November 8, 2024

Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2025 <Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.
Listed stock exchange: Tokyo
Securities code: 2264
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Scheduled date to file semi-annual securities report: November 11, 2024
Dividend payment commencement date: December 5, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: 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, 2025 (April 1, 2024 to September 30, 2024)

(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, 2024	290,599	1.4	17,499	(16.0)	17,247	(20.8)	9,709	(83.6)
Six months ended September 30, 2023	286,590	6.2	20,825	42.4	21,776	38.5	59,121	597.3

(Note) Comprehensive income: Six months ended September 30, 2024: ¥18,415 million / (71.2)%
Six months ended September 30, 2023: ¥63,933 million / 432.8%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	113.56	113.42
Six months ended September 30, 2023	663.17	662.39

(Note 1) During the previous consolidated fiscal year, the accounting treatment for business combinations that had been applied provisionally was finalized, and this is reflected in the figures relating to the first six months of the previous consolidated fiscal year.

(Note 2) The Company executed a stock split at a ratio of two shares for every share of common stock with an effective date of December 1, 2023. Basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	543,233	286,499	51.7
As of March 31, 2024	565,998	282,135	49.0

(Reference) Shareholders' equity: As of September 30, 2024: ¥281,099 million As of March 31, 2024: ¥277,067 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, 2024	–	–	–	60.00	60.00
Fiscal year ending March 31, 2025	–	45.00			
Fiscal year ending March 31, 2025 (Forecast)			–	45.00	90.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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	560,000	2.4	28,500	2.4	28,200	0.3	18,000	(70.6)	212.98

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: – companies (Company name:)
Excluded: 1 company (Company name: MM Property Funding Corp.)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes
For details, refer to page 14 of the attached materials, "2. Semi-annual Consolidated Financial Statements and Notes (3) Notes regarding the semi-annual consolidated financial statements (Application of special accounting for preparing semi-annual 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, 2024	91,977,886 shares
As of March 31, 2024	91,977,886 shares

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

As of September 30, 2024	7,804,582 shares
As of March 31, 2024	5,186,470 shares

(iii) Average number of shares during the period

For the six months ended September 30, 2024	85,500,303 shares
For the six months ended September 30, 2023	89,148,841 shares

(Note 1) The Company executed a stock split at a ratio of two shares for every share of common stock with an effective date of December 1, 2023. Average number of shares during the period is calculated on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

(Note 2) The number of treasury shares at the end of the period and the number of treasury shares excluded from the calculation of the number of average number of shares during the period includes shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the employee stock benefit trust (J-ESOP).
Number of treasury shares at the end of the period (As of September 30, 2024: 364,800 shares)
Average number of shares during period (For the six months ended September 30, 2024: 243,716 shares)

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 Semi-annual Results (3) Explanation of forward-looking information including consolidated earnings forecasts."

[Attached Materials]

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1. Qualitative Information on Semi-annual Results

(1) Explanation of consolidated operating results

In the first six months of the consolidated fiscal year under review, the prolonged international conflicts, continuing high interest rates in Europe and the United States, and other factors had various impacts on international society and posed downside risks to the global economy. In Japan, a moderate recovery in business conditions is expected to continue owing to an improvement in the employment and income environment, but 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 Medium-term Business Plan 2022–2024, 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, and has been promoting the value of the Company's own bifidobacteria.

In the Global Business, in addition to generating stable contributions to profits from the core MILEI GmbH operations, we are working to put business plans for the Pakistan, U.S., and Vietnam regions firmly on track, and moving forward with initiatives aimed at achieving growth over the medium to long term.

On the other hand, we continue to be affected by higher costs in all aspects of operations, such as raw material prices, logistics costs, and personnel expenses. To counter this situation, the Group has continued its efforts to absorb costs through such initiatives as price revisions, improving product mix through the expansion of high-profit-margin businesses and products, and reviewing Group-wide costs.

<Key initiatives for the fiscal year under review>

The fiscal year under review is the final year of the Medium-Term Business Plan 2022–2024. While responding to dramatic changes in the environment, we are forging ahead with various initiatives and endeavoring to further strengthen our corporate structure and business.

- Deal with higher raw material milk, raw materials and energy prices and operational cost increases.
  - 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 and promote the value of bifidobacteria
  - Promote initiatives for medium- to long-term expansion of the Global Business
  - Strengthen the profit base of the Core Dairy Foods Products that constitute the Group's business foundation and expand the B-to-B Business
  - Invest in growth areas to further strengthen the business base
    - ・Planned start of operation in April 2025: Expanded manufacturing building at the Kobe Plant
    - ・Operation to start in sequence from April 2025: Ice cream production lines in Kobe Plant, and other initiatives
  - Action to implement management that is conscious of cost of capital and stock price
    - ・Announced in May 2024: Work on the three aspects of "improving profitability and efficiency," "updating balance sheet policy," and "strengthening IR and corporate governance" in order to increase the corporate value
    - ・In particular, we will strengthen shareholder returns based on our updated balance sheet policy
  - 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.

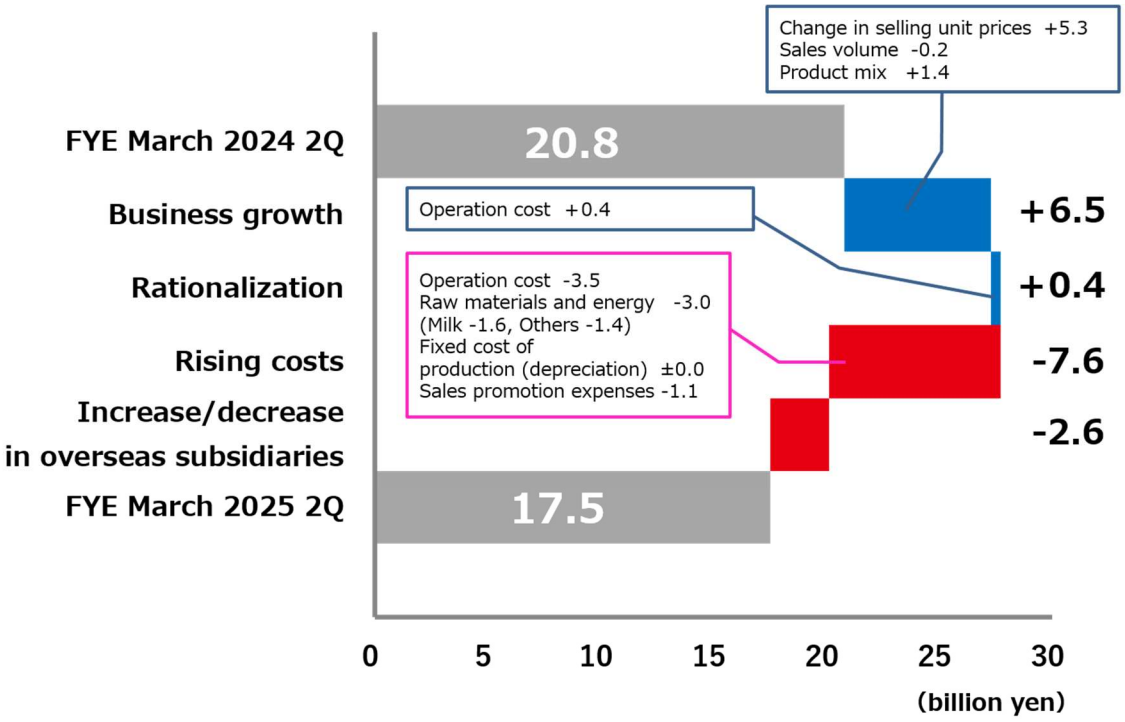
As a result of these initiatives, consolidated net sales increased. In the Nutrition and Healthcare Foods Business and the Core Dairy Foods Business, price revisions of beverages had an effect, and we made efforts to provide high-value-added products such as functional yogurt, “Mt. RAINIER CAFFÈ LATTE,” and ice cream. Overall revenue recorded an increase due partly to higher revenue in the B-to-B business reflecting solid demand and the effects of price revisions.

In terms of consolidated profit, we continued to be affected by higher costs in all aspects of operations, such as raw material prices, logistics costs, and personnel expenses. In response, we promoted price revisions, improved product mix through expansion of high-profit-margin businesses and products, conducted Group-wide cost reviews. In the Global Business, while on the one hand the various consolidated subsidiaries moved forward with initiatives aimed at achieving growth over the medium to long term, on the other hand overall profits decreased due to the decline in profit at MILEI in reaction to the significant expansion in profits in the previous fiscal year, delays in recoveries at other subsidiaries, and other factors. Additionally, factors such as proactive sales promotion expenses aimed at expanding sales and the impact of lower profits at major domestic subsidiaries resulted in lower profits for the Group as a whole.

In addition, profit attributable to owners of parent decreased significantly, partly in reaction to the ¥65.7 billion in extraordinary income in the first quarter of the previous fiscal year derived from the sale of the site of the former Tokyo Plant.

Consolidated net sales	¥290,599 million	(+1.4% YoY)
Consolidated operating profit	¥17,499 million	(-16.0% YoY)
Consolidated ordinary profit	¥17,247 million	(-20.8% YoY)
Profit attributable to owners of parent	¥9,709 million	(-83.6% YoY)

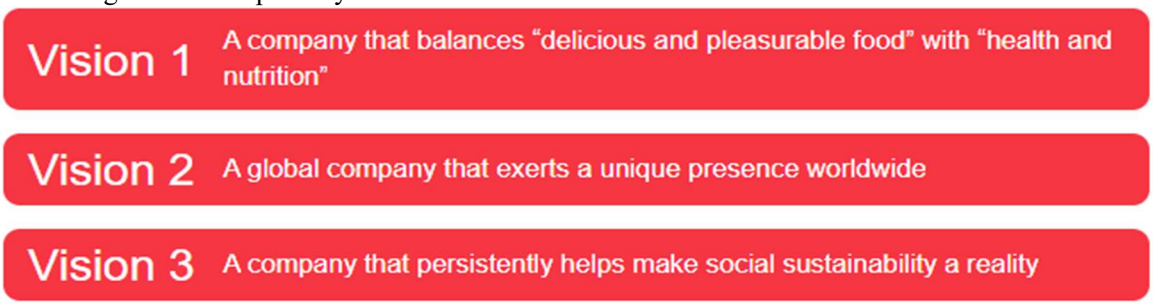
Factors attributable to increases and decreases in operating profit for 1H of FYE March 2025



<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%."

・ Morinaga Milk Group's 10-year Vision





* The figures are for the fiscal year ended March 2019.

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 ¥570 billion, operating profit of ¥30 billion, profit attributable to owners of parent of ¥19 billion, operating profit to net sales ratio of 5.3%, ROE of 7.0%, and global business sales ratio of 12.3% (As of May 14, 2024.)

・ Overview of the new Medium-term Business Plan 2022–2024

<To continue to be the company of choice>
We aim to resolve societal issues and improve sales growth and profitability!

Nutrition and Healthcare Foods Business | Core Dairy Foods Business | B-to-B Business | Global Business

Basic policy 1: Achieving sustainable growth by increasing the added value of our business

- We will create/expand high added value businesses in an effort to boost our sales growth and profitability, thereby improving value through social considerations and acquiring capital for further growth investments
- Rather than waiting for the market to recover from the pandemic, we will take the initiative to reform our business model to create opportunities for progress

Basic policy 2: Further strengthening our business base with an eye on the future

- Structural reform: We will assume rapid changes to the external environment and proceed with our transformation into a company that triumphs despite adversity
- Strategic investment: We will further improve the Group's strengths in an effort to establish medium- and long-term competitive advantages
- Asset utilization: We will utilize our assets efficiently to improve added value and overhaul our organization

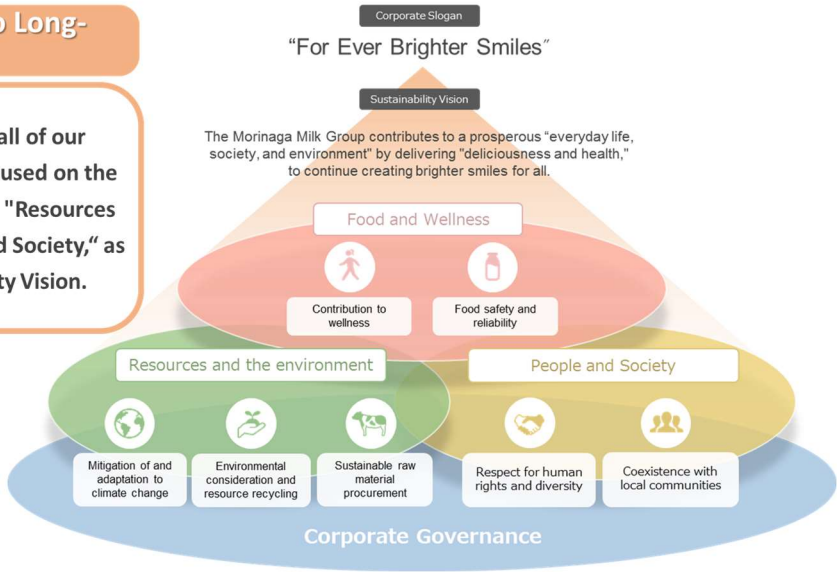
Basic policy 3: Financial strategies focused on efficiency

- We will strive to strategically execute growth investments and utilize funds with a focus that includes shareholder returns and our financial standing
- We will focus on capital efficiency and spread initiatives for improving ROE throughout the company

・ Sustainability Medium- to Long-Term Plan 2030

the Sustainability Medium- to Long-Term Plan 2030

In order to bring brighter smiles to all of our stakeholders, we conduct activities focused on the three themes of "Food and Wellness," "Resources and the Environment," and "People and Society," as we seek to achieve our Sustainability Vision.



The first basic policy of the Medium-term Business Plan is “Achieving sustainable growth by increasing the added value of our business.” We are working on expanding the four pillars of our business, (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, 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 probiotics 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, promoting group management, 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 our basic policy of paying stable and long-term dividends while taking into account the importance of financial soundness and internal reserves, which specifically means that we will raise the target payout ratio to 30% (excluding one-off factors). 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.

In addition, in May 2024, we announced “Action to Implement Management That is Conscious of Cost of Capital and Stock Price.” In order to respond to the expectations of stakeholders and realize sustainable growth and improvements in corporate value over the medium to long term, we will seek further improvements ROE and PBR by implementing the three initiatives of Improve profitability/efficiency, Update balance sheet policy, and Strengthen IR/corporate governance. In terms of measures to strengthen returns to shareholders based on updating balance sheet policy in accordance with these initiatives, we will implement acquisitions and cancellations of treasury shares (acquired from May to October 2024, a total of 2.93 million shares and a total acquisition cost of ¥10.0 billion), raise the annual dividend per share (planned dividend for FYE March 2025 is 90 yen, up 30 yen year on year), and implement an interim dividend system.

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: “Bifidus Yogurt” performed well against the background of a rise in health awareness, and we continued to focus on expanding sales of functional yogurt and “PARTHENO.” Net sales increased for the business as a whole, due in part to the contribution of nutritional food products such as infant formula and MORINAGA MILK INDUSTRY CLINICO Co., Ltd., which sells liquid foods and other items. We are also working continuously to strengthen sales promotions for such products as bifidobacteria, with a focus on medium- to long-term growth.

   In terms of profits, we were affected by the rise in raw material prices and increased operational costs. Although we endeavored to improve the product mix and cut costs, the business as a whole recorded lower revenue due partly to an increase in promotion cost.

Nutrition and Healthcare Foods Business net sales	¥64,977 million	(+2.1% YoY)
Nutrition and Healthcare Foods operating profit	¥3,031 million	(-¥999 million YoY)

2. Core Dairy Foods Business: Although we were affected by the rise in prices for raw materials and increased operational costs, we achieved higher net sales and profits for the business as a whole by revising selling prices for beverages 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	¥97,388 million	(+2.1% YoY)
Core Dairy Foods Business operating profit	¥8,867 million	(+¥861 million YoY)

3. B-to-B Business: Despite being affected by rising prices for raw materials and increases in operational costs, commercial dairy products grew against a backdrop of resilient demand and the effects of price revisions, so that the business as a whole recorded higher revenue and higher profits. We are also working continuously to expand the sales of Company’s functional materials, including probiotics.

B-to-B Business net sales	¥49,477 million	(+3.6% YoY)
B-to-B Business operating profit	¥2,310 million	(+¥60 million YoY)

4. Global Business: Despite the impact of the decline in reaction to the significant expansion in 1Q of the previous fiscal year at MILEI GmbH, U.S.-based Morinaga Nutritional Foods (MNF) recorded higher revenue and exports of probiotics performed strongly, so that the business as a whole recorded higher revenue.

The business as a whole posted lower profits due to such factors as the decline at MILEI in reaction to the previous fiscal year, and delays in recoveries at other subsidiaries.

Global Business net sales	¥34,979 million	(+1.9% YoY)
Global Business operating profit	¥1,848 million	(-¥2,102 million YoY)

(2) Explanation of consolidated financial position

Total assets at the end of the second quarter of the consolidated fiscal year under review decreased by ¥22,764 million to ¥543,233 million compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits.

Total liabilities were ¥256,734 million, down ¥27,127 million from the end of the previous fiscal year.

Net assets were ¥286,499 million, down ¥4,363 million from the end of the previous fiscal year. This was mainly attributable to an increase in foreign currency translation adjustment and retained earnings despite an increase in treasury shares.

As a result, the shareholders’ equity ratio was 51.7%, compared with 49.0% at the end of the previous fiscal year.

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

With regard to consolidated earnings forecasts for the fiscal year ending March 31, 2025, having taken into account results for the first six months of the fiscal year and the outlook for market conditions going forward, we have revised down net sales to ¥560.0 billion, operating profit to ¥28.5 billion, ordinary profit to ¥28.2 billion, and profit attributable to owners of parent to ¥18.0 billion.

Revision of the consolidated financial results forecast for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

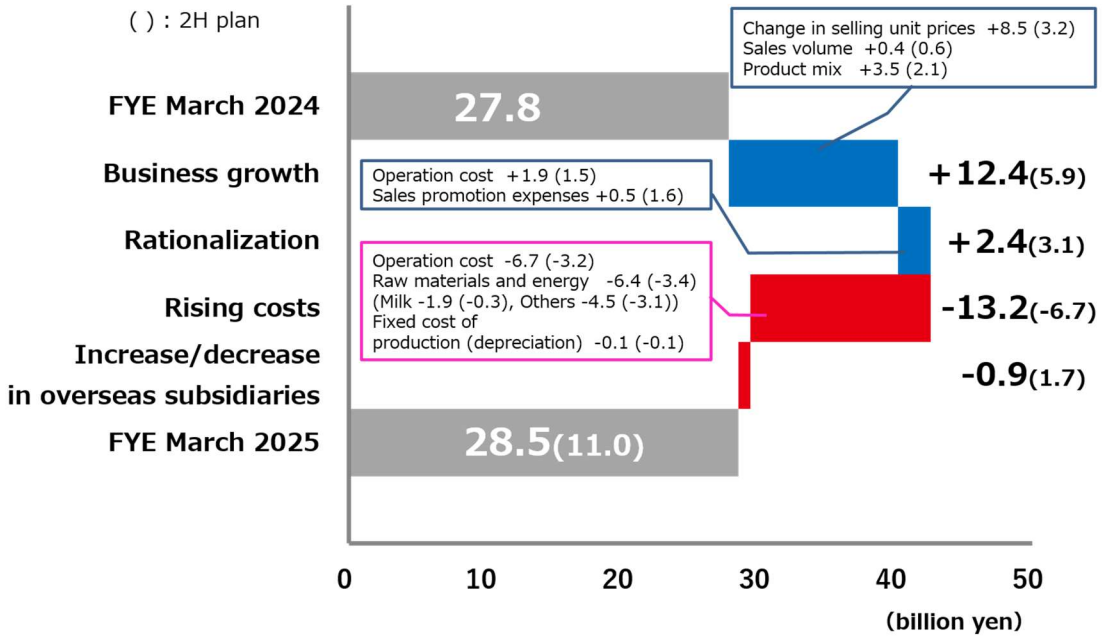
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	570,000	30,000	30,300	19,000	224.83
Revised forecast (B)	560,000	28,500	28,200	18,000	212.98
Change (B-A)	-10,000	-1,500	-2,100	-1,000	-
Change (%)	-1.8%	-5.0%	-6.9%	-5.3%	-
(Reference) Results for the previous fiscal year (fiscal year ended March 31, 2024)	547,059	27,839	28,104	61,307	696.92

*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.

Earnings forecast for the fiscal year ending March 2025

	Forecast for fiscal year ending March 31, 2025	YoY percentage change
Consolidated net sales	¥560,000 million	+2.4%
Consolidated operating profit	¥28,500 million	+2.4%
Consolidated ordinary profit	¥28,200 million	+0.3%
Profit attributable to owners of parent	¥18,000 million	-70.6%
(Other important operating indicators)		
Operating profit margin	5.1%	-
ROE	6.6%	-
Global Business sales ratio	12.7%	-

Forecasts of Fluctuations to Operating Profit in FYE March 2025 (Figures in brackets indicate 2H plan)



Forecasts by business field in the Medium-term Business Plan 2022–2024 (fiscal year ending March 2025)

	Forecast for fiscal year ending March 31, 2025	YoY change (percentage/amount)
Nutrition and Healthcare Foods Business net sales	¥130,000 million	2.1%
Nutrition and Healthcare Foods Business operating profit	¥6,000 million	¥745 million

	Forecast for fiscal year ending March 31, 2025	YoY change (percentage/amount)
Core Dairy Foods Business net sales	¥178,000 million	1.9%
Core Dairy Foods Business operating profit	¥10,500 million	¥1,476 million

	Forecast for fiscal year ending March 31, 2025	YoY change (percentage/amount)
B-to-B Business net sales	¥98,100 million	1.8%
B-to-B Business operating profit	¥4,700 million	¥239 million

	Forecast for fiscal year ending March 31, 2025	YoY change (percentage/amount)
Global Business net sales	¥71,000 million	17.5%
Global Business operating profit	¥6,300 million	¥304 million

2. Semi-annual Consolidated Financial Statements and Notes

(1) Semi-annual consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	64,528	29,176
Notes and accounts receivable–trade and contract assets	75,174	76,918
Merchandise and finished goods	55,014	54,041
Work in process	1,603	2,906
Raw materials and supplies	23,571	24,499
Other	9,677	11,232
Allowance for doubtful accounts	(531)	(519)
Total current assets	229,039	198,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	85,691	85,335
Machinery, equipment and vehicles, net	95,991	96,128
Land	53,012	53,022
Other, net	34,264	40,051
Total property, plant and equipment	268,960	274,538
Intangible assets		
Goodwill	10,214	11,068
Other	17,107	18,187
Total intangible assets	27,321	29,255
Investments and other assets		
Investment securities	26,405	26,873
Other	14,327	14,351
Allowance for doubtful accounts	(56)	(42)
Total investments and other assets	40,677	41,182
Total non-current assets	336,958	344,977
Total assets	565,998	543,233

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable–trade	57,240	58,538
Electronically recorded obligations–operating	5,367	4,364
Short-term borrowings	4,519	13,734
Current portion of long-term borrowings	7,593	10,226
Current portion of bonds payable	10,000	—
Income taxes payable	24,455	5,685
Accrued expenses	42,096	38,271
Deposits received	19,560	16,009
Other	21,850	14,797
Total current liabilities	192,682	161,628
Non-current liabilities		
Bonds payable	45,000	65,000
Long-term borrowings	14,199	9,822
Retirement benefit liability	21,664	9,547
Other	10,315	10,735
Total non-current liabilities	91,179	95,105
Total liabilities	283,862	256,734
Net assets		
Shareholders' equity		
Share capital	21,821	21,821
Capital surplus	19,998	19,999
Retained earnings	233,741	238,234
Treasury shares	(14,241)	(23,057)
Total shareholders' equity	261,320	256,997
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,940	12,237
Deferred gains or losses on hedges	46	1
Foreign currency translation adjustment	2,936	10,986
Remeasurements of defined benefit plans	822	876
Total accumulated other comprehensive income	15,746	24,101
Share acquisition rights	116	108
Non-controlling interests	4,951	5,291
Total net assets	282,135	286,499
Total liabilities and net assets	565,998	543,233

(2) Semi-annual consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(April 1, 2024 – September 30, 2024)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	286,590	290,599
Cost of sales	215,340	219,988
Gross profit	71,249	70,611
Selling, general and administrative expenses	50,423	53,111
Operating profit	20,825	17,499
Non-operating income		
Interest income	22	56
Dividends income	667	1,036
Rental income from buildings	145	171
Foreign exchange gains	970	–
Other	469	473
Total non-operating income	2,275	1,739
Non-operating expenses		
Interest expenses	579	762
Share of loss of entities accounted for using equity method	33	189
Loss on valuation of derivatives	430	–
Foreign exchange losses	–	736
Other	281	302
Total non-operating expenses	1,324	1,990
Ordinary profit	21,776	17,247
Extraordinary income		
Gain on sales of non-current assets	65,760	0
Gain on sale of investment securities	4	6
Other	146	–
Total extraordinary income	65,911	6
Extraordinary losses		
Gain on disposal of non-current assets	122	466
Contributions to the public interest incorporated foundation Hikari Kyokai	860	860
Rebuilding-related losses	252	929
Other	61	151
Total extraordinary losses	1,296	2,407
Profit before income taxes	86,391	14,847
Income taxes	27,228	5,219
Profit	59,163	9,628
Profit attributable to non-controlling interests	42	(80)
Profit attributable to owners of parent	59,121	9,709

(Consolidated statements of comprehensive income)
(April 1, 2024 – September 30, 2024)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	59,163	9,628
Other comprehensive income		
Valuation difference on available-for-sale securities	2,386	296
Deferred gains or losses on hedges	124	(30)
Foreign currency translation adjustment	2,116	8,448
Remeasurements of defined benefit plans, net of tax	127	53
Share of other comprehensive income of entities accounted for using equity method	14	19
Total other comprehensive income	4,769	8,786
Comprehensive income	63,933	18,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	64,297	18,063
Comprehensive income attributable to non-controlling interests	(364)	351

(3) Notes regarding the semi-annual consolidated financial statements

(Notes on premise of going concern)
No items to report.

(Notes on significant changes in the amount of shareholders' equity)
Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
In accordance with a resolution of the Board of Directors taken 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 September 30, 2024.

Six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
In accordance with a resolution of the Board of Directors taken on May 14, 2024, the Company acquired 2,286,800 treasury shares. As a result of this and other factors, treasury shares increased by ¥8,815 million during the six months of the fiscal year, leading to treasury shares of ¥23,057 million as of September 30, 2024.

(Application of special accounting for preparing semi-annual 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, 2025, including this first six months of the fiscal year under review after accounting for the tax effects, and multiplies profit before income taxes during the six months of the fiscal year ending March 31, 2025 by said estimated effective tax rate.

(Notes on changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard of 2022") and related accounting guidance from the beginning of the six months ended September 30, 2024.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, "Revised Guidance 2022"). The change in accounting policies had no impact on the consolidated financial statements for the first six months under review.
With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the first six months under review. The change in accounting policies was applied retrospectively to the consolidated financial statements for the six months of the previous fiscal year and the entire previous fiscal year. The change in the accounting policies had no impact on the consolidated financial statements for the first six months of the previous fiscal year or the entire previous fiscal year.