



May 12, 2017

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
<Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.
 Listed stock exchange: Tokyo
 Securities code: 2264
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 Planned Date of General Shareholders' Meeting: June 29, 2017
 Planned Commencement Date of Dividend Payments: June 30, 2017
 Planned Filing Date of Securities Report: June 30, 2017
 Preparation of explanatory materials for financial results: Yes
 Holding of a briefing on financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated operating results (% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
March 31, 2017	592,617	(1.5)	21,099	47.4	21,960	46.8	13,202	24.8
March 31, 2016	601,499	1.1	14,317	110.4	14,959	81.7	10,576	154.0

(Note) Comprehensive income: the fiscal year ended March 31, 2017: ¥15,240 million / 163.0%
 the fiscal year ended March 31, 2016: ¥5,794 million / (21.9)%

	Net income per share	Net income per share-diluted	Net income to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	53.40	53.25	9.8	5.7	3.6
March 31, 2016	42.80	42.67	8.4	3.9	2.4

(Reference) Equity method investment gain or loss: the fiscal year ended March 31, 2017: ¥236 million
 the fiscal year ended March 31, 2016: ¥103 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	385,366	142,846	36.9	574.16
As of March 31, 2016	378,852	129,370	33.8	518.61

(Reference) Shareholders' equity: As of March 31, 2017: ¥142,035 million
 As of March 31, 2016: ¥128,205 million

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	37,350	(21,233)	(15,243)	7,077
March 31, 2016	28,223	(22,234)	(10,449)	6,203

2. Dividends

	Annual dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Total Amount of Dividends to Shareholders' Equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2016	–	–	–	7.00	7.00	1,730	16.4	1.4
March 31, 2017	–	–	–	9.00	9.00	2,226	16.9	1.6
For the fiscal year ending March 31, 2018 (Forecast)	–	–	–	10.00	10.00		17.7	

(Note 1) Breakdown of dividend (forecast) for the fiscal year ending March 31, 2018: Ordinary dividend - 9.00 yen, 100th anniversary commemorative dividend - 1.00 yen

(Note 2) The Company intends to conduct a reverse stock split with a ratio of 1 share for every 5 shares of common stock, with an effective date of October 1, 2017. The dividend per share for the above dividend (forecast) for the fiscal year ending March 31, 2018 does not take this reverse stock split into consideration. The amount of the year-end dividend after the reverse stock split will be 50.00 yen, for a total of 50.00 yen. Refer to “Proper use of earnings forecasts, and other special matters” for details of the reverse stock split.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter-end (Cumulative)	318,000	0.7	16,000	2.4	16,400	2.1	11,600	15.3	46.89
Full year	600,000	1.2	21,500	1.9	22,300	1.5	14,000	6.0	56.59

(Note) The Company intends to conduct a reverse stock split with a ratio of 1 share for every 5 shares of common stock, with an effective date of October 1, 2017. The above net income per share for the fiscal year does not take this reverse stock split into consideration. The amount after the reverse stock split will be 282.97 yen. Refer to “Proper use of earnings forecasts, and other special matters” for details of the reverse stock split.

*** Notes**

(1) Change in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None

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

(2) 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

(3) Number of shares issued (common stock)

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

As of March 31, 2017	248,977,218 shares
As of March 31, 2016	248,977,218 shares

(ii) Number of treasury shares at end of period

As of March 31, 2017	1,596,880 shares
As of March 31, 2016	1,767,207 shares

(iii) Average number of shares during period

Fiscal year ended March 31, 2017	247,214,698 shares
Fiscal year ended March 31, 2016	247,111,307 shares

(Reference) Outline of non-consolidated business results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Non-consolidated financial results (% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
March 31, 2017	444,311	(2.1)	11,440	71.9	14,836	52.6	9,134	16.6
March 31, 2016	453,865	2.1	6,654	—	9,722	180.1	7,834	369.5

	Net income per share	Net income per share—diluted
For the fiscal year ended	Yen	Yen
March 31, 2017	36.95	36.84
March 31, 2016	31.71	31.61

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	330,436	98,092	29.6	395.72
As of March 31, 2016	322,247	88,556	27.4	357.40

(Reference) Shareholders' equity: As of March 31, 2017: ¥97,892 million

As of March 31, 2016: ¥88,351 million

* The consolidated financial results are not subject to auditing.

* Proper use of earnings forecasts, and other special matters

1. 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 of the above forecasts of consolidated financial results, refer to page 3.

2. The Company decided at the meeting of the board of directors held on April 26, 2017, to refer the matter of the reverse stock split to the 94th general shareholders' meeting to be held on June 29, 2017. If the resolution is passed at the general shareholders' meeting, a reverse stock split with a ratio of 1 share for every 5 shares of common stock will be conducted, with an effective date of October 1, 2017.

[Attached Materials]

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Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

Supplementary Data on Financial Results

1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

The Japanese economy on the whole remained on its gradual path to recovery, even though some sectors showed signs of delay. This was attributable to an improvement in the employment and income environment due to such factors as the government and Bank of Japan's (BOJ) economic and monetary policies. Meanwhile, concerns over the direction of emerging Asian economies, Brexit, the movements of the Trump administration, and other factors are sustaining the uncertain situation overseas.

In the food industry, a growing trend in health consciousness has put functional foods in the spotlight, and this along with other factors is positively impacting some high added value products. Despite this, competition remains fierce amidst stagnant growth in consumer prices.

In the dairy and milk industry, despite the major issue of a decline in domestic raw milk production, consumption of yogurt, ice cream and other dairy products remains strong. The industry environment is also changing, including a move towards reforming the raw milk distribution system.

In this business environment, the Group has been working to address the management issues raised in the Medium Term Business Plan announced in 2015, and also strengthen the management base.

As we continue to develop and promote the value of products that meet the needs of customers, the Group has also been working to completely streamline and improve the efficiency of our business by improving the product mix through scaling back the number of items to a reasonable level and eliminating low-margin products, and facilitating low-cost operations in production and other areas. These efforts have substantially improved the profitability of our business.

As a result of these activities, consolidated net sales for the fiscal year under review were ¥592,617 million (down 1.5% year on year). This was actually a 0.9% real increase in revenue after excluding the impact of the transfer of the frozen household business (consolidated subsidiary) in the previous period. Sales by division were also down year on year, partly due to a reduction in the number of items including milk and pudding; however, sales grew for yogurt, ice cream, cheese and other similar products.

Consolidated operating income increased to ¥21,099 million (up 47.4% year on year) and consolidated ordinary income also increased to ¥21,960 million (up 46.8% year on year). Profit attributable to owners of parent increased as well to ¥13,202 million (up 24.8% year on year).

Business conditions by segment are as follows.

	Net sales	Year on year	Operating income	Year on year
Food industry	571,957	(1.6%)	29,265	+33.7%
Other industries	26,976	(1.6%)	2,287	+37.6%
Elimination or group-wide	(6,316)		(10,453)	
Total	592,617	1.5%	21,099	+47.4%

Food industry: Commercial milk, dairy products, ice cream, drinks, etc.
Other industries: Feed, design and construction of plant equipment, etc.

(2) Overview of financial position for the fiscal year under review

For assets at the end of the consolidated fiscal year under review, in addition to an increase in investment securities due to a rise in the market value of listed stocks, other factors such as a boost in property, plant and equipment by capital investment resulted in an overall ¥6,513 million increase year on year to ¥385,366 million.

For liabilities, a redemption of bonds and a decrease in short-term loans payable and commercial papers along with other factors led to an overall decline in total loans payable and bonds. As a result, total liabilities fell by ¥6,962 million year

on year to ¥242,519 million.

For net assets, an increase in accumulated other comprehensive income, attributable partly to a rise in retained earnings and valuation difference on available-for-sale securities, resulted in an increase in total net assets by ¥13,475 million year on year to ¥142,846 million.

As a result, the shareholders' equity ratio rose from 33.8% of the previous year to 36.9%, and net assets per share rose from ¥518.61 of the previous year to ¥574.16.

(3) Overview of cash flows for the fiscal year under review

The status of each type of cash flow for the consolidated fiscal year under review is as follows.

Cash flow from operating activities rose by ¥9,127 million in inflows year on year to ¥37,350 million. This was mainly attributable to inflows of ¥19,153 million in net income before income taxes, ¥17,643 million in depreciation, and an increase in accrued expenses of ¥3,458 million. This was offset by an outflow of ¥5,050 million in income taxes paid.

Cash flow from investing activities fell by ¥1,001 million in outflows year on year to ¥21,233 million. This was mainly attributable to ¥22,291 million in outflows from the purchase of non-current assets.

The total free cash flow of these activities increased by ¥10,129 million year on year to ¥16,117 million.

Cash flow from financing activities increased by ¥4,794 million in outflows year on year to ¥15,243 million. This was mainly attributable to outflows of ¥10,000 million in the redemption of bonds and ¥4,832 million in from the repayment of long-term loans payable.

As a result of these activities, cash and cash equivalents at the end of the consolidated fiscal year under review increased by ¥874 million year on year to ¥7,077 million.

The trend of cash flow indicators is as follows.

	For the fiscal year ended March 31, 2013	For the fiscal year ended March 31, 2014	For the fiscal year ended March 31, 2015	For the fiscal year ended March 31, 2016	For the fiscal year ended March 31, 2017
Shareholders' equity ratio (%)	31.4	33.3	32.4	33.8	36.9
Shareholders' equity ratio at market value (%)	19.2	22.7	29.4	39.3	53.0
Ratio of cash flows to interest-bearing debt (times)	5.5	4.7	14.2	4.0	2.7
Interest coverage ratio (times)	12.8	14.6	7.7	28.1	39.0

Shareholders' equity ratio: $(\text{Total net assets} - \text{Subscription rights to shares} - \text{Minority interests}) \div \text{Total assets}$

Shareholders' equity ratio at market value: $\text{Market capitalization} \div \text{Total assets}$

Ratio of cash flows to interest-bearing debt: $\text{Interest-bearing debt} \div \text{Cash flow from operating activities}$

Interest coverage ratio: $\text{Cash flow from operating activities} \div \text{Payment of interest}$

* All indicators are calculated on the basis of consolidated financial values.

* Market capitalization is calculated by multiplying the closing price of the Company's shares at the fiscal year-end by the number of shares outstanding at end of period.

* The term "cash flow from operating activities" refers to cash flow from operating activities used in the consolidated statements of cash flows. The term "interest-bearing debt" refers to those liabilities posted in the consolidated balance sheets on which interest is paid. Payment of interest equates with the interest paid recorded in the consolidated statements of cash flows.

(4) Outlook for the next fiscal year

The full-year consolidated earnings forecasts for the fiscal year ending March 31, 2018 are as follows: net sales of ¥600,000 million (up 1.2% year on year), operating income of ¥21,500 million (up 1.9% year on year), ordinary income of ¥22,300 million (up 1.5% year on year), and net profit attributable to owners of parent of ¥14,000 million (up 6.0% year on year).

The Japanese economy in the next fiscal year is expected to remain on its path of gradual recovery, as employment and income continue to improve. However, the outlook for business conditions remains uncertain due to concerns over the ongoing turmoil in international affairs and escalating anxieties over a domestic labor shortage, among other factors.

In the food industry, amidst a growing trend in health consciousness and more products promoting added value, there are also signs of a fall in the prices of generic products. These and other factors are expected to maintain a tough competitive environment.

In the dairy and milk industry, securing dairy resources has become even more important as the deteriorating production base for raw milk becomes an increasingly serious issue. The industry environment is also changing, as seen in the trial introduction of a bidding system for raw milk trading and the decision to revise the raw milk trading system, which is based on discussions over reforming the raw milk distribution system at the Regulatory Reform Promotion Council.

In such a business environment, the Morinaga Group will move forward with rebuilding our business domains under the Medium Term Business Plan, which covers the period up to March 31, 2020 as its final fiscal year, and strengthening our ability to respond to the above mentioned changes whilst achieving sustainable growth. We will also consider the changes in the business environment since the Medium Term Business Plan was formulated. As already announced, we have started to act on our decisions to fortify our businesses by investing in equipment for domestic yogurt production, setting up a joint venture manufacturing and sales company for infant milk in Pakistan, and expanding our yogurt business into the US.

The Morinaga Group will celebrate its centenary in September 2017, and to commemorate this we have set forth a new corporate mission. As we enter the next 100 years of business, the Morinaga Group remains committed to realizing a prosperous and joyful society by enhancing the unique value of our products and delivering this value to customers, so we can make an even greater difference in their lives and society overall.

The abovementioned projections of performance in this document that were made based on information currently available. The actual results may differ from the forecasts, due to various factors.

2. Basic Policy on the Selection of Accounting Standards

From the perspective of ensuring comparability with prior fiscal years, the Morinaga Milk Group has adopted the Japanese standards for its accounting standards.

As for the adoption of international accounting standards, the Group will apply the appropriate policy taking into consideration the situation both in Japan and overseas.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	6,506	7,378
Notes and accounts receivable - trade	53,511	53,721
Merchandise and finished goods	37,218	36,949
Work in process	572	839
Raw materials and supplies	14,559	13,716
Deferred tax assets	4,003	4,067
Other	8,923	10,165
Allowance for doubtful accounts	(467)	(419)
Total current assets	124,828	126,418
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	162,564	165,324
Accumulated depreciation	(92,225)	(94,689)
Buildings and structures, net	70,339	70,634
Machinery, equipment and vehicles	254,157	257,821
Accumulated depreciation	(196,556)	(201,111)
Machinery, equipment and vehicles, net	57,600	56,709
Land	70,478	70,049
Leased assets	8,001	7,092
Accumulated depreciation	(4,252)	(3,935)
Leased assets, net	3,748	3,157
Construction in progress	18,652	21,758
Other	13,927	13,853
Accumulated depreciation	(10,619)	(10,456)
Other, net	3,307	3,397
Total property, plant and equipment	224,127	225,707
Intangible assets		
Other	6,719	6,105
Total intangible assets	6,719	6,105
Investments and other assets		
Investment securities	15,468	18,793
Investments in capital	101	100
Long-term loans receivable	369	357
Net defined benefit asset	1,147	1,510
Deferred tax assets	1,143	1,150
Other	5,070	5,338
Allowance for doubtful accounts	(124)	(115)
Total investments and other assets	23,176	27,135
Total noncurrent assets	254,023	258,947
Total assets	378,852	385,366

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,852	52,212
Electronically recorded obligations - operating	4,516	5,510
Short-term loans payable	6,433	4,132
Current portion of long-term loans payable	4,810	11,581
Commercial papers	2,000	-
Current portion of bonds	10,000	10,000
Lease obligations	1,893	1,610
Income taxes payable	3,082	4,433
Accrued expenses	31,736	35,161
Deposits received	18,468	18,655
Other	12,009	11,479
Total current liabilities	147,804	154,778
Noncurrent liabilities		
Bonds payable	35,000	25,000
Long-term loans payable	42,142	37,522
Lease obligations	3,024	2,402
Net defined benefit liability	18,011	18,475
Asset retirement obligations	273	285
Other	3,225	4,055
Total noncurrent liabilities	101,677	87,741
Total liabilities	249,481	242,519
Net assets		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,518	19,877
Retained earnings	85,280	96,736
Treasury stock	(585)	(543)
Total shareholders' equity	125,918	137,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,127	7,326
Deferred gains or losses on hedges	(43)	39
Foreign currency translation adjustment	(321)	(898)
Remeasurements of defined benefit plans	(2,475)	(2,205)
Total accumulated other comprehensive income	2,287	4,261
Subscription rights to shares	204	200
Non-controlling interests	959	610
Total net assets	129,370	142,846
Total liabilities and net assets	378,852	385,366

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

(Millions of yen)

	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)	For the fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Net sales	601,499	592,617
Cost of sales	419,454	399,286
Gross profit	182,045	193,330
Selling, general and administrative expenses	167,728	172,231
Operating income	14,317	21,099
Non-operating income		
Interest income	48	38
Dividends income	555	493
House rent income	451	434
Equity in earnings of affiliates	103	236
Other	1,018	1,142
Total non-operating income	2,319	2,345
Non-operating expenses		
Interest expenses	1,024	925
Interest on commercial papers	6	0
Other	646	559
Total non-operating expenses	1,677	1,485
Ordinary income	14,959	21,960
Extraordinary income		
Gain on sales of noncurrent assets	5,451	73
Gain on sales of investment securities	248	39
Disaster donations	-	40
Gain on liquidation of subsidiaries and associates	-	35
Total extraordinary income	5,699	189
Extraordinary loss		
Loss on disposal of noncurrent assets	1,520	640
Contributions to the public interest incorporated foundation Hikari Kyokai	1,667	1,641
Impairment loss	1,586	193
Loss on disaster	13	474
Factory reorganization expenses	55	-
Other	29	46
Total extraordinary losses	4,874	2,996
Income before income taxes and minority interests	15,784	19,153
Income taxes - current	4,095	6,087
Income taxes - deferred	1,034	(200)
Total income taxes	5,129	5,887
Income before minority interests	10,655	13,265
Profit attributable to non-controlling interests	79	63
Profit attributable to owners of parent	10,576	13,202

(Consolidated statements of comprehensive income)

(Millions of yen)

	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)	For the fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Income before minority interests	10,655	13,265
Other comprehensive income		
Valuation difference on available-for-sale securities	(801)	2,199
Deferred gains or losses on hedges	(33)	82
Foreign currency translation adjustment	(1,088)	(577)
Remeasurements of defined benefit plans, net of tax	(2,936)	270
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(4,860)	1,974
Comprehensive income	5,794	15,240
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,706	15,175
Comprehensive income attributable to non-controlling interests	87	65

(3) Consolidated statement of changes in shareholders' equity
 For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,704	19,442	76,442	(621)	116,967
Changes of items during period					
Dividends of surplus			(1,729)		(1,729)
Net income			10,576		10,576
Purchase of treasury shares				(16)	(16)
Disposal of treasury shares		(8)		52	44
Transfer to capital surplus from retained earnings		8	(8)		–
Change in scope of consolidation		75			75
Net changes of items other than shareholders' equity					
Total changes of items during period	–	75	8,837	36	8,950
Balance at end of current period	21,704	19,518	85,280	(585)	125,918

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,936	(8)	767	461	7,157	196	965	125,286
Changes of items during period								
Dividends of surplus								(1,729)
Net income								10,576
Purchase of treasury shares								(16)
Disposal of treasury shares								44
Transfer to capital surplus from retained earnings								–
Change in scope of consolidation								75
Net changes of items other than shareholders' equity	(809)	(34)	(1,088)	(2,936)	(4,869)	8	(5)	(4,866)
Total changes of items during period	(809)	(34)	(1,088)	(2,936)	(4,869)	8	(5)	4,083
Balance at end of current period	5,127	(43)	(321)	(2,475)	2,287	204	959	129,370

For the fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 201)

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,704	19,518	85,280	(585)	125,918
Changes of items during period					
Dividends of surplus			(1,730)		(1,730)
Net income			13,202		13,202
Purchase of treasury shares				(28)	(28)
Disposal of treasury shares		(15)		70	54
Transfer to capital surplus from retained earnings		15	(15)		–
Change in scope of consolidation		359			359
Net changes of items other than shareholders' equity					
Total changes of items during period	–	359	11,455	41	11,856
Balance at end of current period	21,704	19,877	96,736	(543)	137,774

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,127	(43)	(321)	(2,475)	2,287	204	959	129,370
Changes of items during period								
Dividends of surplus								(1,730)
Net income								13,202
Purchase of treasury shares								(28)
Disposal of treasury shares								54
Transfer to capital surplus from retained earnings								–
Change in scope of consolidation								359
Net changes of items other than shareholders' equity	2,198	82	(577)	270	1,973	(4)	(349)	1,619
Total changes of items during period	2,198	82	(577)	270	1,973	(4)	(349)	13,475
Balance at end of current period	7,326	39	(898)	(2,205)	4,261	200	610	142,846

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)	For the fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Cash flows from operating activities		
Income before income taxes and minority interests	15,784	19,153
Depreciation	17,561	17,643
Impairment loss	1,586	193
Amortization of goodwill	133	133
Amortization of negative goodwill	(141)	(141)
Increase (decrease) in net defined benefit liability	2,483	474
Increase (decrease) in allowance for doubtful accounts	(67)	(56)
Loss (gain) on valuation of investment securities	3	25
Interest and dividend income	(603)	(531)
Interest expenses	1,024	925
Foreign exchange losses (gains)	(127)	8
Share of (profit) loss of entities accounted for using equity method	(103)	(236)
Loss (gain) on sales of non-current assets	(5,451)	(73)
Loss (gain) on disposal of non-current assets	1,520	640
Loss (gain) on sales of investment securities	(247)	(37)
Decrease (increase) in notes and accounts receivable – trade	(1,195)	(229)
Decrease (increase) in inventories	(1,584)	631
Increase (decrease) in notes and accounts payable - trade	(1,864)	399
Increase (decrease) in accrued expenses	2,129	3,458
Increase (decrease) in deposits received	(846)	186
Other	(460)	262
Subtotal	29,532	42,829
Interest and dividend income received	1,077	529
Interest expenses paid	(1,002)	(957)
Income taxes paid	(1,383)	(5,050)
Cash flows from operating activities	28,223	37,350
Cash flows from investing activities		
Purchase of non-current assets	(29,175)	(22,291)
Proceeds from sales of non-current assets	6,793	816
Purchase of investment securities	(201)	(53)
Proceeds from sales of investment securities	336	132
Payments of loans receivable	(7,098)	(6,247)
Collection of loans receivable	7,135	6,396
Other	(24)	13
Cash flows from investing activities	(22,234)	(21,233)

(Millions of yen)

	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)	For the fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,651	(2,173)
Increase (decrease) in commercial papers	(13,800)	(2,000)
Proceeds from long-term loans payable	13,397	7,621
Repayments of long-term loans payable	(7,778)	(4,832)
Proceeds from issuance of bonds	9,929	-
Redemption of bonds	(10,000)	(10,000)
Purchase of treasury shares	(16)	(28)
Cash dividends paid	(1,729)	(1,730)
Cash dividends paid to minority shareholders	(16)	(14)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(1)
Repayments of finance lease obligations	(2,086)	(2,083)
Net cash provided by (used in) financing activities	(10,449)	(15,243)
Effect of exchange rate change on cash and cash equivalents	(442)	0
Net increase (decrease) in cash and cash equivalents	(4,902)	874
Cash and cash equivalents at beginning of period	11,105	6,203
Cash and cash equivalents at end of period	6,203	7,077

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in the reporting method)

(Consolidated statements of income)

Amortization of negative goodwill, which was classified and presented in non-operating income in the previous consolidated fiscal year, will now be included in other from the current fiscal year under review, as it is no longer of material importance.

Furthermore, loss on disaster, which was included in other in extraordinary loss in the previous consolidated fiscal year, will be presented as a separate line item from the current fiscal year under review, as it now represents more than 10/100 of total extraordinary loss.

The consolidated statements of income of the previous consolidated fiscal year will be adjusted to reflect these changes in the reporting method.

As a result, the amounts of ¥141 million presented as amortization of negative goodwill and ¥1,018 million presented as other in non-operating income in the consolidated statements of income in the previous consolidated fiscal year, will be reclassified and presented as ¥1,160 million in other. Furthermore, the amount of ¥43 million presented as other in extraordinary loss in the previous consolidated fiscal year, will now be reclassified and presented as ¥13 million in loss on disaster and ¥29 million in other.

(Additional information)

Application of Implementation Guidance on the Recoverability of Deferred Tax Assets

From the current fiscal year under review, the Company will adopt the Implementation Guidance on the Recoverability of Deferred Tax Assets (Application Guidelines of Accounting Standards for Business Enterprises No. 26, March 28, 2016).

(Segment information)

1. Overview of reportable segments

The Group's reportable segments are those units of independent financial information that the Board of Directors regularly conducts a review of, for the purpose of making decisions about management resources to be allocated to the segments and to assess the segments' performance.

The Group is comprised of business segments based on its products and services, including the food industry as a reportable segment.

The food industry is centered on the manufacture and sale of commercial milk, dairy products, ice cream and beverages.

2. Methods for calculating the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

The accounting standards and methods for reportable segments are generally identical to the description in the "Significant Accounting Policies for the Consolidated Financial Statements."

Income in the reportable segments is based on operating income.

Intra-segment internal income and transfer amounts are based on actual market prices.

3. Information on the monetary amount of sales, income (loss), assets, liabilities and other items of each reportable segment

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Reportable segments		Total	Adjustments *2	Amount recorded in the Consolidated Financial Statements *3
	Food	Other *1			
Net sales					
Sales to external customers	580,619	20,879	601,499	—	601,499
Intra-segment internal sales and transfer amount	353	6,538	6,892	(6,892)	—
Total	580,973	27,418	608,391	(6,892)	601,499
Segment income (loss)	21,888	1,663	23,551	(9,234)	14,317
Segment assets	315,398	48,729	364,128	14,724	378,852
Other items					
Depreciation	16,442	766	17,208	352	17,561
Amortization of goodwill	133	—	133	—	133
Investment in entities accounted for using equity method	373	—	373	—	373
Increases in property, plant and equipment, and intangible assets	24,904	667	25,571	692	26,264

Current consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Reportable segments		Total	Adjustments *2	Amount recorded in the Consolidated Financial Statements *3
	Food	Other *1			
Net sales					
Sales to external customers	571,600	21,016	592,617	—	592,617
Intra-segment internal sales and transfer amount	356	5,959	6,316	(6,316)	—
Total	571,957	26,976	598,933	(6,316)	592,617
Segment income (loss)	29,265	2,287	31,553	(10,453)	21,099
Segment assets	316,048	49,042	365,090	20,275	385,366
Other items					
Depreciation	16,599	700	17,300	345	17,643
Amortization of goodwill	133	—	133	—	133
Investment in entities accounted for using equity method	612	—	612	—	612
Increases in property, plant and equipment, and intangible assets	20,956	330	21,286	265	21,551

(Note) 1. The category of “other” refers to the business segments not included in the reportable segments, such as feed, design and construction of plant equipment, and real estate leases.

2. Details of the adjustments are as follows.

(1) Segment income (loss)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of inter-segment transactions	(629)	(641)
Company-wide costs*	(8,604)	(9,811)
Total	(9,234)	(10,453)

* Company-wide costs are primarily general and administrative expenses that are not allocated to the business segments.

(2) Segment assets

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of inter-segment transactions	(5,586)	(5,182)
Company-wide costs*	20,311	25,458
Total	14,724	20,275

* Company-wide assets are primarily assets in the administrative division that do not belong to the business segments.

(3) The adjustment of depreciation costs is primarily the amortization expenses related to corporate equipment.

(4) The adjustments of increases in property, plant and equipment, and intangible fixed assets is primarily the investment amount related to corporate equipment.

3. Segment income is adjusted to operating income in the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net assets per share	¥518.61	¥574.16
Net income per share	¥42.80	¥53.40
Diluted net income per share	¥42.67	¥53.25

(Note) The basis for calculating net income per share and fully diluted net income per share is as follows.

	Previous consolidated fiscal year (April 1, 2015 to March 31, 2016)	Current consolidated fiscal year (April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to the parent company (millions of yen)	10,576	13,202
Net income attributable to the parent company and available to common shareholders (millions of yen)	10,576	13,202
Average number of shares in period (1,000 shares)	247,111	247,214
Diluted net income per share		
Adjustment on profit attributable to owners of parent (millions of yen)	—	—
Increase in common stock (thousands of shares)	748	694
Overview of potential stock not included in calculations of diluted net income per share because the stocks have no dilutive effect	-----	

(Significant subsequent events)

(Reduction in the number of unit shares, reverse share split, and change in the total number of authorized shares)

At the Board of Directors Meeting held on April 26, 2017, the Company passed a resolution to carry out a Reduction in the number of unit shares, reverse share split, and change in the total number of authorized shares, based on the approval of all shareholders at the 94th Ordinary General Meeting of Shareholders to be held on June 29, 2017.

For details of this resolution, please refer to the “Notification on a reduction in the number of unit shares, reverse share split, and change in the total number of authorized shares” announced on April 26, 2017.

4. Other

(1) Changes in directors (scheduled for June 29, 2017)

The following changes in directors were confirmed at the Board of Directors Meeting on May 12, 2017.

The changes in directors will be finalized at the ordinary General Meeting of Shareholders to be held on June 29, 2017, and the changes in positions of directors will be finalized at the Board of Directors Meeting, following the ordinary General Meeting of Shareholders.

1. Change of representative

No relevant item.

2. Change of other directors

(1) Directors scheduled to be promoted

- Senior managing director: Teiichiro Okawa (current position: Managing director)
- Managing director: Yoichi Onuki (current position: Director)

(2) Newly appointed directors (candidates)

No relevant item.

(3) Directors scheduled to retire

No relevant item.

(4) Newly appointed auditors (candidates)

No relevant item.

(5) Auditors scheduled to retire

No relevant item.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 Supplementary Data on Financial Results

(Disclaimer)

This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. The actual results may differ from the forecasts, due to various factors. This document is not prepared for the purpose of soliciting investment.

(1) Consolidated Statements

(1) Results for the fiscal year under review

(Unit: Millions of yen)

	Amount	YoY	YoY (%)
Net sales	592,617	(8,882)	(1.5)
Operating income	21,099	6,782	47.4
Ordinary income	21,960	7,000	46.8
Profit attributable to owners of parent	13,202	2,626	24.8

(2) Forecast for the next fiscal year

(Unit: Millions of yen)

	Amount	YoY	YoY (%)
Net sales	600,000	7,383	1.2
Operating income	21,500	401	1.9
Ordinary income	22,300	340	1.5
Profit attributable to owners of parent	14,000	798	6.0

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

(Unit: Billions of yen)

	Capital investment	Depreciation
Results for the fiscal year ended March 31, 2013	16.1	17.2
Results for the fiscal year ended March 31, 2014	16.7	15.1
Results for the fiscal year ended March 31, 2015	25.7	16.1
Results for the fiscal year ended March 31, 2016	25.4	16.8
Results for the fiscal year ended March 31, 2017	20.9	16.7
Projected results for the fiscal year ending March 31, 2018	21.5	17.3

(4) Research and development expenses (trends)

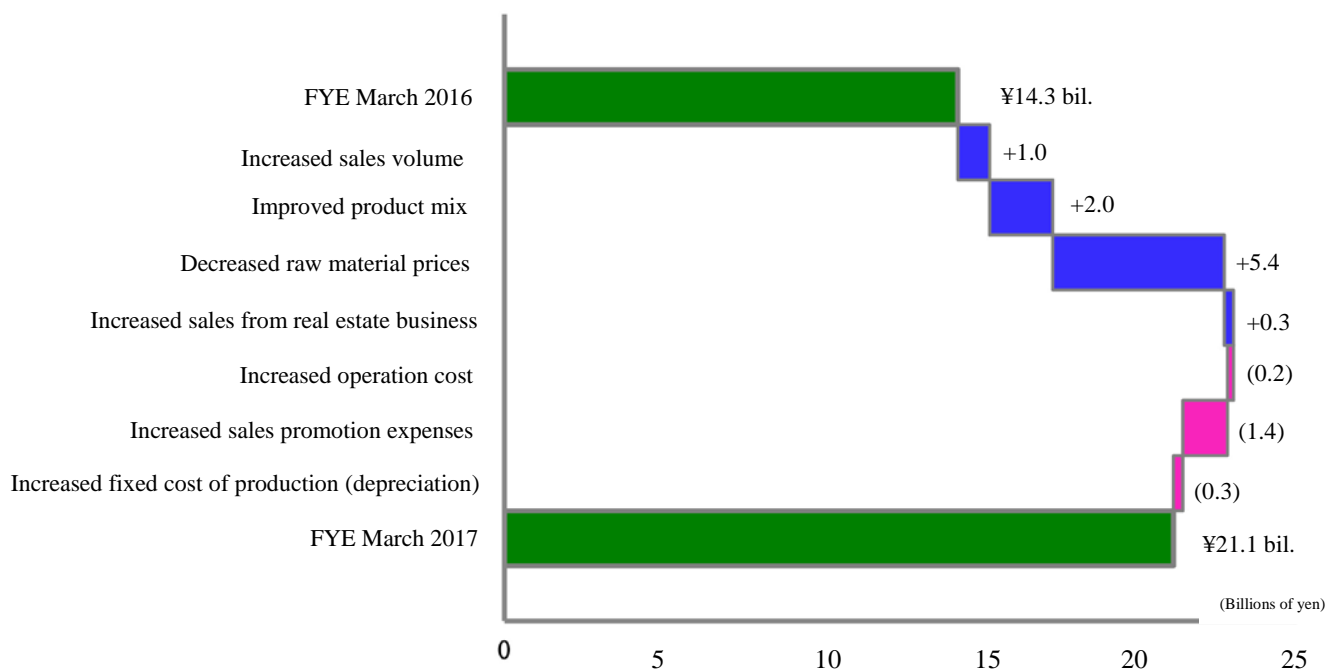
(Unit: Millions of yen)

	Amount
Results for the fiscal year ended March 31, 2013	4,915
Results for the fiscal year ended March 31, 2014	4,991
Results for the fiscal year ended March 31, 2015	4,958
Results for the fiscal year ended March 31, 2016	4,965
Results for the fiscal year ended March 31, 2017	5,362

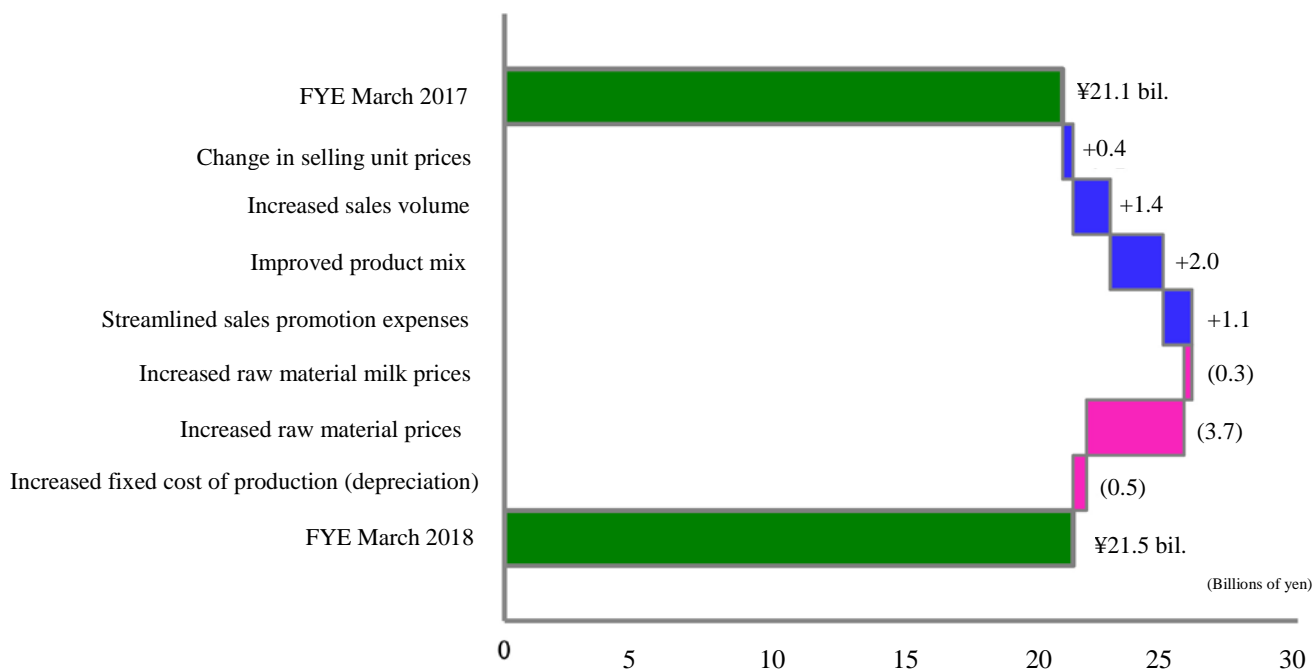
(5) Number of employees (trends)

	End of September	End of March
Results for the fiscal year ended March 31, 2013	5,781	5,712
Results for the fiscal year ended March 31, 2014	5,795	5,664
Results for the fiscal year ended March 31, 2015	5,713	5,649
Results for the fiscal year ended March 31, 2016	5,696	5,602
Results for the fiscal year ended March 31, 2017	5,750	5,771

(6) Factors of changes in operating income for the fiscal year under review



(7) Factors of changes in operating income for the next fiscal year



(2) Non-consolidated results

(1) Sales Results

(Unit: Millions of yen)

Product Category				(Reference) Comparison after adjustment *	
	Amount	Change (YoY)	YoY (%)	Change (YoY)	YoY (%)
Total commercial milk	199,546	(7,233)	(3.5)	(4,146)	(2.0)
Milk	72,842	(3,868)	(5.0)	(2,817)	(3.7)
Milk-based drinks	58,107	(2,861)	(4.7)	(1,595)	(2.7)
Yogurt	56,580	1,624	3.0	2,240	4.1
Pudding	12,015	(2,127)	(15.0)	(1,974)	(14.1)
Total dairy products	95,688	(900)	(0.9)	908	1.0
Condensed milk	3,677	(381)	(9.4)	(286)	(7.2)
Powdered milk	32,786	(607)	(1.8)	92	0.3
Butter	12,788	(1,051)	(7.6)	(906)	(6.6)
Cheese	46,436	1,140	2.5	2,008	4.5
Ice cream	53,577	1,180	2.3	2,571	5.0
Total other	95,499	(2,601)	(2.7)	(1,468)	(1.5)
Drinks	19,738	(2,184)	(10.0)	(1,845)	(8.6)
Other	75,760	(416)	(0.5)	377	0.5
Total	444,311	(9,554)	(2.1)	(2,134)	(0.5)

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

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

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

(2) Net sales forecast by category for the next fiscal year

(Unit: Millions of yen)

	Full year		Cumulative second quarter	
	Amount	YoY (%)	Amount	YoY (%)
Total commercial milk	203,900	2.2	107,300	1.1
Milk	72,800	(0.1)	37,500	(0.1)
Milk-based drinks	60,000	3.3	33,500	1.9
Yogurt	58,800	3.9	30,000	1.6
Pudding	12,300	2.4	6,300	2.4
Total dairy products	97,300	1.7	48,000	1.6
Condensed milk	3,500	(4.8)	1,600	(6.4)
Powdered milk	33,000	0.7	16,500	0.3
Butter	12,800	0.1	6,100	0.1
Cheese	48,000	3.4	23,800	3.6
Ice cream	55,500	3.6	34,500	2.1
Total other	92,300	(3.3)	46,700	(3.2)
Drinks	17,000	(13.9)	9,600	(14.7)
Other	75,300	(0.6)	37,100	0.3
Total	449,000	1.1	236,500	0.5

(3) Number of employees (trends)

	End of September	End of March
Results for the fiscal year ended March 31, 2013	3,198	3,122
Results for the fiscal year ended March 31, 2014	3,174	3,123
Results for the fiscal year ended March 31, 2015	3,127	3,078
Results for the fiscal year ended March 31, 2016	3,080	3,023
Results for the fiscal year ended March 31, 2017	3,006	3,035

(4) Collected milk volume (trends)

(Unit: Thousand tons)

	Collected milk volume		
	Total	Hokkaido	Other
Results for the fiscal year ended March 31, 2013	825	498	327
Results for the fiscal year ended March 31, 2014	791	480	311
Results for the fiscal year ended March 31, 2015	767	468	299
Results for the fiscal year ended March 31, 2016	765	477	288
Results for the fiscal year ended March 31, 2017	736	465	271