Consolidated Financial Results for the Year Ended March 31, 2017
(Prepared pursuant to Japanese GAAP)

May 11, 2017

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
Contact:	Shigeru Watanabe, General Manager, Public Relations & Investor Relations Department
Phone:	+81 3-3226-2124

Scheduled dates:

Annual general meeting of shareholders:	June 28, 2017
Dividend payout:	June 29, 2017
Filing of fiscal year-end financial report:	June 28, 2017
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, 2017 (April 1, 2016– March 31, 2017)

(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, 2017	587,935	1.7	18,753	33.9	20,269	42.5	12,988	(13.7)
Year ended March 31, 2016	578,328	5.2	14,004	49.3	14,223	36.2	15,047	282.7

Note: Comprehensive income: Year Ended March 31, 2017: 15,180 million yen (+24.0 %)
Year Ended March 31, 2016: 12,243 million yen (+56.4 %)

	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, 2017	191.48	-	9.5	5.9	3.2
Year ended March 31, 2016	221.81	-	12.0	4.1	2.4

For reference: Equity in earnings of affiliates: Year Ended March 31, 2017: 585 million yen
Year Ended March 31, 2016: 143 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, 2017	341,507	145,485	41.9	2,110.80
March 31, 2016	344,194	132,401	37.8	1,917.33

For reference: Equity: March 31, 2017: 143,179 million yen
March 31, 2016: 130,066 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, 2017	29,934	(14,408)	(14,376)	15,940
Year ended March 31, 2016	26,433	4,567	(25,332)	14,797

2. Dividends

	Cash dividends per share					Total dividends paid (full year)	Payout Ratio (consolidated)	Dividends to net assets (consolidated)
Record date or period	End-Q1	End-Q2	End-Q3	End-Q4	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
Year ended March 31, 2016	-	-	-	30.00	30.00	2,035	13.5	1.6
Year ended March 31, 2017	-	-	-	40.00	40.00	2,713	20.9	2.0
Year ending March 31, 2018 (forecast)	-	-	-	40.00	40.00		20.9	

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

(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	%	yen
Six months ending September 30, 2017	303,500	1.4	10,000	(8.1)	10,500	(5.6)	6,800	(8.1)	100.24
Full Year	600,000	2.1	19,500	4.0	20,500	1.1	13,000	0.1	191.64

*** 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.: None
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Common stock issued
1) Issued shares as of period-end (including treasury stock):
March 31, 2017: 70,751,855 shares
March 31, 2016: 70,751,855 shares
2) Treasury stock as of period-end:
March 31, 2017: 2,919,856 shares
March 31, 2016: 2,914,832 shares
3) Average number of shares (during the respective period):
Year ended March 31, 2017: 67,834,753 shares
Year ended March 31, 2016: 67,840,013 shares

Reference: Overview of Non-consolidated Results

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

(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, 2017	357,510	1.6	13,074	37.9	14,793	44.3	9,951	(21.3)
Year ended March 31, 2016	351,934	3.3	9,478	65.8	10,248	42.2	12,638	331.2

	Net income per share - basic	Net income per share - diluted
	yen	yen
Year ended March 31, 2017	146.70	-
Year ended March 31, 2016	186.30	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
March 31, 2017	274,351	108,760	39.6	1,603.37
March 31, 2016	282,428	99,630	35.3	1,468.67

For reference:
Equity: March 31, 2017: 108,760 million yen
March 31, 2016: 99,630 million yen

***This report is not subject to audit procedures.**

***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 11, 2017, and intends to publish the presentation handout materials on its website on the same date of the event.

Table of Contents for Attachments

1. Operating Results

(1) Overview of Operating Results

In the fiscal year ended March 31, 2017, the gradual underlying recovery trend in the Japanese economy continued. However, the economic outlook remains uncertain because of uncertainties in overseas economies, instability in financial and capital markets, and concern about large fluctuations in exchange rates.

Although consumer spending continues to show signs of picking up, the trend for consumers to seek value commensurate with price is gaining impetus. In the food industry, as consumer orientation diversifies along the lines of low-price products and high-value-added products, the demand picture is patchy, with new demand being created even as demand for some products declines.

In this business environment, in the fiscal year ended March 31, 2017, the final year of the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017), in accordance with the plan the Company endeavored to establish an earnings base that will increase market competitiveness and strove for sales growth from cheese, yogurt, and other mainstay products, product mix improvement through higher sales of high-value-added products, and productivity improvement from effective utilization of strategic investment facilities.

As a result of these developments, in the fiscal year ended March 31, 2017, consolidated net sales were ¥587,935 million (an increase of 1.7% over the previous fiscal year), operating income was ¥18,753 million (up 33.9%), ordinary income was ¥20,269 million (up 42.5%), and profit attributable to owners of parent was ¥12,988 million (down 13.7%).

As of March 31, 2017, the MEGMILK SNOW BRAND Group comprised the Company, 32 subsidiaries, and 15 affiliates.

Operating results by business segment for the fiscal year ended March 31, 2017 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 were ¥232,386 million (an increase of 2.4% over the previous fiscal year), and operating income was ¥11,714 million (up 23.9%).

Although sales of margarine declined in a sluggish market, overall segment sales increased due to strong performance from butter, attributable to continued efforts to ensure stable supply, and from *6P Cheese*, *Sakeru Cheese*, and other cheese products, attributable to promotion activities in a growing market.

Operating income increased due to factors including higher sales of cheese.

2) Beverage & Dessert Business

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

Net sales were ¥277,477 million (an increase of 3.0% from the previous fiscal year), and operating income was ¥4,623 million (up 101.2%).

Overall segment sales increased. The *BOTTLATTE* series, launched as a product to provide new value, contributed to beverage sales. Sales for the yogurt category grew as a result of market growth coupled with successful continued promotion of lactobacillus gasseri SP, the Company's own lactobacillus, utilizing the food with function claims labeling system.

Operating income increased substantially as a result of factors including sales growth from yogurt resulting from promotion of product functionality and accompanying product mix improvement.

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 were ¥43,008 million (a decrease of 6.4% from the previous fiscal year), and operating income was ¥1,255 million (up 45.9%).

Although sales decreased, mainly due to a decline in feed unit selling prices, profit increased as a result of a review of selling expenses and efforts to ensure effective operation, lower unit purchase prices, and other factors.

4) Other Businesses

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

Net sales in this segment were ¥35,063 million (a decrease of 2.7% from the previous fiscal year), and operating income was ¥1,101 million (down 16.9%).

The economic outlook for the fiscal year ending March 31, 2018 is uncertain, despite expectations of a modest economic recovery in Japan fueled in part by the impact of government policies at a time of continued improvement in the employment and income environment. The environment surrounding the Company is fraught with uncertainties as significant supply and demand fluctuations affecting domestic and overseas milk resources and substantial exchange rate fluctuations are possible. Although there is concern about weak consumer spending due to fluctuating economic conditions, increasing health consciousness is creating new demand for products with enhanced functions and efficacy, and consumer buying sentiment is increasing. In this environment, in accordance with the newly established MEGMILK SNOW BRAND Group “Group Medium-term Management Plan 2019,” the Company will work to strengthen an earnings foundation for future growth through measures including strategic expansion of sales of high-value-added products such as functional yogurt, growth in the market share of cheese and other mainstay products, and strengthening and expanded utilization of Group functions.

In light of the above factors, in the fiscal ending March 31, 2018 the Company forecasts net sales of ¥600,000 million (an increase of 2.1% from the previous fiscal year), operating income of ¥19,500 million (up 4.0%), ordinary income of ¥20,500 million (up 1.1%), and profit attributable to owners of parent of ¥13,000 million (up 0.1%) on a consolidated basis.

By segment, the Company forecasts net sales of ¥237,500 million (up 2.2% from the fiscal year ended March 31, 2017) in the Dairy Products Business, ¥284,200 million (up 2.4%) in the Beverage & Dessert Business, ¥42,100 million (down 2.1%) in the Feed and Seeds Business, and ¥36,200 (up 3.2%) 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, 2017 decreased by ¥2,686 million from the previous fiscal year-end. The change is mainly attributable to decreases in inventories and machinery and equipment, which offset increases in construction in progress and investment securities.

Liabilities

Total liabilities as of March 31, 2017 decreased by ¥15,770 million from the previous fiscal year-end. The decrease is mainly attributable to decreases in long-term loans payable, short-term loans payable, income taxes payable, and accounts payable-other.

Net assets

Total net assets as of March 31, 2017 increased by ¥13,083 million from the previous fiscal year-end. The change is mainly attributable to increases in retained earnings, remeasurements of defined benefit plans, and valuation difference on available-for-sale securities.

2) Cash flows

Cash and cash equivalents on a consolidated basis as of March 31, 2017 totaled ¥15,940 million. The following is a summary of consolidated cash flows by activity for the fiscal year ended March 31, 2017.

(Millions of yen)

Category	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Change
Cash flows from operating activities	26,433	29,934	3,500
Cash flows from investing activities	4,567	(14,408)	(18,975)
Cash flows from financing activities	(25,332)	(14,376)	10,956
Currency translation adjustment relating to cash and cash equivalents	(59)	(6)	52
Increase (decrease) in cash and cash equivalents	5,609	1,143	(4,465)
Cash and cash equivalents at the beginning of the fiscal year	9,188	14,797	5,609
Cash and cash equivalents at the end of the fiscal year	14,797	15,940	1,143

Cash flows from operating activities

Operating activities provided net cash of ¥29,934 million, a ¥3,500 million increase in cash provided from the ¥26,433 million provided in the fiscal year ended March 31, 2016. The change is mainly attributable to factors including a loss on sales and retirement of fixed assets, a decrease in inventories, an increase in income taxes paid, a decrease in loss on business of subsidiaries and associates, and a decrease in notes and accounts payable-trade.

Cash flows from investing activities

Investing activities used net cash of ¥14,408 million, an ¥18,975 million increase in cash used from the ¥4,567 million provided in the fiscal year ended March 31, 2016. The change is mainly attributable to a decrease in proceeds from sales of property, plant and equipment and intangible assets.

Cash flows from financing activities

Financing activities used net cash of ¥14,376 million, a ¥10,956 million decrease in cash used from the ¥25,332 million in net cash used in the fiscal year ended March 31, 2016. The change is mainly attributable to a net increase in short-term loans payable and a decrease 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	2015	2016	2017
Equity ratio (%)	34.7	37.8	41.9
Equity ratio based on market value (%)	28.4	55.8	60.9
Ratio of interest-bearing debt to cash flow (years)	10.1	3.6	2.8
Interest coverage ratio (x)	12.0	28.7	42.8

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, 2017 and the Fiscal Year Ending March 31, 2018

Since business results were stable and the Company achieved the final profit target set out in the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017) in the fiscal year ended March 31, 2017, the Company has increased the dividend by ¥10 from the most recent forecast and decided to pay a dividend of ¥40 per share.

The Company's dividend policy for the fiscal year ended March 31, 2017 is as follows.

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.

The Company has set a consolidated dividend payout target of 20% or higher and will strive to continuously pay stable dividends, giving comprehensive consideration to factors such as consolidated business performance and the financial situation.

With regard to cash dividends for the fiscal year ending March 31, 2018, the Company plans to pay a dividend of ¥40 per share in accordance with the following dividend policy under MEGMILK SNOW BRAND Group "Group Medium-term Management Plan 2019."

The Company's policy on profit distribution is to establish financial soundness by generating profits, maintain capital efficiency by reinvesting in basic infrastructure that generates cash, and enhance shareholder returns.

The Company has set a consolidated dividend payout target of 20% or higher and will strive to continuously pay stable dividends, giving comprehensive consideration to factors such as consolidated business performance and the financial situation.

(4) Operating Risks etc.

This is a list of key matters concerning risks that may impact, among other things, the financial condition and business performance of the MEGMILK SNOW BRAND Group (hereinafter referred to as the "Group.")

The matters in this section were determined as of the release date of this report, but include matters pertaining to the future.

The Group recognizes the potential for these risks to occur and is making every effort to avoid them, as well as to deal with any such risks that should occur.

(i) The Dairy Milk Industry

The "Act on Temporary Measures concerning Compensation Price for Producers of Milk for Manufacturing Use" and the "Act concerning the Stability of Animal Husbandry Management" both affect transactions in raw milk - one of Group's key raw materials. Accordingly, it is possible that the Group's procurement of raw materials could be affected by changes made on the basis of these laws; such as changes in quantities deliverable and fluctuations in the unit price of subsidies.

There is a tariff system in place for the dairy products produced by the Group; a system that aims to protect domestic agriculture. However, Group sales and the procurement of raw materials could potentially be affected if the level of duty on milk products were to be lowered in World Trade Organization (WTO) negotiations on agriculture, or in negotiations or enforcements made by the Trans-Pacific Partnership (TPP); Free Trade Agreements (FTA); or Economic Partnership Agreement (EPA).

(ii) Fluctuations in Supply and Demand

Raw milk produced in Japan is the one of the Group's main raw materials and there have been repeated excesses and short-falls in its supply and demand. Sales competition intensifies during times of excess, due to product over-stocks; while short-falls cause production efficiencies to fall due to a decline in manufacturing volume.

In addition, the international market for dairy products and feed materials fluctuates considerably as a result of fluctuations in demand due to global economic changes, and declines in product supply due to poor fodder crops caused by abnormal weather events such as drought. Trends in international supply and demand have the potential to adversely affect the Group's business results; i.e. during a squeeze it is difficult to secure raw materials and the cost of raw materials soars, while a relaxation of supply and demand allows inflows of cheap imports of dairy products and a fall in the cost of feed. Note that while price subsidy measures are used when the cost of compound feeds rises under a system that stabilizes the cost of compound feeds for livestock operators, the Group's business results can still be adversely influenced by increases in manufacturer contributions.

(iii) An Oligopoly of Distributors and Intensification of Competition between Manufacturers

The Group's products are predominantly sold to mass merchandisers, but as the distribution industry (which includes mass merchandisers) reorganizes and stream-lines, an oligopoly of increasingly large-scale distributors is forming. This means that the Group's business results could be affected by changes in purchasing/distribution policies of certain distributors, as well as by trends in the performance of the same.

Furthermore, we continue to see expansion in the scale of operations and business domains in the dairy and food products industries, as leading manufacturers continue to integrate business operations and SME manufacturers restructure and stream-line. This could adversely affect the Group's business results, assuming that new entrants from other sectors enter the Group's business domain and competition intensifies further as manufacturers compete with each other on product development and prices.

(iv) Reduction in Market Size etc.

At present, the majority of the Group's products are sold to the domestic Japanese market. However, the

Group's target market is shrinking as Japan's population faces a downward trend due to the country's declining birthrate and aging population. Moreover, there are also fluctuations in the number of livestock in the livestock market, and if this contraction of the market continues in the future, the Group's business results could be adversely affected.

(v) Safety of Food Products

The food products industry demands strict controls on food product safety and quality.

As regards quality control, the Company has created its own quality assurance system "MEGMILK SNOW BRAND Quality Assurance System (MSQS)" which incorporates ISO9001 (a global standard quality control method) and the concept of Hazard Analysis and Critical Control Point (HACCP). Nonetheless, should a quality issue arise, the Group's business results could be adversely affected by any product recalls or factory shutdowns required under voluntary regulations or under laws such as the Food Sanitation Act; or by any obligations required under the Product Liability Act. Moreover the occurrence of any such event could have a negative impact on the Group's social credibility.

Furthermore, quality issues are not restricted to those unique to the Group. Indeed, any domestic or international quality/health problems related to dairy food products could impact Group net sales and subsequently have an adverse affect on our business results; note that such problems include melamine/pesticide contamination, or infectious disease in livestock, and that the spread of any such rumors may also have a negative impact, regardless of whether or not an actual event has occurred.

(vi) Regulations

The specification of ingredients, production methods and labeling methods used for dairy products, beverages and desserts are regulated under the Food Sanitation Act, and otherwise by the Ministerial Ordinance concerning the Ingredient Standards for Milk and Dairy Products. Feed and seeds are regulated under various statutes, including the Act on Safety Assurance and Quality Improvement of Feeds, the Plant Variety Protection and Seed Act, the Agricultural Chemicals Control Act; and the Act on Domestic Animal Infectious Diseases Control. The Group complies with these laws and regulations, which are in place to ensure the safety of food etc., and we work to maintain controls on our manufacturing process and product quality and ensure that our products are properly labeled etc. Nonetheless, the Group's business results could be adversely affected by the cost of product withdrawals/recalls and the loss of social creditability if trouble were to occur in the manufacturing process that resulted in a conflict with the regulations.

It is also possible that amendments to laws and regulations may adversely affect the Group's business results through the costs incurred to update ingredient specifications and production methods, should existing specifications and methods no longer be acceptable.

(vii) Major Earthquakes & Fires etc., and Contagious Diseases

The Group's production system could be impacted and its business results affected if our production facilities had to suspend operations over a long period due to a major earthquake or fire etc., or alternatively if product supplies were interrupted for a long period due to employees at a production facility being infected with a contagious disease such as a new influenza virus.

In addition, while we inspect and sterilize the raw materials used in dairy products, beverages and desserts at the point where the raw milk is accepted into the factory from the dairy producer, if it is subsequently discovered that the cow that produced the milk has been infected with a legally-prescribed contagious livestock disease, then we need to withdraw all the raw milk in question and any products made from that milk in accordance with the provisions of the relevant laws and ordinances. As the milk from the infected cattle will have been mixed and processed with milk from other healthy cattle, the amount of raw materials or finished products that need to be discarded may increase and potentially have an adverse effect on the Group's business results.

If a livestock epidemic occurs, our business results could be adversely affected by any slump in demand for feed and cuts in the number of cattle being fed that accompanied a reduction in domestic consumption of milk products, beverages and desserts.

(viii) Fluctuations in Exchange Rates

The Group could be affected by exchange rate fluctuations, as we procure some of our raw materials and goods from overseas. In general, when the yen is weak against other currencies it has an adverse effect on the Group, while a strong yen works to the Group's advantage.

(ix) Protection of Personal Information

As well having formulated a "Privacy Policy" and associated provisions for the protection and control of personal information held by each of the group companies, the Group works to strictly control such information through employee training etc. Nonetheless, any leak of information due to unforeseen circumstances could damage our social credibility and potentially have an adverse effect on the Group's business results.

(x) Information Systems

The Group uses information systems for the order of raw materials, the manufacturing of finished goods, incoming orders for goods and accounts processing etc. across its full range of business operations. In order to properly manage its information systems, the Group has various regulations in place, conducts employee training and carries out security initiatives. Nonetheless there is the risk that information systems may face suspension, temporary disruption, or loss/leakage/tampering of internal data etc. due to unforeseen events such as power outages, natural disasters, software/equipment defects, computer viruses, unauthorized access, etc. In this event, the Group's business results could be affected by a slump in operations and a loss of social creditability.

(xi) Intellectual Property

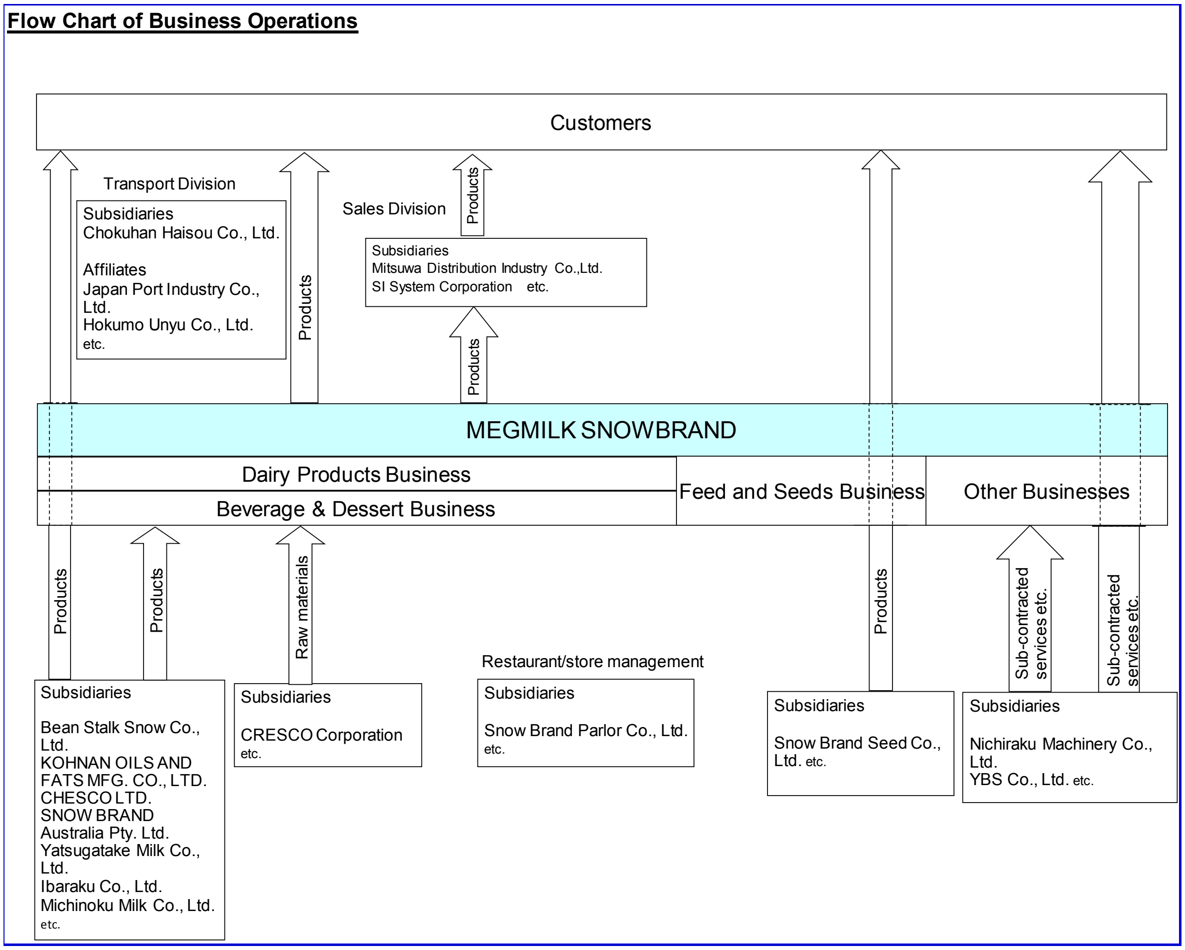
In its business activities, the Group uses various intellectual property, including research and development; property that may be proprietary, or legally licensed by third parties. Although the Group conducts its business activities with respect for the intellectual property rights of third parties, the Group's business results could be adversely affected by any lawsuits on these rights - depending on the outcome of the lawsuit.

(xii) Weather

The beverage and dessert businesses can be affected by the weather. Unseasonable weather and lower-than-normal summer temperatures in particular can cause a slump in sales and adversely affect results and financial conditions in the beverage and dessert businesses.

2. Overview of the Group

The following is flow chart of the Group's business operations.



3. Management Policies

In May 2017, the Company established MEGMILK SNOW BRAND Group “Group Long-term Vision 2026” (“Long-term Vision 2026”) and MEGMILK SNOW BRAND Group “Group Medium-term Management Plan 2019” (“Medium-term Management Plan 2019”), an action plan for the first stage of the Long-term Vision.

(1) Long-term Vision 2026

1) Vision

The MEGMILK SNOW BRAND Group’s ten-year vision is “A Company that Creates the Future with Milk,” and we have articulated the following “three futures” to concretely express how we will realize the Group corporate philosophy.

1) -1) Consumers

“Create the future of food with milk.”

1) -2) Dairy farmers

“Contribute to the future of dairy farmers.”

1) -3) Ourselves

“Open up the future for ourselves, the employees.”

2) Concepts

Transformation & Renewal

2) -1) Business Portfolio Transformation = Transformation

2) -2) Renewal of the Production Structure to Support Business Growth = Renewal

2) -3) Promoting Group Management = Group Management

To implement these concepts, the Company will reorganize the Group’s business domains into four business sectors—namely, Dairy Products, Beverages and Desserts, Nutrition, and Feedstuffs and Seed Products—and strengthen the Group value chain through collaboration with Group companies.

3) Positioning and Role of Each Stage

The Group will implement Long-term Vision 2026, spanning the ten-year period from FY2017 to FY2026, in three stages.

	First Stage (Fiscal 2017–Fiscal 2019)	**Second Stage (Fiscal 2020–Fiscal 2022)**	**Third Stage (Fiscal 2023–Fiscal 2026)**
Positioning	Begin transformation	Accelerate transformation	Toward renewal
	Start and promote Group management	Strengthen development of Group management	Accelerate and renew Group management
Role	・Create multiple earnings bases and maximize cash flow ・Begin renewal of the production structure	・Establish earnings bases ・Begin full-fledged renewal of the production structure	・Stable creation of earnings through four business sectors ・Establish procurement and production structure

4) Target Performance Indicators

Aim to achieve net sales of ¥700 billion to ¥800 billion and operating income of ¥30 billion to ¥40 billion on a consolidated basis ten years from now.

5) Cash Flow Allocation Policy

The long-term cash flow allocation policy is to aim for ROE of 8% or higher, an equity ratio of 50% or higher, and a payout ratio of 30% or higher on a consolidated basis ten years from now by being mindful of three considerations: financial soundness, capital efficiency, and shareholder returns.

The Group plans investments of ¥300 billion to ¥400 billion during the ten-year period.

(2) Medium-term Management Plan 2019

1) Basic Strategies

The Group will implement the following basic strategies in Medium-term Management Plan 2019.

1) -1) Business Portfolio Transformation

Develop the Beverages and Desserts business sector into an earnings pillar second to the Dairy Products business sector by increasing sector profitability. At the same time, construct growth models and expand businesses in the Nutrition and Feedstuffs and Seed Products business sectors.

1) -2) Functional Strategies that Support Business Portfolio Transformation

1) -2) -1) Securing of competitive fundamentals through strategic procurement and production structure development

The Group will strive for stable procurement of milk resources and support dairy farming in Japan in accordance with the raw milk supply and demand environment. The Group will also invest in growth sectors and begin renewal of a forward-looking production structure.

1) -2) -2) Creation of new value through *monozukuri* originating in research and development

Strengthen the research and development structure and create new value (demand) through promotion of open innovation and other measures.

1) -2) -3) Development of a highly productive organization that respects human resource diversity

Implement work restructuring and create a worker-friendly environment through working hour reduction and the introduction of a telecommuting system. Develop human resources by introducing a new training system.

1) -2) -4) Maximization of competitive strengths and collective strengths through utilization of Group management resources

Strengthen the Group value chain by deepening collaboration with Group companies and partners and strengthen corporate functions, including governance, quality assurance, and environmental management.

2) Target Performance Indicators

The Group will aim for net sales of ¥630 billion, operating income of ¥22 billion, and EBITDA of ¥40 billion on a consolidated basis in the final year of the plan.

3) Cash Flow Allocation Policy

In accordance with the long-term cash flow allocation policy, the Group will aim for ROE of 8% or higher, an equity ratio of 40% or higher, and a payout ratio of 20% or higher on a consolidated basis in the final year of the plan. The Group plans total investments of ¥77 billion during the three-year period.

(3) Annual Management Policies

Since the fiscal year ending March 31, 2018 is the first year of Medium-term Management Plan 2019, the Group will implement the above medium-term strategies as its annual management policies.

4. Details of Key Activities

For the time being, the Group plans to prepare consolidated financial statements based on Japanese accounting standards, considering the comparability of the statements' duration and comparability between companies.

Note that we will take appropriate measures with regard to the application of IFRS standards in light of various circumstances both at home and abroad.

5. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

Items	As of March 31, 2016	As of March 31, 2017
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	*1 15,503	*1 16,657
Notes and accounts receivable-trade	*3 65,338	*3 65,063
Merchandise and finished goods	35,842	35,021
Work in process	1,119	905
Raw materials and supplies	15,468	12,524
Deferred tax assets	4,498	4,556
Accounts receivable-other	2,516	2,224
Other	2,133	2,247
Allowance for doubtful accounts	(479)	(535)
Total current assets	141,943	138,665
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,536	94,647
Accumulated depreciation	(46,969)	(48,686)
Accumulated impairment loss	(692)	(508)
Buildings and structures, net	*1 45,874	*1 45,452
Machinery, equipment and vehicles	175,728	177,199
Accumulated depreciation	(114,213)	(118,237)
Accumulated impairment loss	(1,742)	(2,039)
Machinery, equipment and vehicles, net	*1 59,772	*1 56,921
Tools, furniture and fixtures	16,223	16,683
Accumulated depreciation	(12,352)	(12,829)
Accumulated impairment loss	(60)	(62)
Tools, furniture and fixtures, net	*1 3,810	*1 3,791
Land	*1, *4, *6 51,059	*1, *4, *6 50,057
Lease assets	9,319	9,608
Accumulated depreciation	(3,733)	(3,463)
Accumulated impairment loss	(222)	(222)
Lease assets, net	5,363	5,921
Construction in progress	217	2,451
Total property, plant and equipment	166,098	164,596
Intangible assets		
Lease assets	82	42
Software	4,980	4,126
Right of using facilities	695	648
Other	123	111
Total intangible assets	5,881	4,929

Items	As of March 31, 2016	As of March 31, 2017
	millions of yen	millions of yen
Investments and other assets		
Investment securities	[*1, *2] 24,333	[*1, *2] 26,015
Long-term prepaid expenses	382	509
Net defined benefit asset	—	781
Deferred tax assets	2,270	2,126
Other	[*2] 4,104	[*2] 4,642
Allowance for doubtful accounts	(819)	(759)
Total investments and other assets	30,270	33,316
Total non-current assets	202,250	202,842
Total assets	344,194	341,507

Items	As of March 31, 2016	As of March 31, 2017
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*1 61,238	*1 59,886
Short-term loans payable	16,930	20,900
Current portion of long-term loans payable	*1 17,694	*1 8,506
Lease obligations	967	937
Accounts payable-other	11,045	9,661
Income taxes payable	6,417	2,902
Accrued expenses	7,500	7,742
Deposits received	318	632
Deferred tax liabilities	4	4
Provision for bonuses	4,554	5,285
Other	5,286	4,601
Total current liabilities	131,959	121,060
Non-current liabilities		
Long-term loans payable	*1 53,380	47,304
Long-term deposits received	5,053	5,052
Lease obligations	5,301	5,940
Deferred tax liabilities	993	1,093
Deferred tax liabilities for land revaluation	*4 4,043	*4 3,982
Provision for director's retirement benefits	254	137
Provision for gift token exchange	214	203
Net defined benefit liability	9,029	8,229
Asset retirement obligations	464	2,284
Other	1,097	734
Total non-current liabilities	79,832	74,961
Total liabilities	211,792	196,022
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,583
Retained earnings	86,269	97,336
Treasury stock	(4,554)	(4,571)
Total shareholders' equity	119,295	130,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,465	5,400
Deferred gains or losses on hedges	(489)	(199)
Revaluation reserve for land	*4 9,067	*4 8,954
Foreign currency translation adjustment	324	250
Remeasurements of defined benefit plans	(2,597)	(1,574)
Total accumulated other comprehensive income	10,770	12,831
Non-controlling interests	2,335	2,306
Total net assets	132,401	145,485
Total liabilities and net assets	344,194	341,507

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

Consolidated Statements of Income

Items	Year Ended March 31, 2016	Year Ended March 31, 2017
	millions of yen	millions of yen
Net sales	578,328	587,935
Cost of sales	*1 444,476	*1 446,164
Gross profit	133,851	141,770
Selling, general and administrative expenses		
Selling expenses	*2 103,214	*2 105,905
General and administrative expenses	*3, *7 16,633	*3, *7 17,112
Total selling, general and administrative expenses	119,847	123,017
Operating income	14,004	18,753
Non-operating income		
Interest income	55	18
Dividend income	805	758
Subsidy income	401	502
Equity in earnings of affiliates	143	585
Other	848	966
Total non-operating income	2,255	2,830
Non-operating expenses		
Interest expenses	887	672
Contribution	104	168
Other	1,044	473
Total non-operating expenses	2,035	1,314
Ordinary income	14,223	20,269
Extraordinary income		
Gain on sales of non-current assets	*4 11,633	*4 294
Other	293	87
Total extraordinary income	11,926	381
Extraordinary loss		
Loss on sales of non-current assets	*5 6	*5 55
Loss on retirement of non-current assets	*5 1,396	*5 1,127
Impairment loss	*6 1,096	*6 1,017
Loss on business of subsidiaries and associates	646	—
Other	779	583
Total extraordinary loss	3,925	2,784
Income before income taxes	22,225	17,866
Income taxes		
Current	6,813	5,741
Deferred	289	(885)
Total income taxes	7,102	4,856
Profit	15,123	13,009
Profit attributable to non-controlling interests	75	21
Profit attributable to owners of parent	15,047	12,988

Consolidated Statements of Comprehensive Income

Items	Year Ended March 31, 2016	Year Ended March 31, 2017
	millions of yen	millions of yen
Profit	15,123	13,009
Other comprehensive income		
Valuation difference on available-for-sale securities	(135)	938
Deferred gains or losses on hedges	(410)	290
Revaluation reserve for land	225	—
Foreign currency translation adjustment	(243)	(73)
Remeasurements of defined benefit plans	(2,317)	1,024
Share of other comprehensive income of associates accounted for using the equity method	1	(9)
Total other comprehensive income	* (2,879)	* 2,170
Comprehensive income	12,243	15,180
Comprehensive income attributable to owners of parent	12,188	15,162
Comprehensive income attributable to non-controlling interests	55	18

(3) Consolidated Statements of Changes in Net Assets

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
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					
Change in equity attributable to parent arising from transactions with non-controlling shareholders					
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
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								
Change in equity attributable to parent arising from transactions with non-controlling shareholders								
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

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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	86,269	(4,554)	119,295
Changes during term					
Reversal of revaluation reserve for land			113		113
Cash dividends			(2,035)		(2,035)
Profit attributable to owners of parent			12,988		12,988
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock		0		0	0
Change in equity attributable to parent arising from transactions with non-controlling shareholders		2			2
Net changes other than shareholders' equity					
Total changes during term	-	2	11,066	(16)	11,053
Balance at end of term	20,000	17,583	97,336	(4,571)	130,348

	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	4,465	(489)	9,067	324	(2,597)	10,770	2,335	132,401
Changes during term								
Reversal of revaluation reserve for land								113
Cash dividends								(2,035)
Profit attributable to owners of parent								12,988
Purchase of treasury stock								(16)
Disposal of treasury stock								0
Change in equity attributable to parent arising from transactions with non-controlling shareholders								2
Net changes other than shareholders' equity	934	290	(113)	(73)	1,022	2,060	(29)	2,030
Total changes during term	934	290	(113)	(73)	1,022	2,060	(29)	13,083
Balance at end of term	5,400	(199)	8,954	250	(1,574)	12,831	2,306	145,485

(4) Consolidated Statements of Cash flows

	Year Ended March 31, 2016	Year Ended March 31, 2017
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes	22,225	17,866
Depreciation and amortization	14,081	15,140
Impairment loss	1,096	1,017
Equity in (earnings) losses of affiliates	(143)	(585)
Increase (decrease) in allowance for doubtful accounts	(199)	(3)
Increase (decrease) in provision for bonuses	1,163	730
Decrease (increase) in net defined benefit assets	—	(781)
Increase (decrease) in net defined benefit liability	(3,111)	328
Increase (decrease) in provision for gift token exchange	(13)	(11)
Increase (decrease) in provision for directors' retirement benefits	(56)	(116)
Loss (gain) on sales and retirement of non-current assets	(10,230)	889
Interest and dividend income received	(861)	(777)
Subsidy income	(401)	(502)
Interest expenses	887	672
Loss on business of subsidiaries and associates	646	—
Decrease (increase) in notes and accounts receivable-trade	(411)	275
Decrease (increase) in inventories	(3,481)	3,979
Increase (decrease) in notes and accounts payable-trade	4,375	(1,301)
Other, net	1,263	1,702
Sub total	26,828	38,523
Interest and dividend income	965	918
Proceeds from subsidies	401	505
Interest expenses paid	(919)	(699)
Income taxes paid	(842)	(9,313)
Net cash provided by (used in) operating activities	26,433	29,934

	Year Ended March 31, 2016	Year Ended March 31, 2017
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(157)	(126)
Proceeds from withdrawal of time deposits	74	112
Proceeds from redemption of securities	299	—
Payments of loans receivable	(392)	(293)
Collection of loans receivable	246	225
Purchase of property, plant and equipment and intangible assets	(15,602)	(15,647)
Proceeds from sales of property, plant and equipment and intangible assets	19,579	1,312
Purchase of investment securities	(145)	(25)
Proceeds from sales of investment securities	724	37
Purchase of stocks of subsidiaries and affiliates	(1)	—
Other	(56)	(3)
Net cash provided by (used in) investing activities	4,567	(14,408)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,533)	3,970
Proceeds from long-term loans payable	6,300	6,150
Repayment of long-term loans payable	(22,488)	(21,414)
Purchase of treasury stock	(13)	(16)
Cash dividends paid	(2,038)	(2,036)
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)	(42)
Other	(900)	(984)
Net cash provided by (used in) financing activities	(25,332)	(14,376)
Effect of exchange rate on cash and cash equivalents	(59)	(6)
Net increase (decrease) in cash and cash equivalents	5,609	1,143
Cash and cash equivalents at beginning of period	9,188	14,797
Cash and cash equivalents at end of period	* 14,797	* 15,940

(5) Notes to the Consolidated Financial Statements

(Notes on the assumption of a going-concern)

Not applicable.

(Key matters forming the basis for the preparation of consolidated financial statements)

1. Matters regarding the scope of consolidation

(1) Number of Consolidated Subsidiaries:

20 of 32 subsidiaries

The 20 consolidated subsidiaries included in these financial statements are as follows:

Snow Brand Seed Co., Ltd.

Bean Stalk Snow Co., Ltd.

Yatsugatake Milk Co., Ltd.

Cresco Corporation

KOHNAN OILS AND FATS MFG. CO., LTD.

Snow Brand Parlor Co., Ltd.

CHESCO LTD.

YBS Co., Ltd.

SI System Corporation

Nichiraku Machinery Co., Ltd.

SNOW BRAND Australia Pty. Ltd.

SNOW BRAND Taiwan Co., Ltd.

Royal Farm Co., Ltd.

RF Penkeru Ranch Co., Ltd.

RF Aomori Ranch Co., Ltd.

Doto Feed Corporation

Ibaraku Co., Ltd.

Michinoku Milk Co., Ltd.

Mitsuwa Distribution Industry Co.,Ltd.

Chokuhan Haisou Co., Ltd.

(2) Names of Key Unconsolidated Subsidiaries etc.

With the exception of Snow Brand KODOMO-NO-KUNI Ranch Co., Ltd.,

None of the figures for non-consolidated subsidiaries have any substantial effect on the consolidated financial statements; figures that include total assets, net sales, current net profit & loss, and retained earnings.

2. Matters concerning the application of the equity method

(1) Number of non-consolidated subsidiaries subject to the equity method: 1

The only non-consolidated subsidiary subject to the equity method for the fiscal year under review is SNOW BRAND SIAM Ltd.

(2) Number of affiliates subject to the equity method: 6

Apart from EN Otsuka Pharmaceutical Co., Ltd., there are 5 other affiliates subject to the equity method for the fiscal year under review.

(3) Non-consolidated subsidiaries (with the exception of Snow Brand KODOMO-NO-KUNI Ranch) and affiliates (with the exception of Snow Marketing Sdn. Bhd.) that are not subject to the equity method do not have any major impact on consolidated net profit & loss and consolidated retained earnings etc, nor are they important to overall figures; as such they are excluded from the application of the equity method.

3. Matters concerning the business year used by consolidated subsidiaries

Of our consolidated subsidiaries, the following do not use March 31 as their closing date for accounts.

SNOW BRAND Australia Pty. Ltd.	Closing Date:	December 31
SNOW BRAND Taiwan Co., Ltd.	Closing Date:	December 31
Snowbrand-Parlor Co., Ltd.	Closing Date:	January 31
CHESCO Ltd.	Closing Date:	February 28 (or 29 where applicable)
SI System Corporation	Closing Date:	February 28 (or 29 where applicable)
Nichiraku Machinery Co., Ltd.	Closing Date:	February 28 (or 29 where applicable)

When preparing the consolidated financial statements, we use the closing financial statements as of the closing date of individual companies; however, we make the necessary adjustments for consolidation with regard to any important transactions that arise between such individual dates and the closing date for the consolidated accounts.

4. Matters concerning accounting policies

(1) Standards used to value key assets and valuation methods

(i) Securities

Other securities

Instruments with fair market value

These are valued using the Market Value Method, based on quoted market prices, or similar, as of the closing date.

(Valuation differences are directly charged or credited to shareholders' equity and the cost of securities sold is computed by the moving average method.)

Instruments with no fair market value

Generally, these are valued at cost as determined by the moving average method.

(ii) Inventoried assets

These are valued using either the Total Average Cost Method; the Moving Average Cost Method; or the First-in First-out Cost Method.

(Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.)

(iii) Derivatives

These are valued using the Market Value Method.

(2) Methods used to depreciate key depreciable assets

(i) For property, plant and equipment (excluding lease assets)

The Straight-line Method is used.

For the number of years of useful life, we apply the same standards as in the methods specified in the Corporation Tax Act.

(ii) For intangible assets (excluding lease assets)

The Straight-line Method is used.

Note that the software used in the company applies the Straight-line Method based on the in-house service life of the asset (5 years).

(iii) Lease assets

a. Lease assets where rights of ownership are transferred in a finance lease transaction.

The same depreciation method is used as for owned non-current assets.

b. Lease assets other than those where rights of ownership are transferred in a finance lease transaction.

The Straight-line Method is used, with the lease period set as the number of years of useful life and the residual value set as zero.

Note that any finance leases with no transfer of ownership that started on or before March 31, 2008 are treated in accordance with the accounting methods used for ordinary leases.

(iv) Long-term pre-paid expenses

The Straight-line Method is used.

(3) Reporting standards used for key allowances

(i) Allowance for doubtful accounts

In order to prepare for losses on accounts receivable etc., an estimated amount for unrecoverables is posted in the accounts; this estimate for general receivables takes into consideration collectability based on historical bad debt ratios, while for specific claims such as doubtful receivables, taking into consideration collectability separately.

(ii) Provision for bonuses

To make provision for the payment of employee bonuses, we record the amount payable for the current fiscal year under review out of the estimated amount of future bonuses payable.

(iii) Provision for directors' retirement benefits

To make provision for expenditure on directors' retirement benefits, we record the amount that will need to paid for the current fiscal year under review based on in-house regulations.

(iv) Provision for gift token exchange

In order to prepare for future exchanges of gift tokens that are no longer recorded as liabilities in accordance with revenue recognition, we examine the number of elapsed years and the redemption rate for individual gift tokens for each fiscal year and approximate final redemption rates, which are used to record estimates of exchanges made as of the end of the current fiscal year under review.

(4) Accounting methods used for defined benefit plans

(i) Method of attributing estimated cost of defined benefit plans incurred during the fiscal year under review

When calculating defined benefit plan obligations, we use a benefit formula to attribute retirement benefit estimates for the period up to the end of the current fiscal year under review.

(ii) Expense process used for actuarial differences

Any actuarial differences are prorated when they occur using the Straight-line Method over a certain number of years (10-14 years) within the average period of remaining service for an employee; and the pro-rata amounts are then processed as expenses from the fiscal year following that in which the respective differences were incurred.

(5) Criteria used to translate key assets and liabilities denominated in foreign currencies into Japanese currency

Cash receivables and payables denominated in foreign currencies are translated into yen using the spot exchange rate as of the closing date and any conversion differences are processed as profit/loss. Note that translations into yen for overseas subsidiaries are processed as follows: assets and liabilities use the spot exchange rate as of closing date; earnings and expenses use the average exchange rate during the period; and any translation differences are included in "Foreign Currency Translation Adjustment" under Net Assets.

(6) Key hedge accounting methods

(i) Hedge accounting methods

Foreign Exchange Contracts

Appropriated treatment is used. Note that deferral processing is applied to foreign exchange contracts pertaining to forecasted transaction denominated in foreign currency

Interest Rate Swaps

Deferral processing is applied.

(ii) Hedging instruments & hedged items

Hedging Instruments

Foreign exchange contracts & interest rate swaps

Hedged Items

Cash payables/receivables denominated in foreign currency & loans

(iii) Hedging policy

The Group (which includes MEGMILK SNOWBRAND company, its consolidated subsidiaries and companies accounted for by the equity method) uses derivatives as a means to comprehensively manage assets & liabilities, and also to deal with foreign exchange fluctuation risks and interest rate fluctuation risks in the financial markets.

(iv) Method of assessing the effectiveness of hedges

We assess the effectiveness of foreign exchange contracts in terms of parity in currency units, transaction amounts and settlement dates with the hedged item transactions based on internal management data.

In addition, for interest rate swaps we conduct a risk analysis of the hedged item transactions and assess effectiveness in terms of parity in notional principal, terms and conditions governing the receipt/payment of interest, and contract duration etc. with the hedged item transactions based on internal management data.

(v) Other

The Group (which includes MEGMILK SNOWBRAND company, its consolidated subsidiaries and companies accounted for by the equity method) carries out derivative trades in line with criteria on derivative trading determined in-house. Note that personnel are allocated to each of the functions involved in the execution of transactions and the management of administrative affairs so as to ensure independence in the process. In addition, trades are promptly reported to the managing executive officer once they have been executed.

(7) Scope of funds included in the Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the Consolidated Statements of Cash Flows include cash on hand, deposits that can be withdrawn at any time, and instruments than easily be converted into cash, as well as short-term investments subject to little risk of price fluctuation that mature within 3 months of acquisition date.

(8) Other matters forming the basis for the preparation of consolidated financial statements

Accounting treatment of consumption taxes etc.

The accounting treatment applied to consumption taxes and local consumption taxes is the tax exclusion method.

(Additional Information)

(Application of "Implementation Guidance on Recoverability of Deferred Tax Assets")

We have started to apply the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28 2016) as of the current fiscal year under review.

(Changes in the presentation of figures)
(Consolidated Statement of Income)

In fiscal year ended March 2016, "Compensation Income" was listed separately under "Non-operating Income"; however the value of this item has become insignificant and accordingly it is included in "Other" under "Non-operating income" as of the current fiscal year under review. In order to reflect the change in the way this is presented, we have reclassified the consolidated financial statements for the fiscal year ended March 2016.

This has resulted in the 244 million yen previously listed as "Compensation Income" under "Non-operating Income" being reclassified under the item "Other" in the consolidated financial statements for the fiscal year ended March 2016.

In fiscal year ended March 2016, "Foreign exchange losses" were listed separately under "Non-operating expenses"; however the value of this item has become insignificant and accordingly it is included in "Other" under "Non-operating expenses" as of the current fiscal year under review. In order to reflect the change in the way this is presented, we have reclassified the consolidated financial statements for the fiscal year ended March 2016. Meanwhile, in the previous fiscal year ended March 2016, "Contributions" were included in the item "Other" under "Non-operating expenses"; however the value of this item has increased and it is listed separately as of the current fiscal year under review. In order to reflect the change in the way these are presented, we have reclassified the consolidated financial statements for the fiscal year ended March 2016.

This has resulted in the consolidated statement of income for the fiscal year ended March 2016 being reclassified as follows: originally "Non-operating Expenses" showed "Foreign exchange losses" of 535 million yen and "Other" of 612 million yen, whereas now it shows "Contributions" of 104 million yen and "Other" of 1,044 million yen.

(Consolidated Statement of Cash Flows)

In the fiscal year ended March 2016, "Compensation Income" and "Proceeds from Compensation" were listed separately under "Cash flows from operating activities"; however the value of these item have become insignificant and accordingly they are now included in "Other" under "Cash flows from operating activities." In order to reflect the change in the way this is presented, we have reclassified the consolidated financial statements for the fiscal year ended March 2016.

This has resulted in the consolidated statement of cash flows for the fiscal year ended March 2016 being reclassified as follows: the minus 244 million yen in "Compensation Income" and the 232 million yen in "Proceeds from Compensation" previously listed under "Cash flows from operating activities" are now included in the item "Other" under "Cash flows from operating activities."

(Re: Consolidated Balance Sheet)

Note 1: Collateral assets and secured liabilities

Assets pledged as collateral are as follows:

	As of March 31, 2016		As of March 31, 2017	
Cash and deposits	65 million yen	(— million yen)	16 million yen	(— million yen)
Buildings and structures	16,703	(14,899)	2,673	(2,672)
Machinery, equipment and vehicles	21,659	(20,772)	1,643	(1,643)
Tools, furniture and fixtures	592	(592)	42	(42)
Land	13,366	(11,016)	489	(418)
Investment securities	4	(—)	5	(—)
Total	52,391	(47,281)	4,872	(4,777)

Secured liabilities are as follows:

	As of March 31, 2016		As of March 31, 2017	
Notes and accounts payable-trade	115 million yen	(− million yen)	118 million yen	(− million yen)
Current portion of long-term loans payable	2,051	(1,880)	328	(328)
Long-term loans payable	4,002	(3,745)	−	(−)
Total	6,169	(5,625)	446	(328)

Above, the figures in brackets ( ) indicate "Factory Foundation Mortgages" (a type of mortgage that allows companies to integrate their physical facilities for use as collateral) and such obligations.

Note 2: For non-consolidated subsidiaries and affiliates, the figures are as follows:

	As of March 31, 2016	As of March 31, 2017
Investment securities	9,678 million yen	10,112 million yen
Other (investment capital)	0	0

Note 3: Transfer balance of endorsed notes receivable

	As of March 31, 2016	As of March 31, 2017
Transfer balance of endorsed notes receivable	19 million yen	18 million yen

Note 4: Land Revaluation

We revalued the land used for business purposes on March 31, 2002 in accordance with the Act on Revaluation of Land (Act No. 34 issued on March 31, 1998) and the Act Partially Revising the Act on Revaluation of Land (Act No. 19 issued on March 31, 2001)

Note that with regard to revaluation differences, we record the tax equivalent of valuation differences as "Deferred tax liabilities for land revaluation" in the Liabilities Section, and deduct this amount from the revaluation difference, which is then recorded as the "Revaluation reserve for land" in the Net Assets Section, in accordance with the Act Partially Revising the Act on Revaluation of Land (Act No. 24 issued on March 31, 1999).

Revaluation Method

In our revaluation calculations, we use the methods described in the Enforcement Order on the Land Revaluation Act (Cabinet Order No. 119, issued on March 31, 1998) in Article 2-4 , which states that "a calculation method should be used for the commercial land in question that applies a rational adjustment to the value calculated using methods determined and published by the Commissioner of the National Tax

Agency for the calculation of land values that act as a basis for the calculation of tax chargeable on land as stipulated in Article 16 of the Land Value Tax Act" and in Article 2-1, which states that "a calculation method should be used for the commercial land in question that applies a rational adjustment to prices published under the provisions of Article 6 of the Public Notice of Land Prices Act, using standard values for surrounding land prices as per the same Article."

Date of revaluation: March 31, 2002

	As of March 31, 2016	As of March 31, 2017
Difference between the year-end market price of the land being revalued and the book price after revaluation.	(3,182) million yen	(3,240) million yen

Note 5. The Company and its 6 consolidated subsidiaries (7 consolidated subsidiaries in fiscal year ended March 2016) have overdraft agreements with 12 trading banks (the same number as in fiscal year ended March 2016) in order to ensure the efficient procurement of working capital. Under these agreements, the unexecuted loan balances as of the end of the fiscal year are as follows:

	As of March 31, 2016	As of March 31, 2017
Account overdraft limit	42,950 million yen	44,650 million yen
Executed loan balance	16,730	20,695
Difference	26,219	23,954

Note 6: Cumulative amount of reduced entries after the deduction of state subsidies etc. from the acquisition cost of property, plant and equipment.

	As of March 31, 2016	As of March 31, 2017
Cumulative amount of reduced entries	1,026 million yen	1,144 million yen

(Re: Consolidated Statement of Income)

Note 1: The year-end inventory balance for merchandise and finished goods is the amount after reductions have been applied to the book price following a fall in profitability. The following inventory valuation losses are included in the cost of sales. ("( )" indicates gains on reversals)

Year ended March 31, 2016	Year ended March 31, 2017
108 million yen	(173) million yen

Note 2: Major expense items and amounts for selling expenses are as follows:

	Year ended March 31, 2016	Year ended March 31, 2017
Salaries	9,842 million yen	9,730 million yen
Bonus allowances	1,335	1,365
Provision for bonuses	1,623	1,826
Retirement benefit expenses	803	720
Transport & storage fees	33,256	34,167
Advertising costs	4,588	5,397
Sales promotion costs	37,246	37,838
Provision for doubtful accounts	(77)	83
Depreciation and amortization costs	644	716
Other costs	13,950	14,057
Total	103,214	105,905

Note 3: Major expense items and amounts for general administrative expenses are as follows:

	Year ended March 31, 2016	Year ended March 31, 2017
Salaries	4,501 million yen	4,425 million yen
Bonus allowances	659	615
Provision for bonuses	887	987
Retirement benefit expenses	305	272

Depreciation and amortization costs	1,526	1,508
Rents	369	362
Other costs	8,383	8,939
Total	16,633	17,112

Note 4: Details of gains on sales of non-current assets are as follows:

	Year ended March 31, 2016	Year ended March 31, 2017
Land	11,615 million yen	237 million yen
Buildings	—	16
Machinery, equipment and vehicles	17	38
Excl. tools, furniture and fixtures	0	1
Total	11,633	294

Note 5: Details of losses on sales of non-current assets and losses on retirement of non-current assets are as follows:

	Year ended March 31, 2016	Year ended March 31, 2017
Losses on sales of non-current assets		
Land	— million yen	29 million yen
Buildings and structures	—	16
Excl. machinery, equipment and vehicles	6	8
Excl. tools, furniture and fixtures	0	0
Total	6	55
Losses on retirement of non-current assets		
Buildings and structures	346 million yen	286 million yen
Machinery, equipment and vehicles	925	753
Excl. tools, furniture and fixtures	124	88
Total	1,396	1,127

Note 6: Impairment losses

The Group recorded impairment losses on the following assets:

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

Location	Use	Category	Impairment loss
Sapporo City, Hokkaido etc.	Beverage & dessert factory	Machinery & equipment, buildings etc.	802 million yen
Shinjuku-ku, Tokyo etc.	Idle assets etc.	Machinery & equipment, land etc.	173 million yen

The Group uses the categories it uses in its management accounting for its business assets as the standard by which it groups its rental assets and idle assets: by location, and its head office: as a common asset.

We recorded an impairment loss (of 802 million yen) on assets scheduled to be sold off or retired due to the consolidation of production lines in our beverage and desserts factories as an extraordinary loss.

The breakdown for this was, machinery & equipment: 757 million yen; buildings & structures: 37 million yen; and Other: 7 million yen.

In addition, we reduced the book value of idle assets facing a decline in market value to a recoverable value. These reductions were viewed as an impairment loss (of 173 million yen) and recorded as an extraordinary loss.

The breakdown for this was, machinery & equipment: 133 million yen; land: 24 million yen; other assets: 11 million yen; and buildings and structures: 4 million yen.

Note that recoverable value of the above-mentioned assets scheduled for sale due to the consolidation of production line, and the recoverable value of idle assets are both based on net selling prices. When calculating the net selling price, the valuation of land is based on the price of land fronting major roads, while the value of other assets is based on residual value.

Year ended March 31, 2017(April 1, 2016 to March 31, 2017)

Location	Use	Category	Impairment loss
Kobe-shi, Hyogo Prefecture etc.	Dairy products factory	Machinery & equipment, buildings etc.	602 million yen
Shinjuku-ku, Tokyo etc.	Idle assets etc.	Machinery & equipment, land etc.	405 million yen

The Group uses the categories it uses in its management accounting for its business assets as the standard by which it groups its rental assets and idle assets: by location, and its head office: as a common asset.

In the dairy products business, we set the book value as the recoverable value for dairy product manufacturing equipment in the Kansai area, where profitability has slumped and reduced it down to the utilization value calculated by discounting future cash flows (a discount rate of approximately 4%). The amount of the reduction was regarded as an impairment loss (of 602 million yen) and recorded as an extraordinary loss.

The breakdown for this was, machinery & equipment: 541 million yen; buildings: 42 million yen; and other assets: 18 million yen.

In addition, we reduced the book value of idle assets facing a decline in market value to a recoverable value. These reductions were viewed as an impairment loss (of 405 million yen) and recorded as an extraordinary loss.

The breakdown for this was, machinery & equipment: 302 million yen; land: 86 million yen; buildings and structures: 10 million yen; and other assets: 6 million yen.

Note that recoverable value of the above-mentioned idle assets is based on net selling prices. When calculating the net selling price, the valuation of land is based on the price of land fronting major roads, while the value of other assets is based on residual value.

Note 7: Total research and development costs included in general administrative expenses

Year ended March 31, 2016	Year ended March 31, 2017
3,846 million yen	3,942 million yen

(Re: Consolidated Statement of Comprehensive Income)

Note: Reclassification adjustments and tax effects for other comprehensive income

	Year ended March 31, 2016	Year ended March 31, 2017
Valuation differences on available-for-sale securities:		
Amount generated during the current fiscal year	(267) million yen	1,274 million yen
Reclassification adjustments	(67)	(13)
Before adjustment for tax effects	(335)	1,260
Tax effect	199	(321)
Valuation differences on available-for-sale securities	(135)	938
Deferred gains or losses on hedges:		
Amount generated during the current fiscal year	(706)	278
Reclassification adjustments	116	140
Before adjustment for tax effects	(590)	419
Tax effect	180	(129)
Deferred gains or losses on hedges	(410)	290
Revaluation reserve for land：		
Tax effect	225	—
Foreign currency translation adjustment：		
Amount generated during the current fiscal year	(243)	(73)
Remeasurements of defined benefit plans:		
Amount generated during the current fiscal year	(3,650)	1,128
Reclassification adjustments	310	350
Before adjustment for tax effects	(3,339)	1,478
Tax effect	1,022	(453)

Remeasurements of defined benefit plans	(2,317)	1,024
Share of other comprehensive income of associates accounted for using the equity method：		
Amount generated during the current fiscal year	4	(9)
Reclassification adjustments	(2)	(0)
Share of other comprehensive income of associates accounted for using the equity method	1	(9)
Total other comprehensive income	(2,879)	2,170

(Re: Consolidated Statement of Changes in Net Assets)

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

1. Matters concerning types and total number of outstanding shares & types and number of treasury stock

	Number of shares at the beginning of the fiscal year	Number of shares increased during the fiscal year	Number of shares reduced during the fiscal year	Number of shares at the end of the fiscal year
Outstanding shares				
Common stock	70,751,855	－	－	70,751,855
Total	70,751,855	－	－	70,751,855
Treasury stock				
Common stock (*Note)	2,908,870	5,962	－	2,914,832
Total	2,908,870	5,962	－	2,914,832

(*Note) Increase in treasury stock is due to the purchase of odd-lot shares.

2. Matters concerning dividends

(1) Cash dividends paid

(agreed by resolution)	Class of stock	Total amount of dividend (million yen)	Dividends per share (yen)	Reference date	Effective date
June 25, 2015 Ordinary General Shareholders' Meeting	Common stock	2,035	30.00	March 31, 2015	June 26, 2015

(2) Dividends whose reference date falls in the fiscal year under review, but whose effective dates falls in the following fiscal year.

(agreed by resolution)	Class of stock	Total amount of dividend (million yen)	Dividends' funding source	Dividends per share (yen)	Reference date	Effective date
May 12, 2016 Meeting of the Board of Directors	Common stock	2,035	Retained earnings	30.00	Thursday, March 31, 2016	Wednesday, June 29, 2016

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Matters concerning types and total number of outstanding shares & types and number of treasury stock

	Number of shares at the beginning of the fiscal year	Number of shares increased during the fiscal year	Number of shares reduced during the fiscal year	Number of shares at the end of the fiscal year
Outstanding shares				
Common stock	70,751,855	—	—	70,751,855
Total	70,751,855	—	—	70,751,855
Treasury stock				
Common stock (* Note)	2,914,832	5,109	85	2,919,856
Total	2,914,832	5,109	85	2,919,856

(* Note) Increase in treasury stock is due to the purchase of/increased purchased of odd-lot shares.

2. Matters concerning dividends

(1) Cash dividends paid

(agreed by resolution)	Class of stock	Total amount of dividend (million yen)	Dividends per share (yen)	Reference date	Effective date
May 12, 2016 Meeting of the Board of Directors	Common stock	2,035	30.00	March 31, 2016	June 29, 2016

(2) Dividends whose reference date falls in the fiscal year under review, but whose effective dates falls in the following fiscal year.

(agreed by resolution)	Class of stock	Total amount of dividend (million yen)	Dividends' funding source	Dividends per share (yen)	Reference date	Effective date
Thursday, May 11, 2017 Meeting of the Board of Directors	Common stock	2,713	Retained earnings	40.00	March 31, 2017	June 29, 2017

(Re: Consolidated Statement of Cash Flows)

Note: Cash and cash equivalents at end of period and connections with items listed in the consolidated balance sheet

	Year ended March 31, 2016	Year ended March 31, 2017
Cash and deposits	15,503 million yen	16,657 million yen
Time deposits with a term of more than 3 months	(706)	(716)
Cash and cash equivalents	14,797	15,940

(Re: Lease transactions)

These are not recorded as they are of no material significance.

(Re: Financial instruments)

1. Matters concerning the status of financial instruments

(1) Financial instruments trading policies

The Group procures the necessary funds (mainly in the form of bank loans) for the primary purpose of carrying out the business of manufacturing and selling dairy products; this is done in accordance with the Group's Capital Investment Plan. Temporary surpluses are invested in extremely secure financial assets, while short-term working capital is procured through bank loans. We use derivatives to mitigate the risks described below, but it is Group policy not to conduct speculative transactions.

(2) Profile of financial instruments and their risk

Operating receivables such as "notes and accounts receivable" expose us to customers' credit risk. In addition operating receivables denominated in foreign currency expose us to the risk of fluctuations in exchange rates; however, in general we use forward foreign exchange contracts to hedge our net positions for operating payables denominated in foreign currency. We are exposed to the risk of fluctuations in the market price of our investment securities, which are primarily equity in operations with trading partners or capital alliances etc.

Operating payables such as "notes and accounts payable" mostly have payment dates due within one year. Loans and finance lease obligations are primarily used to raise funds necessary for capital investment. Some of these have variable interest rates, thus exposing us to the risk of fluctuations in interest rates, but we use derivatives (interest rate swaps) to hedge this risk.

On the whole, the derivatives we use are forward foreign exchange contracts and interest rate swaps; the former are used to hedge against the risk of fluctuations in the exchange rate for operating receivables/payables denominated in foreign currency, while the latter hedge against the risk of fluctuation in the interest rates payable on borrowings.

Please refer to "Key hedge accounting methods" in the preceding section "Matters concerning accounting policies" for details of hedging instruments and hedged items related to hedge accounting, hedging policy and the methods used to assess the effectiveness of hedges etc.

(3) Risk Management System for Financial Instruments

(i) Management of Credit Risk (the risk of trading partners defaulting on contracts etc.)

With regard to operating receivables and long-term loans in accordance with the credit control regulations of each company, the Group not only has each business division and management division regularly monitor the status of key trading partners and manage payment due dates and balances for each trading partner, but also aims to quickly identify and mitigate any concerns concerning the redemption of funds caused by trading partners' deteriorating financial circumstances.

When using derivatives we only trade with financial institutions that have a good rating in order to mitigate counter-party credit risk.

(ii) Management of Market Risk (the risk of fluctuations in foreign exchange rates and interest rates)

In general the Company and certain consolidated subsidiaries use forward foreign exchange contracts to hedge the risk of fluctuations in currency for operating payables denominated in foreign currency; risks that are identified by currency each month. In addition, the Company uses interest rate swaps to curtail the risk of fluctuations in interest payments on borrowings.

With regard to investment securities, we regularly identify market prices and the financial condition of the issuer (our trading partners) and review our holdings in light of relationships with the trading partners.

For derivatives we conduct transactions based on in-house approval criteria.

Monthly transaction performance figures are reported to company executives at management meetings. Consolidated subsidiaries are also managed in the same way.

(iii) Management of liquidity risk connected with the procurement of capital (risk of being unable to make payment on payment due date)

The Company manages liquidity risk by having the Treasury Department create and update funding plans in a timely manner based on reports from each department.

(4) Supplementary explanation on matters concerning the fair value etc. of financial instruments

The fair value of financial instruments is the value based on market price, but also includes reasonably calculated value if there is no market price. Factors that cause fluctuation are incorporated into the calculation of these values; therefore these values may fluctuate depending on the different preconditions adopted etc. Also note that in "Re: Derivatives trades" the contract amount etc. relating to the derivate does not itself indicate the market risk associated with the derivative transaction.

(5) Concentration of Credit Risk

As of the closing date of the current fiscal year under review, 24.0% of our operating receivables are for a specific major client (Nippon Access, Inc.)

2. Matters concerning the fair value of financial instruments

The following describes the amounts recorded in the consolidated balance sheet, the fair values and the difference between them.

Note that these figures do not include instruments whose fair value is deemed extremely difficult to gage. (See * Note 2)

Year ended March 31, 2016 (As of March 31, 2016)

	Consolidated Balance Sheet Amount (million yen)	Fair Value (million yen)	Difference (million yen)
(1) Cash and deposits	15,503	15,503	—
(2) Notes and accounts receivable-trade	65,338	65,338	—
(3) Available-for-sale securities & investment securities	11,959	11,959	—
Total Assets	92,801	92,801	—
(1) Notes and accounts payable-trade	61,238	61,238	—
(2) Short-term loans payable	16,930	16,930	—
(3) Accounts payable - other	11,045	11,045	—
(4) Long-term loans payable (*1)	71,075	72,079	1,004
Total Liabilities	160,289	161,294	1,004
Derivative trades (*2)	[704]	[704]	—

Other than the items listed above, the financial receivables/payables recorded on the balance sheet are not of material importance to total assets and consequently have not been noted here.

(*1) Long-term loans payable include the current portion that are payable within one year.

(*2) Receivables/payables generated by derivative trades are shown as net values; and any items that (in total) produce a net obligation are indicated in brackets [ ].

Year ended March 31, 2017 (As of March 31, 2017)

	Consolidated Balance Sheet Amount (million yen)	Fair Value (million yen)	Difference (million yen)
(1) Cash and deposits	16,657	16,657	—
(2) Notes and accounts receivable-trade	65,063	65,063	—
(3) Available-for-sale securities & investment securities	13,216	13,216	—
Total Assets	94,936	94,936	—
(1) Notes and accounts payable-trade	59,886	59,886	—
(2) Short-term loans payable	20,900	20,900	—
(3) Accounts payable - other	9,661	9,661	—
(4) Long-term loans payable (*1)	55,810	55,811	0
Total Liabilities	146,259	146,259	0
Derivative trades (*2)	[284]	[284]	—

Other than the items listed above, the financial receivables/payables recorded on the balance sheet are not of material importance to total assets and consequently have not been noted here.

(*1) Long-term loans payable include the current portion that are payable within one year.

(*2) Receivables/payables generated by derivative trades are shown as net values; and any items that (in total) produce a net obligation are indicated in brackets [ ].

(Notes)

1. Method of calculating fair value of financial instruments & matters concerning available-for-sale securities and derivative trades

Assets

(1) Cash and deposits, (2) Notes and accounts receivable-trade

These are settled over the short-term, which means that fair value approximates book value; therefore book value is used to denote fair value.

(3) Available-for-sale securities & investment securities

The fair values used for these instruments are as follows: Stocks etc. - stock exchange prices; Bonds - stock exchange prices or alternatively prices indicated by financial institutions etc. Please refer to the note "Re: Available-for-sale Securities" for matters concerning the separate purposes for which available-for-sale securities are held.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Accounts payable - other

These are settled over the short-term, which means that fair value approximates book value; therefore book value is used to denote fair value.

(4) Long-term loans payable

The fair value of these loans is calculated as the present discounted value of principal and interest; note that the interest rate used in the discount is the assumed rate that would be used for similar new borrowings.

Derivative trades

Please refer to the note "Re: Derivative trades."

2. Financial instruments whose fair value is deemed extremely difficult to gage

(Unit: million yen)

Category	As of March 31, 2016	As of March 31, 2017
Unlisted shares	12,297	12,722
Unlisted investment securities	76	76

These instruments have no market value and are recognized as being extremely difficult to assess in terms of fair value; consequently they are not included in "(3) Available-for-sale securities & investment securities."

3. Scheduled redemptions for receivables after closing date for the fiscal year

Year ended March 31, 2016 (As of March 31, 2016)

	Within 1 year (million yen)	Over 1 year - within 5 years (million yen)	Over 5 years - within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	15,359	—	—	—
Notes and accounts receivable-trade	65,338	—	—	—
Total	80,698	—	—	—

Year ended March 31, 2017 (As of March 31, 2017)

	Within 1 year (million yen)	Over 1 year - within 5 years (million yen)	Over 5 years - within 10 years (million yen)	Over 10 years (million yen)
Cash and deposits	16,536	—	—	—
Notes and accounts receivable-trade	65,063	—	—	—
Total	81,599	—	—	—

4. Scheduled repayments for long-term loan payable after closing date for the fiscal year

Year ended March 31, 2016 (As of March 31, 2016)

	Within 1 year (million yen)	Over 1 year - within 2 years (million yen)	Over 2 years - within 3 years (million yen)	Over 3 years - within 4 years (million yen)	Over 4 years - within 5 years (million yen)	Over 5 years - (million yen)
Long-term loans payable	17,694	9,848	23,836	3,647	1,018	15,030

Year ended March 31, 2017 (As of March 31, 2017)

	Within 1 year (million yen)	Over 1 year - within 2 years (million yen)	Over 2 years - within 3 years (million yen)	Over 3 years - within 4 years (million yen)	Over 4 years - within 5 years (million yen)	Over 5 years - (million yen)
Long-term loans payable	8,506	22,494	3,047	1,133	15,130	5,500

(Re: Available-for-sale Securities)

1. Other securities

Year ended March 31, 2016 (As of March 31, 2016)

	Category	Consolidated Balance Sheet Amount (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Consolidated balance sheet value exceeds acquisition cost	Shares	11,895	5,718	6,176
	Sub total	11,895	5,718	6,176
Consolidated balance sheet value does not exceed acquisition cost	Shares	63	83	(20)
	Sub total	63	83	(20)
Total		11,959	5,802	6,156

(Note) Unlisted shares (recorded as 12,297 million yen on the consolidated balance sheet) and unlisted investment securities (recorded as 76 million yen on the consolidated balance sheet) have no market price and it is deemed very difficult to gage their market value; therefore they are not included under "Other securities" in the table above.

Year ended March 31, 2017 (As of March 31, 2017)

	Category	Consolidated Balance Sheet Amount (million yen)	Acquisition Cost (million yen)	Difference (million yen)
Consolidated balance sheet value exceeds acquisition cost	Shares	12,901	5,468	7,433
	Sub total	12,901	5,468	7,433
Consolidated balance sheet value does not exceed acquisition cost	Shares	314	331	(17)
	Sub total	314	331	(17)
Total		13,216	5,799	7,416

(Note) Unlisted shares (recorded as 12,722 million yen on the consolidated balance sheet) and unlisted investment securities (recorded as 76 million yen on the consolidated balance sheet) have no market price and it is deemed very difficult to gage their market value; therefore they are not included under "Other securities" in the table above.

2. Other securities sold

Year ended March 31, 2016 (As of March 31, 2016)

Category	Sale value (million yen)	Total gains on sale (million yen)	Total losses on sale (million yen)
Shares	724	218	—
Total	724	218	—

Year ended March 31, 2017 (As of March 31, 2017)

Category	Sale value (million yen)	Total gains on sale (million yen)	Total losses on sale (million yen)
Shares	37	13	—
Total	37	13	—

(Re: Derivative trades)

1. Derivative trades not subject to hedge accounting

Not applicable.

2. Derivate trades subject to hedge accounting

(1) Currency-related

Year ended March 31, 2016 (As of March 31, 2016)

Hedge accounting method	Type of trade	Key hedged items	Contract amount etc. (million yen)	Amount of contract with a term of more than 1 year (million yen)	Fair value (million yen)
Deferral hedge accounting	Foreign exchange contract Currency purchased USD	Accounts payable	1,742	—	(55)
	CNY	Accounts payable	45	—	(4)
Total			1,788	—	(60)

(Note) Fair value calculation method
Calculated based on price indicated by counter-part financial institution.

Year ended March 31, 2017 (As of March 31, 2017)

Hedge accounting method	Type of trade	Key hedged items	Contract amount etc. (million yen)	Amount of contract with a term of more than 1 year (million yen)	Fair value (million yen)
Deferral hedge accounting	Foreign exchange contract Currency purchased				
	USD	Accounts payable	1,469	—	51
	CNY	Accounts payable	60	—	4
Total			1,529	—	55

(Note) Fair value calculation method
Calculated based on price indicated by counter-part financial institution.

(2) Interest rate related

Year ended March 31, 2016 (As of March 31, 2016)

Hedge accounting method	Type of trade	Key hedged items	Contract amount etc. (million yen)	Amount of contract with a term of more than 1 year (million yen)	Fair value (million yen)
Deferral hedge accounting	Interest rate swaps Floating to Fixed	Long-term loans payable	38,841	36,025	(644)

(Note) Fair value calculation method
Calculated based on price indicated by counter-part financial institution.

Year ended March 31, 2017 (As of March 31, 2017)

Hedge accounting method	Type of trade	Key hedged items	Contract amount etc. (million yen)	Amount of contract with a term of more than 1 year (million yen)	Fair value (million yen)
Deferral hedge accounting	Interest rate swaps Floating to Fixed	Long-term loans payable	36,025	34,259	(340)

(Note) Fair value calculation method
Calculated based on price indicated by counter-part financial institution.

(Re: Stock Options etc.)

Not applicable.

(Re: Tax effect accounting)

1. Breakdown of key reasons for deferred tax assets and deferred tax liabilities

	As of March 31, 2016	As of March 31, 2017
Deferred tax assets (current)		
Loss carry-forwards	66 million yen	77 million yen
Provision for bonuses	1,586	1,883
Accrued business taxes	505	321
Inventory assets	206	236
Undetermined costs	1,941	1,896
Accounts payable - other	43	39
Other	167	138
Total deferred tax assets (current)	4,517	4,592
Deferred tax liabilities (current)		
Allowance for doubtful accounts	23	41
Total deferred tax liabilities (current)	23	41
Net deferred tax assets (current)	4,498	4,556
Net deferred tax liabilities (current)	4	4
Deferred tax assets (non-current)		
Net defined benefit liabilities	7,091	6,688
Loss carry-forwards	114	18
Valuation gains/losses on financial instruments	198	104
Investment securities	—	446

Property, plant and equipment	2,385	2,159
Intangible assets	183	286
Asset retirement obligations	105	515
Long-term accounts payable	—	94
Other	246	284
Total deferred tax assets (non-current)	10,325	10,599
Deferred tax liabilities (non-current)		
Reduction entry reserves etc.	1,718	1,469
Gains on establishment of stock-ownership retirement benefit trust	1,405	1,405
Investment securities	2,230	2,552
Valuation gains/losses on fair value of land	3,411	3,389
Other	283	749
Total deferred tax liabilities (non-current)	9,048	9,565
Net deferred tax assets (non-current)	2,270	2,126
Net deferred tax liabilities (non-current)	993	1,093

(Note) In the calculation of deferred tax assets 6,722 million yen was deducted from deferred tax assets in the fiscal year ended March 2016; while 6,296 million yen was deducted in the fiscal year ended March 2017.

2. Breakdown of key items responsible for any major differences between the effective statutory tax rate and the rate for corporation tax etc., payable after the application of tax effect accounting.

	As of March 31, 2016	As of March 31, 2017
Effective statutory tax rate	33.1%	31.0%
(adjustment)		
Items such as entertainment expenses that are not permanently included in the calculation of losses	0.8	1.3
Items such as dividend income that are not permanently included in the calculation of gains	-0.6	-0.8
Inhabitant tax (per capita basis)	0.8	1.0
Any deductible temporary differences that have been excluded from the scope of calculations for deferred tax assets	0.0	-2.3
Equity in earnings (losses) of affiliates	-0.2	-1.0
Tax deductions for corporation tax etc.	-2.5	-2.2
Other	-0.2	0.1
Downward revision of deferred tax assets as of the end of the fiscal year due to changes in tax rates	0.9	―
Tax rate payable for corporation tax etc., after the application of tax effect accounting	32.0	27.2

(Re: Business combinations etc.)

This has not been noted due to the fact that there have been no transactions in relation to key business combinations etc.

(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

Accounting methods applied in the reportable segments are largely in line with those presented under "Key matters forming the basis for the preparation of consolidated financial statements."
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, 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)	-
Total	241,121	269,442	46,984	557,548	48,313	605,861	(27,533)	578,328
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/amortization (note 4)	6,357	6,351	836	13,546	670	14,216	(135)	14,081
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

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(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	232,386	277,477	43,008	552,872	35,063	587,935	-	587,935
Inter-segment sales and transfers	13,568	30	946	14,545	12,190	26,736	(26,736)	-
Total	245,954	277,507	43,955	567,417	47,254	614,672	(26,736)	587,935
Segment income	11,714	4,623	1,255	17,593	1,101	18,694	58	18,753
Segment assets	148,671	132,993	34,096	315,761	31,469	347,231	(5,723)	341,507
Other items								
Depreciation/amortization (note 4)	7,162	6,619	864	14,646	611	15,257	(116)	15,140
Impairment loss	602	-	-	602	9	612	405	1,017
Increase in PP&E and intangible assets (note 5)	5,398	5,317	1,583	12,300	3,533	15,833	(46)	15,787

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, 2016	Year ended March 31, 2017
Intersegment transactions elimination	(27,533)	(26,736)
Total	(27,533)	(26,736)

Segment income (Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Intersegment transactions elimination	64	58
Total	64	58

Segment assets (Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Intersegment transactions elimination	(15,838)	(15,513)
Corporate assets*	10,805	9,789
Total	(5,033)	(5,723)

＊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, 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

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

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	232,386	277,477	43,008	35,063	587,935

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	132,556	Dairy products business segment Beverage and dessert business segment
Seven-Eleven Japan Co., Ltd.	119,645	Dairy products business segment Beverage and dessert business segment

[Impairment loss on non-current assets by reportable segments]

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.

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other (Note)	Corporate / elimination	Total
Impairment loss	602	-	-	9	405	1,017

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.

(Information on associates)

Transactions with associates

(1) Transactions between companies that submit consolidated financial statements and associates

Parent company and major shareholders of companies that submit consolidated financial statements (limited to companies and similar only.)

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

Category	Company title or name	Location	Capital stock or investment (million yen)	Business profile or occupation	Percentage of voting rights etc. owned (subject to ownership) (%)	Relationship with associate	Transaction details	Transaction amount (million yen)	Item	Year-end balance (million yen)
Major shareholders	National Federation of Agricultural Co-operative Associations (ZEN-NOH)	Chiyoda-ku, Tokyo	115,266	Sale of agricultural and livestock products and supply of production materials etc.	(subject to ownership) Direct 13.7	Purchase of raw materials etc.	Purchase transactions	31,611	Accounts payable	3,529

(Notes)

1. Consumption taxes etc. are not included in transaction amounts but are included in year-end balances.

2. Capital stock/investment figures reflect those current as of March 31, 2015.

3. Transaction terms and conditions, and policies used to determine them

These are determined by price negotiations based on actual prices in the market.

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Category	Company title or name	Location	Capital stock or investment (million yen)	Business profile or occupation	Percentage of voting rights etc. owned (subject to ownership) (%)	Relationship with associate	Transaction details	Transaction amount (million yen)	Item	Year-end balance (million yen)
Major shareholders	National Federation of Agricultural Co-operative Associations (ZEN-NOH)	Chiyoda-ku, Tokyo	115,265	Sale of agricultural and livestock products and supply of production materials etc.	(subject to ownership) Direct 13.7	Purchase of raw materials etc.	Purchase transactions	29,710	Accounts payable	2,963

(Notes)

1. Consumption taxes etc. are not included in transaction amounts but are included in year-end balances.

2. Capital stock/investment figures reflect those current as of March 31, 2016.

3. Transaction terms and conditions, and policies used to determine them

These are determined by price negotiations based on actual prices in the market.

(2) Transactions between consolidated subsidiaries of companies that submit consolidated financial statements and associates

Parent company and major shareholders of companies that submit consolidated financial statements (limited to companies and similar only.)

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

Category	Company title or name	Location	Capital stock or investment (million yen)	Business profile or occupation	Percentage of voting rights etc. owned (subject to ownership) (%)	Relationship with associate	Transaction details	Transaction amount (million yen)	Item	Year-end balance (million yen)
Major shareholders	National Federation of Agricultural Co-operative Associations (ZEN-NOH)	Chiyoda-ku, Tokyo	115,266	Sale of agricultural and livestock products and supply of production materials etc.	(subject to ownership) Direct 13.7	Purchase of raw materials etc.	Purchase transactions	6,658	Accounts payable	598

(Notes)

1. Consumption taxes etc. are not included in transaction amounts but are included in year-end balances.

2. Capital stock/investment figures reflect those current as of March 31, 2015.

3. Transaction terms and conditions, and policies used to determine them

These are determined by price negotiations based on actual prices in the market.

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

Category	Company title or name	Location	Capital stock or investment (million yen)	Business profile or occupation	Percentage of voting rights etc. owned (subject to ownership) (%)	Relationship with associate	Transaction details	Transaction amount (million yen)	Item	Year-end balance (million yen)
Major shareholders	National Federation of Agricultural Co-operative Associations (ZEN-NOH)	Chiyoda-ku, Tokyo	115,265	Sale of agricultural and livestock products and supply of production materials etc.	(subject to ownership) Direct 13.7	Purchase of raw materials etc.	Purchase transactions	5,869	Accounts payable	656

(Notes)

1. Consumption taxes etc. are not included in transaction amounts but are included in year-end balances.

2. Capital stock/investment figures reflect those current as of March 31, 2016.

3. Transaction terms and conditions, and policies used to determine them

These are determined by price negotiations based on actual prices in the market.

("Per share" data)

Item	Year ended March 31, 2016	Year ended March 31, 2017
Net assets per share	1,917.33 yen	2,110.80 yen
Profit per share - basic	221.81 yen	191.48 yen
Profit per share – basic; after adjustment for dilutive stock	As there is no dilutive stock, we have not recorded anything for "Profit per share – basic; after adjustment for dilutive stock."	As there is no dilutive stock, we have not recorded anything for "Profit per share – basic; after adjustment for dilutive stock."

(Notes)

1. The fundamentals used to calculate "Net assets per share" are as follows:

Item		As of March 31, 2016	As of March 31, 2017
Total for Net Assets	(million yen)	132,401	145,485
Amounts deducted from the total for Net Assets	(million yen)	2,335	2,306
(of which, Non-controlling interests)	(million yen)	(2,335)	(2,306)
Net assets as of fiscal year-end pertaining to common stock	(million yen)	130,066	143,179
Number of common stock as of fiscal year-end used to calculate net assets per share	(Shares)	67,837,023	67,831,999

2. The fundamentals used to calculate "Profit per share – basic" are as follows:

Item		Year ended March 31, 2016	Year ended March 31, 2017
Net income attributable to owners of parent	(million yen)	15,047	12,988
Amount not attributable to owners of common stock	(million yen)	—	—
Net income attributable to owners of parent pertaining to common stock	(million yen)	15,047	12,988
Average number of share during the year	(Shares)	67,840,013	67,834,753

(Key subsequent events)

Not applicable.

6. Other

(1) Executive staff transfers

Not applicable.

(2) Status of production, incoming orders and sales

(i) Production Results

Production results by segment for the current fiscal year are as follows:

Segment name	Year ended March 31, 2017	Year-on-Year (%)
Dairy products business (million yen)	163,945	96.3
Beverage and dessert business (million yen)	208,688	103.2
Feed and seeds business (million yen)	28,695	92.2
Total (million yen)	401,329	99.5

(Notes)

1. Amounts are in accordance with the selling price and are based on figures before any internal transfers between business segments.

2. The amounts above do not include any consumption taxes etc.

(ii) Results for in-coming orders

The Group (the Company and its consolidated subsidiaries) carries out production for some incoming orders; however this has not been recorded as the value is of no material significance.

(iii) Sales results

Sales results for the current fiscal year as shown by business segment as detailed below:

Segment name	Year ended March 31, 2017	Year-on-Year (%)
Dairy products business (million yen)	232,386	102.4
Beverage and dessert business (million yen)	277,477	103.0
Feed and seeds business (million yen)	43,008	93.6
Total for reportable segments (million yen)	552,872	101.9
Other (million yen)	35,063	97.3
Total (million yen)	587,935	101.7

(Notes)

1. Inter-segment transactions are off-set against each other.

2. Sales results for each of our key counter-parties, as well as the ratio of each set of results to overall sales results, for the previous fiscal year and the current fiscal year under review are as follows:

Counter-party	Year ended March 31, 2016		Year ended March 31, 2017	
	Sales balance (million yen)	Ratio (%)	Sales balance (million yen)	Ratio (%)
Nippon Access, Inc.	129,748	22.4	132,556	22.6
Seven-Eleven Japan Co., Ltd.	110,301	19.1	119,645	20.4

3. The amounts in the table do not include any consumption taxes etc.

7. Supplementary Information

(1) Year-on-Year Comparisons

(i) Consolidated Balance Sheet

(Unit: 100 million yen)

	Year ended March 2016	Year ended March 2017	Net change
(Current assets)	1,419	1,386	-32
Cash and deposits	155	166	11
Accounts receivable	653	650	-2
Inventory assets	524	484	-39
Deferred tax assets	44	45	0
Other	41	39	-2
(Non-current assets)	2,022	2,028	5
Property, plant and equipment	1,660	1,645	-15
Intangible assets	58	49	-9
Investment securities	243	260	16
Deferred tax assets	22	21	-1
Other	36	51	15
Total assets	3,441	3,415	-26

	Year ended March 2016	Year ended March 2017	Net change
(Current liabilities)	1,319	1,210	-108
Accounts payable	612	598	-13
Short-term loans payable	346	294	-52
Other	360	317	-43
(Non-current liabilities)	798	749	-48
Long-term loans payable	533	473	-60
Net defined benefit liabilities	90	82	-7
Other	174	194	20
Total liabilities	2,117	1,960	-157
Shareholders' equity	1,300	1,431	131
Non-controlling interests	23	23	-0
Total net assets	1,324	1,454	130
Total liabilities/net assets	3,441	3,415	-26

(ii) Consolidated Statement of Income

(Unit: 100 million yen)

	Year ended March 2016		Year ended March 2017		Amount of net change	
	Result	Vs. Sales	Result	Vs. Sales	Result	Year-on-year change (%)
Net sales	5,783	100.0%	5,879	100.0%	96	1.7%
Cost of sales	4,444	76.9%	4,461	75.9%	16	0.4%
Selling, general and administrative expenses	1,198	20.7%	1,230	20.9%	31	2.6%
Operating income	140	2.4%	187	3.2%	47	33.9%
Non-operating income	22	0.4%	28	0.5%	5	25.5%
Non-operating expenses	20	0.4%	13	0.2%	-7	-35.4%
Ordinary income	142	2.5%	202	3.4%	60	42.5%
Extraordinary income	119	2.1%	3	0.1%	-115	-96.8%
Extraordinary loss	39	0.7%	27	0.5%	-11	-29.1%
Profit before adjustment for taxes etc.	222	3.8%	178	3.0%	-43	-19.6%
Income taxes	71	1.2%	48	0.8%	-22	-31.6%
Gains (losses) attributable to non-controlling interests	0	0.0%	0	0.0%	-0	-72.2%
Profit attributable to owners of parent	150	2.6%	129	2.2%	-20	-13.7%

(iii) Consolidated Statements of Comprehensive Income

(Unit: 100 million yen)

	Year ended March 2016	Year ended March 2017	Amount of net change	
	Result	Result	Result	Year-on-year change (%)
Net income	151	130	-21	-14.0%
Total other comprehensive income	-28	21	50	—
Comprehensive income	122	151	29	24.0%
(of which, comprehensive income attributable to non-controlling interests:)	0	0	-0	-67.6%

(iv) Consolidated Statement of Cash flows (Unit: 100 million yen)

	Year ended March 2016 Result	Year ended March 2017 Result	Amount of net change
I Cash flows from operating activities	264	299	35
II Cash flows from investing activities	45	-144	-189
III Cash flows from financing activities	-253	-143	109
IV Effect of exchange rate on cash and cash equivalents	-0	-0	0
V Amount of net change in cash and cash equivalents	56	11	-44
VI Cash and cash equivalents at beginning of period	91	147	56
VII Cash and cash equivalents at end of period	147	159	11
(Ref.) Free cash flow (I + II)	310	155	-154

(v) Results for each consolidated segment (Unit: 100 million yen)

	Year ended March 2016	Year ended March 2017	Net change	
	Result	Result	Amount	Year-on-year change (%)
[Net sales]				
Dairy products business	2,269	2,323	54	2.4%
Beverage and dessert business	2,694	2,774	80	3.0%
Feed and seeds business	459	430	-29	-6.4%
Other	360	350	-9	-2.7%
Total	5,783	5,879	96	1.7%
[Operating income]				
Dairy products business	94	117	22	23.9%
Beverage and dessert business	22	46	23	101.2%
Feed and seeds business	8	12	3	45.9%
Other	13	11	-2	-16.9%
Total	140	187	47	33.9%

(Notes) 1. Main types of goods traded by business segment

Dairy Product Business: Dairy products (cheese, butter, milk powder etc.); fats & oils; infant formula

Beverage & Dessert Business: beverages (milk drinks, fruit juice beverages etc.); yogurts; desserts etc

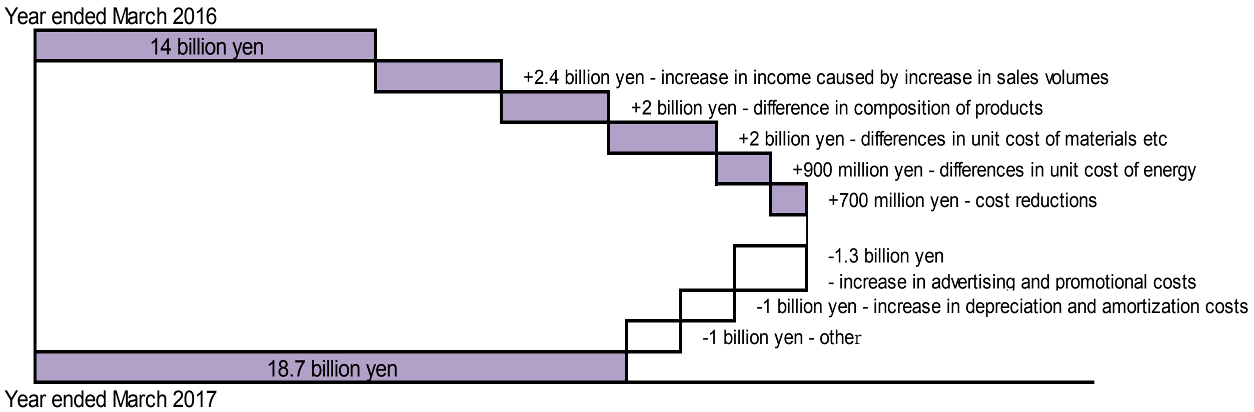
Feed and Seeds Business: Cattle feed; Pasture forage and crop seed; vegetable seeds etc.

Other: Real estate leasing; joint distribution center services etc.

2. The net sales for each segment list the figures for external customers.

Note that figures for external customers are also used in the year-on-year comparisons.

(vi) Causes of net changes in consolidated operating income



Details of consolidated operating income by segment

(Unit: 100 million yen)

	Factors behind changes	Total	Dairy products business	Beverage and dessert business	Feed and seeds business	Other
Factors behind increase in income	Increase in income caused by increase in sales volumes	24	13	13	0	-2
	Difference in composition of products	20	6	14	0	0
	Differences in unit cost of materials etc.	20	18	1	2	-1
	Differences in unit cost of energy	9	4	5	0	0
	Cost reductions	7	-1	7	1	0
	Subtotal	80	40	40	3	-3
Factors behind the decrease in income	Increase in advertising and promotional costs	-13	-5	-8	0	0
	Increase in depreciation and amortization costs	-10	-5	-4	0	-1
	Other	-10	-8	-5	1	2
	Subtotal	-33	-18	-17	1	1
Total		47	22	23	3	-2

* Amounts rounded down to the nearest 100 million yen

(vii) Consolidated capital investment (property, plant and equipment) & consolidated depreciation and amortization

(Unit: 100 million yen)

	Amount of capital investment	Depreciation and amortization *
Year ended March 2016	150	140
Year ended March 2017	147	151

* Depreciation and amortization costs are the sum of the depreciation of property, plant and equipment and the amortization of intangible assets (excluding "Goodwill"), and long-term prepaid expenses.

(viii) Consolidated research & development costs

(Unit: 100 million yen)

Year ended March 2016	38
Year ended March 2017	39

(ix) Number of consolidated employees

Year ended March 2016	4,823
Year ended March 2017	4,887

(x) Consolidated management indicators (Unit: %)

	Equity ratio	Consolidated net sales Operating margin	Consolidate ROA (vs. operating income)	EBITDA Margin
Year ended March 2016	37.8	2.4	4.1	4.9
Year ended March 2017	41.9	3.2	5.5	5.8

(Unit: 100 million yen)

	Total assets	Equity	Interest-bearing debt *
Year ended March 2016	3,441	1,300	942
Year ended March 2017	3,415	1,431	835

* The balance for interest-bearing debt is the sum of outstanding borrow ings plus outstanding lease obligations.

(2) Comparisons with consolidated earnings forecast for fiscal year ended March 2017

Consolidated business performance (Unit: 100 million yen)

	Year ended March 2017				Amount of net change	
	Forecast	Vs. Sales	Forecast	Vs. Sales	Net change	Forecast vs. Actual (%)
Net sales	5,900	100.0%	5,879	100.0%	-20	-0.3%
Operating income	185	3.1%	187	3.2%	2	1.4%
Ordinary income	190	3.2%	202	3.4%	12	6.7%
Profit attributable to ow ners of parent	120	2.0%	129	2.2%	9	8.2%

(Note) Forecast w as published on October 25, 2016.

Results for each consolidated segment (Unit: 100 million yen)

	Year ended March 2017		Amount of net change	
	Earnings Forecast	Result	Net change	Forecast vs. Actual (%)
[Net sales]				
Dairy products business	2,349	2,323	-25	-1.1%
Beverage and dessert business	2,767	2,774	7	0.3%
Feed and seeds business	432	430	-1	-0.4%
Other	352	350	-1	-0.4%
Total	5,900	5,879	-20	-0.3%
[Operating income]				
Dairy products business	117	117	0	0.1%
Beverage and dessert business	46	46	0	0.5%
Feed and seeds business	10	12	2	25.5%
Other	12	11	-0	-8.2%
Total	185	187	2	1.4%

(Notes) 1.Forecast w as published on November 10, 2016.

2. Main types of goods traded by business segment

Dairy Product Business: Dairy products (cheese, butter, milk pow der etc.); fats & oils; infant formula etc.

Beverage & Dessert Business: Beverages (milk drinks, fruit juice beverages etc.); yogurts; desserts etc.

Feed and Seeds Business: Cattle feed; Pasture forage and crop seed; vegetable seeds etc.

Other: Real estate leasing; joint distribution center services etc.

3. The net sales for each segment list the figures for external customers.

(3) Consolidated earnings forecast for fiscal year ended March 2018

(i) Consolidated earnings (Unit: 100 million yen)

	Year ending March 2018 - full year figures			
	April 1, 2017 - September 30, 2017		April 1, 2017 - March 31, 2018	
	Forecast	Year-on-year change (%)	Forecast	Year-on-year change (%)
Net sales	3,035	1.4%	6,000	2.1%
Operating income	100	-8.1%	195	4.0%
Ordinary income	105	-5.6%	205	1.1%
Profit attributable to owners of parent	68	-8.1%	130	0.1%

(ii) Each consolidated segment (Unit: 100 million yen)

	Year ending March 2018 - full year figures			
	April 1, 2017 - September 30, 2017		April 1, 2017 - March 31, 2018	
	Forecast	Year-on-year change (%)	Forecast	Year-on-year change (%)
[Net sales]				
Dairy products business	1,156	1.0%	2,375	2.2%
Beverage and dessert business	1,474	2.4%	2,842	2.4%
Feed and seeds business	222	-1.8%	421	-2.1%
Other	183	-0.5%	362	3.2%
Total	3,035	1.4%	6,000	2.1%
[Operating income]				
Dairy products business	50	-11.3%	112	-4.4%
Beverage and dessert business	34	4.4%	61	31.9%
Feed and seeds business	10	-13.8%	10	-20.3%
Other	6	-21.0%	12	8.9%
Total	100	-8.1%	195	4.0%

(Note) The net sales for each segment list the figures for external customers.
Note that figures for external customers are also used in the year-on-year comparisons.

(iii) Consolidated sales by product of each segment

Dairy Products segment (Unit: 100 million yen)

	Year ending March 2018 - full year figures			
	April 1, 2017 - September 30, 2017		April 1, 2017 - March 31, 2018	
	Forecast	Year-on-year change (%)	Forecast	Year-on-year change (%)
Butter	102	0.8%	224	0.8%
Oils & fats	65	0.8%	133	0.7%
Cheese	373	3.4%	768	3.6%
Other	148	-9.9%	301	-8.0%
Total on a non-consolidated bases	688	-0.4%	1,428	0.2%
Subsidiaries and other	467	3.2%	946	5.3%
Total on a consolidated basis	1,156	1.0%	2,375	2.2%

(Note) Subsidiaries and other includes the sales by subsidiaries and the total effects from accounting for consolidation (inter-segment sales and transfers). Butter made from excessive milk under a contract for processing, which is included in the results for the fiscal year ended March 31, 2016 (\800 million for the first six months, and \1,700 million for the full year), is included in Other.

Nutrition business of Dairy Products segment (Unit: 100 million yen)

	Year ending March 2018 - full year figures			
	April 1, 2017 - September 30, 2017		April 1, 2017 - March 31, 2018	
	Forecast	Year-on-year change (%)	Forecast	Year-on-year change (%)
Functional food products	23	49.0%	53	58.0%
Pow dered milk and other	82	2.6%	163	4.2%
Total on a consolidated basis	106	11.1%	216	13.7%

(Note) These figures are on a consolidated basis (after excluding inter-segment sales and transfers)

Beverage and dessert business (Unit: 100 million yen)

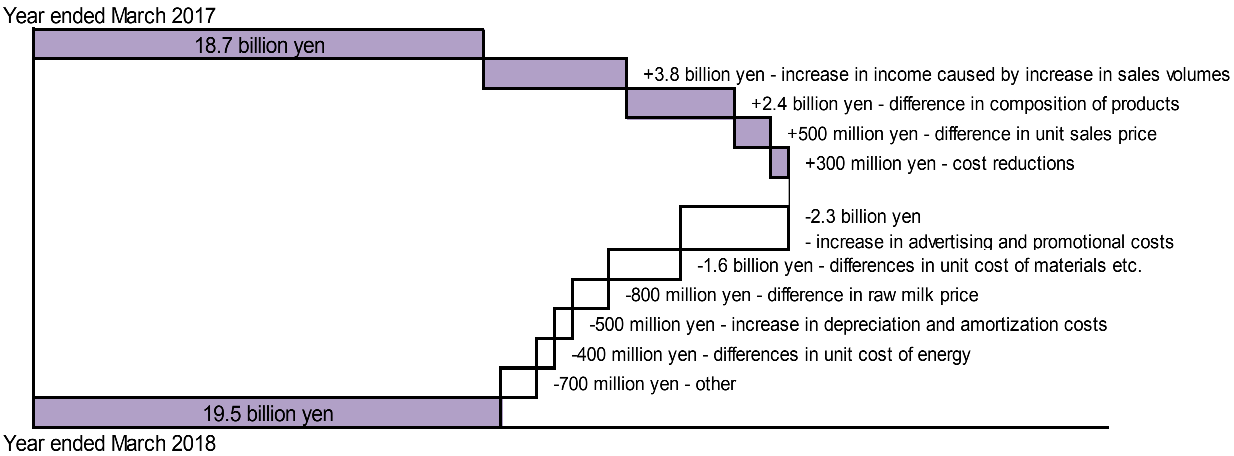
	Year ending March 2018 - full year figures			
	April 1, 2017 - September 30, 2017		April 1, 2017 - March 31, 2018	
	Forecast	Year-on-year change (%)	Forecast	Year-on-year change (%)
White drinks	413	-3.2%	806	-3.5%
Colored drinks	251	1.6%	453	1.1%
Fermented milk	307	10.4%	617	10.2%
Desserts & fresh cream	122	1.2%	249	0.9%
Other	19	2.5%	40	2.0%
Total on a non-consolidated bases	1,115	1.9%	2,165	1.7%
Subsidiaries and other	358	4.1%	676	4.8%
Total on a consolidated basis	1,474	2.4%	2,842	2.4%

(Note) Subsidiaries and other includes the sales by subsidiaries and the total effects from accounting for consolidation (inter-segment sales and transfers).

Feed and seeds business (Unit: 100 million yen)

	Year ending March 2018 - full year figures			
	April 1, 2017 - September 30, 2017		April 1, 2017 - March 31, 2018	
	Forecast	Year-on-year change (%)	Forecast	Year-on-year change (%)
Feedstuffs	162	-2.5%	328	-2.6%
Seed products	59	0.1%	92	-0.2%
Total on a consolidated basis	222	-1.8%	421	-2.1%

(iv) Causes of net changes in consolidated operating income



Details of consolidated operating income by segment

(Unit: 100 million yen)

	Factors behind changes	Total	Dairy products business	Beverage and dessert business	Feed and seeds business	Other
Factors behind increase in income	Increase in income caused by increase in sales volumes	38	31	7	-2	2
	Difference in composition of products	24	5	19	0	0
	Difference in unit sales price	5	5	0	0	0
	Cost reductions	3	3	-2	0	2
	Subtotal	70	44	24	-2	4
Factors behind the decrease in income	Increase in advertising and promotional costs	-23	-23	0	0	0
	Differences in unit cost of materials etc.	-16	-16	0	0	0
	Difference in raw milk price	-8	-7	-1	0	0
	Increase in depreciation and amortization costs	-5	-2	-2	-1	0
	Differences in unit cost of energy	-4	-2	-2	0	0
	Other	-7	1	-4	0	-4
	Subtotal	-63	-49	-9	-1	-4
Total		7	-5	15	-3	0

(v) Capital investment (property, plant and equipment) & depreciation and amortization

(Unit: 100 million yen)

	Amount of capital investment	Depreciation and amortization *
Year ending March 2018	180	155

* Depreciation and amortization costs are the sum of the depreciation of property, plant and equipment and the amortization of intangible assets (excluding "Goodwill"), and long-term prepaid expenses.

(4) Net Sales by individual business segment

(Unit: 100 million yen; %)

	Year ended March 2016		Year ended March 2017		Amount of net change
	Result	Year-on-year change (%)	Result	Year-on-year change (%)	
Dairy products Business	1,395	0.6	1,425	2.1	29
(of which, butter)	247	2.7	240	-2.8	-7
(of which, oils & fats)	142	-5.5	132	-7.0	-10
(of which, cheese)	718	3.7	741	3.3	23
Beverage and dessert business	2,103	5.2	2,129	1.3	26
(of which, white drinks)	830	1.6	835	0.6	4
(of which, colored drinks)	439	-3.3	448	2.0	8
(of which, fermented milk)	543	18.0	559	3.0	16
(of which, desserts & fresh cream)	247	8.3	247	-0.2	-0
Other	19	-7.5	20	1.8	0
Total	3,519	3.3	3,575	1.6	55

(For reference) Market share (of household consumption) of fiscal year ended March 2017

Butter:	33.7%
Oils & fats:	34.8%
Cheese:	15.7%
Milk:	7.1%
Milk beverage:	20.5%
Fermented milk:	11.3%

(Company research for dairy products conducted on the basis of volume; and for beverages & desserts on the basis of monetary value)