

**Consolidated Financial Results for the Year Ended March 31, 2016**  
(Prepared pursuant to Japanese GAAP)

May 12, 2016

Company name: MEGMILK SNOW BRAND Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Sapporo Securities Exchange  
 Stock code: 2270  
 URL: <http://www.meg-snow.com>  
 Representative: Keiji Nishio, Representative Director and President  
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Scheduled dates:  
 Annual general meeting of shareholders: June 28, 2016  
 Dividend payout: June 29, 2016  
 Filing of fiscal year-end financial report: June 29, 2016  
 Supplementary materials to fiscal year-end financial results available: Yes  
 Fiscal year-end earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

**1. Consolidated Results for the Fiscal Year Ended March 31, 2016**  
(April 1, 2015– March 31, 2016)

(1) Consolidated Operating Results (Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Year ended March 31, 2016	578,328	5.2	14,004	49.3	14,223	36.2	15,047	282.7
Year ended March 31, 2015	549,816	0.9	9,381	(16.5)	10,444	7.0	3,931	53.0

Note: Comprehensive income: Year Ended March 31, 2016: 12,243 million yen (+56.4 %)  
 Year Ended March 31, 2015: 7,827 million yen (+120.7 %)

	Profit per share – basic	Profit per share – diluted	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2016	221.81	-	12.0	4.1	2.4
Year ended March 31, 2015	57.95	-	3.4	3.1	1.7

For reference: Equity in earnings of affiliates: Year Ended March 31, 2016: 143 million yen  
 Year Ended March 31, 2015: 131 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
March 31, 2016	344,194	132,401	37.8	1,917.33
March 31, 2015	345,597	122,209	34.7	1,767.71

For reference: Equity: March 31, 2016: 130,066 million yen  
 March 31, 2015: 119,926 million yen

### (3) Cash Flow Position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
Year ended March 31, 2016	26,433	4,567	(25,332)	14,797
Year ended March 31, 2015	11,241	(27,617)	14,854	9,188

### 2. Dividends

Record date or period	Cash dividends per share					Total dividends paid (full year)	Payout Ratio (consolidated)	Dividends to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	End-Q4	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
Year ended March 31, 2015	-	-	-	30.00	30.00	2,035	51.8	1.7
Year ended March 31, 2016	-	-	-	30.00	30.00	2,035	13.5	1.6
Year ending March 31, 2017 (forecast)	-	-	-	30.00	30.00		21.4	

### 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	
Six months ending September 30, 2016	298,500	2.7	7,600	0.1	7,700	5.8	4,800	(59.2)	70.76
Full Year	590,000	2.0	15,000	7.1	15,500	9.0	9,500	(36.9)	140.04

#### \* Notes

- (1) Material reclassifications of subsidiaries during the period: None
- (2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
  - 1) Changes in accordance with amendments to accounting standards, etc.: Yes
  - 2) Changes other than noted in 1) above: Yes
  - 3) Changes in accounting estimates: Yes
  - 4) Retrospective restatement: None
- (3) Common stock issued
  - 1) Issued shares as of period-end (including treasury stock):
 

March 31, 2016:	70,751,855 shares
March 31, 2015:	70,751,855 shares
  - 2) Treasury stock as of period-end:
 

March 31, 2016:	2,914,832 shares
March 31, 2015:	2,908,870 shares
  - 3) Average number of shares (during the respective period):
 

Year ended March 31, 2016:	67,840,013 shares
Year ended March 31, 2015:	67,845,334 shares

## Reference: Overview of Non-consolidated Results

### Non-consolidated Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

#### (1) Non-consolidated Operating Results (Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Year ended March 31, 2016	351,934	3.3	9,478	65.8	10,248	42.2	12,638	331.2
Year ended March 31, 2015	340,817	(2.3)	5,716	(25.5)	7,205	(17.3)	2,930	16.8

	Net income per share - basic	Net income per share - diluted
	yen	yen
Year ended March 31, 2016	186.30	-
Year ended March 31, 2015	43.20	-

#### (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
March. 31, 2016	282,428	99,630	35.3	1,468.67
March. 31, 2015	287,347	89,355	31.1	1,317.10

For reference:

Equity: March 31, 2016: 99,630 million yen  
March 31, 2015: 89,355 million yen

#### \*Audit Status

This report is not subject to the review requirements of Japan's Financial Instruments and Exchange Act. As of the release date of this report, a review of the consolidated fiscal year-end financial statements in accordance with the Act was being conducted.

#### \*Appropriate Use of Earnings Forecasts and Other Important Information

(Earnings Forecasts)

The above forecasts are based on the assumptions of management in the light of information available as of the release date of this report. MEGMILK SNOW BRAND makes no assurances as to the actual results, which may differ from forecasts due to various factors such as changes in the business environment.

The Company has scheduled an earnings presentation aimed at analysts and institutional investors on Thursday, May 12, 2016, and intends to publish the presentation handout materials on its website on the same date of the event.

## 4. Operating Results

### (1) Analysis of Operating Results

In the fiscal year ended March 31, 2016, the gradual underlying recovery trend in the Japanese economy continued. However, weakness in the overseas economy indicates the existence of risks that could depress business conditions, and the economic outlook remains uncertain.

Although consumer spending was generally flat, the food industry was affected by a tendency to economize on personal consumption expenditures at a time of persistently high consumer prices accompanying soaring raw materials prices.

In this business environment, in accordance with the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017), in the fiscal year ended March 31, 2016 the Company undertook to boost demand and increase competitiveness and worked to increase profitability by means including sales expansion for cheese, yogurt, and other mainstay products, realization of low-cost operation through productivity improvements, and responding to cost increases by reviewing selling prices.

As a result of these developments, in the fiscal year ended March 31, 2016, consolidated net sales were ¥578,328 million (an increase of 5.2% over the previous fiscal year), operating income was ¥14,004 million (up 49.3%), ordinary income was ¥14,223 million (up 36.2%), and profit attributable to owners of parent was ¥15,047 million (up 282.7%) as a result of the recording of extraordinary income on the sale of the former Yokohama Cheese Plant and former Kansai Cheese Plant. As of March 31, 2016, the MEGMILK SNOW BRAND Group comprised the Company, 32 subsidiaries, and 15 affiliates.

At a meeting of the Board of Directors held on September 24, 2015, the Company decided to withdraw from the infant formula business in Thailand.

Operating results by business segment for the fiscal year ended March 31, 2016 were as follows. Net sales by segment are sales to outside customers.

#### 1) Dairy Products Business

This segment comprises the manufacture and sale of cheese, butter, powdered milk, margarine, infant formula, and other products.

Net sales in the Dairy Products Business were ¥226,950 million (an increase of 6.5% over the previous fiscal year), and operating income was ¥9,455 million (up 1.6%).

Overall segment sales increased due to strong sales performance from cheese products attributable to factors including solid sales volumes even after a review of selling prices, the impact of market expansion, and active promotion as well as sales growth from butter resulting from efforts to ensure stable supply, which compensated for lower sales of margarine in a stagnant market.

Operating income increased thanks to successful profit improvement measures such as a review of selling prices and cost reductions resulting from utilization of capacity, despite raw materials cost increases, such as a revision of raw milk prices, and higher distribution costs.

#### 2) Beverage & Dessert Business

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, dessert, and other products.

Net sales in the Beverage & Dessert Business were ¥269,401 million (an increase of 5.4% from the previous fiscal year), and operating income was ¥2,297 million (compared to an operating loss of ¥1,724 million in the previous fiscal year). Overall segment sales increased. Although a review of selling prices led to a decrease in beverage sales volumes, sales for the yogurt category grew substantially as a result of market expansion coupled with focused promotion of *Lactobacillus gasseri* SP, the Company's own *Lactobacillus*, utilizing the food with

function claims labeling system. Sales of new products and renewed products drove dessert sales.

Operating income increased substantially and the segment returned to profitability as a result of factors including a higher sales contribution from highly profitable products accompanying sales growth from yogurt and desserts, the contribution from profit improvement measures such as a review of selling prices, and a review of production lines, despite raw materials cost increases, including a revision of raw milk prices, and higher distribution costs.

### 3) Feed and Seeds Business

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, and other products.

Net sales in the Feed and Seeds Business were ¥45,955 million (a decrease of 3.2% from the previous fiscal year), and operating income was ¥860 million (down 21.7%).

Sales and profit decreased due to factors including lower feed sales volumes and a decline in selling prices resulting from intensification of sales competition.

### 4) Other Businesses

This segment comprises real estate rental, joint distribution center services, and other businesses.

Net sales in this segment were ¥36,021 million (an increase of 6.7% from the previous fiscal year), and operating income was ¥1,326 million (up 118.6%).

In the fiscal year ending March 31, 2017, although gradual recovery of the Japanese economy is expected, the economic outlook is uncertain. There is concern about weak consumer spending, and the environment surrounding the Company is fraught with uncertainties including an expected tight supply and demand situation for milk resources in Japan accompanying lower raw milk production, supply and demand fluctuations affecting overseas milk resources, and exchange rate fluctuations. In this environment, in the final year of the Mid-term Management Plan the Company will work to build an earnings foundation that will make possible sustained growth by increasing profitability through continuation of business structure reforms and undertaking business expansion in growth sectors through vigorous marketing activities.

In light of the above factors, in the fiscal ending March 31, 2017, the Company forecasts net sales of ¥590,000 million (an increase of 2.0% from the previous fiscal year), operating income of ¥15,000 million (up 7.1%), ordinary income of ¥15,500 million (up 9.0%), and profit attributable to owners of parent of ¥9,500 million (down 36.9%) on a consolidated basis.

By segment, the Company forecasts net sales of ¥234,700 million (up 3.4% from the fiscal year ended March 31, 2016) in the Dairy Products Business, ¥273,600 million (up 1.6%) in the Beverage & Dessert Business, ¥46,700 million (up 1.6%) in the Feed and Seeds Business, and ¥35,000 million (down 2.8%) in Other Businesses. The above full-year outlook by segment is for sales to outside customers.

## (2) Analysis of Financial Condition

### 1) Assets, liabilities, and net assets

#### Assets

Total assets as of March 31, 2016 decreased by ¥1,403 million from the previous fiscal year-end. The change is mainly attributable to decreases in land and construction in progress, which offset increases in cash and deposits and inventories.

## Liabilities

Total liabilities as of March 31, 2016 decreased by ¥11,595 million from the previous fiscal year-end. The change is mainly attributable to decreases in long-term loans payable and short-term loans payable, which offset increases in income taxes payable and notes and accounts payable-trade.

## Net assets

Total net assets as of March 31, 2016 increased by ¥10,192 million from the previous fiscal year-end. The change is mainly attributable to an increase in retained earnings, which offset decreases in revaluation reserve for land and remeasurements of defined benefit plans.

## 2) Cash flows

Cash and cash equivalents on a consolidated basis as of March 31, 2016 totaled ¥14,797 million. The following is a summary of consolidated cash flows by activity for the fiscal year ended March 31, 2016.

(Millions of yen)

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Change
Cash flows from operating activities	11,241	26,433	15,192
Cash flows from investing activities	(27,617)	4,567	32,185
Cash flows from financing activities	14,854	(25,332)	(40,187)
Currency translation adjustment relating to cash and cash equivalents	134	(59)	(193)
Increase (decrease) in cash and cash equivalents	(1,387)	5,609	6,996
Cash and cash equivalents at the beginning of the fiscal year	10,570	9,188	(1,382)
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	4	-	(4)
Cash and cash equivalents at the end of the fiscal year	9,188	14,797	5,609

### Cash flows from operating activities

Operating activities provided net cash of ¥26,433 million, an ¥15,192 million increase in cash provided from the ¥11,241 million provided in the fiscal year ended March 31, 2015. The change is mainly attributable to factors including a gain on sales of fixed assets, a lower increase in inventories, a decrease in income taxes paid, an increase in income before income taxes and non-controlling interests, and an increase in notes and accounts payable-trade.

### Cash flows from investing activities

Investing activities provided net cash of ¥4,567 million, a ¥32,185 million increase in cash provided from the ¥27,617 million used in the fiscal year ended March 31, 2015. The change is mainly attributable to decreases in the purchase of property, plant and equipment and intangible assets and the purchase of stocks of subsidiaries and affiliates and an increase in proceeds from sales of property, plant and equipment and intangible assets.

### Cash flows from financing activities

Financing activities used net cash of ¥25,332 million, a ¥40,187 million increase in cash used from the ¥14,854 million in net cash provided in the fiscal year ended March 31, 2015. The change is mainly attributable to decreases in short-term loans payable and proceeds from long-term loans payable and an increase in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

The following is a summary of changes in the MEGMILK SNOW BRAND Group's cash flow-related indicators.

For the fiscal years ended March 31	2014	2015	2016
Equity ratio (%)	34.1	34.7	37.8
Equity ratio based on market value (%)	27.3	28.4	55.8
Ratio of interest-bearing debt to cash flow (years)	6.3	10.1	3.6
Interest coverage ratio (x)	17.3	12.0	28.7

Equity ratio: equity / total assets

Equity ratio based on market value: market capitalization / total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest payments

Notes:

1. Each indicator is calculated using financial data on a consolidated basis.
2. Total market value of shares is calculated based on the number of shares outstanding at the end of the period (less treasury stock).
3. Cash flow is cash flow from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt includes all liabilities listed on the Consolidated Balance Sheets that bear interest.

(3) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2016 and the Fiscal Year Ending March 31, 2017

The Company's policy is to enhance shareholder returns while also reinforcing the financial position in preparation for execution of the medium- to long-term growth and expansion strategy and to continuously pay stable dividends, giving comprehensive consideration to factors such as consolidated business performance and the financial situation.

The Company has set a consolidated dividend payout target of 20% or higher.

For the fiscal year ended March 31, 2016, the Company will pay a year-end dividend of ¥30 per share.

For the fiscal year ending March 31, 2017, the Company plans to pay a year-end dividend of ¥30 per share. Accordingly, the outlook is for a consolidated dividend payout of 21.4%.

## 5. Overview of the Group

As of March 31, 2016 the MEGMILK SNOW BRAND Group comprised the Company, 32 subsidiaries, and 15 affiliates.

## 6. Management Policies

(1) Basic Management Policy and Medium- to Long-Term Management Strategy

To achieve the goals in the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017), the Company has decided its management policies for the fiscal year ending March 31, 2017 and will vigorously implement the following key measures.

- 1) Strengthen the value chain by utilizing the Group's functions to their maximum potential and generating Group synergies.
- 2) Reinforce "monozukuri" (manufacturing) activities to create new value from milk by pursuing R&D activities to create new corporate value and nurturing new category strategic products through aggressive marketing investment.
- 3) Establish an earnings base that will increase market competitiveness through maximum leveraging of strategic capital investments in the Ami Plant and Ebina Plant, product mix improvement from expansion of sales of high-value-added products, and efficiency improvements in the production system and distribution system.
- 4) Respond to new changes in the business environment and create new markets in preparation for sustained growth through strategic utilization of milk resources and active expansion of overseas businesses and the functional food products business.
- 5) Raise the level of CSR activities and aspire to remain a business group trusted by society.

## (2) Target Performance Indicators

The Company aims to achieve the following target performance indicators in the fiscal year ending March 31, 2017 by solidifying the business infrastructure to make possible the next phase of growth: consolidated operating income of from ¥13 billion to ¥15 billion and consolidated EBITDA (operating income + depreciation expenses) of from ¥31 billion to ¥33 billion.

## (3) Issues to Be Addressed

The Company established the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017) to pave the way for corporate value enhancement and will execute its business strategy by focusing on the following four concepts, increase profitability, and steadily proceed with solidification of the business base for the next phase of growth.

### 1) Business Structure Reforms

To secure earnings in an adverse business environment characterized by a weak yen and a tight supply and demand situation for milk resources, the Company will increase profitability by undertaking product mix improvement, optimization of the production and distribution system, cost reduction from improved business process efficiency, and the early realization of measures to absorb cost increases.

### 2) Maximum Leveraging of Strategic Capital Expenditure

The Company will secure stable earnings by increasing sales volumes and boosting plant capacity utilization to ensure maximum utilization of the Ebina Plant and Ami Plant, where investments have been made.

The new plants will proceed from a smooth transfer of production to stable operation and realize high productivity, high quality, and advanced technical capabilities.

### 3) Business Expansion in Growth Sectors

To achieve continuous growth into the future, the Company will prioritize allocation of enterprise resources to growth sectors in which the Group's strengths can be leveraged: namely, yogurt, natural cheese, institutional cheese, the functional food products business, and overseas businesses.

At a time of continuous market expansion, the Company will increase its market share by introducing and nurturing new yogurt, natural cheese, and institutional cheese products.

In the functional food products business, the Company will capture demand in the growing



health food products market by emphasizing the value of its functional ingredients.

In overseas businesses, the Company will focus mainly on increasing sales of powdered milk in Southeast Asia and actively work to increase sales of cheese in Indonesia and develop new businesses in the Southeast Asia region.

#### 4) Functional Enhancement and Systems Development

In order to support business structure reforms and initiatives for business expansion in growth sectors, the Company will work to strengthen R&D capabilities, strengthen quality assurance, maintain and expand the dairy production base to secure domestic milk for manufacturing use, develop a procurement system for securing a stable supply of overseas milk resources, and develop the production and distribution system by means including alliances with other companies.

**7. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

Items	As of March 31, 2015	As of March 31, 2016
	millions of yen	millions of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,818	15,503
Notes and accounts receivable-trade	64,926	65,338
Securities	299	-
Merchandise and finished goods	33,479	35,842
Work in process	758	1,119
Raw materials and supplies	14,712	15,468
Deferred tax assets	3,505	4,498
Accounts receivable-other	2,884	2,516
Other	2,498	2,133
Allowance for doubtful accounts	(529)	(479)
<b>Total current assets</b>	<b>132,354</b>	<b>141,943</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	98,093	93,536
Accumulated depreciation	(50,849)	(46,969)
Accumulated impairment loss	(769)	(692)
Buildings and structures, net	46,474	45,874
Machinery, equipment and vehicles	183,757	175,728
Accumulated depreciation	(123,744)	(114,213)
Accumulated impairment loss	(1,514)	(1,742)
Machinery, equipment and vehicles, net	58,498	59,772
Tools, furniture and fixtures	16,320	16,223
Accumulated depreciation	(12,593)	(12,352)
Accumulated impairment loss	(83)	(60)
Tools, furniture and fixtures, net	3,643	3,810
Land	58,382	51,059
Lease assets	7,264	9,319
Accumulated depreciation	(2,902)	(3,733)
Accumulated impairment loss	(210)	(222)
Lease assets, net	4,150	5,363
Construction in progress	2,361	217
<b>Total property, plant and equipment</b>	<b>173,510</b>	<b>166,098</b>
<b>Intangible assets</b>		
Lease assets	116	82
Software	5,492	4,980
Right of using facilities	748	695
Other	146	123
<b>Total intangible assets</b>	<b>6,503</b>	<b>5,881</b>

Items	As of March 31, 2015	As of March 31, 2016
	millions of yen	millions of yen
Investments and other assets		
Investment securities	24,782	24,333
Long-term prepaid expenses	507	382
Deferred tax assets	4,158	2,270
Other	5,518	4,104
Allowance for doubtful accounts	(1,737)	(819)
Total investments and other assets	33,228	30,270
Total fixed assets	213,242	202,250
Total assets	345,597	344,194

Items	As of March 31, 2015	As of March 31, 2016
	millions of yen	millions of yen
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	57,145	61,238
Short-term loans payable	21,464	16,930
Current portion of long-term loans payable	18,483	17,694
Lease obligations	991	967
Accounts payable-other	11,868	11,045
Income taxes payable	768	6,417
Accrued expenses	7,575	7,500
Deposits received	379	318
Deferred tax liabilities	4	4
Provision for bonuses	3,390	4,554
Other	6,249	5,286
<b>Total current liabilities</b>	<b>128,320</b>	<b>131,959</b>
<b>Long-term liabilities</b>		
Long-term loans payable	68,780	53,380
Long-term deposits received	5,173	5,053
Lease obligations	3,943	5,301
Deferred tax liabilities	967	993
Deferred tax liabilities for land revaluation	6,207	4,043
Provision for director's retirement benefits	311	254
Provision for gift token exchange	227	214
Net defined benefit liability	8,490	9,029
Asset retirement obligations	425	464
Other	540	1,097
<b>Total long-term liabilities</b>	<b>95,067</b>	<b>79,832</b>
<b>Total liabilities</b>	<b>223,388</b>	<b>211,792</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	69,194	86,269
Treasury stock	(4,541)	(4,554)
<b>Total shareholders' equity</b>	<b>102,233</b>	<b>119,295</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,590	4,465
Deferred gains or losses on hedges	(79)	(489)
Revaluation reserve for land	12,904	9,067
Foreign currency translation adjustment	567	324
Remeasurements of defined benefit plans	(290)	(2,597)
<b>Total accumulated other comprehensive income</b>	<b>17,693</b>	<b>10,770</b>
<b>Non-controlling interests</b>	<b>2,282</b>	<b>2,335</b>
<b>Total net assets</b>	<b>122,209</b>	<b>132,401</b>
<b>Total liabilities and net assets</b>	<b>345,597</b>	<b>344,194</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

**Consolidated Statements of Income**

Items	Year Ended March 31, 2015	Year Ended March 31, 2016
	millions of yen	millions of yen
Net sales	549,816	578,328
Cost of sales	425,449	444,476
Gross profit	124,367	133,851
Selling, general and administrative expenses		
Selling expenses	99,076	103,214
General and administrative expenses	15,908	16,633
Total selling, general and administrative expenses	114,985	119,847
Operating income	9,381	14,004
Non-operating income		
Interest income	58	55
Dividend income	855	805
Compensation income	274	244
Subsidy income	140	401
Equity in earnings of affiliates	131	143
Foreign exchange gain	866	-
Other	506	603
Total non-operating income	2,833	2,255
Non-operating expenses		
Interest expenses	934	887
Foreign exchange losses	-	535
Other	835	612
Total non-operating expenses	1,770	2,035
Ordinary income	10,444	14,223
Extraordinary income		
Gain on sales of fixed assets	126	11,633
Other	254	293
Total extraordinary income	380	11,926
Extraordinary loss		
Loss on sales of fixed assets	20	6
Loss on retirement of fixed assets	722	1,396
Impairment loss	1,517	1,096
Loss on plant reorganization	1,051	-
Loss on business of subsidiaries and associates	-	646
Other	137	779
Total extraordinary loss	3,449	3,925
Income before income taxes and non-controlling interests	7,375	22,225
Income taxes		
Current	1,837	6,813
Deferred	1,472	289
Total income taxes	3,309	7,102
Profit	4,065	15,123
Profit attributable to non-controlling interests	133	75
Profit attributable to owners of parent	3,931	15,047

### Consolidated Statements of Comprehensive Income

Items	Year Ended March 31, 2015	Year Ended March 31, 2016
	millions of yen	millions of yen
Profit	4,065	15,123
Other comprehensive income		
Valuation difference on available-for-sale securities	1,486	(135)
Deferred gains or losses on hedges	41	(410)
Revaluation reserve for land	634	225
Foreign currency translation adjustment	138	(243)
Remeasurements of defined benefit plans	1,440	(2,317)
Share of other comprehensive income of associates accounted for using the equity method	20	1
Total other comprehensive income	3,762	(2,879)
Comprehensive income	7,827	12,243
Comprehensive income attributable to owners of the parent	7,683	12,188
Comprehensive income attributable to non-controlling interests	144	55

### (3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	20,000	17,580	67,318	(4,535)	100,362
Cumulative effects of changes in accounting policies			(25)		(25)
Restated balance	20,000	17,580	67,291	(4,535)	100,336
Changes during term					
Reversal of revaluation reserve for land			6		6
Cash dividends			(2,035)		(2,035)
Profit attributable to owners of parent			3,931		3,931
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		(0)		0	0
Net changes other than shareholders' equity					
Total changes during term	-	(0)	1,903	(6)	1,896
Balance at end of term	20,000	17,580	69,194	(4,541)	102,233

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	3,094	(121)	12,277	428	(1,726)	13,952	2,138	116,453
Cumulative effects of changes in accounting policies								(25)
Restated balance	3,094	(121)	12,277	428	(1,726)	13,952	2,138	116,428
Changes during term								
Reversal of revaluation reserve for land								6
Cash dividends								(2,035)
Profit attributable to owners of parent								3,931
Purchase of treasury stock								(7)
Disposal of treasury stock								0
Net changes other than shareholders' equity	1,495	41	627	138	1,436	3,740	143	3,884
Total changes during term	1,495	41	627	138	1,436	3,740	143	5,781
Balance at end of term	4,590	(79)	12,904	567	(290)	17,693	2,282	122,209

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	20,000	17,580	69,194	(4,541)	102,233
Cumulative effects of changes in accounting policies					
Restated balance	20,000	17,580	69,194	(4,541)	102,233
Changes during term					
Reversal of revaluation reserve for land			4,062		4,062
Cash dividends			(2,035)		(2,035)
Profit attributable to owners of parent			15,047		15,047
Purchase of treasury stock				(13)	(13)
Disposal of treasury stock					
Net changes other than shareholders' equity					
Total changes during term	-	-	17,075	(13)	17,061
Balance at end of term	20,000	17,580	86,269	(4,554)	119,295

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	4,590	(79)	12,904	567	(290)	17,693	2,282	122,209
Cumulative effects of changes in accounting policies								
Restated balance	4,590	(79)	12,904	567	(290)	17,693	2,282	122,209
Changes during term								
Reversal of revaluation reserve for land								4,062
Cash dividends								(2,035)
Profit attributable to owners of parent								15,047
Purchase of treasury stock								(13)
Disposal of treasury stock								
Net changes other than shareholders' equity	(124)	(410)	(3,837)	(243)	(2,306)	(6,922)	53	(6,869)
Total changes during term	(124)	(410)	(3,837)	(243)	(2,306)	(6,922)	53	10,192
Balance at end of term	4,465	(489)	9,067	324	(2,597)	10,770	2,335	132,401



**(4) Consolidated Statements of Cash flows**

	Year Ended	Year Ended
	March 31, 2015	March 31, 2016
	millions of yen	millions of yen
<b>Cash flows from operating activities</b>		
Income before income taxes and non-controlling interests	7,375	22,225
Depreciation and amortization	14,558	14,081
Impairment loss	1,517	1,096
Equity in (earnings) losses of affiliates	(131)	(143)
Increase (decrease) in allowance for doubtful accounts	263	(199)
Increase (decrease) in provision for bonuses	(14)	1,163
Increase (decrease) in net defined benefit liability	(346)	(3,111)
Increase (decrease) in provision for gift token exchange	(14)	(13)
Increase (decrease) in provision for directors' retirement benefits	(16)	(56)
Loss (gain) on sales and retirement of fixed assets	617	(10,230)
Interest and dividend income received	(913)	(861)
Compensation income	(274)	(244)
Subsidy income	(140)	(401)
Interest expenses	934	887
Loss on business of subsidiaries and associates	-	646
Decrease (increase) in notes and accounts receivable-trade	(2,021)	(411)
Decrease (increase) in inventories	(6,639)	(3,481)
Increase (decrease) in notes and accounts payable-trade	619	4,375
Other, net	57	1,275
Sub total	15,430	26,596
Interest and dividend income	1,024	965
Proceeds from compensation	300	232
Proceeds from subsidies	146	401
Interest expenses paid	(939)	(919)
Income taxes paid	(4,721)	(842)
Net cash provided by (used in) operating activities	11,241	26,433

	Year Ended March 31, 2015	Year Ended March 31, 2016
	millions of yen	millions of yen
<b>Cash flows from investing activities</b>		
Payments into time deposits	(154)	(157)
Proceeds from withdrawal of time deposits	247	74
Proceeds from redemption of securities	-	299
Purchase of investment securities	(21)	(145)
Proceeds from sales of investment securities	407	724
Payments of loans receivable	(363)	(392)
Collection of loans receivable	163	246
Purchase of property, plant and equipment and intangible assets	(27,537)	(15,602)
Proceeds from sales of property, plant and equipment and intangible assets	1,059	19,579
Purchase of stocks of subsidiaries and affiliates	(1,488)	(1)
Proceeds from government subsidies	123	-
Other	(53)	(56)
Net cash provided by (used in) investing activities	(27,617)	4,567
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,835	(4,533)
Proceeds from long-term loans payable	28,000	6,300
Repayment of long-term loans payable	(11,927)	(22,488)
Purchase of treasury stock	(7)	(13)
Cash dividends paid	(2,036)	(2,038)
Cash dividends paid to non-controlling interests	(2)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1,654)
Other	(1,006)	(900)
Net cash provided by (used in) financing activities	14,854	(25,332)
Effect of exchange rate on cash and cash equivalents	134	(59)
Net increase (decrease) in cash and cash equivalents	(1,387)	5,609
Cash and cash equivalents at beginning of period	10,570	9,188
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	4	-
Cash and cash equivalents at end of period	9,188	14,797

## Segment and Other Information

[Segment information]

### 1. Overview of reportable segments

The Company's reportable segments are components of the MEGMILK SNOW BRAND Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group is engaged mainly in manufacturing and selling of products made from milk, etc., manufacturing and selling of cattle feed, pasture forage and crop seed, and other related products. Dairy products such as cheese and butter, and beverages and desserts such as milk and yogurt are mainly handled by the Company, while feed and seeds are mainly handled by Snow Brand Seed Co., Ltd.

The Group's operations are therefore classified based on products into three reportable segments, namely, dairy products business, beverage and dessert business, and feed and seeds business.

### 2. Calculation method for net sales, income/loss, assets, liabilities and other amounts by reportable segment

Segment income represents operating income.

Intersegment sales and transfers are based on market price.

### 3. Net sales, income/loss, assets, liabilities and other amounts by reportable segment

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segment				Other (note1)	Total	Adjustments (note2)	Amount recorded on consolidated financial statements (note3)
	Dairy products business	Beverage and dessert business	Feed and seeds business	Total				
Net sales								
Sales to outside customers	213,064	255,486	47,492	516,043	33,772	549,816	-	549,816
Inter-segment sales and transfers	14,100	43	1,080	15,224	11,927	27,151	(27,151)	-
Total	227,165	255,530	48,572	531,268	45,699	576,968	(27,151)	549,816
Segment income (loss)	9,302	(1,724)	1,098	8,676	606	9,283	98	9,381
Segment assets	154,652	133,929	33,859	322,441	25,137	347,579	(1,981)	345,597
Other items								
Depreciation/amortization (note 4)	6,376	6,919	840	14,135	567	14,703	(144)	14,558
Amortization of goodwill	-	-	-	-	0	0	-	0
Impairment loss	471	-	581	1,053	11	1,065	451	1,517
Increase in PP&E and intangible assets (note 5)	12,210	6,498	592	19,301	1,917	21,219	(114)	21,104

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segment				Other (note1)	Total	Adjustments (note2)	Amount recorded on consolidated financial statements (note3)
	Dairy products business	Beverage and dessert business	Feed and seeds business	Total				
Net sales								
Sales to outside customers	226,950	269,401	45,955	542,307	36,021	578,328	-	578,328
Inter-segment sales and transfers	14,170	41	1,029	15,241	12,291	27,533	(27,533)	-
<b>Total</b>	<b>241,121</b>	<b>269,442</b>	<b>46,984</b>	<b>557,548</b>	<b>48,313</b>	<b>605,861</b>	<b>(27,533)</b>	<b>578,328</b>
Segment income	9,455	2,297	860	12,613	1,326	13,939	64	14,004
Segment assets	151,497	136,799	33,448	321,746	27,481	349,227	(5,033)	344,194
Other items								
Depreciation/amo rtization (note 4)	6,357	6,351	836	13,546	670	14,216	(135)	14,081
Amortization of goodwill	-	-	-	-	-	-	-	-
Impairment loss	-	802	78	881	41	923	173	1,096
Increase in PP&E and intangible assets (note 5)	7,082	5,574	1,002	13,659	2,704	16,363	(118)	16,244

Notes: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.

2. Adjustments are as follows:

Net sales			(Millions of yen)	
	Year ended March 31, 2015	Year ended March 31, 2016		
Intersegment transactions elimination	(27,151)	(27,533)		
<b>Total</b>	<b>(27,151)</b>	<b>(27,533)</b>		

Segment income			(Millions of yen)	
	Year ended March 31, 2015	Year ended March 31, 2016		
Intersegment transactions elimination	98	64		
<b>Total</b>	<b>98</b>	<b>64</b>		

Segment assets			(Millions of yen)	
	Year ended March 31, 2015	Year ended March 31, 2016		
Intersegment transactions elimination	(14,333)	(15,838)		
Corporate assets*	12,352	10,805		
<b>Total</b>	<b>(1,981)</b>	<b>(5,033)</b>		

\* Corporate assets comprise mainly of surplus working funds and idle assets held by the parent company.

3. Segment income adjustments are based on operating income reported on the consolidated statements of income for the corresponding period.
4. Depreciation/amortization includes amortization of long-term prepaid expenses.
5. Increase in PP&E and intangible assets includes an increase in long-term prepaid expenses.

[Related information]

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Information by product and service

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Total
Sales to outside customers	213,064	255,486	47,492	33,772	549,816

2. Information by geographic area

(1) Net sales

Information was omitted from disclosure because net sales to outside customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

Information was omitted from disclosure because total property, plant and equipment owned in Japan exceed 90% of total property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segments
NIPPON ACCESS, INC	119,295	Dairy products business segment Beverage and dessert business segment
Seven-Eleven Japan Co., Ltd.	95,809	Dairy products business segment Beverage and dessert business segment

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

1. Information by product and service

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Total
Sales to outside customers	226,950	269,401	45,955	36,021	578,328

2. Information by geographic area

(1) Net sales

Information was omitted from disclosure because net sales to outside customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

Information was omitted from disclosure because total property, plant and equipment owned in Japan exceed 90% of total property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segments
NIPPON ACCESS, INC	129,748	Dairy products business segment Beverage and dessert business segment
Seven-Eleven Japan Co., Ltd.	110,301	Dairy products business segment Beverage and dessert business segment

[Impairment loss on fixed assets by reportable segments]

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other (Note)	Corporate / elimination	Total
Impairment loss	471	-	581	11	451	1,517

Note: The figure for "other" is the amount of impairment loss mainly associated with the joint distribution center and real estate rental services.

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other (Note)	Corporate / elimination	Total
Impairment loss	-	802	78	41	173	1,096

Note: The figure for "other" is the amount of impairment loss mainly associated with the joint distribution center and real estate rental services.

[Amortization for and unamortized balance of goodwill by reportable segment]

Not applicable.

[Gain on negative goodwill by reportable segment]

Not applicable.