) Basic management policy

Under the corporate philosophy of “To create a new food culture based on the excellent power of milk, making a difference in people’s health and society in general,” the Morinaga Milk Group is committed to providing superior value and making a difference in society through initiatives to realize its four corporate visions of “Delivering products and services with value that offer customers a shared sense of satisfaction,” “Working hard for change, creating our own values,” “Fostering a vibrant corporate culture,” and “Being a company that society can trust.”

(2) Medium- and long-term management strategy of the Company and issues facing the Company

The issues of stagnant market growth due to a declining birth rate and aging society and a subsequent fall in the population, the diversification of customer needs, and rising food and energy prices associated with the economic development of emerging countries, are all expected to continue in the medium-to-long term.

To address these issues, the Morinaga Milk Group will tackle the following five business issues and focus on further streamlining its management and operations. Specifically, these issues are: “Developing category No.1 products,” “Selection and concentration of businesses,” “Fundamental reform of productivity, improvement of capital efficiency,” “Strengthening international competitiveness,” and “Transforming the corporate culture.”

For “Developing category No.1 products,” we will actively work on the expansion of strengthening and developing fields including chilled cup drinks, yogurt and cheese, while also creating new markets by applying our original technology and materials and leveraging our advantage in liquid food for which we have the No.1 share.

As a part of our efforts for “Strengthening international competitiveness,” we will set up a new factory at our German subsidiary Milei GmbH and prepare a supply network to handle demand for milk raw materials, which is expected to continue rising mainly in emerging countries.

The Morinaga Milk Group will also continue to further strengthen its quality assurance system for providing customers with safe and reliable products, and enhance the Group’s internal governance for ensuring the appropriate conduct of business.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	17,612	7,383
Notes and accounts receivable-trade	*5 56,144	51,813
Merchandise and finished goods	31,256	29,834
Work in process	990	910
Raw materials and supplies	6,646	11,647
Deferred tax assets	4,347	4,048
Other	11,008	9,685
Allowance for doubtful accounts	(655)	(600)
Total current assets	127,348	114,723
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	151,268	154,351
Accumulated depreciation	(82,577)	(85,857)
Buildings and structures, net	*1 68,691	*1 68,494
Machinery, equipment and vehicles	250,193	255,729
Accumulated depreciation	(192,017)	(197,080)
Machinery, equipment and vehicles, net	*1 58,176	*1 58,648
Land	*1 73,501	*1 72,987
Leased assets	7,893	7,589
Accumulated depreciation	(3,714)	(3,891)
Leased assets, net	4,179	3,697
Construction in progress	3,183	6,903
Other	15,437	15,727
Accumulated depreciation	(12,650)	(12,757)
Other, net	2,787	2,969
Total property, plant and equipment	210,518	213,701
Intangible assets		
Other	5,827	6,730
Total intangible assets	5,827	6,730
Investments and other assets		
Investment securities	*1, *2 14,515	*1, *2 16,024
Investments in capital	*2 93	*2 88
Long-term loans receivable	476	458
Net defined benefit asset	–	1,367
Deferred tax assets	2,301	1,989
Other	7,594	5,651
Allowance for doubtful accounts	(177)	(156)
Total investments and other assets	24,803	25,422
Total noncurrent assets	241,150	245,855
Total assets	368,498	360,578

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*5 59,192	59,068
Electronically recorded obligations-operating	*5 5,025	4,868
Short-term loans payable	*1 4,863	*1 6,194
Current portion of bonds	15,000	15,040
Current portion of long-term loans payable	*1 11,331	*1 5,189
Commercial papers	–	5,000
Lease obligations	1,912	1,950
Income taxes payable	726	1,853
Accrued expenses	30,013	29,817
Deposits received	22,591	19,733
Other	8,809	9,972
Total current liabilities	159,466	158,687
Noncurrent liabilities		
Bonds payable	45,000	30,000
Long-term loans payable	*1 25,088	*1 29,109
Lease obligations	3,785	3,466
Provision for retirement benefits	11,525	–
Net defined benefit liability	–	12,458
Asset retirement obligations	265	273
Other	6,617	5,622
Total noncurrent liabilities	92,282	80,931
Total liabilities	251,748	239,619
Net assets		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,442	19,442
Retained earnings	74,126	77,377
Treasury stock	(2,298)	(2,285)
Total shareholders' equity	112,974	116,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,091	4,357
Deferred gains or losses on hedges	(0)	69
Foreign currency translation adjustment	(225)	469
Remeasurements of defined benefit plans	–	(889)
Total accumulated other comprehensive income	2,865	4,007
Subscription rights to shares	196	197
Minority interests	713	516
Total net assets	116,750	120,959
Total liabilities and net assets	368,498	360,578

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Millions of yen)

	For the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)	For the fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)
Net sales	591,197	599,273
Cost of sales	*1 412,554	*1 421,844
Gross profit	178,643	177,428
Selling, general and administrative expenses	*2, *3 168,477	*2, *3 165,446
Operating income	10,166	11,982
Non-operating income		
Interest income	86	65
Dividends income	405	512
House rent income	498	533
Equity in earnings of affiliates	54	122
Other	1,285	1,250
Total non-operating income	2,331	2,484
Non-operating expenses		
Interest expenses	1,606	1,366
Interest on commercial papers	1	3
Other	337	701
Total non-operating expenses	1,945	2,071
Ordinary income	10,551	12,395
Extraordinary income		
Gain on sales of noncurrent assets	*4 1,159	*4 195
Gain on bargain purchase	23	194
Compensation income	–	361
Gain on sales of investments in capital	–	83
Other	6	1
Total extraordinary income	1,188	837
Extraordinary loss		
Loss on disposal of noncurrent assets	*5 397	*5 635
Contributions to the public interest incorporated foundation Hikari Kyokai	1,663	1,678
Impairment loss	*6 390	*6 984
Factory reorganization expenses	344	824
Other	309	448
Total extraordinary losses	3,105	4,572
Income before income taxes and minority interests	8,635	8,660
Income taxes - current	2,394	3,555
Income taxes - deferred	1,163	238
Total income taxes	3,557	3,793
Income before minority interests	5,077	4,867
Minority interests	60	27
Net income	5,016	4,839

(Consolidated statements of comprehensive income)

(Millions of yen)

	For the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)	For the fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)
Income before minority interests	5,077	4,867
Other comprehensive income		
Valuation difference on available-for-sale securities	850	1,267
Deferred gains or losses on hedges	4	70
Foreign currency translation adjustment	200	735
Share of other comprehensive income of associates accounted for using equity method	1	(40)
Total other comprehensive income	1,056	2,032
Comprehensive income	6,133	6,899
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,030	6,871
Comprehensive income attributable to minority interests	103	28

(3) Consolidated statement of changes in shareholders' equity
For the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,704	19,442	70,866	(1,241)	110,772
Changes of items during period					
Dividends of surplus			(1,754)		(1,754)
Net income			5,016		5,016
Purchase of treasury shares				(1,071)	(1,071)
Disposal of treasury shares		(2)		14	12
Transfer to capital surplus from retained earnings		2	(2)		–
Change of scope of consolidation			–		–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,259	(1,057)	2,202
Balance at end of current period	21,704	19,442	74,126	(2,298)	112,974

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,242	(4)	(386)	–	1,851	183	1,128	113,935
Changes of items during period								
Dividends of surplus								(1,754)
Net income								5,016
Purchase of treasury shares								(1,071)
Disposal of treasury shares								12
Transfer to capital surplus from retained earnings								–
Change of scope of consolidation								–
Net changes of items other than shareholders' equity	849	4	161	–	1,014	13	(415)	612
Total changes of items during period	849	4	161	–	1,014	13	(415)	2,814
Balance at end of current period	3,091	(0)	(225)	–	2,865	196	713	116,750

For the fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,704	19,442	74,126	(2,298)	112,974
Changes of items during period					
Dividends of surplus			(1,728)		(1,728)
Net income			4,839		4,839
Purchase of treasury shares				(12)	(12)
Disposal of treasury shares		(0)		25	24
Transfer to capital surplus from retained earnings		0	(0)		–
Change of scope of consolidation			140		140
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,251	12	3,264
Balance at end of current period	21,704	19,442	77,377	(2,285)	116,238

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,091	(0)	(225)	–	2,865	196	713	116,750
Changes of items during period								
Dividends of surplus								(1,728)
Net income								4,839
Purchase of treasury shares								(12)
Disposal of treasury shares								24
Transfer to capital surplus from retained earnings								–
Change of scope of consolidation								140
Net changes of items other than shareholders' equity	1,266	69	694	(889)	1,141	0	(196)	945
Total changes of items during period	1,266	69	694	(889)	1,141	0	(196)	4,209
Balance at end of current period	4,357	69	469	(889)	4,007	197	516	120,959

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)	For the fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	8,635	8,660
Depreciation	17,674	15,631
Impairment loss	390	984
Amortization of goodwill	127	128
Amortization of negative goodwill	(303)	(186)
Gain on bargain purchase	(23)	(194)
Increase (decrease) in provision for retirement benefits	100	(11,555)
Increase (decrease) in net defined benefit liability	—	12,458
Increase (decrease) in allowance for doubtful accounts	(195)	(80)
Loss (gain) on valuation of investment securities	60	381
Interest and dividend income	(492)	(577)
Interest expenses	1,606	1,366
Foreign exchange losses (gains)	(24)	(53)
Share of (profit) loss of entities accounted for using equity method	(54)	(122)
Loss (gain) on sales of non-current assets	(1,159)	(195)
Loss (gain) on disposal of non-current assets	397	635
Loss (gain) on sales of investment securities	(0)	(1)
Decrease (increase) in notes and accounts receivable - trade	(1,698)	5,462
Decrease (increase) in inventories	(2,753)	(2,881)
Increase (decrease) in notes and accounts payable - trade	1,249	(1,448)
Increase (decrease) in accrued expenses	32	(103)
Increase (decrease) in deposits received	(1,380)	(2,859)
Other	1,250	(22)
Subtotal	23,440	25,429
Interest and dividend income received	547	608
Interest expenses paid	(1,649)	(1,502)
Income taxes paid	(1,282)	(2,588)
Cash flows from operating activities	21,055	21,946
Cash flows from investing activities		
Purchase of non-current assets	(15,985)	(16,346)
Proceeds from sales of non-current assets	1,586	590
Purchase of investment securities	(1,978)	(157)
Proceeds from sales of investment securities	3,068	20
Payments of loans receivable	(6,768)	(7,789)
Collection of loans receivable	7,256	7,743
Other	(491)	8
Cash flows from investing activities	(13,312)	(15,930)

(Millions of yen)

	For the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)	For the fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	169	762
Increase (decrease) in commercial papers	—	5,000
Proceeds from long-term loans payable	12,900	6,800
Repayments of long-term loans payable	(5,105)	(11,801)
Redemption of bonds	(10,000)	(15,100)
Proceeds from sales of treasury shares	0	0
Purchase of treasury shares	(1,071)	(12)
Cash dividends paid	(1,754)	(1,728)
Cash dividends paid to minority shareholders	(8)	(12)
Repayments of finance lease obligations	(1,988)	(2,119)
Net cash provided by (used in) financing activities	(6,859)	(18,211)
Effect of exchange rate change on cash and cash equivalents	84	181
Net increase (decrease) in cash and cash equivalents	968	(12,014)
Cash and cash equivalents at beginning of period	16,336	17,305
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	6
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,783
Cash and cash equivalents at end of period	* 17,305	* 7,080

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

Application of accounting standards for retirement benefits

From the end of the consolidated fiscal year under review, 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”) (excluding provisions set forth in Clause 35 of the Retirement Benefits Accounting Standard and Clause 67 of the Retirement Benefits Guidance). Based on this, the Company has changed to the method of recording the amount after deducting pension assets from retirement benefit obligations as net defined benefit liability or net defined benefit assets. Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded in net defined benefit liability.

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 consolidated fiscal year under review, it makes a corresponding adjustment for the effect of these changes to remeasurement of defined benefit plans of accumulated other comprehensive income.

As a result, at the end of the consolidated fiscal year under review, net defined benefit liability and net defined benefit assets are recorded at ¥12,458 million and ¥1,367 million, respectively, while accumulated other comprehensive income decreases by ¥889 million.

Net assets per share decreases by ¥3.61.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2014
Supplementary Data on Financial Results

(1) Consolidated Statements

(1) Results for the fiscal year under review (Unit: Millions of yen)

	Amount	YoY (%)
Net sales	599,273	101.4
Operating income	11,982	117.9
Ordinary income	12,395	117.5
Net income	4,839	96.5

(2) Forecast for the next fiscal year (Unit: Millions of yen)

	Full year		Cumulative second quarter	
	Amount	YoY (%)	Amount	YoY (%)
Net sales	605,000	101.0	320,000	99.7
Operating income	12,600	105.2	9,500	98.6
Ordinary income	13,000	104.9	10,000	98.9
Net income (Second-Q)	6,000	124.0	5,000	104.1

(3) Capital investment and depreciation expenses (trends and outlook) (Unit: Billions of yen)

	Capital investment	Depreciation
Results for the fiscal year ended March 31, 2011	15.5	17.1
Results for the fiscal year ended March 31, 2012	18.7	16.9
Results for the fiscal year ended March 31, 2013	16.1	17.2
Results for the fiscal year ended March 31, 2014	16.7	15.1
Projected results for the fiscal year ending March 31, 2015	22.9	15.5

(4) Research and development expenses (trends) (Unit: Millions of yen)

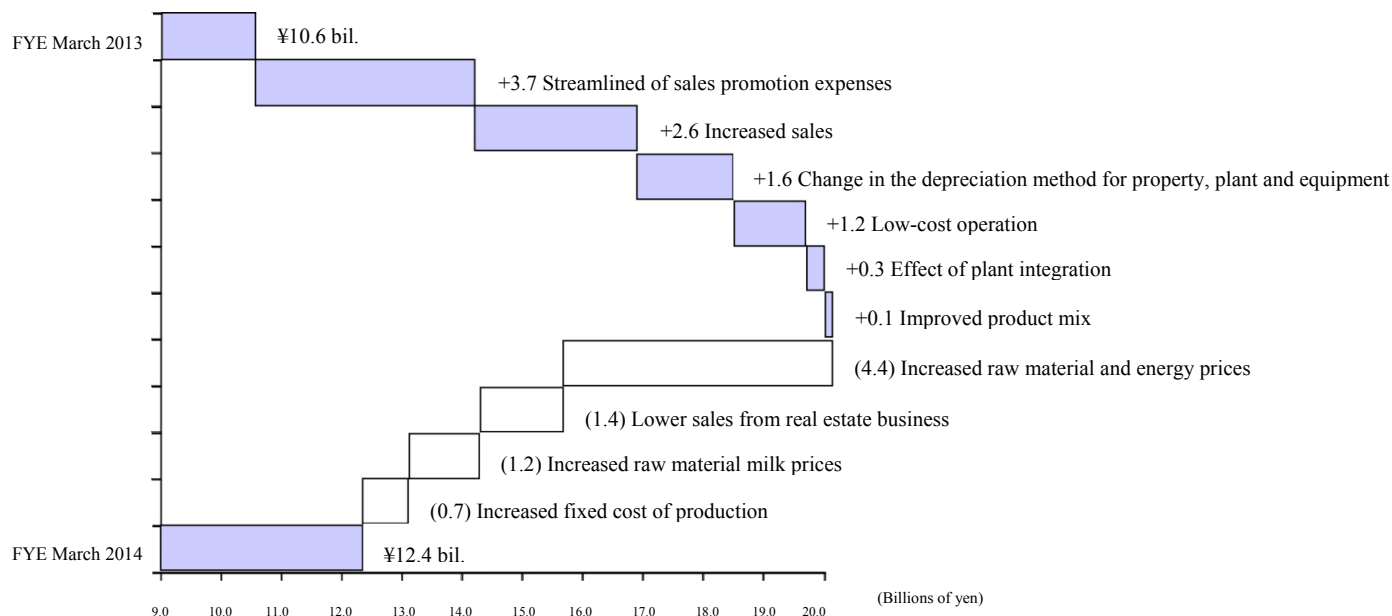
	Amount
Results for the fiscal year ended March 31, 2011	4,872
Results for the fiscal year ended March 31, 2012	4,839
Results for the fiscal year ended March 31, 2013	4,915
Results for the fiscal year ended March 31, 2014	4,991

(5) Number of employees (trends)

	End of September	End of March
Results for the fiscal year ended March 31, 2011	5,705	5,627
Results for the fiscal year ended March 31, 2012	5,722	5,639
Results for the fiscal year ended March 31, 2013	5,781	5,712
Results for the fiscal year ended March 31, 2014	5,795	5,664

(2) Factors of changes in consolidated ordinary income

Factors of changes in consolidated ordinary income



(3) Non-consolidated results

(1) Results for the fiscal year under review

(Unit: Millions of yen)

	Amount	YoY (%)
Net sales	443,640	99.4
Operating income	2,941	123.8
Ordinary income	7,050	118.0
Net income	3,327	138.9

(2) Sales Results

(Unit: Millions of yen)

Product Category	Amount	Change (YoY)	YoY (%)
	Total commercial milk	204,509	(2,515)
Milk	73,122	(437)	99.4
Milk-based drinks	63,892	(1,059)	98.4
Yogurt	52,577	(447)	99.2
Pudding	14,917	(571)	96.3
Total dairy products	91,941	(350)	99.6
Condensed milk	4,313	47	101.1
Powdered milk	31,963	(190)	99.4
Butter	13,249	400	103.1
Cheese	42,415	(606)	98.6
Ice cream	51,037	(187)	99.6
Total other	96,151	475	100.5
Drinks	23,410	101	100.4
Other	72,741	373	100.5
Total	443,640	(2,578)	99.4

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

(3) Capital investment and depreciation expenses (trends and outlook)

(Unit: Billions of yen)

	Capital investment			Depreciation
	Total	Production equipment	Sales equipment	
Results for the fiscal year ended March 31, 2011	11.3	10.4	0.9	11.8
Results for the fiscal year ended March 31, 2012	14.1	13.4	0.7	12.0
Results for the fiscal year ended March 31, 2013	12.6	11.6	1.0	12.3
Results for the fiscal year ended March 31, 2014	10.1	9.4	0.7	10.5
Projected results for the fiscal year ending March 31, 2015	10.7	9.9	0.8	10.8

(4) Number of employees (trends)

	End of September	End of March
Results for the fiscal year ended March 31, 2011	3,146	3,092
Results for the fiscal year ended March 31, 2012	3,153	3,091
Results for the fiscal year ended March 31, 2013	3,198	3,122
Results for the fiscal year ended March 31, 2014	3,174	3,123

(5) Collected milk volume (trends)

(Unit: Thousand tons)

	Collected milk volume		
	Total	Hokkaido	Other
Results for the fiscal year ended March 31, 2011	817	478	339
Results for the fiscal year ended March 31, 2012	811	487	324
Results for the fiscal year ended March 31, 2013	825	498	327
Results for the fiscal year ended March 31, 2014	791	480	311

(6) Net sales forecast by category for the next fiscal year

(Unit: Millions of yen)

	Full year		Cumulative second quarter	
	Amount	YoY (%)	Amount	YoY (%)
Total commercial milk	206,500	101.1	108,900	99.9
Milk	72,400	99.0	36,600	97.9
Milk-based drinks	65,800	103.0	36,900	102.3
Yogurt	53,700	102.1	28,000	100.1
Pudding	14,600	97.9	7,400	96.9
Total dairy products	92,800	100.9	44,100	99.7
Condensed milk	4,300	99.7	2,000	95.6
Powdered milk	31,800	99.5	15,100	98.3
Butter	13,200	99.6	6,000	97.8
Cheese	43,500	102.6	21,000	101.7
Ice cream	52,500	102.9	33,300	102.3
Total other	97,200	101.1	48,700	99.8
Drinks	23,600	100.8	13,200	100.3
Other	73,600	101.2	35,500	99.7
Total	449,000	101.2	235,000	100.2

(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.