



New Steps on the Path to Growth in Our Second Century

Corporate Profile



“For Ever Brighter Smiles”
MORINAGA MILK INDUSTRY CO., LTD.

FYE March 2019

(Securities code: 2264)

<https://www.morinagamilk.co.jp/english/ir/>

1. Revenue by Business



Overseas business



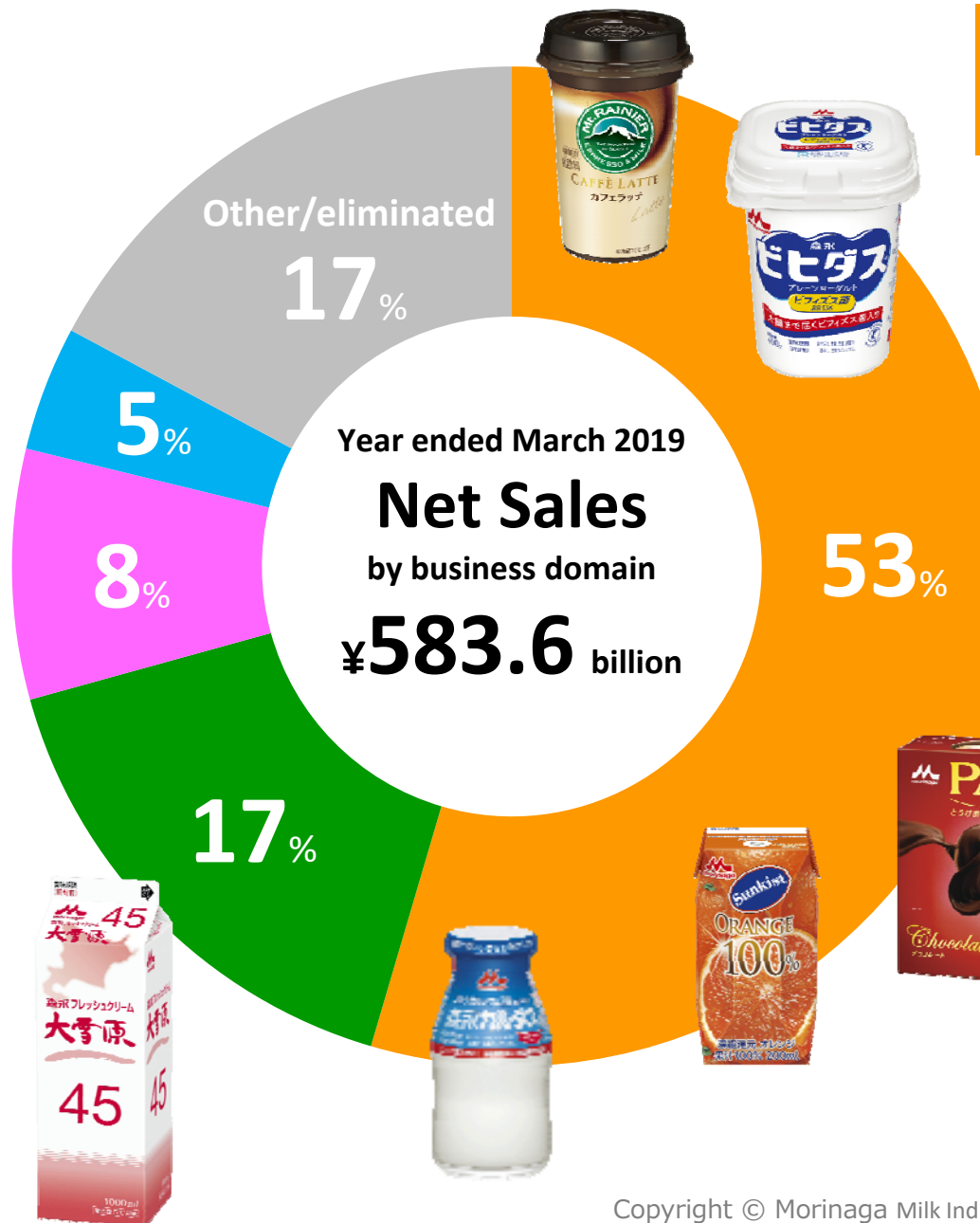
Wellness business



B-to-B business



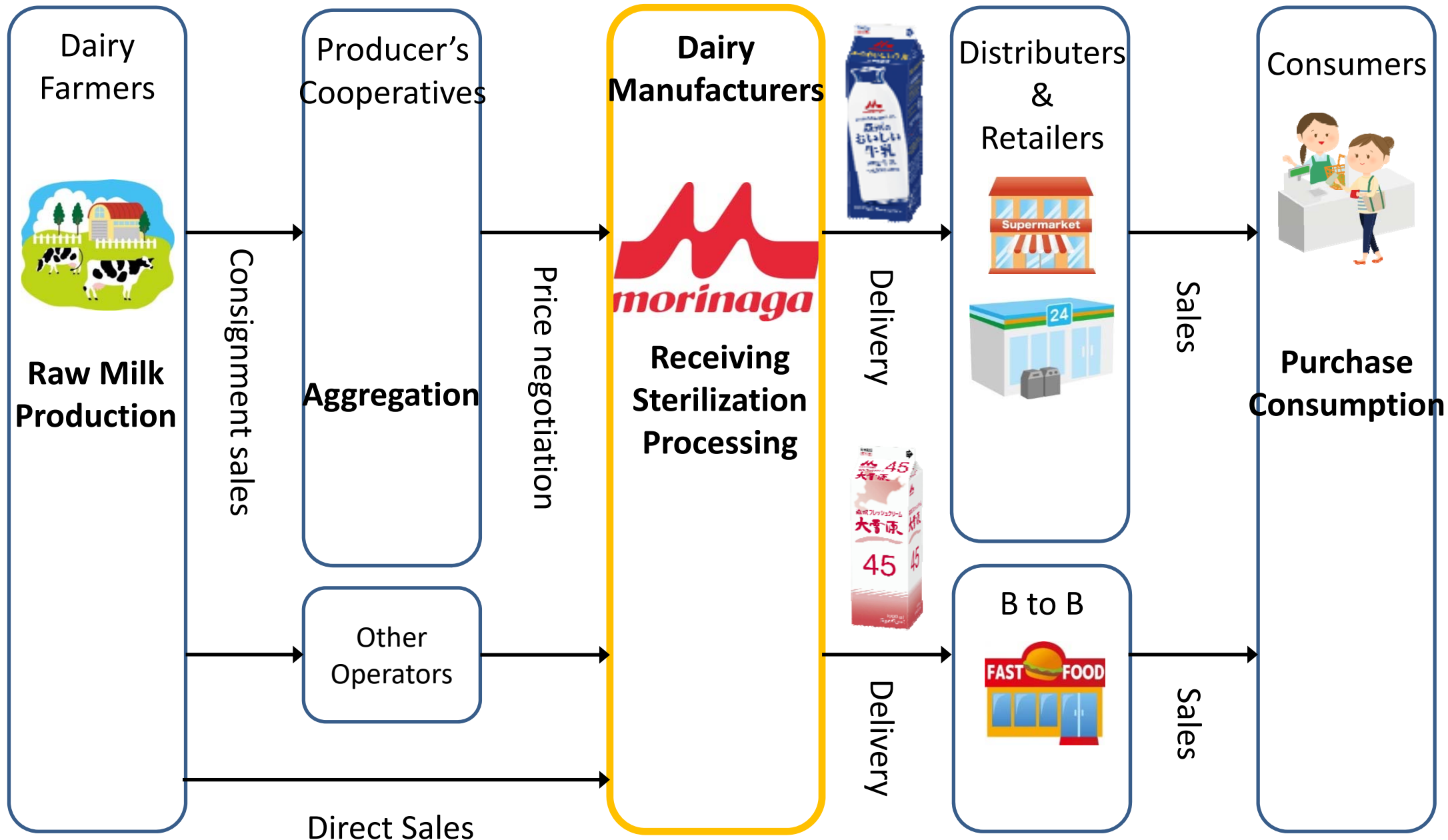
LAC-Shield™



B-to-C business



2. Distribution of Milk and Dairy products



3. Corporate Mission & Guiding Principles



Corporate slogan

For Ever Brighter Smiles

Corporate Philosophy

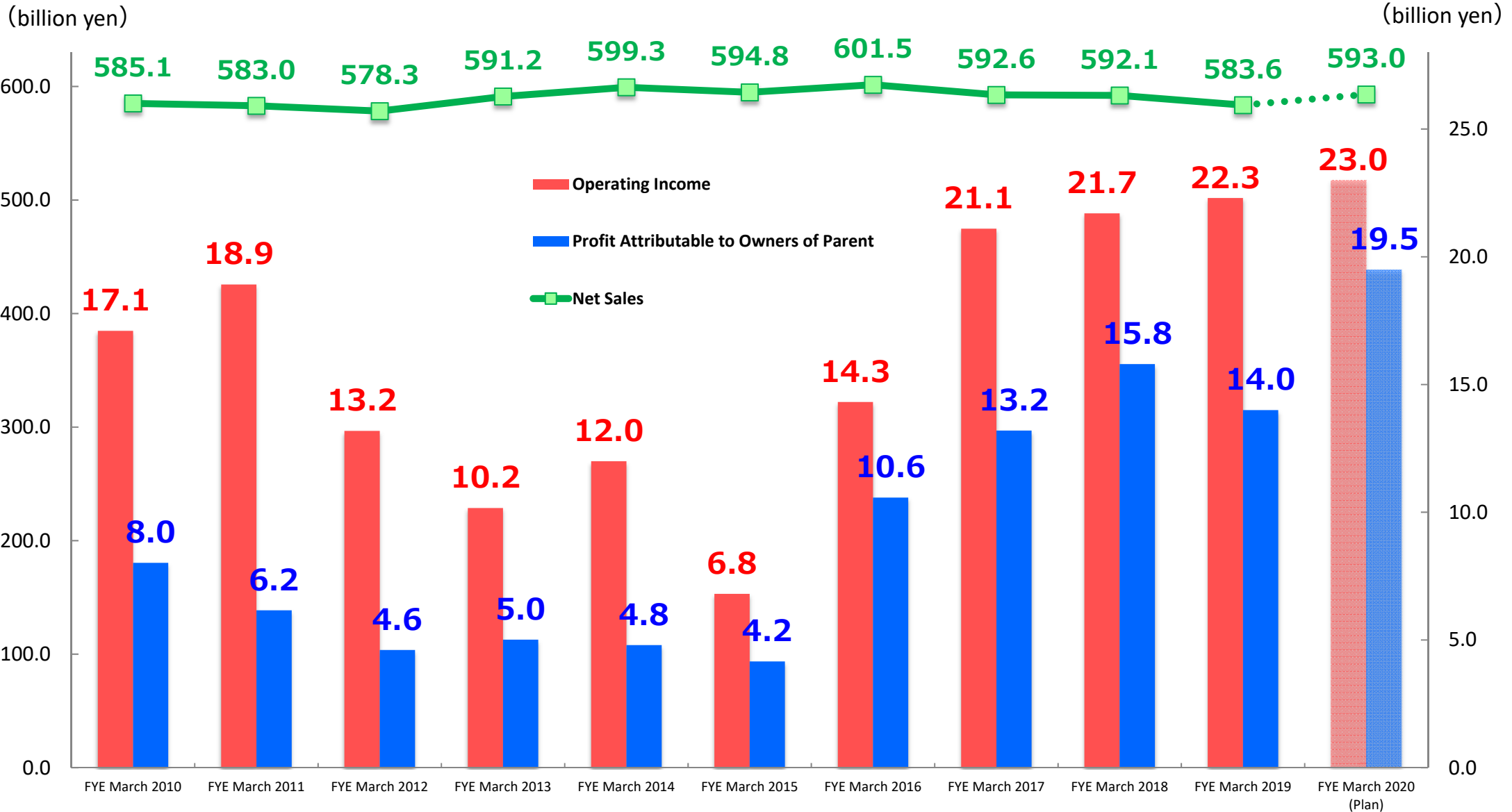
Contribute to healthy and enjoyable lifestyles through offering unique products derived from advanced milk technology.

Guiding Principles: Our Eight Questions

1. Do we share our passion with our customers?
2. Do we feel and express gratitude to all stakeholders?
3. Do we have confidence in our quality?
4. Do we always pursue safety and reliability?
5. Do we continue to challenge ourselves?
6. Do we contribute to building “Team Morinaga”?
7. Do we engage in and enjoy what we do?
8. Do we exchange our visions and progress toward them?



4. Financial Summary



4. Financial Summary



(Unit: billion yen)

	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	Year on Year Change	Year on Year (%)	FYE March 2020 E
Net Sales	601.5	592.6	592.1	583.6	-8.5	-1.4%	593.0
Operating Income	14.3	21.1	21.7	22.3	+0.6	+3.0%	23.0
Ordinary Income	15.0	22.0	22.4	23.2	+0.8	+3.7%	23.7
Profit Attributable to Owners of Parent	10.6	13.2	15.8	14.0	-1.8	-11.2%	19.5
Operating Income to Net Sales	2.4%	3.6%	3.7%	3.8%			3.9%
ROE (Net Income / Equity Capital)	8.4%	9.8%	10.5%	8.6%			11.1%

5. Four Business Domains (Product category)



<h2>B-to-C Business</h2>	
<p>Beverages</p>	
<p>Yogurt</p>	<p>Ice cream</p>
<p>Cheese</p>	<p>Milk</p>
<p>Chilled desserts</p>	<p>Commercial milk (Home deliveries, etc.)</p>
<h2>Wellness Business</h2>	
<p>Nutritional foods (Infant formula)</p>	<p>Liquid diet (CLINICO.CO.,LTD.)</p>
<p>Other</p>	
<h2>B-to-B Business</h2>	
<p>Food service & institutional food products</p>	<p>Functional ingredients</p>
	<p>Purester</p>
<h2>Overseas Business</h2>	

5. Four Business Domains

(Net Sales and Operating Income)



(Unit: billion yen)

Sales	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	Year on Year (%)	FYE March 2020 E	Year on Year (%)
B to C	349.8	330.5	322.7	310.7	-3.7%	310.0	+2.1%
Wellness	44.1	47.2	48.8	49.1	+0.6%	56.5	+0.9%
B to B	91.1	90.6	95.5	96.9	+1.5%	97.5	+0.6%
Overseas	21.7	21.8	26.3	28.9	+9.9%	34.5	+19.2%
Other/Eliminated	94.8	102.5	98.8	97.9	-0.9%	94.5	-3.5%
Total	601.5	592.6	592.1	583.6	-1.4%	593.0	+1.6%

Operating Income	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	Year-on-year Change	FYE March 2020 E	Year-on-year Change
B to C	5.9	10.1	11.5	10.5	-1.0	11.0	+0.6
Wellness	1.9	2.5	2.5	3.1	+0.6	3.0	-0.2
B to B	4.9	5.9	6.1	5.8	-0.2	6.1	+0.3
Overseas	0	0.5	-0.8	1.6	+2.4	1.9	+0.3
Other/Eliminated	1.6	2.1	2.4	1.3	-1.1	1.0	-0.3
Total	14.3	21.1	21.7	22.3	+0.6	23.0	+0.7

* Adjust figures for rate of change and change over previous year in FYE March 2020 to account for move of targeted products between B-to-C business and Wellness business (former Health and Nutrition business)

5. Four Business Domains

(Net Sales by product field in B-to-C Business (Non-consolidated))



(Unit: billion yen)

Sales	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	Year on Year Change	FYE March 2020 E	Year on Year (%)
Beverages*	-	-	-	-	-	67.7	+1%
Chilled cup-type drinks	44.0	42.3	41.4	39.8	-4%	-	-
Chilled tea	16.8	15.3	14.8	15.6	+5%	-	-
Yogurt	50.2	51.4	49.9	51.0	+2%	55.0	+8%
Ice cream*	45.9	47.1	48.8	45.2	-7%	47.3	+5%
Cheese	31.7	32.0	33.1	33.3	+1%	34.2	+3%
Milk	62.0	59.2	57.6	52.9	-8%	54.5	+3%
Chilled desserts	17.5	14.3	13.4	11.0	-18%	8.8	-20%
Commercial milk (Home deliveries, etc.)	22.7	22.1	21.8	21.4	-2%	21.9	+2%
Total for main brands*	-	-	-	-	-	127.0	+5%

* Beverages: Drinks overall, including chilled-cup drinks and chilled tea

* Ice cream: Changes to transaction system for ice cream beginning March 2019 (on basis of actual delivery price) Effect: Approximately 2.8 billion yen (approx. 6% decrease in revenue)

* Total for main brands: Total for the eight brands of Mt. RAINIER CAFFÈ LATTE, Bifidus Yogurt, Morinaga Aloe Yogurt, Partheno, PARM, Pino, MOW, Fresh Mozzarella Cheese

6. Market Shares of Major Categories



Chilled cup-type coffee
1st **44%**



Chilled tea
1st **73%**



Cheese
3rd **12%**



Yogurt
3rd **10%**



Chilled desserts
1st **16%**

Ice cream
4th **11%**



Note: Shares of home-use products by monetary amount
Source: INTAGE Inc.'s SRI (share of sales amounts in Apr 2018-Mar 2019)

7. Partner Brands



Kraft Foods is the biggest food company in North America. Morinaga and Kraft have been technology partners since 1970 in the area of cheese and cheese-related products.



Lipton is the main tea brand of Unilever, which is one of the world's biggest food and grocery manufacturers. With a history of over a century, it is a favorite of tea lovers worldwide.

Morinaga and Unilever have entered license agreement since 1984. Morinaga sells product chilled tea of Lipton brand.



Sunkist is a leading fruit brand in the United States. Morinaga and Sunkist have entered license agreement since 1971. In Japan, Morinaga sells products such as Sunkist fruit juices.



8. Strength of Technologies & Proprietary Materials



To explore the amazing potential of milk, and to make optimal use of that potential.

• Bifidobacteria

Morinaga Milk has used its original technology to develop commercial uses for powdered bacteria. There is intense international interest in powdered Bifidobacteria.

• Lactulose

Morinaga Milk overcome major difficulties before succeeding in the production of powdered lactulose. There are many potential uses for this oligosaccharide.

• Lactoferrin

Morinaga Milk created the world's first infant formula containing powdered lactoferrin, which can be added to a wide variety of products.

• Lac-Shield™

Capable of providing useful effects even in small quantities, this product has minimal effect on flavor and is being used in an expanding range of processed foods.

• Aloesterol®

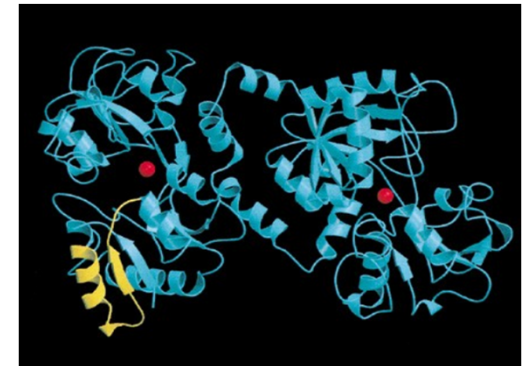
Morinaga Milk has obtained more than 10 Japanese patents for applications based on this rare functional food ingredient.

• OrabARRIER®

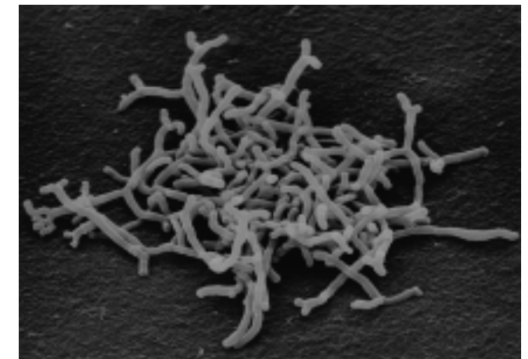
A highly safe original functional ingredient containing an antimicrobial component.

• Peptides

Original Morinaga Milk technology has resulted in the development of milk products for those who have milk allergies.



Multifunctional peptide, Lactoferrin



Bifidobacterium longum BB536

9. Long Term Vision (Morinaga Milk Group 10-year Vision)






Vision 1 A company that balances “delicious and pleasurable food” with “health and

Vision 2 A global company that exerts a unique presence worldwide

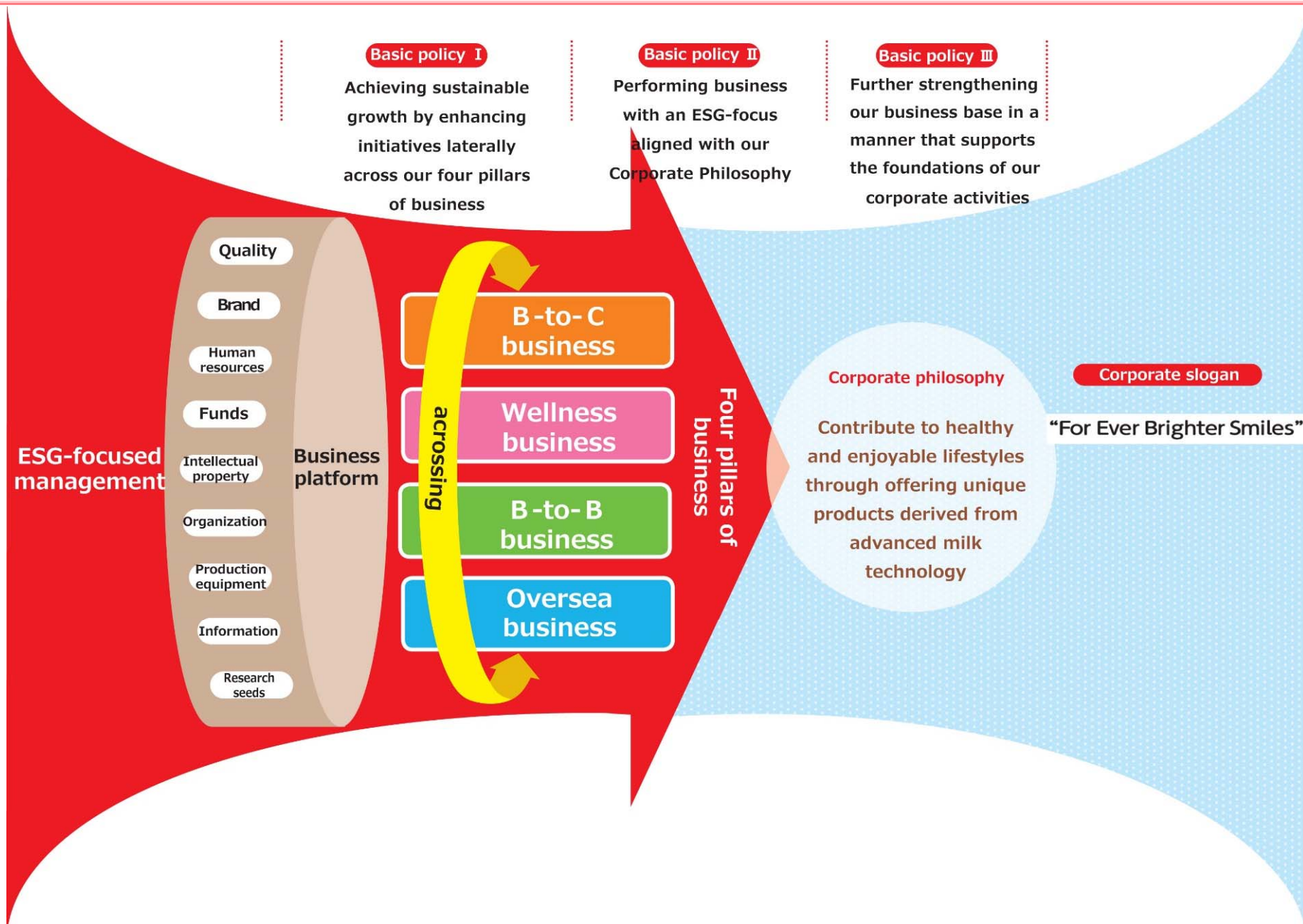
Vision 3 A company that persistently helps make social sustainability a reality

10-year Targets

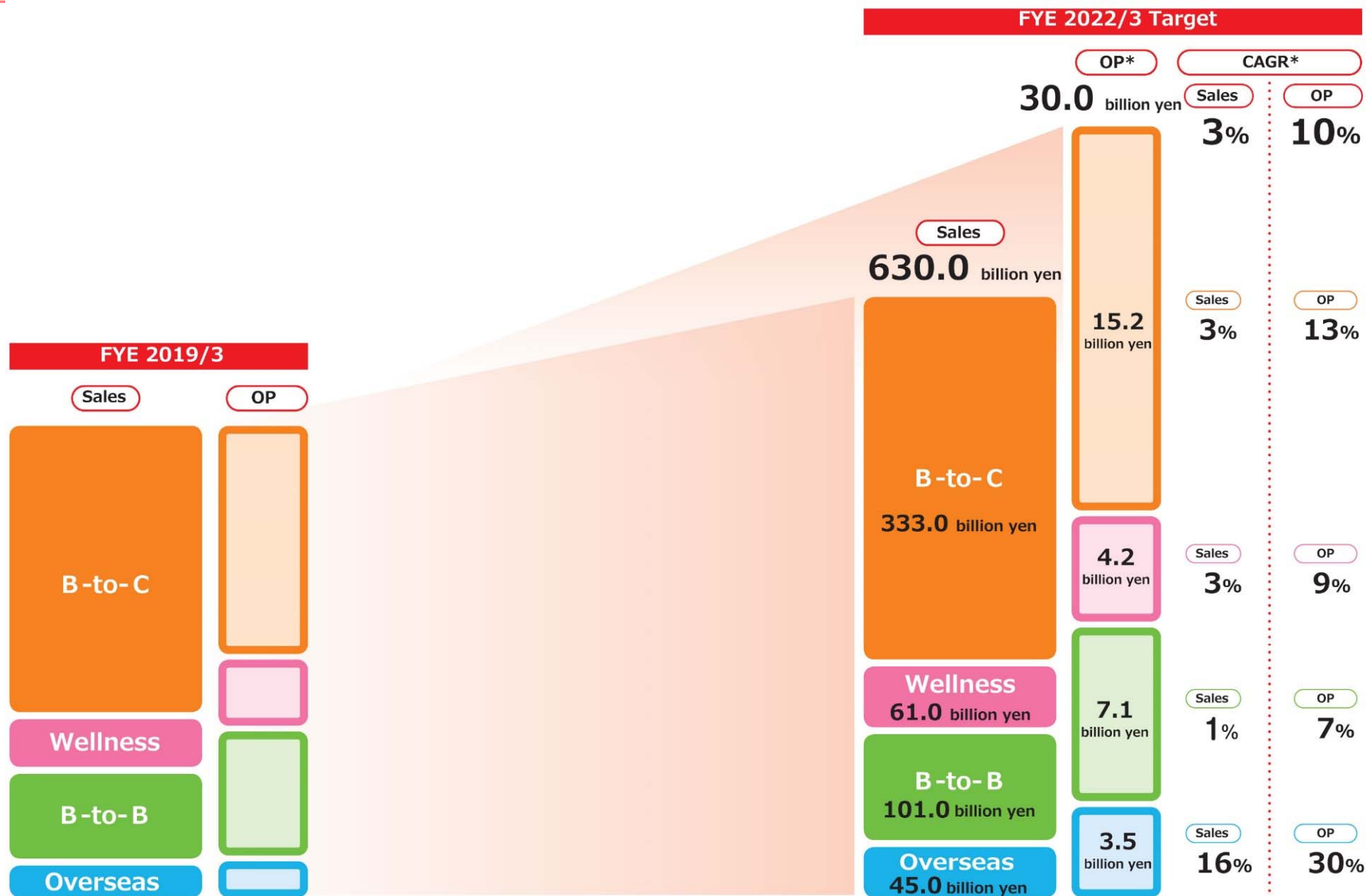
(for the fiscal year ending March 31, 2029)

Operating profit margin	3.8 %		<u>At least 7%</u>
R O E	8.6 %		<u>At least 10%</u>
Ratio of overseas sales	5.0 %		<u>At least 15%</u>

1 0 . Basic Policies of the Medium-term Business Plan (FYE 3/2020 ~ FYE 3/2022)



1 0 . Basic Policies of the Medium-term Business Plan (FYE 3/2020 ~ FYE 3/2022)



* OP : operating income

* CAGR : compound average growth rate

10. the Medium-term Business Plan (Main Management Indicators)



(Unit: billion yen)

	FYE March 2019	FYE March 2020 E	FYE March 2023 (Plan)	Differences between FYE March 2019: Increases/Decreases	Differences between FYE March 2019: Rate of increase/decrease
Net Sales	583.6	593.0	630.0	+46.4	+8.0%
Operating Income	22.3	23.0	30.0	+7.7	+34.3%
Profit attributable to owners of parent	14.0	*19.5	19.2	+5.2	+37.0%
Operating Income Margin	3.8%	3.9%	4.8%		
ROE (Net Income / Equity Capital)	8.6%	11.1%	9.3%		
Ratio of overseas sales	5.0%	5.8%	7.1%		
Dividend	55 yen	60 yen	Target payout ratio of 20%		

* This includes 7.0 billion yen (estimated) in extraordinary income from the transfer of fixed assets (beneficial interest in trust). (FYE March 2020)

1 0 . the Medium-term Business Plan

Policy 1: Achieving Sustainable Growth by Enhancing Initiatives Laterally across Our Four Pillars of Business



Priority themes

①

Further enhancing our main brands

②

Accelerating development of bifidobacteria and proprietary seeds

③

Developing overseas business

④

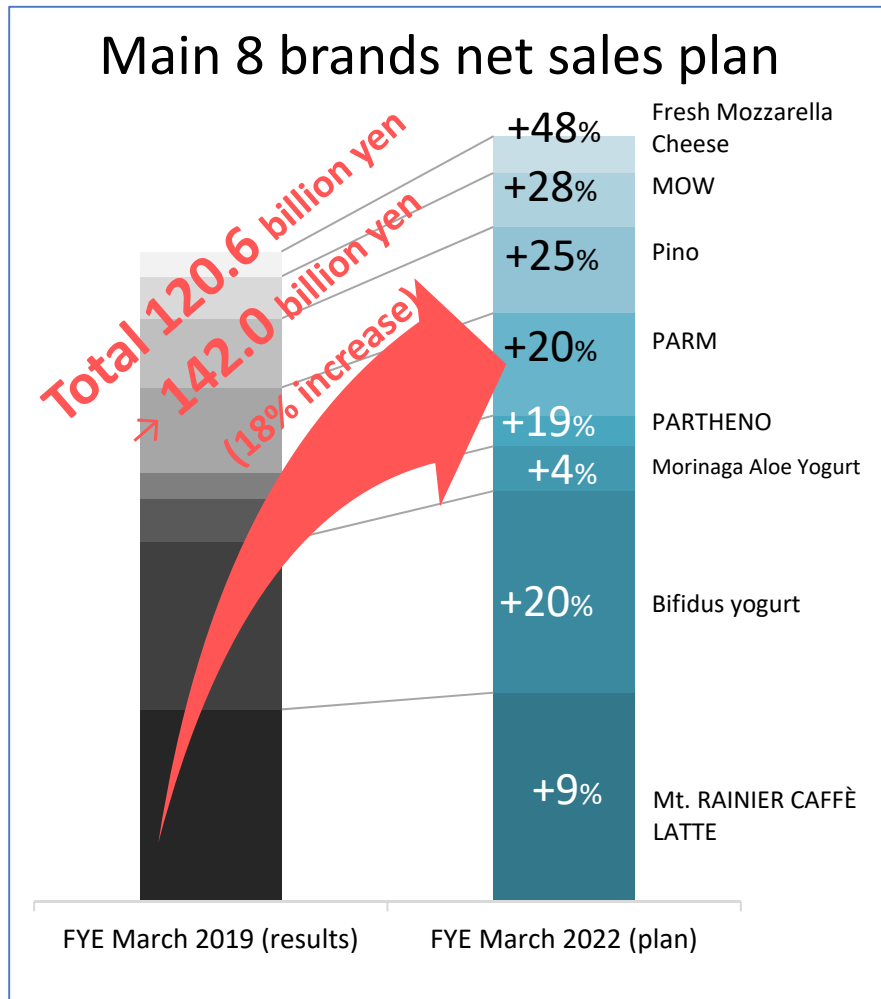
Building the foundations of next-generation healthcare business

10. the Medium-term Business Plan

Theme 1: Further Enhancing our Main Brands



Optimize the value of the eight brands that support the Morinaga Milk Group's foundation



• Mt. RAINIER CAFFÈ LATTE

Optimize brand exposure by strengthening the lineup, including dairy alternative ingredients. Create sales areas utilizing Morinaga Milk's proposal capacity, including other cup-type drinks

• Bifidus yogurt

Capitalize on **bifidobacteria** to set Morinaga Milk products apart from competitors; expand their reach, including other functional yogurt series

• Morinaga Aloe Yogurt

Starting point with sale of products with functional claims through **functions of aloesterol**. Ensure **absolute dominance in the fruit yogurt** market by pursuing Morinaga Milk's own strengths

• PARTHENO

As the top brand in this category, create new demand **based on plain flavors**

• PARM

Propose new functional value and develop ice cream that becomes a national favorite as the **top brand for ice cream bars**

• Pino

In addition to health values, **cultivate a wide range of consumers**, including seniors, and **expand sales channels**

• MOW

Exhaustively pursue high-quality ingredients and production methods, based on the avoidance of stabilizing agents and emulsifiers

• Fresh Mozzarella Cheese

Expand by proposing recipes with 100 g types and one-bit types; **aim for 50% increase**

10. the Medium-term Business Plan

Theme 2: Accelerating Development of Bifidobacteria and Proprietary Seeds
(Including Lactoferrin)



Carry out strategy to differentiate Morinaga Milk from competitors by equating Morinaga Milk with bifidobacteria;
Increase income 150% compared to FYE March 2019

B to C	Wellness	B to B	Overseas

Capital investment in Morinaga-Hokuriku Milk Industry Co., Ltd.
Future plans: Quadruple supply of bacteria

10. the Medium-term Business Plan

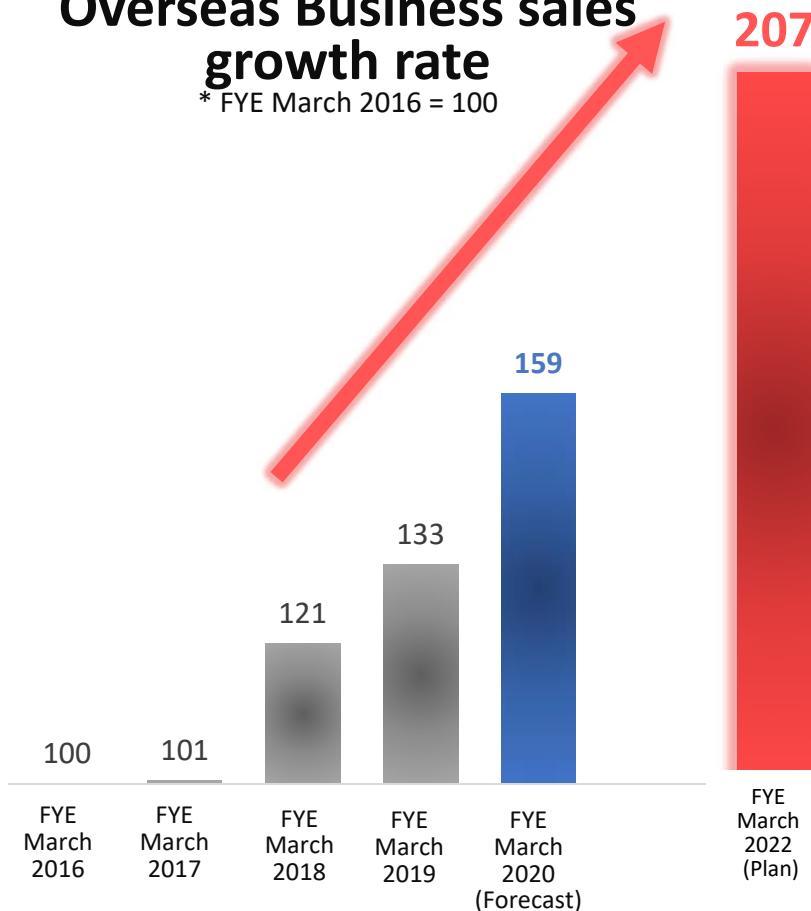
Theme 3: Developing Overseas Business



Ten-year target: Triple as percentage of net sales
As core of business, ensure high ongoing growth and establish solid foundation

Overseas Business sales growth rate

* FYE March 2016 = 100



● Growth strategy for Overseas business

- Establish sales bases at four global poles
 - Bases in the **EU, North America, China, and Southeast Asia**
 - Expand B-to-B business
- Expand bifidobacteria and lactoferrin
 - **Top share in global market for lactoferrin**
 - Grow into long-term revenue source
 - Strengthen expansion of **bacteria business (bifidobacteria)**
 - Become a major player in the bacteria business**
- Further growth for MILEI GmbH
- Expand infant and toddler milk
 - Restore the Morinaga brand to its position in the **top 10 of the world's share**

10. the Medium-term Business Plan

Theme 4: Building the Foundations of Next-generation Healthcare Business



Utilize techniques developed with dairy and provide products that improve health
Contribute to the extension of healthy lifespans

- **Develop products that address health issues** and create a business structure that can provide them appropriately
- **Create a foundation for a next-generation health care business** that helps extend healthy lifespans and improve wellbeing
- **Develop nutritional supplements for all generations** and build up digital and EC channel

Roadmap for next-generation healthcare business



10. the Medium-term Business Plan

Policy 2: Performing Business with an ESG-focus (Priority Issues)



Establish Seven Priority Issues

Set KPI for all Priority Issues and aim to achieve them

**Health and
Nutrition**

Human Rights

**Nurturing
the Next
Generation**

**Corporate
Governance**

**The
Environment**

Supply Chains

**Human
Resource
Development**

10. the Medium-term Business Plan

Policy 3: Further Strengthening Our Business Base



Strengthen management foundation through initiatives linking the long-term vision and management guidelines

1. Corporate Brand

Achieve the corporate communication theme of “Partnering Together for Life for a Health Body and Mind”

2. Human Resource Development

Address rapid decline in working population, improve Group’s management control level

3. Capital Investment

Set up the new bacteria plant, increase production capacity for lactoferrin; improve efficiency and make investments for streamlining after production is suspended at Kinki and Tokyo Plants

4. Research & Development

Promote R&D in priority areas, allocate resources in optimal way, strengthen development capacity; clarify research issues addressing changes in external environment

5. Capital, Interest-bearing Debt

Secure financing in anticipation of large-scale investments in the future (capital investments, M&A), sell assets, bring DER to 0.5 or lower

6. Capital Policy

Generate 100 billion yen in operating cash flow over three years; allocate to “growth investments,” “financial stability,” and “shareholder returns”

1 1. Sustainable Management

(Helps many babies to achieve healthy growth)



Bifidobacteria breve M-16V for Low Birth Weight Babies

Bifidobacteria normally make up over 90% of the intestinal flora of a healthy newborn baby. However, the presence of harmful bacteria, such as E. coli and Staphylococcus aureus, tends to increase in very low birth weight (VLBW) babies weighing less than 1,500 grams at birth, and extremely low birth weight (ELBW) babies. Joint research with a university research institute has shown that the administration of Bifidobacteria breve M-16V, originally developed by Morinaga Milk Industry, to VLBW and ELBW babies helps speed up the formation of an intestinal flora environment dominated by Bifidobacteria, thereby preventing necrotizing enterocolitis (NEC) and sepsis in newborn babies.

- **Currently administered at over 120 facilities throughout Japan**

Neonatal intensive care units (NICU)
Pediatric hospitals, etc.

- **Has been used globally spreading**

NICUs in Australia since 2012
Recently introduced at NICUs in New Zealand
and Singapore



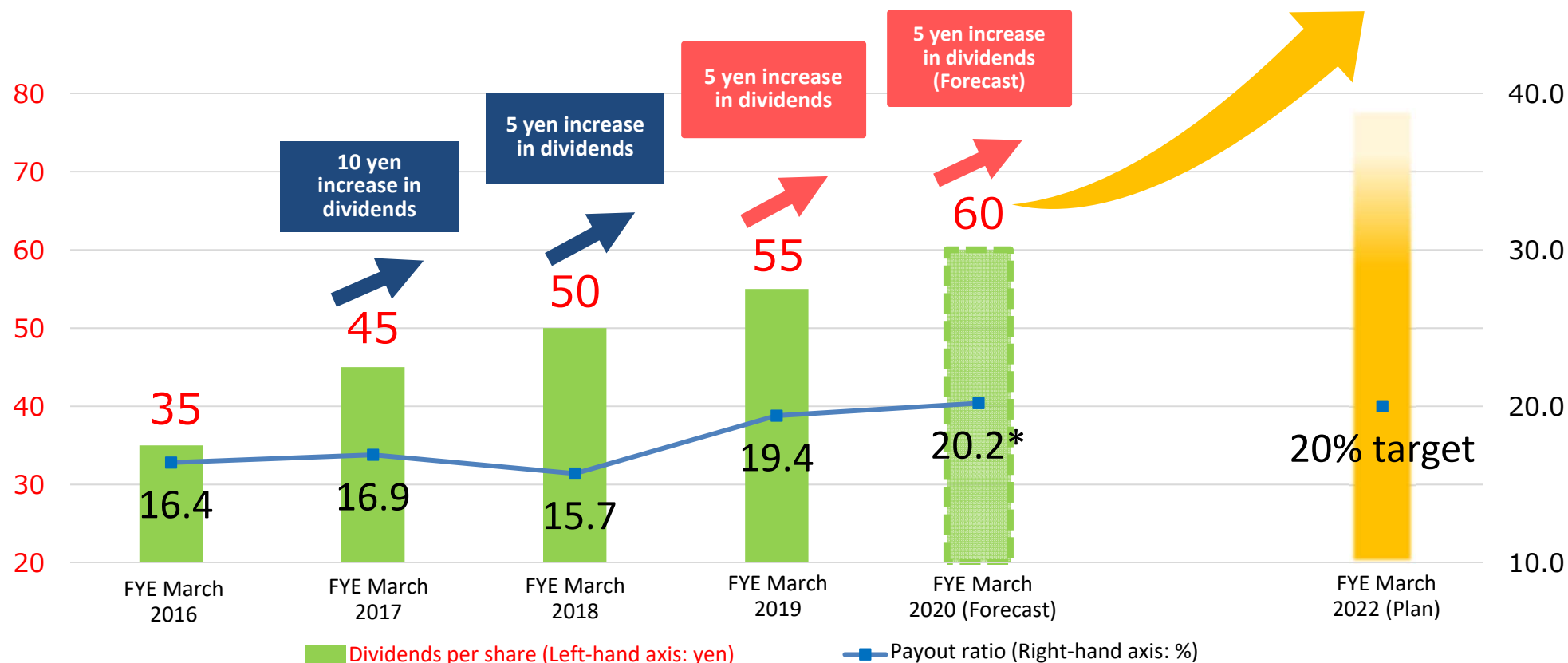
1 2. Shareholder Returns (Dividend)



Dividend (Fiscal year-end)

Shareholder returns with a target payout ratio of 20%

- FYE March 2020 : 55 yen → 60 yen (5 yen increase in dividends (forecast))



* The dividend ratio for FYE March 2020 excludes the impact of the transfer of beneficial interests in trust to a consolidated subsidiary. The figure would be 15.2% when not excluding this impact.

Appendix



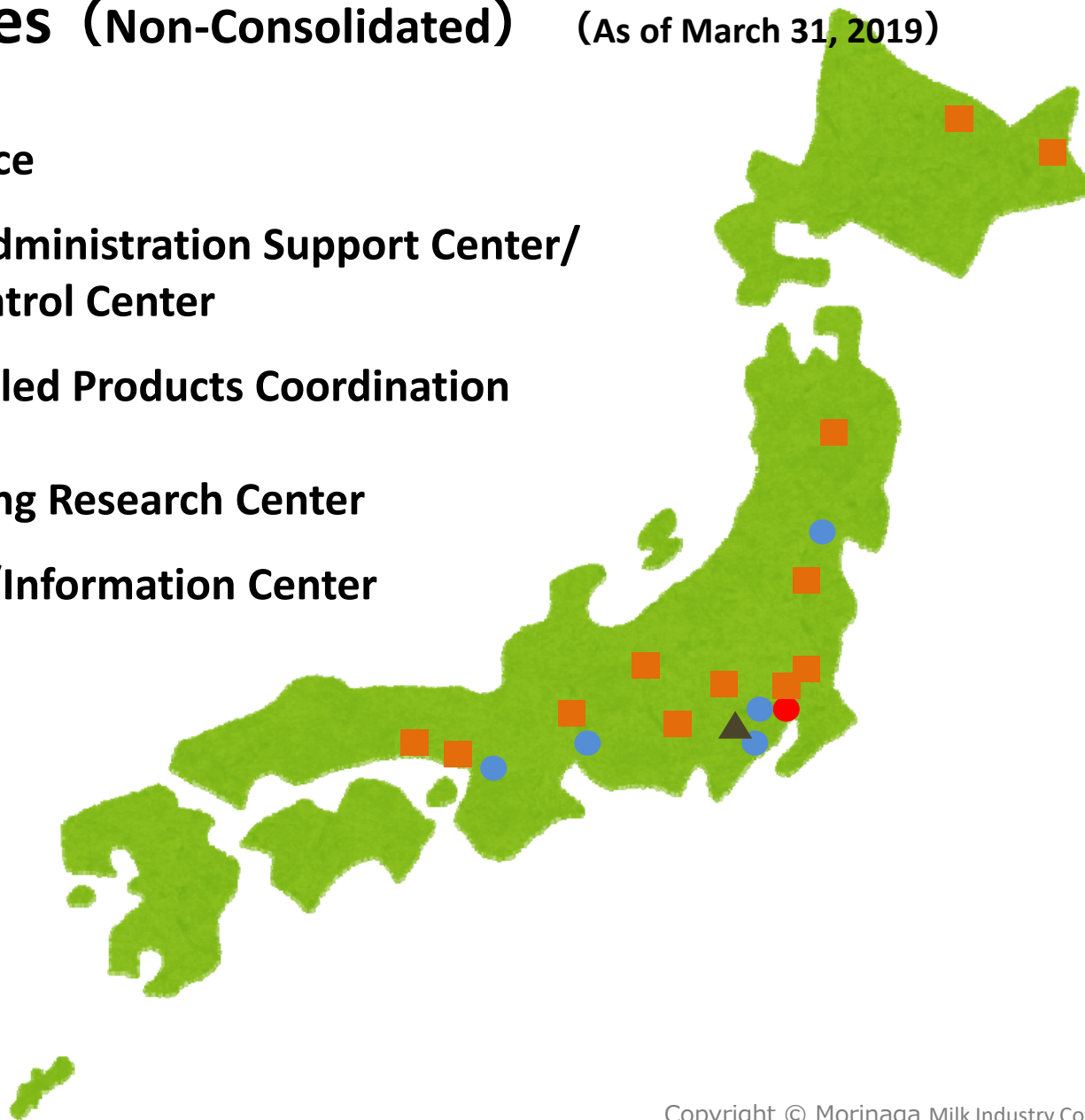
Company name	Morinaga Milk Industry Co., Ltd.
Head office	33-1, Shiba 5-chome, Minato-ku, Tokyo
Founded	September 1, 1917
Established	April 13, 1949
Capital	¥21,731 million
Employees	Consolidated 6,157 (M 4,743 F 1,414) Non-consolidated 3,247 (M 2,629 F 618)
Representative	Michio Miyahara (President and Representative Director) Junichi Noguchi (Executive Vice President and Representative Director)
Business year	From April 1 to March 31 in the following year
Date of record for shareholders eligible to receive dividends	March 31 (The company doesn't pay an interim dividend.)
Group	32 consolidated subsidiaries and two equity method companies



(As of March 31, 2019)

Business Sites (Non-Consolidated) (As of March 31, 2019)

- Head Office
- Branch/Administration Support Center/
Order Control Center
- Plant/Chilled Products Coordination
Center/
- ▲ Engineering Research Center
- ▲ Research/Information Center



Business Sites (Overseas) (As of March 31, 2019)

● MILEI GmbH

Established as a Japanese-German joint venture in 1972. It is now a wholly owned subsidiary of Morinaga Milk Industry. It manufactures products such as whey protein, lactose, and lactoferrin.

● Morinaga Milk Industry (Shanghai) Co., Ltd.

The wholly owned subsidiary was established in Shanghai in 2011.

● Morinaga Nutritional Foods (Asia Pacific) Pte., Ltd.

Established in Singapore in 2015, this company markets dairy raw materials, such as whey protein concentrate and lactose, and Bifidobacteria, to infant formula manufacturers and other users in Southeast Asia and the Pacific region.

● Morinaga Nutritional Foods

Established in Los Angeles in 1985, this company supplies long-life TOFU made possible by Morinaga technology throughout the United States.

● PT. Kalbe Morinaga Indonesia

This infant formula manufacturing company is a joint venture with Kalbe, Indonesia's biggest pharmaceutical manufacturer.

Chronology of Morinaga Milk (1917-1971)

- Sep. 1917 Founded as Nippon Rennyu Co., Ltd. *To procure condensed milk for the Milk Caramel of Morinaga & Co., Ltd.
- May. 1919 Launched Morinaga Milk, small cans of condensed milk
- Jul. 1920 Merged Nippon Rennyu with Morinaga & Co., Ltd.
- Nov. 1921 Launched Morinaga Dried Milk (infant formula) *It is Japan's first domestically infant formula by machinery.
- Apr. 1927 Split off the Rennyu Division to establish Morinaga Rennyu Co., Ltd.
- Dec. 1929 Launched Morinaga Pasteurized Milk (bottled milk)
- May. 1941 Changed company name to Morinaga Milk Industry Co., Ltd.
- Oct. 1942 Merged Morinaga & Co., Ltd. with Morinaga Milk Industry Co., Ltd., Morinaga Food Industry Co., Ltd., Tokai Seika KK, Ltd., and Morinaga Kansai Milk Co., Ltd.
- Apr. 1949 Re-established Morinaga Milk Industry Co., Ltd.
- Sep. 1954 Listed shares on the Tokyo Stock Exchange
- Aug. 1955 Morinaga arsenic milk poisoning incident occurred
- Apr. 1961 Launched Creap (creaming powder)
- Feb. 1970 Established affiliation with Kraft, Inc. *currently Kraft Foods Group, Inc. and Mondelez International, Inc.
- Dec. 1971 Conclusion of a trademark licensing agreement with Sunkist Growers, Inc.

Chronology of Morinaga Milk (1972-2018)

- Feb. 1972 Established MILEI GmbH, a joint venture company in West Germany
- Apr. 1974 Established Hikari Foundation
- Nov. 1978 Launched Morinaga Bifidus Yogurt
- May. 1984 Established affiliation with Lipton Japan *currently Unilever Japan Beverage K.K.
- May. 1985 Established Morinaga Nutritional Foods, Inc. to expand the sales of aseptically packaged tofu in the U.S.
- Feb. 1993 Launched Mt. RAINIER CAFFE LATTE (milk-based beverage in an aseptic cup)
- Dec. 1994 Launched Morinaga Aloe Yogurt
- Apr. 2005 Launched PARM (ice cream bar)
- Sep. 2011 Launched PARTHENO, a Greek-style thick yogurt
- Nov. 2011 Concluded a technical assistance agreement with the Want Want Group
- May. 2012 Capitalized MILEI GmbH as a wholly owned subsidiary
- Dec. 2015 Established Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd. in Singapore
- Oct. 2016 New factory for MILEI GmbH begins operation
- Sep. 2017 Celebrated the 100th anniversary of the founding of Morinaga Milk Industry, Co., Ltd.



“For Ever Brighter Smiles”
MORINAGA MILK INDUSTRY CO., LTD.

Cautionary Note Regarding Business Forecasts

Figures for plans, policies, and other figures included in this report other than actual past results are forecasts of future business performance, and are calculated based on management’s estimates and understanding of the information available to the Company at the time this presentation was prepared. Accordingly, these forward-looking figures contain elements of risk and uncertainty, and actual results may differ from these forecasts for a variety of reasons. These elements of potential risk and uncertainty include economic conditions in the Company’s major markets, trends in demand for the Company’s products, exchange rate movements, and regulatory changes and changes in accounting standards and business practices in Japan and other countries. Monetary amounts in this presentation are shown in billions of yen, with amounts of less than 0.1 billion yen rounded to the nearest 0.1 billion yen, and as a result, total figures may differ from the sum of the corresponding breakdown figures.