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.

4. 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.

5. 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.

6. Consolidated Financial Statements
(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	15,503	16,657
Notes and accounts receivable-trade	65,338	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	45,874	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	59,772	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	3,810	3,791
Land	51,059	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	24,333	26,015
Long-term prepaid expenses	382	509
Net defined benefit asset	—	781
Deferred tax assets	2,270	2,126
Other	4,104	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	61,238	59,886
Short-term loans payable	16,930	20,900
Current portion of long-term loans payable	17,694	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	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	4,043	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	9,067	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	444,476	446,164
Gross profit	133,851	141,770
Selling, general and administrative expenses		
Selling expenses	103,214	105,905
General and administrative expenses	16,633	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	11,633	294
Other	293	87
Total extraordinary income	11,926	381
Extraordinary loss		
Loss on sales of non-current assets	6	55
Loss on retirement of non-current assets	1,396	1,127
Impairment loss	1,096	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

Segment and Other Information

[Segment information]

1. Overview of reportable segments

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

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

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

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

Segment income represents operating income.

Intersegment sales and transfers are based on market price.

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

Year ended March 31, 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.