



November 9, 2023

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2024 <Japanese GAAP>

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 Listed stock exchange: Tokyo
 Securities code: 2264
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Submission of quarterly report: November 10, 2023

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, 2024 (April 1, 2023 to September 30, 2023)

(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, 2023	286,580	6.2	20,856	42.7	21,830	38.8	59,174	597.9
Six months ended September 30, 2022	269,962	3.3	14,620	(29.5)	15,723	(26.8)	8,478	(50.8)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥63,978 million / 433.2%
 Six months ended September 30, 2022: ¥11,999 million / (35.0)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	1,327.55	1,325.98
Six months ended September 30, 2022	187.55	187.23

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	571,614	280,724	48.2
As of March 31, 2023	487,441	228,249	45.7

(Reference) Shareholders' equity: As of September 30, 2023: ¥275,623 million As of March 31, 2023: ¥222,902 million

(Note) Provisional accounting treatments for business combinations were finalized in the second quarter of the fiscal year under review, and the contents of finalization of the provisional accounting treatments are reflected on the figures for the previous fiscal year.

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, 2023	–	–	–	90.00	90.00
Fiscal year ending March 31, 2024	–	–			
Fiscal year ending March 31, 2024 (Forecast)			–	50.00	50.00

(Note) Amendment to forecasts of dividends recently announced: Yes

* Because the Company is planning a stock split at a ratio of two shares for every share of common stock with an effective date of December 1, 2023, dividend per share forecasts for FYE Mar. 2024 take the impact of this stock split into account. If this stock split were not taken into account, the year-end dividend per share forecast for FYE Mar. 2024 would be 100.00 yen. For details of the stock split, please refer to “Proper use of earnings forecasts, and other special matters.”

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	550,000	4.6	27,000	12.8	28,000	11.0	61,700	265.6	697.99

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

* Because the Company is planning a stock split at a ratio of two shares for every share of common stock with an effective date of December 1, 2023, profit per share in the consolidated earnings forecasts for FYE Mar. 2024 takes the impact of this stock split into account. If this stock split were not taken into account, profit per share in the consolidated earnings forecasts for FYE Mar. 2024 would be 1,395.99 yen. For details of the stock split, please refer to “Proper use of earnings forecasts, and other special matters.”

*** Notes**

(1) Changes in significant subsidiaries during the six months ended September 30, 2023: 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 12 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: 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 the end of the period (including treasury shares)

As of September 30, 2023	47,845,343 shares
As of March 31, 2023	47,845,343 shares

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

As of September 30, 2023	4,023,425 shares
As of March 31, 2023	2,607,118 shares

(iii) Average number of shares during period

For the six months ended September 30, 2023	44,574,420 shares
For the six months ended September 30, 2022	45,209,594 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 7 of the attached materials, “1. Qualitative Information on Quarterly Results (3) Explanation of forward-looking information including consolidated earnings forecasts.”

At the meeting held on November 9, 2023, the Board of Directors of the Company resolved to execute a 2-for-1 stock split of its common stock on the effective date December 1, 2023.

[Attached Materials]

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1. Qualitative Information on Quarterly Results

(1) Explanation of consolidated operating results

In the first six months of the consolidated fiscal year under review, the prolonged situation in Ukraine, tight monetary policy around the world, and other factors had various impacts on international society and posed downside risks to the global economy. In Japan, economic activity picked up as a result of the easing of rules related to infectious disease countermeasures, and although a moderate recovery in business conditions is expected to continue owing to rising demand for labor, higher wages, and a resurgence in inbound tourist demand, the negative impact of higher prices on household finances and companies could also continue. Given such developments, the trends in the domestic and global situation will continue to require close monitoring.

Under these circumstances, based on the new Medium-term Business Plan 2022–2024, which began in the previous 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.

In the Global Business, as well as the core MILEI GmbH business, we are moving forward with further initiatives aimed at achieving growth over the medium to long term, such as by steadily getting business plans underway at the M&A implemented in the previous fiscal year in Pakistan, the U.S., and Vietnam.

On the other hand, we continued to be affected by higher costs, such as increased dairy ingredient, raw material and energy prices, as well as various operation costs. A further rise in costs was driven by an increase in the trade price of raw milk for beverages and fermented milk products from August 2023. To counter this situation, further efforts were made to absorb the costs such as by revising prices, improving the product mix through expansion of high-profit-margin businesses and products, expanding the Global Business, and reviewing Group-wide costs. As a result of continuing to promote existing initiatives, both net sales and profit increased in the six months ended September 30, 2023.

<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 “Global Business sales ratio of at least 15%.”

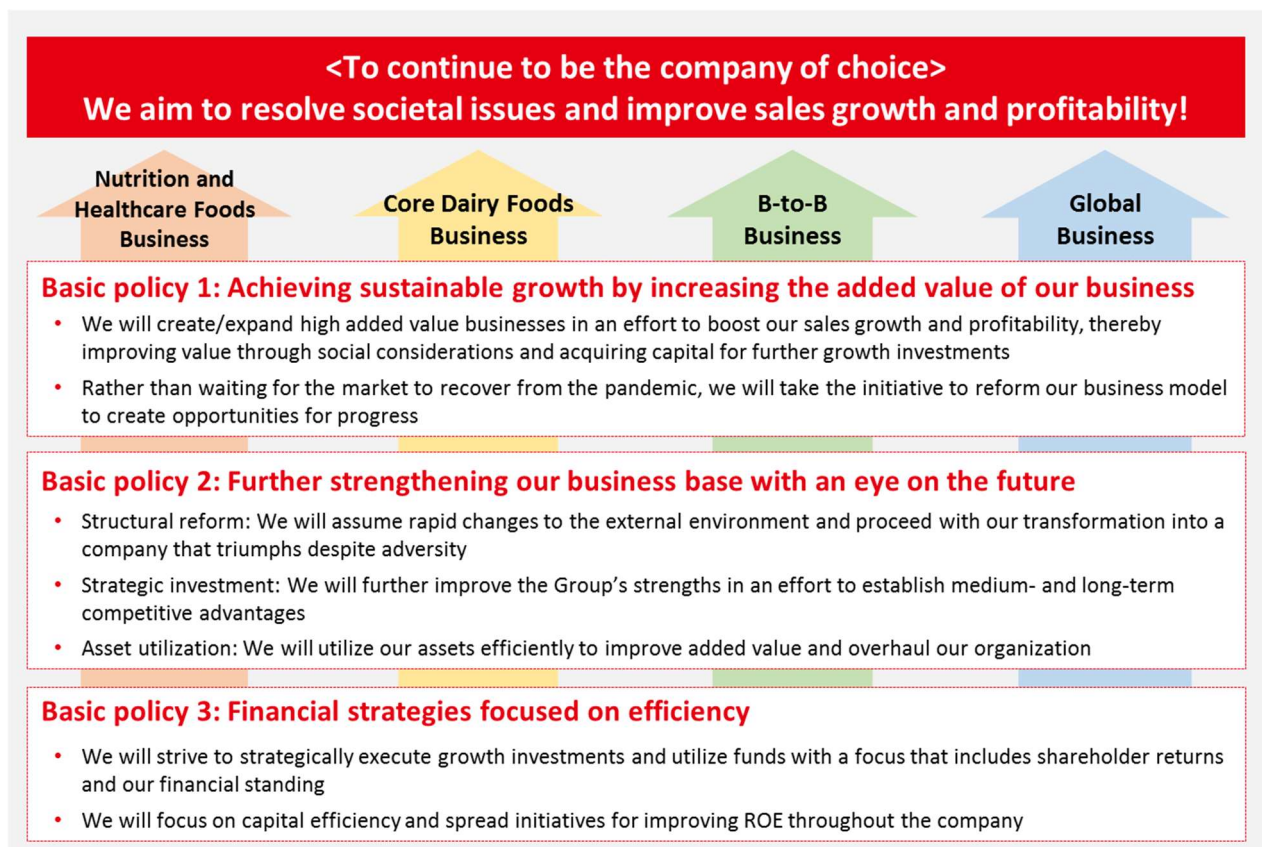
Underpinned by this vision, we have established three basic policies for the three-year Medium-term Business Plan 2022–2024 that extends through the fiscal year ending March 31, 2025, which are:

- “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,”

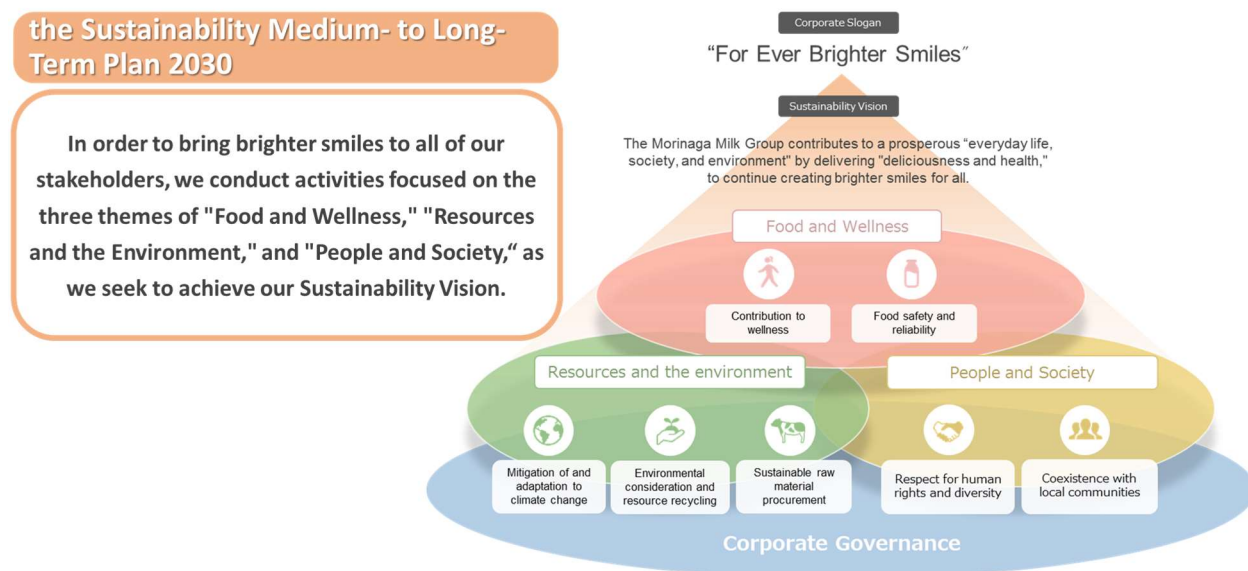
and aim to balance resolution of social issues and improvement of profitability as we pursue the plan. Additionally, we have formulated the “Sustainability Medium- to Long-Term Plan 2030,” in which 2030 targets and KPIs have been set for the three themes of “Food and Wellness,” “Resources and the Environment,” 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 ¥540.0 billion, operating profit of ¥25.0 billion, profit attributable to owners of parent of ¥16.0 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 new Medium-term Business Plan 2022–2024



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



The first basic policy of the Medium-term Business Plan is “Achieving sustainable growth by increasing the added value of our business,” to which end we have reconfigured our business structure by combining the previous business fields of the B-to-C and Wellness businesses and reorganizing them as (1) the Nutrition and Healthcare Foods Business and (2) the Core Dairy Foods Business, which together with (3) the B-to-B Business and (4) the Global Business comprise the four new pillars of our business. We are working on expanding these pillars individually and are also seeking in particular to accelerate the provision of health value laterally across the four pillars by expanding products in the “five domains of wellness,” as well as striving for renewed growth of our proprietary functional ingredients and bacteria and portfolio transformation of the Global Business. Through our business activities, we will contribute to the “wellness” and “happiness” of consumers by providing “health value” and “tastiness and delightfulness.”

The second basic policy is “Further strengthening our business base with an eye on the future,” which is being pursued from the perspectives of structural reform, strategic investments, and asset utilization. Structural reform is being carried out by strengthening resilience to changes in the external environment and other measures. As strategic investments, our plan includes strengthening of R&D functions and growth investments and environment-related investments that are in line with our 10-year vision. In terms of asset utilization, we are strengthening our intellectual property base and promoting utilization of domestic milk resources.

The third basic policy of “Financial strategies focused on efficiency” aims to carry out strategic investments for growth and make use of funds by paying attention to shareholder returns and financial position, to be pursued in tandem with improvement of ROE focusing on capital efficiency. With respect to shareholder returns, we maintain the basic policy of paying stable and long-term dividends, and will raise the target payout ratio to 30% from the previous target of 20%. Additionally, we will take measures that give due consideration to total payout ratio. Treasury shares that we hold will, in principle, be canceled, except for a certain portion that will be retained to allow for a flexible capital policy in the future. Based on this policy, we announced “Notice Concerning Decision on Matters Relating to Acquisition of Treasury Shares and Cancellation of Treasury Shares” in May 2023, and “Notice Regarding Results and Completion of Acquisition of Treasury Stock” and “Notice Concerning Cancellation of Treasury Shares” in November 2023.

<Key initiatives for the fiscal year under review>

The fiscal year ending March 31, 2024, has been positioned as an important year for preparations to achieve the Medium-Term Business Plan 2022–2024. While continuing to forge ahead with various initiatives and responding to dramatic changes in the environment, we will endeavor to further strengthen our corporate structure and business.

- Deal with cost increases driven by higher raw material milk, 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, mainly in the Nutrition and Healthcare Foods Business
 - Promote initiatives for further expansion of the Global Business
 - Strengthen the profit base of the Core Dairy Foods Products that constitute the Group’s business foundation and implement a recovery in the B-to-B Business (commercial dairy products)
 - Invest in growth areas to further strengthen the business base
(Planned start of operation in April 2024: expanded manufacturing building at the Kobe Plant and other initiatives)
 - Strengthen shareholder returns

(“Notice Concerning Decision on Matters Relating to Acquisition of Treasury Shares and Cancellation of Treasury Shares” announced in May 2023)

- 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, 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 yogurt, infant formula, beverages, cheese, milk, chilled desserts, and other products, and to provide high-value-added products such as functional yogurt, “Mt. RAINIER CAFFÈ LATTE,” and ice cream. Overall net sales increased due to price revisions, the increase in revenue in the B-to-B Business following the recovery in consumption, growth of subsidiaries in Japan, and growth in the Global Business, which was in part the result of a solid performance by MILEI GmbH and the contribution of newly consolidated overseas subsidiaries.

In terms of consolidated profit, we continued to be affected by higher costs in a range of areas, but centered on raw material and energy prices, and various operation costs. For raw materials in particular, the trade price of raw milk for dairy products was hiked in April 2023, and that for beverages and fermented milk products in August 2023. There have also been new cost increases, such as the temporary tax burden associated with the sale of the former Tokyo Plant site that took place in April 2023, and the amortization of goodwill from M&A deals. In response, we further promoted price revisions, improvement of product mix through expansion of high-profit-margin businesses and products, expansion of the Global Business, and Group-wide cost reviews. As a result of continuing to promote existing initiatives, both net sales and profit increased in the six months ended September 30, 2023.

Also, due in part to the recording of ¥65,700 million in extraordinary income from the sale of the former Tokyo Plant site in the first quarter of the fiscal year under review, profit attributable to owners of parent increased significantly, by 597.9% year on year, to ¥59,174 million.

Consolidated net sales	¥286,580 million	(+6.2% YoY)
Consolidated operating profit	¥20,856 million	(+42.7% YoY)
Consolidated ordinary profit	¥21,830 million	(+38.8% YoY)
Profit attributable to owners of parent	¥59,174 million	(+597.9% YoY)
(Other important operating indicators)		
Operating profit to net sales	7.3%	
ROE	23.7%	
Global Business sales ratio	12.0%	

(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: In addition to working to revise selling prices for yogurt, we continued to focus on expanding functional yogurt sales against the background of a rise in health awareness, and “Bifidus Yogurt Improves Bowel Movement” performed particularly well. Net sales increased for the business as a whole, due in part to the contribution of nutritional food products such as infant formula and CLINICO Co., Ltd., which sells liquid foods and other items.

In terms of profits, although we were affected by the rise in prices for raw materials and energy and increased operational costs, we endeavored to revise selling prices and improve the product mix and cut costs, and succeeded in increasing profits.

Nutrition and Healthcare Foods Business net sales	¥63,614 million	(+2.7% YoY)
Nutrition and Healthcare Foods operating profit	¥4,030 million	(+¥562 million YoY)

2. Core Dairy Foods Business: Although we were affected by the rise in prices for raw materials and energy and increased operational costs, we achieved higher net sales and profits for the business as a whole by revising selling prices for beverages, cheese, milk, chilled deserts, and other products, working to improve the product mix by expanding sales of high value-added products such as “Mt. RAINIER CAFFÈ LATTE” and ice cream, and cutting costs.

Core Dairy Foods Business net sales	¥95,400 million	(+2.5% YoY)
Core Dairy Foods Business operating profit	¥8,006 million	(+¥2,440 million YoY)

3. B-to-B Business: Although we were affected by the rise in prices for raw materials and energy and increased operational costs, in the commercial dairy products that account for a high percentage of sales, we moved forward with sales expansion following the recovery in consumption, and with revisions to selling prices, which resulted in higher sales and profits 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.

B-to-B Business net sales	¥47,773 million	(+4.8% YoY)
B-to-B Business operating profit	¥2,250 million	(+¥1,412 million YoY)

4. Global Business: Although the export business recorded lower revenue, a strong performance by MILEI GmbH, which manufactures and sells dairy ingredients, and contributions by NutriCo Morinaga (Pvt.) Ltd., Turtle Island Foods Holdings, Inc., and Morinaga Le May Vietnam Joint Stock Company, which became new consolidated subsidiaries through M&A, led to higher sales for the business as a whole.

In terms of profits, despite the rise in prices for raw materials and energy, and the increase in amortization of goodwill resulting from M&A and other factors, the impact of higher sales contributed to higher profit for the business as a whole.

Global Business net sales	¥34,324 million	(+16.8% YoY)
Global Business operating profit	¥3,981 million	(+¥638 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 ¥84,172 million to ¥571,614 million compared to the end of the previous fiscal year. This was mainly due to an increase in cash and deposits and notes and accounts receivable–trade and contract assets from seasonal factors, despite a decrease in “other” of current assets.

Total liabilities were ¥290,889 million, up ¥31,696 million from the end of the previous fiscal year. This was mainly due to an increase in income taxes payable, despite a decrease in commercial papers.

Net assets were ¥280,724 million, up ¥52,475 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 was 48.2%, compared with 45.7% 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, 2024, as announced on October 26, 2023, we upwardly revised our forecast for operating profit to ¥27.0 billion, ordinary profit to ¥28.0 billion, and profit attributable to owners of parent to ¥61.7 billion. The forecast for net sales remains unchanged.

The year-end dividend forecast for FYE Mar. 2024 is unchanged from that announced on October 26, 2023, under which it is set to increase to 100 yen per share (2-for-1 stock split will be made on December 1, 2023. 50 yen per share when taking this stock split into account).

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

Nutrition and Healthcare Foods Business net sales	¥127,000 million	(+2.7% YoY)
Nutrition and Healthcare Foods Business operating profit	¥6,700 million	(+¥1,121 million YoY)
Core Dairy Foods Business net sales	¥178,000 million	(+4.6% YoY)
Core Dairy Foods Business operating profit	¥8,900 million	(+¥3,763 million YoY)
B-to-B Business net sales	¥98,000 million	(+5.2% YoY)
B-to-B Business operating profit	¥3,700 million	(+¥2,202 million YoY)
Global Business net sales	¥63,800 million	(+7.5% YoY)
Global Business operating profit	¥5,500 million	(-¥4,643 million YoY)

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	21,096	68,955
Notes and accounts receivable–trade and contract assets	65,354	86,751
Merchandise and finished goods	49,482	48,880
Work in process	1,221	1,206
Raw materials and supplies	23,679	24,674
Other	18,676	14,952
Allowance for doubtful accounts	(322)	(615)
Total current assets	179,189	244,805
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	84,576	84,797
Machinery, equipment and vehicles, net	94,940	95,321
Land	53,959	53,793
Other, net	15,879	29,175
Total property, plant and equipment	249,355	263,086
Intangible assets		
Goodwill	9,956	13,035
Other	12,946	12,557
Total intangible assets	22,903	25,592
Investments and other assets		
Investment securities	21,760	25,181
Other	14,377	13,012
Allowance for doubtful accounts	(145)	(65)
Total investments and other assets	35,992	38,128
Total non-current assets	308,252	326,808
Total assets	487,441	571,614

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable–trade	53,844	59,066
Electronically recorded obligations–operating	4,600	5,416
Short-term borrowings	5,233	5,196
Current portion of long-term borrowings	7,952	7,826
Commercial papers	10,000	–
Current portion of bonds payable	–	10,000
Income taxes payable	2,927	27,958
Accrued expenses	35,991	37,836
Deposits received	15,733	20,831
Other	20,324	25,937
Total current liabilities	156,607	200,069
Non-current liabilities		
Bonds payable	55,000	45,000
Long-term borrowings	20,196	17,934
Retirement benefit liability	21,483	21,659
Other	5,905	6,225
Total non-current liabilities	102,585	90,819
Total liabilities	259,192	290,889
Net assets		
Shareholders' equity		
Share capital	21,821	21,821
Capital surplus	19,985	19,998
Retained earnings	186,518	241,612
Treasury stock	(14,316)	(21,869)
Total shareholders' equity	214,009	261,562
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,591	10,945
Deferred gains or losses on hedges	(49)	68
Foreign currency translation adjustment	1,549	4,118
Remeasurements of defined benefit plans	(1,198)	(1,071)
Total accumulated other comprehensive income	8,893	14,060
Subscription rights to shares	124	124
Non-controlling interests	5,222	4,976
Total net assets	228,249	280,724
Total liabilities and net assets	487,441	571,614

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

(Consolidated statements of income)
(April 1, 2023 – September 30, 2023)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	269,962	286,580
Cost of sales	207,475	215,224
Gross profit	62,487	71,356
Selling, general and administrative expenses	47,866	50,449
Operating profit	14,620	20,856
Non-operating income		
Interest income	20	27
Dividends income	525	667
Rental income from buildings	142	145
Foreign exchange gains	519	970
Other	474	469
Total non-operating income	1,682	2,280
Non-operating expenses		
Interest expenses	367	579
Share of loss of entities accounted for using equity method	31	33
Loss on valuation of derivatives	–	430
Other	180	263
Total non-operating expenses	579	1,306
Ordinary profit	15,723	21,830
Extraordinary income		
Gain on sales of non-current assets	409	65,760
Other	45	151
Total extraordinary income	454	65,911
Extraordinary losses		
Gain on disposal of non-current assets	267	122
Contributions to the public interest incorporated foundation Hikari Kyokai	860	860
Impairment losses	1,226	–
Rebuilding-related losses	191	252
Other	386	61
Total extraordinary losses	2,931	1,296
Profit before income taxes	13,246	86,445
Income taxes	4,688	27,228
Profit	8,558	59,217
Profit attributable to non-controlling interests	79	42
Profit attributable to owners of parent	8,478	59,174

(Consolidated statements of comprehensive income)
(April 1, 2023 – September 30, 2023)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	8,558	59,217
Other comprehensive income		
Valuation difference on available-for-sale securities	150	2,386
Deferred gains or losses on hedges	21	124
Foreign currency translation adjustment	3,114	2,107
Remeasurements of defined benefit plans, net of tax	94	127
Share of other comprehensive income of entities accounted for using equity method	60	14
Total other comprehensive income	3,441	4,760
Comprehensive income	11,999	63,978
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,923	64,342
Comprehensive income attributable to non-controlling interests	75	(364)

(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 May 15, 2023, the Company acquired 1,429,200 treasury shares. As a result of this and other factors, treasury shares increased by ¥7,552 million during the first six months of the fiscal year, leading to treasury shares of ¥ 21,869 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, 2024, 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, 2024 by said estimated effective tax rate.

3. Other

(Stock split and a partial amendment to the Articles of Incorporation pursuant to the stock split)

At the meeting held on November 9, 2023, the Board of Directors of the Company resolved to execute a stock split and a partial amendment to the Articles of Incorporation pursuant to the stock split.

1. Stock split

(1) Purpose of the stock split

By lowering the amount required per investment unit through a stock split, we aim to create an environment that further facilitates investment, improving the liquidity of the Company's shares and expanding the range of potential investors.

(2) Overview of the stock split

1) Method of stock split

Each share of the Company's common stock held by shareholders listed or recorded in the final shareholders' registry on the record date, November 30, 2023, will be split into two shares (2-for-1 stock split).

2) Increase in shares due to the stock split

Total number of issued shares before the stock split:	45,988,943 shares*
Increase in shares due to the stock split:	45,988,943 shares
Total number of issued shares after the stock split:	91,977,886 shares
Total number of authorized shares after the stock split:	288,000,000 shares

* The total number of issued shares before the stock split represents the number of issued shares as of today (47,845,343 shares), minus the number of treasury shares that the Board of Directors resolved to cancel at its meeting held today (1,856,400 shares of common stock). For details, please refer to "Notice Concerning Cancellation of Treasury Shares" announced today.

3) Schedule of the stock split

Date of public notice of the record date:	Monday, November 13, 2023
Record date:	Thursday, November 30, 2023
Effective date:	Friday, December 1, 2023

4) Impact on per-share information

The various items of per-share information, based on the assumption that the stock split had been conducted at the beginning of the previous fiscal year, are as follows.

	Six months ended September 30, 2022	Six months ended September 30, 2023
Basic earnings per share	93.77 yen	663.78 yen
Diluted earnings per share	93.62 yen	662.99 yen

(3) Other matters

1) Change in the amount of share capital

The share capital amount will remain unchanged at the time of the stock split.

2) Adjustment to the total number of shares of restricted stock allotted to the Company's Directors (excluding External Directors)

The allotment of a total of up to 15,000 shares of restricted stock each fiscal year to the Company's Directors (excluding External Directors) and the reasonable adjustment of this number in the case of a stock split were approved by the 95th Annual General Meeting of Shareholders held on June 28, 2018. Based on this approval, the maximum total number of shares of restricted stock will be adjusted to 30,000 shares, effective December 1, 2023.

2. Partial amendment to the Articles of Incorporation pursuant to the stock split

(1) Reasons for the amendment

The total number of authorized shares prescribed under Article 5 of the Company's Articles of Association will be amended pursuant to the stock split, effective December 1, 2023, based on the provisions of Article

184, Paragraph 2 of the Companies Act.

(2) Details of the amendment

Details of the amendment are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Amended Articles of Incorporation
(Total number of authorized shares)	(Total number of authorized shares)
Article 5. The total number of authorized shares of the Company shall be <u>144,000,000</u> shares.	Article 5. The total number of authorized shares of the Company shall be <u>288,000,000</u> shares.

(3) Schedule of the amendment to the Articles of Incorporation

Effective date: Friday, December 1, 2023