



November 4, 2016

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2017 <Japanese GAAP>

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 Listed stock exchange: Tokyo
 Securities code: 2264
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Submission of quarterly report: November 7, 2016

Dividend payment commencement date: –

Preparation of explanatory materials for quarterly financial results: Yes

Holding of a briefing on quarterly financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Cumulative First Half of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	315,681	(2.4)	15,631	54.6	16,063	51.0	10,058	75.2
Six months ended September 30, 2015	323,288	2.4	10,110	96.2	10,639	90.3	5,742	75.0

(Note) Comprehensive income: Six months ended September 30, 2016: ¥9,728 million / 99.9%
 Six months ended September 30, 2015: ¥4,867 million / 29.2%

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended September 30, 2016	40.69	40.58
Six months ended September 30, 2015	23.24	23.17

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	386,779	137,388	35.2
As of March 31, 2016	378,852	129,370	33.8

(Reference) Shareholders' equity:

As of September 30, 2016: ¥136,145 million

As of March 31, 2016: ¥128,205 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, 2016	–	–	–	7.00	7.00
Fiscal year ending March 31, 2017	–	–			
Fiscal year ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(% figures show year-on-year change for the full year and quarter)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	593,000	(1.4)	20,500	43.2	21,000	40.4	12,000	13.5	48.54

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

*** Notes**

(1) Changes in significant subsidiaries during the six months ended September 30, 2016 (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: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

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

As of September 30, 2016	248,977,218 shares
As of March 31, 2016	248,977,218 shares

(ii) Number of treasury stocks at end of period

As of September 30, 2016	1,779,407 shares
As of March 31, 2016	1,767,207 shares

(iii) Average number of shares during period

For the six months ended September 30, 2016	247,205,444 shares
For the six months ended September 30, 2015	247,076,158 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 on 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

In the consolidated cumulative second quarter, the Japanese economy remained in a modest recovery trajectory as corporate earnings and employment conditions continued to improve. However, the improvements in consumer sentiment stalled, and there are concerns that a slowdown in overseas economies, particularly emerging Asian economies and resource-rich countries, will affect Japan's economy. As such, the environment remains uncertain. In the food industry, there was progress with some high added-value products as growing interest in health drew attention to functional foods, but conditions remained harsh due to a slowdown in the rise in consumer prices. In this environment, the Group endeavored to develop and improve products that meet customer needs and provide high value-added products. At the same time, the Group worked to improve profitability by ensuring the efficient outlay of sales promotion expenses, reducing the cost of raw materials and streamlining production and distribution.

As a result, the Morinaga Milk Group's consolidated net sales fell 2.4% over the previous year to 315,681 million yen. In the previous period, a consolidated subsidiary's household frozen wholesale business was transferred, and revenue was actually up 1.6% when excluding the impact of this and other factors. Sales by category exceeded levels in the previous fiscal year in the strong-performing yogurt, ice cream and cheese categories, but sales fell short of the previous year in milk and pudding categories.

On a consolidated basis, operating income increased to ¥15,631 million (up 54.6% year on year) and ordinary income also increased to ¥16,063 million (up 51.0% year on year), while profit attributable to owners of parent rose to ¥10,058 million (up 75.2% year on year).

(2) Explanation of consolidated financial position

Total assets at the end of the second quarter under review were ¥386,779 million, up ¥7,927 million from the end of the previous fiscal year. This was mainly due to increases in cash and deposits as well as notes and accounts receivable-trade resulting primarily from seasonal factors.

Total liabilities were ¥249,391 million, down ¥90 million from the end of the previous fiscal year. This was mainly due to the repayment of loans, which offset an increase in operating debts due to seasonal factors such as notes and accounts payable-trade, electronically recorded obligations-operating, and accrued expenses.

Net assets were ¥137,388 million, up ¥8,018 million from the end of the previous fiscal year. This was mainly attributable to an increase in retained earnings.

As a result, the shareholders' equity ratio rose to 35.2%, compared with 33.8% at the end of the previous fiscal year.

(3) Explanation of forward-looking information, including consolidated earnings forecasts

As announced on October 28, 2016, consolidated earnings forecasts for the fiscal year ending March 31, 2017, have been amended as follows.

Based on the results up to the second quarter, the following upward revisions have been made: net sales to ¥593,000 million, operating income to ¥20,500 million, ordinary income to ¥21,000 million, and profit attributable to owners of parent to ¥12,000 million.

2. Summary Information (notes)

(1) Application of special accounting for preparing quarterly consolidated financial statements

Assessment of tax expenses

The Company and its consolidated subsidiaries apply the method that reasonably estimates an effective tax rate to be assessed on profit before income taxes for the fiscal year ending March 31, 2017, including this first quarter of the fiscal year under review after accounting for the tax effects and multiplies profit before income taxes during the first quarter of the fiscal year ending March 31, 2017, by said estimated effective tax rate.

(2) Additional information

Application of the "Implementation Guidance on Recoverability of Deferred Tax Assets"

The Company adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the fiscal year under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	6,506	13,662
Notes and accounts receivable—trade	53,511	59,409
Merchandise and finished goods	37,218	33,857
Work in process	572	801
Raw materials and supplies	14,559	12,438
Other	12,926	13,710
Allowance for doubtful accounts	(467)	(437)
Total current assets	124,828	133,443
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	70,339	70,451
Machinery, equipment and vehicles, net	57,600	56,286
Land	70,478	70,172
Other, net	25,709	24,900
Total property, plant and equipment	224,127	221,810
Intangible assets	6,719	6,567
Investments and other assets		
Investment securities	15,468	17,277
Other	7,832	7,797
Allowance for doubtful accounts	(124)	(115)
Total investments and other assets	23,176	24,959
Total noncurrent assets	254,023	253,336
Total assets	378,852	386,779

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable—trade	52,852	53,103
Electronically recorded obligations—operating	4,516	5,914
Short-term loans payable	6,433	2,494
Current portion of long-term loans payable	4,810	10,978
Commercial papers	2,000	—
Current portion of bonds	10,000	10,000
Income taxes payable	3,082	4,502
Accrued expenses	31,736	34,981
Deposits received	18,468	21,122
Other	13,903	11,913
Total current liabilities	147,804	155,011
Noncurrent liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	42,142	34,500
Net defined benefit liability	18,011	18,149
Other	6,523	6,729
Total noncurrent liabilities	101,677	94,380
Total liabilities	249,481	249,391
Net assets		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,518	19,521
Retained earnings	85,280	93,608
Treasury stock	(585)	(597)
Total shareholders' equity	125,918	134,236
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,127	6,277
Deferred gains or losses on hedges	(43)	(10)
Foreign currency translation adjustment	(321)	(1,946)
Remeasurements of defined benefit plans	(2,475)	(2,411)
Total accumulated other comprehensive income	2,287	1,908
Subscription rights to shares	204	252
Non-controlling interests	959	990
Total net assets	129,370	137,388
Total liabilities and net assets	378,852	386,779

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

(Consolidated statements of income)

(April 1, 2016 – September 30, 2016)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	323,288	315,681
Cost of sales	225,653	210,996
Gross profit	97,634	104,685
Selling, general and administrative expenses	87,524	89,053
Operating income	10,110	15,631
Non-operating income		
Interest income	27	21
Dividends income	364	285
House rent income	218	221
Equity in earnings of affiliates	111	140
Other	605	473
Total non-operating income	1,327	1,143
Non-operating expenses		
Interest expenses	500	465
Other	298	245
Total non-operating expenses	798	711
Ordinary income	10,639	16,063
Extraordinary income		
Gain on sales of noncurrent assets	11	0
Gain on sales of investment securities	241	2
Disaster donations	–	3
Total extraordinary income	253	5
Extraordinary losses		
Loss on disposal of noncurrent assets	143	69
Contributions to the public interest incorporated foundation Hikari Kyokai	820	820
Impairment loss	1,110	–
Loss on disaster	6	471
Other	1	3
Total extraordinary losses	2,082	1,365
Profit before income taxes	8,810	14,704
Income taxes	3,032	4,596
Net income	5,778	10,107
Profit attributable to non-controlling interests	35	49
Profit attributable to owners of parent	5,742	10,058

(Consolidated statements of comprehensive income)
(April 1, 2016 – September 30, 2016)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	5,778	10,107
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	1,150
Deferred gains or losses on hedges	5	32
Foreign currency translation adjustment	(815)	(1,625)
Remeasurements of defined benefit plans	17	64
Share of other comprehensive income of entities accounted for using equity method	2	(0)
Total other comprehensive income	(910)	(378)
Comprehensive income	4,867	9,728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,828	9,679
Comprehensive income attributable to non-controlling interests	38	49

(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)

No items to report.

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2017 Supplementary Data on Financial Results

(Securities Code 2264, First Section of the Tokyo Stock Exchange)

(Note) The “second quarter” mentioned below is a cumulative period (April 1 – September 30).

(1) Consolidated Statements

(1) Results for the second quarter under review (Unit: Millions of yen)

	Amount	YoY	YoY (%)
Net sales	315,681	(7,606)	(2.4)
Operating income	15,631	5,521	54.6
Ordinary income	16,063	5,424	51.0
Net income	10,058	4,315	75.2

Net income for the quarter under review is profit attributable to owners of parent

(2) Forecast for the full-year results (Unit: Millions of yen)

	Amount	YoY (%)
Net sales	593,000	(1.4)
Operating income	20,500	43.2
Ordinary income	21,000	40.4
Net income	12,000	13.5

Net income for the year under review is profit attributable to owners of parent

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

	Capital investment	Depreciation
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
Results for the fiscal year ended March 31, 2015	25.7	16.1
Results for the fiscal year ended March 31, 2016	25.4	16.8
Projected results for the fiscal year ending March 31, 2017	23.8	17.8
Results for the first half of the fiscal year ending March 31, 2017	9.1 (10.0)	8.5 (8.3)

Figures in parentheses show the results for the first half of the previous fiscal year

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

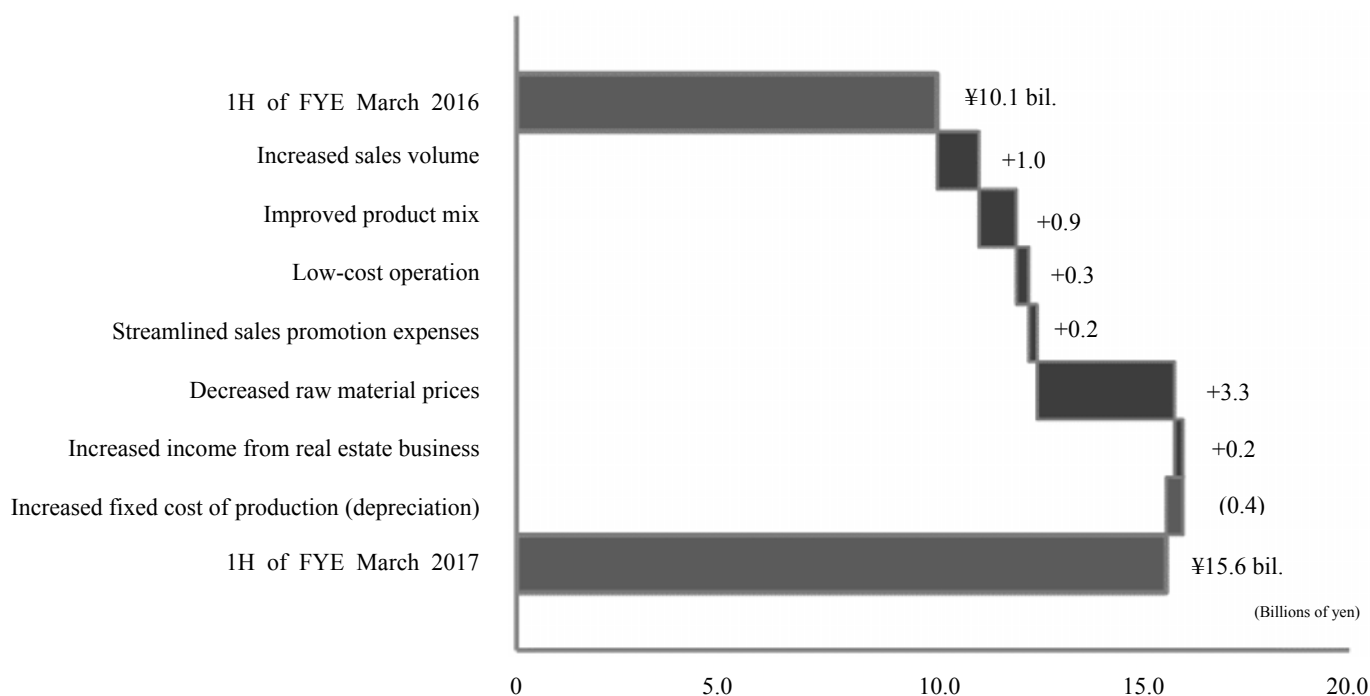
	Amount
Results for the fiscal year ended March 31, 2013	4,915
Results for the fiscal year ended March 31, 2014	4,991
Results for the fiscal year ended March 31, 2015	4,958
Results for the fiscal year ended March 31, 2016	4,965
Results for the first half of the fiscal year ending March 31, 2017	2,457 (2,437)

Figures in parentheses show the results for the first half of the previous fiscal year

(5) Number of employees (trends)

	End of September	End of March
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
Results for the fiscal year ended March 31, 2015	5,713	5,649
Results for the fiscal year ended March 31, 2016	5,696	5,602
Results for the fiscal year ending March 31, 2017	5,750	-

(6) Factors of changes in consolidated operating income (Second-quarter comparison)



(2) Non-consolidated results

(1) Sales results for the second quarter

(Unit: Millions of yen)

Product Category	Amount		(Reference) Comparison after previous year's adjustments*		
		Change (YoY)	YoY (%)	Change (YoY)	YoY (%)
Total commercial milk	106,092	(2,246)	(2.1)	(598)	(0.6)
Milk	37,530	(1,912)	(4.8)	(1,363)	(3.5)
Milk-based drinks	32,875	(710)	(2.1)	(5)	(0.0)
Yogurt	29,532	1,669	6.0	1,981	7.2
pudding	6,154	(1,293)	(17.4)	(1,211)	(16.4)
Total dairy products	47,225	(546)	(1.1)	321	0.7
Condensed milk	1,710	(296)	(14.8)	(251)	(12.8)
Powdered milk	16,450	(9)	(0.1)	321	2.0
Butter	6,095	(731)	(10.7)	(663)	(9.8)
Cheese	22,968	491	2.2	915	4.2
Ice cream	33,783	1,256	3.9	2,116	6.7
Total other	48,243	(1,808)	(3.6)	(1,235)	(2.5)
Drinks	11,259	(1,280)	(10.2)	(1,086)	(8.8)
Other	36,984	(528)	(1.4)	(149)	(0.4)
Total	235,344	(3,345)	(1.4)	603	0.3

Other in Total other includes jelly, cream, liquid diet, etc.

*Sales in the Kyushu region were transferred to a subsidiary beginning in the fiscal year under review.

Year-on-year comparison after adjusting the sales unit price gap

(2) Net sales forecast by category for the fiscal year ending March 2017

(Unit: Millions of yen)

	Full year		Second half	
	Amount	YoY (%)	Amount	YoY (%)
Total commercial milk	203,500	(1.6)	97,408	(1.0)
Milk	73,500	(4.2)	35,970	(3.5)
Milk-based drinks	60,000	(1.6)	27,125	(0.9)
Yogurt	58,000	5.5	28,468	5.1
Pudding	12,000	(15.2)	5,846	(12.7)
Total dairy products	96,500	(0.1)	49,275	0.9
Condensed milk	3,800	(6.4)	2,090	1.9
Powdered milk	33,300	(0.3)	16,850	(0.5)
Butter	13,200	(4.6)	7,105	1.3
Cheese	46,200	2.0	23,232	1.8
Ice cream	54,500	4.0	20,717	4.3
Total other	95,500	(2.7)	47,257	(1.6)
Drinks	19,900	(9.2)	8,641	(7.9)
Other	75,600	(0.8)	38,616	(0.1)
Total	450,000	(0.9)	214,657	(0.2)

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

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

(Unit: Billions of yen)

	Capital investment	Depreciation
Results for the fiscal year ended March 31, 2013	12.6	12.3
Results for the fiscal year ended March 31, 2014	10.1	10.5
Results for the fiscal year ended March 31, 2015	10.9	11.0
Results for the fiscal year ended March 31, 2016	12.1	11.4
Projected results for the fiscal year ending March 31, 2017	11.7	12.1
Results for the first half of the fiscal year ending March 31, 2017	3.8 (5.8)	5.8 (5.6)

Figures in parentheses show the results for the first half of the previous fiscal year

(4) Number of employees (trends)

	End of September	End of March
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
Results for the fiscal year ended March 31, 2015	3,127	3,078
Results for the fiscal year ended March 31, 2016	3,080	3,023
Results for the fiscal year ending March 31, 2017	3,006	-

(5) Collected milk volume (trends)

(Unit: Thousand tons)

	Collected milk volume		
	Total	Hokkaido	Other
Results for the fiscal year ended March 31, 2013	825	498	327
Results for the fiscal year ended March 31, 2014	791	480	311
Results for the fiscal year ended March 31, 2015	767	468	299
Results for the fiscal year ended March 31, 2016	765	477	288
Results for the first half of the fiscal year ending March 31, 2017	375 (387)	237 (242)	139 (145)

Figures in parentheses show the results for the first half of the previous fiscal year

(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 was not prepared for the purpose of soliciting investment.