



November 10, 2022

## Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 <Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.  
Listed stock exchange: Tokyo  
Securities code: 2264  
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Submission of quarterly report: November 11, 2022

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, 2023 (April 1, 2022 to September 30, 2022)

#### (1) Consolidated operating results (Cumulative)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	269,962	3.3	14,620	(29.5)	15,723	(26.8)	8,478	(50.8)
Six months ended September 30, 2021	261,346	–	20,730	–	21,471	–	17,242	–

(Note) Comprehensive income: Six months ended September 30, 2022: ¥11,999 million / (35.0)%

Six months ended September 30, 2021: ¥18,466 million / –%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	187.55	187.23
Six months ended September 30, 2021	348.37	347.78

(Note) The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and related guidance from the beginning of the fiscal year ended March 31, 2022. Accordingly, all figures for the second quarter of the fiscal year ended March 31, 2022 are figures after application of the said standard and guideline, and no year-on-year changes are presented.

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	465,160	216,881	46.2
As of March 31, 2022	458,788	208,026	44.9

(Reference) Shareholders' equity: As of September 30, 2022: ¥214,700 million As of March 31, 2022: ¥205,896 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, 2022	–	–	–	80.00	80.00
Fiscal year ending March 31, 2023	–	–			
Fiscal year ending March 31, 2023 (Forecast)			–	90.00	90.00

(Note) Amendment to forecasts of dividends recently announced: None

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	520,000	3.3	22,000	(26.2)	23,500	(24.5)	16,000	(52.6)	353.91

(Note) Amendment to forecasts of consolidated financial results recently announced: Yes

**\* Notes**

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022: None  
(changes in specified subsidiaries affecting the scope of consolidation)

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

- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes  
For details, refer to page 11 of the attached materials, “2. Quarterly Consolidated Financial Statements and Notes (3) Notes regarding the quarterly consolidated financial statements (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

- (4) Number of shares issued (common stock)

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

As of September 30, 2022	47,845,343 shares
As of March 31, 2022	49,845,343 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2022	2,627,342 shares
As of March 31, 2022	4,641,538 shares

- (iii) Average number of shares during period

For the six months ended September 30, 2022	45,209,594 shares
For the six months ended September 30, 2021	49,495,491 shares

\* Quarterly financial results are not subject to review by a certified public accountant or audit corporation.

\* 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 6 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 second quarter of the consolidated fiscal year under review, diverse geopolitical risks, such as the prolonged situation in Ukraine, caused various impacts. Given also the impact of tight monetary policy around the world, there are downside risks to the global economy. In Japan, the economy is expected to pick up along with normalization of economic and social activities as the country continues to take all possible precautionary measures against the pandemic. Still given such developments as rising prices, which are visibly affecting households and businesses, the trends in the domestic and global situation will continue to require close monitoring.

Under these circumstances, the Morinaga Milk Group has made every effort to continue supplying products to the extent possible, while giving the utmost consideration to the safety and health of employees, in order to fulfill its mission as a company that manufactures foods that are essential to daily life. Under the new Medium-term Business Plan 2022–2024, which began in the current fiscal year, the Morinaga Milk Group is striving to provide health value and tastiness and delightfulness that are unique to it. In particular, against the backdrop of increasing health needs in and outside Japan, the Group has been expanding products in the “five domains of wellness,” including yogurt and functional ingredients, that take into consideration various health issues.

Meanwhile, raw material and energy prices and logistics costs surged at levels significantly different from the past environment, due to uncertainty over the situation in Ukraine, in addition to a global rise in demand and depreciation of the yen. To counter this situation, we revised prices of cheeses, ice creams, and other products, improved our product mix through expansion of high-profit-margin businesses and products, and reviewed Group-wide costs. However, the environment remained very challenging due to abrupt changes in the cost structure and changes in consumption trends.

<Morinaga Milk Group’s 10-year vision and Medium-term Business Plan 2022–2024>

The Group established the Morinaga Milk Group 10-year Vision in April 2019, setting out its vision for the next 10 years. Under the vision, the Morinaga Milk Group sees itself one decade ahead in terms of becoming:

- “a company that balances ‘delicious and pleasurable food’ with ‘health and nutrition’,”
- “a global company that exerts a unique presence worldwide,” and
- “a company that persistently helps make social sustainability a reality,”

based on which we have established targets for the fiscal year ending March 31, 2029, aiming to achieve:

- an “operating profit margin of at least 7%,” an “ROE of at least 10%,” and a “ratio of overseas sales of at least 15%.”

Underpinned by this vision, we have established three basic policies for the three-year Medium-term Business Plan 2022–2024 that extends through the fiscal year ending March 31, 2025, which are:

- “achieving sustainable growth by increasing the added value of our business,”
- “further strengthening our business base with an eye on the future,” and
- “financial strategies focused on efficiency,”

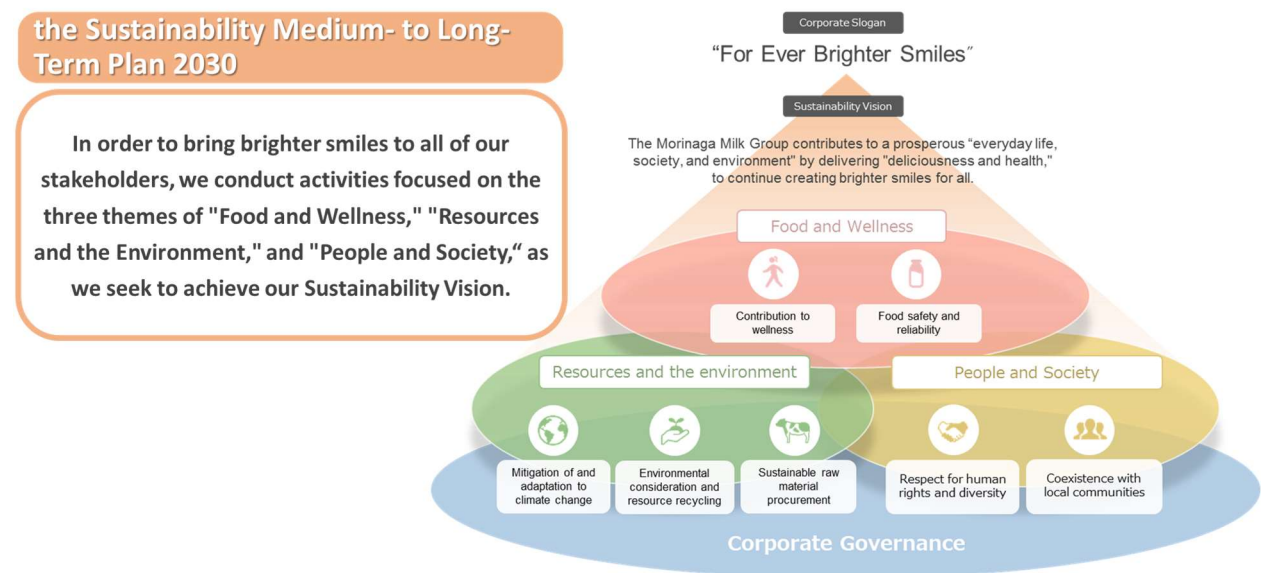
and will aim to resolve societal issues and improve sales growth and profitability as we pursue the plan. Additionally, we have formulated the “Sustainability Medium- to Long-Term Plan 2030,” in which 2030 targets and KPIs have been set for the three themes of “Food and Wellness,” “Resources and the Environment,” and “People and Society.” It is placed at the core of management and is carried out in conjunction with the Medium-term Business Plan.

With respect to numerical targets for the final fiscal year of the Medium-Term Business Plan (ending March 31, 2025), we are aiming for net sales of ¥540 billion, operating profit of ¥25 billion, profit attributable to owners of parent of ¥15.4 billion, operating profit to net sales ratio of 4.6%, ROE of 6%, and global business sales ratio of 13%.

(Reference material 1) Overview of the Medium-term Business Plan 2022–2024



(Reference material 2) Sustainability Medium- to Long-Term Plan 2030



<Key initiatives for the fiscal year under review>

The current fiscal year is an important starting year for the Group as it moves toward a new stage of growth. We will strive to further strengthen our corporate structure and business while responding to the drastically changing environment.

- Deal with cost increases driven by higher raw materials and energy prices.
  - Minimize the impact of cost increases through price revisions, product mix improvement, rationalization, and other measures
- Promote initiatives in line with the policies of Medium-term Business Plan 2022–2024 and Sustainability Medium- to Long-Term Plan 2030.
  - Provide products that meet the needs of customers, offer high-value-added products, and promote the value of products by pursuing health value and tastiness and delightfulness that are unique to the Morinaga Milk Group
  - Expand products in the “five domains of wellness,” including yogurt and functional ingredients, that take into account various health issues
  - Expand the Global Business (Expansion of existing businesses, conclusion of agreement for transfer of shares in NutriCo Morinaga (Private) Limited, etc.)
  - Promote sales activities that respond to environmental changes caused by COVID-19, mainly in the B-to-B Business (commercial dairy products)
  - Invest in growth areas to further strengthen the business base  
(Start of operation in May 2022: expanded drink yogurt production line at the Tone Plant, planned start of operation in April 2024: expanded manufacturing building at the Kobe Plant)
  - Efforts to promote sustainability management  
(Contribution to wellness through our main business, measures to address environmental issues such as climate change and the problem of plastics, giving due consideration to human rights and diversity, promotion of sustainability awareness throughout the Group, the Group’s first issuance of Green Bonds, etc.)

As a result, consolidated net sales increased. In the Nutrition and Healthcare Foods Business and the Core Dairy Foods Business, we made efforts to revise prices of cheese, ice cream, and other products, and to provide high-value-added products such as functional yogurt and “Mt. RAINIER CAFFÈ LATTE.” Although a sales volume decrease following price revisions and changes in consumption trends in Japan especially affected the Core Dairy Foods Business, overall sales increased due to the expansion of the B-to-B Business through increased sales of commercial dairy products, as well as growth in the Global Business.

Consolidated profits were significantly affected by rising raw material and energy prices caused by a global increase in demand and the continuing depreciation of the yen. In response, we promoted price revisions, improved product mix, and conducted Group-wide cost reviews, but were unable to absorb the large cost increases, resulting in an overall profit decline from the previous year.

Consolidated net sales	¥269,962 million	(+3.3% YoY)
Consolidated operating profit	¥14,620 million	(-29.5% YoY)
Consolidated ordinary profit	¥15,723 million	(-26.8% YoY)
Profit attributable to owners of parent	¥8,478 million	(-50.8% YoY)
(Other important operating indicators)		
Operating profit to net sales	5.4%	
ROE	4.0%	
Global business sales ratio	10.9%	

(Reference) Overview of the results by business field (four pillars of business) in the Medium-term Business Plan 2022–2024

1. Nutrition and Healthcare Foods Business: While overall net sales of the business were in line with those of the previous fiscal year, the yogurt segment enjoyed higher net sales reflecting the solid performance of “Bifidus Yogurt Improves Bowel Movement” as we continued to promote functional yogurts against the backdrop of increasing health needs. CLINICO Co., Ltd., which handles products such as liquid foods, also recorded an increase in sales.

On the profit side, although efforts were made to improve the product mix and reduce costs in the face of rising raw material and energy prices, the business as a whole recorded a profit decline.

Nutrition and Healthcare Foods Business net sales	¥61,949 million	(+0.0% YoY)
Nutrition and Healthcare Foods operating profit	¥3,468 million	(-¥2,293 million YoY)

2. Core Dairy Foods Business: Although the business was significantly affected by rising raw material and energy prices, and efforts were made to revise prices of cheeses, ice creams, and “Morinaga Yaki Pudding” and to expand high-value-added products such as “Mt. RAINIER CAFFÈ LATTE,” the business as a whole recorded a decline in sales and profits, partly due to a sales volume decrease following price revisions and changes in consumption trends in Japan.

Core Dairy Foods Business net sales	¥93,065 million	(-7.3% YoY)
Core Dairy Foods Business operating profit	¥5,566 million	(-¥4,200 million YoY)

3. B-to-B Business: In the commercial dairy product segment, which accounts for a high percentage of total sales, we worked on responding to environmental changes caused by the pandemic and proceeded with price revisions and other measures, to record an increase in net sales for the business as a whole. We continue to see high interest in functional ingredients, including the Company’s own bacteria, as a result of increasing health needs.

In terms of profits, although there was an increase in sales, profits were lower than the previous fiscal year, mainly due to the impact of higher raw material and energy prices.

B-to-B Business net sales	¥45,579 million	(+14.2% YoY)
B-to-B Business operating profit	¥838 million	(-¥735 million YoY)

4. Global Business: Exports of infant and toddler milk and bacteria remained solid, and MILEI GmbH, which manufactures and sells dairy ingredients, responded to rising raw material market conditions by passing on prices. The depreciating yen also contributed to an increase in sales for the business as a whole.

On the profit side, despite such factors as the impact of rising raw material and energy prices on a global scale, the moderation of the contribution of lactoferrin at MILEI, and expenditure for growth, the business as a whole recorded an increase in profit, helped in part by the positive effect of higher net sales and the depreciation of the yen.

Global Business net sales	¥29,389 million	(+40.4% YoY)
Global Business operating profit	¥3,343 million	(+¥139 million YoY)



## (2) Explanation of consolidated financial position

Total assets at the end of the second quarter of the consolidated fiscal year under review increased by ¥6,372 million to ¥465,160 million compared to the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable–trade and contract assets from seasonal factors, despite a decrease in cash and deposits.

Total liabilities were ¥248,279 million, down ¥2,482 million from the end of the previous fiscal year. This was mainly due to a decline in income taxes payable, despite an increase in accrued expenses of current liabilities.

Net assets were ¥216,881 million, up ¥8,854 million from the end of the previous fiscal year. This was mainly attributable to an increase in foreign currency translation adjustment.

As a result, the shareholders' equity ratio was 46.2%, compared with 44.9% at the end of the previous fiscal year.

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

Regarding our earnings forecasts for the fiscal year ending March 31, 2023, in light of the progress made by the second quarter and the outlook for market conditions, we are downwardly revising our forecast for operating profit to ¥22.0 billion and ordinary profit to ¥23.5 billion. The forecast for profit attributable to owners of parent is revised to ¥16.0 billion, in view of the scheduled conversion of NutriCo Morinaga in Pakistan into a subsidiary, which is expected to generate approximately ¥3.0 billion of extraordinary income at the time of acquisition of the shares in said company, as a result of fair market valuation of the shares held from the outset. The target for net sales remains unchanged at ¥520 billion.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	520,000	25,000	25,900	15,800	349.52
Revised forecast (B)	520,000	22,000	23,500	16,000	353.91
Change (B-A)	–	(3,000)	(2,400)	200	–
Change (%)	–	(12.0)	(9.3)	1.3	–
(Reference) Results for the fiscal year ended March 31, 2022	503,354	29,792	31,127	33,782	687.45

(Note) 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 results may vary with respect to the forecast amounts due to various unforeseen factors.

(Reference) Forecast for the fiscal year ending March 2023 by business field (four pillars of business) in the Medium-term Business Plan 2022–2024

Nutrition and Healthcare Foods Business net sales	¥124,000 million	(+0.8% YoY)
Nutrition and Healthcare Foods Business operating profit	¥4,900 million	(-¥4,202 million YoY)
Core Dairy Foods Business net sales	¥166,000 million	(-8.4% YoY)
Core Dairy Foods Business operating profit	¥4,200 million	(-¥6,562 million YoY)
B-to-B Business net sales	¥91,800 million	(+11.7% YoY)
B-to-B Business operating profit	¥1,400 million	(-¥1,247 million YoY)
Global Business net sales	¥62,300 million	(+42.0% YoY)
Global Business operating profit	¥9,700 million	(+¥3,417 million YoY)

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	23,607	20,071
Notes and accounts receivable–trade and contract assets	63,298	70,400
Merchandise and finished goods	51,015	48,648
Work in process	1,724	1,240
Raw materials and supplies	17,709	20,676
Other	7,019	10,575
Allowance for doubtful accounts	(247)	(302)
Total current assets	164,127	171,311
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	85,344	83,932
Machinery, equipment and vehicles, net	91,761	93,294
Land	54,003	53,809
Other, net	16,336	16,047
Total property, plant and equipment	247,446	247,084
Intangible assets	9,735	9,953
Investments and other assets		
Investment securities	21,583	21,772
Other	16,055	15,196
Allowance for doubtful accounts	(158)	(157)
Total investments and other assets	37,479	36,811
Total non-current assets	294,660	293,848
<b>Total assets</b>	<b>458,788</b>	<b>465,160</b>

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	52,122	53,473
Electronically recorded obligations–operating	4,668	5,011
Short-term borrowings	3,084	5,898
Current portion of long-term borrowings	7,905	7,844
Income taxes payable	10,036	4,747
Accrued expenses	34,474	36,405
Deposits received	16,215	17,483
Other	13,992	18,466
Total current liabilities	142,500	149,330
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term borrowings	26,051	23,212
Retirement benefit liability	21,146	21,204
Other	11,063	4,532
Total non-current liabilities	108,261	98,949
Total liabilities	250,762	248,279
<b>Net assets</b>		
Shareholders' equity		
Share capital	21,821	21,821
Capital surplus	19,980	19,978
Retained earnings	183,884	178,197
Treasury stock	(25,476)	(14,428)
Total shareholders' equity	200,210	205,569
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,497	7,653
Deferred gains or losses on hedges	(41)	(21)
Foreign currency translation adjustment	(613)	2,560
Remeasurements of defined benefit plans	(1,156)	(1,062)
Total accumulated other comprehensive income	5,685	9,130
Subscription rights to shares	174	166
Non-controlling interests	1,955	2,013
Total net assets	208,026	216,881
Total liabilities and net assets	458,788	465,160

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

(Consolidated statements of income)  
(April 1, 2022 – September 30, 2022)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	261,346	269,962
Cost of sales	194,137	207,475
Gross profit	67,208	62,487
Selling, general and administrative expenses	46,478	47,866
Operating profit	20,730	14,620
Non-operating income		
Interest income	20	20
Dividends income	638	525
Rental income from buildings	143	142
Share of profit of entities accounted for using equity method	16	–
Foreign exchange gains	4	519
Other	529	474
Total non-operating income	1,353	1,682
Non-operating expenses		
Interest expenses	378	367
Share of loss of entities accounted for using equity method	–	31
Other	233	180
Total non-operating expenses	611	579
Ordinary profit	21,471	15,723
Extraordinary income		
Gain on sales of non-current assets	4,137	409
Other	239	45
Total extraordinary income	4,376	454
Extraordinary losses		
Gain on disposal of non-current assets	225	267
Contributions to the public interest incorporated foundation Hikari Kyokai	800	860
Impairment losses	–	1,226
Other	325	577
Total extraordinary losses	1,351	2,931
Profit before income taxes	24,496	13,246
Income taxes	7,185	4,688
Profit	17,311	8,558
Profit attributable to non-controlling interests	69	79
Profit attributable to owners of parent	17,242	8,478

(Consolidated statements of comprehensive income)  
(April 1, 2022 – September 30, 2022)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	17,311	8,558
Other comprehensive income		
Valuation difference on available-for-sale securities	211	150
Deferred gains or losses on hedges	(108)	21
Foreign currency translation adjustment	926	3,114
Remeasurements of defined benefit plans	81	94
Share of other comprehensive income of entities accounted for using equity method	44	60
Total other comprehensive income	1,155	3,441
Comprehensive income	18,466	11,999
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,431	11,923
Comprehensive income attributable to non-controlling interests	35	75

### **(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)

In accordance with the resolution made at the meeting of the Board of Directors held on August 9, 2022, the Company cancelled 2,000,000 shares of its treasury stock effective August 16, 2022. As a result of the cancellation, retained earnings decreased by ¥10,970 million and treasury shares decreased by ¥10,970 million. Reflecting the foregoing and other factors, retained earnings stood at ¥178,197 million and treasury shares at ¥14,428 million as of the end of the second quarter of the consolidated fiscal year under review.

(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, 2023, including this second quarter of the fiscal year under review after accounting for the tax effects, and multiplies profit before income taxes during the second quarter of the fiscal year ending March 31, 2023 by said estimated effective tax rate.

(Changes in accounting policies)

(Application of implementation guidance on accounting standard for fair value measurement)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Implementation Guidance") from the beginning of the first quarter of the fiscal year ending March 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Group has decided to apply the new accounting policies set forth by the Fair Value Measurement Implementation Guidance going forward. This will have no impact on the quarterly consolidated financial statements.