



May 16, 2016

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2016
<Japanese GAAP>

Listed company: Morinaga Milk Industry Co., Ltd.
 Listed stock exchange: Tokyo
 Securities code: 2264
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 Planned Date of General Shareholders' Meeting: June 29, 2016
 Planned Commencement Date of Dividend Payments: June 30, 2016
 Planned Filing Date of Securities Report: June 30, 2016
 Preparation of explanatory materials for financial results: Yes
 Holding of a briefing on financial results: Yes (For Institutional Investors, Analysts)

(Amounts of less than one million yen are truncated)

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

(1) Consolidated operating results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
March 31, 2016	601,499	1.1	14,317	110.4	14,959	81.7	10,576	154.0
March 31, 2015	594,834	(0.7)	6,805	(43.2)	8,232	(33.6)	4,164	(14.0)

(Note) Comprehensive income: the fiscal year ended March 31, 2016: ¥5,794 million / (21.9)%
 the fiscal year ended March 31, 2015: ¥7,416 million / 7.5%

	Net income per share	Net income per share-diluted	Net income to shareholders' equity	Ordinary income to assets	Operating income to net sales
For the fiscal year ended	Yen	Yen	%	%	%
March 31, 2016	42.80	42.67	8.4	3.9	2.4
March 31, 2015	16.86	16.81	3.4	2.2	1.1

(Reference) Equity method investment gain or loss: the fiscal year ended March 31, 2016: ¥103 million
 the fiscal year ended March 31, 2015: ¥125 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	378,852	129,370	33.8	518.61
As of March 31, 2015	383,357	125,286	32.4	502.36

(Reference) Shareholders' equity: As of March 31, 2016: ¥128,205 million
 As of March 31, 2015: ¥124,124 million

(3) Consolidated cash flows

	From Operating Activities	From Investing Activities	From Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2016	28,223	(22,234)	(10,449)	6,203
March 31, 2015	8,543	(17,642)	12,887	11,105

2. Dividends

	Annual dividends					Total Amount of Cash Dividends (annual)	Dividend Payout Ratio (consolidated)	Ratio of Total Amount of Dividends to Shareholders' Equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2015	–	–	–	7.00	7.00	1,729	41.5	1.4
March 31, 2016	–	–	–	7.00	7.00	1,730	16.4	1.4
For the fiscal year ending March 31, 2017 (Forecast)	–	–	–	7.00	7.00		21.1	

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter-end (Cumulative)	312,000	(3.5)	11,500	13.7	12,000	12.8	6,500	13.2	26.29
Full year	590,000	(1.9)	16,400	14.5	17,000	13.6	8,200	(22.5)	33.17

*** Notes**

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

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

(2) Changes in accounting policies and estimates, and retrospective restatements

(i) Changes in accounting policies in accordance with revision of accounting standards: Yes

(ii) Changes in accounting policies other than item (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) For details, refer to page 18 of the attached materials, "5. Consolidated Financial Statements (5) Note regarding the consolidated financial statements (Changes in accounting policies)."

(3) Number of shares issued (common stock)

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

As of March 31, 2016	248,977,218 shares
As of March 31, 2015	248,977,218 shares

(ii) Number of treasury shares at end of period

As of March 31, 2016	1,767,207 shares
As of March 31, 2015	1,895,573 shares

(iii) Average number of shares during period

Fiscal year ended March 31, 2016	247,111,307 shares
Fiscal year ended March 31, 2015	247,041,036 shares

(Reference) Outline of non-consolidated business results

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

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
March 31, 2016	453,865	2.1	6,654	—	9,722	180.1	7,834	369.5
March 31, 2015	444,371	0.2	(267)	—	3,471	(50.8)	1,668	(49.9)

	Net income per share		Net income per share—diluted	
	Yen		Yen	
For the fiscal year ended				
March 31, 2016	31.71		31.61	
March 31, 2015	6.75		6.73	

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	322,247	88,556	27.4	357.40
As of March 31, 2015	319,950	83,270	26.0	336.22

(Reference) Shareholders' equity: As of March 31, 2016: ¥88,351 million

As of March 31, 2015: ¥83,074 million

* Presentation regarding status of audit procedures

At the time of disclosure of this earnings report, the audit procedures for consolidated financial statements in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of earnings forecasts, and other special matters

The above forecasts of consolidated financial results are based on information currently available to the Company and on certain assumptions on market trends, etc. deemed to be reasonable, and are subject to uncertainties. Consequently, actual business and other results may differ substantially due to various factors. For details of the above forecasts of consolidated financial results, refer to page 3.

[Attached Materials]

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1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

i) Operating results for the fiscal year under review

The Japanese economy on the whole remained on its gradual path to recovery, showing continuing signs of improvement in corporate results and the employment situation, and partly also due to the government and Bank of Japan's (BOJ) economic and monetary policies. However, there are also concerns that a slowdown in overseas economies, such as those of China and other emerging Asian nations, will impact the Japanese economy, and as such conditions continue to be unclear.

In the food industry, there were signs of steady consumption backed by high value-added products in some sectors. This was in the midst of price revisions in a wide range of fields due to a steep rise in raw material prices impacted by the weakening yen and other factors, and consumer prices gently climbing upwards.

Meanwhile, in the dairy and milk industry, despite a rise in the raw milk market price last April, the continually contracting domestic raw milk production volume started to gently climb upwards. Furthermore, other events this year, such as the general consensus reached on the Trans Pacific Strategic Economic Partnership (TPP) and a decision to introduce a trial bidding system for raw milk market prices, hinted at upcoming changes in the dairy industry.

In this business environment, the Group has continued to strive to develop and refine products to meet the needs of customers, while also revising prices and working to achieve better market penetration for selected products. Meanwhile, the Group has also worked to improve and streamline asset efficiency as raised in the Medium Term Business Plan, such as by ensuring the efficient outlay of sales promotion expenses and continuing to sell off fixed assets.

As a result of these activities, consolidated net sales for the fiscal year under review were ¥601,499 million (up 1.1% year on year).

Consolidated operating income increased to ¥14,317 million (up 110.4% year on year) and consolidated ordinary income also increased to ¥14,959 million (up 81.7% year on year). Profit attributable to owners of parent increased to ¥10,576 million (up 154.0%), due in part to an increase in gain on sales of non-current assets of ¥5,451 million.

Business conditions by segment (before the elimination of interdivisional transactions) are as follows.

Food industry (Commercial milk, dairy products, ice cream, drinks, etc.)

Net sales for the fiscal year under review were ¥580,973 million (up 1.1% year on year), while operating income rose to ¥21,888 million (up 55.7% year on year).

Other industries (feed, design and construction of plant equipment, etc.)

Net sales in other industries were ¥27,418 million (up 4.7% year on year), while operating income increased to ¥1,663 million (up 25.6% year on year).

Expenses relating to the administrative division of the Company and other group-wide expenses not allocated to business segments are ¥8,604 million.

ii) Overview of non-consolidated results of Morinaga Milk Industry

Overview

As a result of these activities, consolidated net sales of the Group were ¥453,865 million (up 2.1% year on year). On a profit basis, operating income increased by ¥6,921 million over the previous year to ¥6,654 million, while ordinary income also increased to ¥9,722 million (up 180.1% year on year), and net profit rose to ¥7,834 million (up 369.5% year on year).

Sales by products

Commercial milk

In milk products, sales of *Morinaga Ajiwai Dayori* and other white milk beverages, as well as *Makiba no Sora* and other homogenized milk, surpassed the previous year's levels, boosting overall sales year on year.

In milk beverages, although sales of *Lipton Milk Tea* exceeded the previous year's levels, sales of the *Mt. RAINIER CAFFÈ LATTE* series fell below last year's levels, resulting in a year-on-year decline in overall sales.

In yogurt products, in addition to a substantial increase in sales of the *Thick Greek Yogurt PARTHENO* from the previous year, sales of *Bifidus Yogurt* also grew over the same period, which pushed up overall sales year on year.

As a result, net sales of commercial milk products increased to ¥206,779 million (up 1.9% year on year).

Dairy products

In powdered milk, sales of the infant formula *Morinaga E Akachan* and *Morinaga Hagukumi* rose over the previous year, resulting in a year-on-year increase in overall sales.

Sales of both household- and food service & institutional-use butter surpassed the previous year's levels, boosting overall sales year on year.

Meanwhile, in cheese products, sales of the Kraft brand *6P Cheese* and *Fresh Mozzarella* exceeded the previous year's levels, which raised overall sales year on year.

As a result, net sales of dairy products increased to ¥96,588 million (up 3.2% year on year).

Ice Cream

In ice cream products, in addition to the growth in sales of *Pino* from the previous year, a substantial rise in sales of *MOW* over the same period resulted in a year-on-year increase in overall sales.

As a result, net sales of ice cream products increased to ¥52,396 million (up 4.0% year on year).

Other

Although sales of *Lipton Fruits Tea* fell below the previous year's levels, sales of *Daimanzoku Gohan* and other baby food and liquid food surpassed last year's levels, resulting in a marginal increase in overall sales year on year.

As a result, net sales of other products increased to ¥98,100 million (up 0.7% year on year).

iii) Projected results for the fiscal year ending March 31, 2017

The full-year consolidated earnings forecasts for the fiscal year ending March 31, 2017 are as follows: net sales of ¥590,000 million (down 1.9% year on year), operating income of ¥16,400 million (up 14.5% year on year), ordinary income of ¥17,000 million (up 13.6% year on year), and profit attributable to owners of parent of ¥8,200 million (down 22.5% year on year).

The Japanese economy in the next fiscal year is expected to continue on its gradual recovery, as employment and income continue to improve. However, the outlook for economic conditions remains uncertain due to concerns over the risk of a downturn in overseas economies and other factors.

In the food industry, the possibility of a fall in product prices due to the steep rise in raw material prices coming full circle, along with other factors, are expected to maintain a tough competitive environment.

In the dairy and milk industry, amidst the serious issue of the deteriorating production base for raw milk, the industry is seeing sweeping changes such as the effect of last October's general consensus on the Trans Pacific Strategic Economic Partnership (TPP) and consideration of revising the raw milk trading system.

In such a business environment, the Morinaga Group will review its less profitable businesses and focus management resources in its core businesses, while also working on improving profitability by developing and promoting products with high added value.

(2) Analysis of financial position

i) Assets, liabilities, and net assets

For assets at the end of the consolidated fiscal year under review, although capital investment boosted total property, plant and equipment, a decline in cash and deposits and net defined benefit asset resulted in an overall ¥4,504 million decrease year on year to ¥378,852 million.

For liabilities, although net defined benefit liability increased, a decrease in commercial papers and other factors led to a

decline in the total amount of loans payable and bonds. As a result, total liabilities fell by ¥8,588 million year on year to ¥249,481 million.

For net assets, a fall in remeasurements of defined benefit plans and other factors led to a decline in total valuation and translation adjustments. However, an increase in retained earnings resulted in an increase in total net assets by ¥4,083 million year on year to ¥129,370 million.

As a result, the shareholders' equity ratio rose from 32.4% of the previous year to 33.8%, and net assets per share rose from ¥502.36 of the previous year to ¥518.61.

ii) Cash flows

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

Cash flow from operating activities rose by ¥19,680 million in inflows year on year to ¥28,223 million. In addition to an increase in net income before income taxes, this was also attributable to a relatively minor increase in inventories over the previous fiscal year, among other factors.

Cash flow from investing activities rose by ¥4,592 million in outflows year on year to ¥22,234 million. This was attributable to various factors, including an increase in outflows from the purchase of non-current assets.

The total free cash flow of these activities increased by ¥15,088 million year on year to ¥5,988 million.

Cash flow from financing activities increased by ¥23,336 million in outflows year on year to ¥10,449 million. This was attributable to outflows from the repayment of loans payable and the redemption of bonds exceeding the total amount of loans payable, among other factors.

As a result of these activities, cash and cash equivalents at the end of the consolidated fiscal year under review decreased by ¥4,902 million year on year to ¥6,203 million.

The trend of cash flow indicators is as follows.

	For the fiscal year ended March 31, 2012	For the fiscal year ended March 31, 2013	For the fiscal year ended March 31, 2014	For the fiscal year ended March 31, 2015	For the fiscal year ended March 31, 2016
Shareholders' equity ratio (%)	30.8	31.4	33.3	32.4	33.8
Shareholders' equity ratio at market value (%)	22.2	19.2	22.7	29.4	39.3
Ratio of cash flows to interest-bearing debt (times)	5.0	5.5	4.7	14.2	4.0
Interest coverage ratio (times)	13.4	12.8	14.6	7.7	28.1

Shareholders' equity ratio: (Total net assets - Subscription rights to shares - Minority interests) ÷ Total assets

Shareholders' equity ratio at market value: Market capitalization ÷ Total assets

Ratio of cash flows to interest-bearing debt: Interest-bearing debt ÷ Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities ÷ Payment of interest

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

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

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

(3) Basic policy regarding profit distribution and dividends for the fiscal year ended March 31, 2016 and the fiscal year ending March 31, 2017

Regarding profit distribution, Morinaga will earmark retained earnings for maintaining and enhancing its corporate structure, and will continue its policy of providing stable dividends while also placing due consideration on the Company's results and dividend payout ratio. Accordingly, the dividend to shareholders for the consolidated fiscal year under review will be ¥7 per share. The dividend for the next fiscal year will also be of the same level.

(4) Businesses and Other Risk Factors

Risks that could have a possible impact on the operating results and financial position of the Morinaga Milk Group are as follows. Forward-looking statements are current as of the date of the release of these financial results.

i) Dairy and milk industry

- The raw milk and dairy products produced by the Morinaga Milk Group are under a tariff system set in place to protect the domestic agricultural industry. However, in the event that there are significant changes to the tariff system depending on the results of WTO, TPP, and FTA agricultural negotiations, there is the possibility of such changes having a substantial impact on the operating results and financial position of the Morinaga Milk Group.
- The producers of raw milk, which is the raw material in dairy products produced by the Morinaga Milk Group, are paid a subsidy based on the Act on Temporary Measures concerning Compensation Price for Producers of Milk for Manufacturing Use. However, in the event that this Act is substantially modified or abolished in the future and the level of subsidies changes, there is the possibility of such changes having an impact on the purchase price of raw materials for the Morinaga Milk Group.

ii) Safety of food products

The Morinaga Milk Group applies its own stringent quality control standards, which go beyond those required by law, in the manufacture of its food products, and takes every measure to ensure the safety and quality of those products. However, in the event that an unforeseen situation occurs that is linked to product liability compensation or a large-scale product recall, there is the possibility of such an event having a substantial impact on the operating results and financial position of the Morinaga Milk Group.

iii) Market price and exchange rate effects

The Morinaga Milk Group procures part of its raw materials and products from overseas, and thus the purchase price of those items is subject to the effect of market price and exchange rate fluctuations. A sharp rise in the market price and progression in a weaker yen are factors leading to a rise in costs, and there is the possibility of such factors having an impact on the operating results and financial position of the Morinaga Milk Group.

iv) Unseasonable weather

Net sales of the Ice Cream Division and Commercial Milk Division of the Morinaga Milk Group may be affected by the weather. In particular, in the event of a cool summer, the net sales of these divisions decline, and there is the possibility of such an event having an impact on the operating results and financial position of the Morinaga Milk Group.

v) Natural disasters

The effect of a large-scale natural disaster, such as an earthquake, may cause damage to production and distribution facilities, and subsequently halt production and result in the incurrence of costs to restore operations. As such, there is the possibility of such an event having an impact on the operating results and financial position of the Morinaga Milk Group.

vi) Information security

Each group company in the Morinaga Milk Group has formulated information security countermeasures for preventing unauthorized access to information systems and for protecting and managing stored personal information held by each company, and carries out these measures accordingly. However, in the event that an unforeseen situation occurs resulting in the leakage of information or other damage, there is the possibility of such an event having an impact on the operating results and financial position of the Morinaga Milk Group due to a fall in social credibility, etc.

2. Status of the Corporate Group

The Morinaga Milk Group, which comprises the Morinaga Milk Industry, 56 subsidiaries, and 7 affiliate companies, engages primarily in the manufacture and sale of food products such as commercial milk, dairy products, and ice cream, as well as the sale of feed, the design and construction of plant equipment, and other business activities. The following diagram sets out the positioning and business of each company in the Group's principal business activities.

(1) Positioning of each company in the Group's principal business activities

i) Food industry (commercial milk, dairy products, ice cream, drinks, etc.)

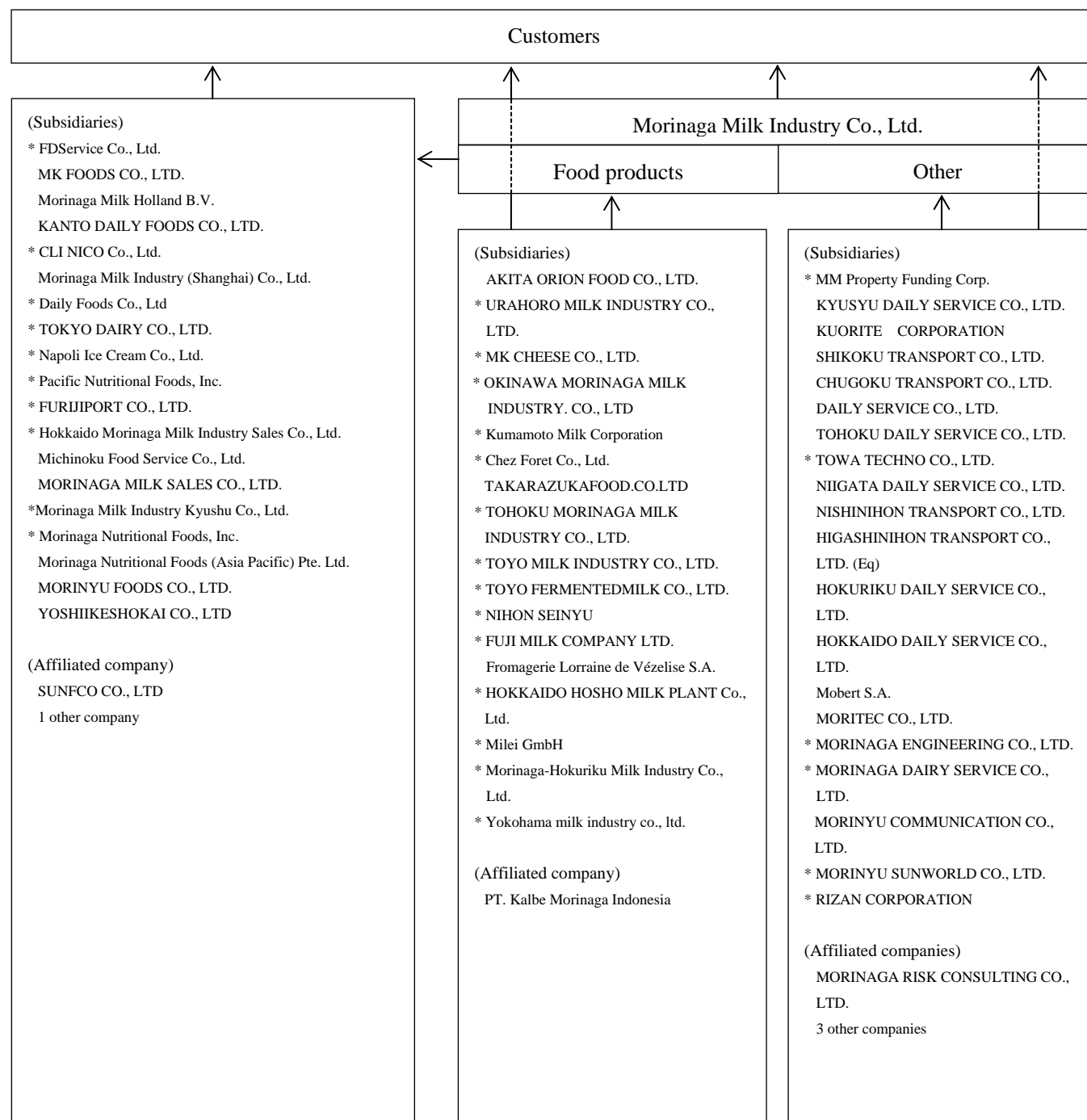
In addition to the manufacture and sale of food products of the Company, the Company commissions the manufacture of some products on the market to 14 companies in addition to MK Cheese Co., Ltd., Yokohama milk industry co., Ltd.,

Fuji Milk Company Ltd., and Tohoku Morinaga Milk Industry Co., Ltd. There are also 20 companies, in addition to Daily Foods Co., Ltd., which primarily stock products from the Company for sale to customers nationwide.

ii) Other businesses (feed, design and construction of plant equipment, etc.)

Morinaga Daily Service Co., Ltd. and Morinyu SUNWORLD Co., Ltd. engage in the purchase and sale of feed and pet foods, respectively. There are also 22 companies, in addition to Morinaga Engineering Co., Ltd., that engage in the design and construction of plant equipment, leasing of real estate, and the transport and warehousing business, etc.

(2) Diagram of businesses



- (Notes)
1. Morinaga Milk Industry Kyushu Co., Ltd. was established in January 2016, and has become a consolidated subsidiary of the Morinaga Group.
 2. YOSHIKESHOKAI CO., LTD became a non-consolidated subsidiary in August 2015, upon the acquisition of its shares by Daily Foods Co., Ltd.
 3. Morinaga Nutritional Foods (Asia Pacific) Pte. Ltd. became a non-consolidated subsidiary in December 2015, upon the acquisition of its shares.
 4. Kusaya Co., Ltd., which was a non-consolidated subsidiary until the previous consolidated fiscal year, has been removed as a non-consolidated subsidiary due to the sale of its shares held.
 5. Morinaga Nutritional Foods Deutschland GmbH, which was a non-consolidated subsidiary until the previous consolidated fiscal year, has been liquidated.
 6. Tokai Castle Co., Ltd., which was a non-consolidated subsidiary until the previous consolidated fiscal year, has been liquidated.
 7. PAX FREEZER Co., Ltd., which was an equity method subsidiary until the previous consolidated fiscal year, has been removed as an equity method subsidiary due to the sale of its shares held.
 8. Shanghai Sen-Want Trading Co.Ltd. became an affiliate company of the Morinaga Group, upon acquisition of its shares in January 2016.
 9. The → indicates the flow of manufactured goods and sales products.
 10. Companies marked with an * are consolidated subsidiaries, and those marked with (Eq) are equity-method affiliate companies.

3. Management Policy

(1) Basic management policy

Under the corporate philosophy of “To create a new food culture based on the excellent power of milk, making a difference in people’s health and society in general,” the Morinaga Milk Group is committed to providing superior value and making a difference in society through initiatives to realize its four corporate visions of “Delivering products and services with value that offer customers a shared sense of satisfaction,” “Working hard for change, creating our own values,” “Fostering a vibrant corporate culture,” and “Being a company that society can trust.”

(2) Medium- and long-term management strategy of the Company and issues facing the Company

The Morinaga Milk Industry Business Plan for the Next Medium Term (FYE March 2016-FYE March 2020) centers on the four basic policies of: 1. Rebuilding our business domains for growth, 2. Improving asset efficiency and promoting rationalization, 3. Strengthening the business base, and 4. Making a difference in society. We will rebuild our business domains based on the following four pillars of our future businesses: 1. Strengthening the functional and food ingredients business (B-to-B business), 2. Facilitating globalization (International business), 3. Developing the health and nutritional food business, and 4. Improving the profitability of our existing businesses (B-to-C business). Furthermore, we have set the following numerical targets in the Business Plan for the Next Medium Term: sales of ¥640,000 million, operating income of ¥22,500 million, ordinary income of ¥23,000 million, profit attributable to owners of parent of ¥12,000 million, and ROE of 8%.

Amid the changing business environment in which we operate, where we are facing market concerns over Japan’s declining birth rate and aging society and subsequent shrinking population along with the diversifying needs of our customers, the Morinaga Group is aiming for sustainable growth in accordance with the aforementioned Business Plan for the Next Medium Term.

Furthermore, we will bolster the Group’s internal governance to ensure the appropriate operation of our businesses, and continue with our efforts to further strengthen our quality assurance system in order to provide customers with safety and peace of mind.

4. Basic Policy on the Selection of Accounting Standards

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

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

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	11,409	6,506
Notes and accounts receivable - trade	52,357	53,511
Merchandise and finished goods	36,577	37,218
Work in process	982	572
Raw materials and supplies	13,457	14,559
Deferred tax assets	4,303	4,003
Other	10,194	8,923
Allowance for doubtful accounts	(503)	(467)
Total current assets	128,779	124,828
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	158,741	162,564
Accumulated depreciation	(89,281)	(92,225)
Buildings and structures, net	69,459	70,339
Machinery, equipment and vehicles	257,915	254,157
Accumulated depreciation	(200,220)	(196,556)
Machinery, equipment and vehicles, net	57,694	57,600
Land	72,485	70,478
Leased assets	7,991	8,001
Accumulated depreciation	(4,076)	(4,252)
Leased assets, net	3,914	3,748
Construction in progress	14,220	18,652
Other	14,237	13,927
Accumulated depreciation	(11,066)	(10,619)
Other, net	3,171	3,307
Total property, plant and equipment	220,946	224,127
Intangible assets		
Other	6,829	6,719
Total intangible assets	6,829	6,719
Investments and other assets		
Investment securities	17,136	15,468
Investments in capital	76	101
Long-term loans receivable	388	369
Net defined benefit asset	3,083	1,147
Deferred tax assets	1,049	1,143
Other	5,225	5,070
Allowance for doubtful accounts	(157)	(124)
Total investments and other assets	26,801	23,176
Total noncurrent assets	254,578	254,023
Total assets	383,357	378,852

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	54,317	52,852
Electronically recorded obligations - operating	5,063	4,516
Short-term loans payable	5,049	6,433
Current portion of long-term loans payable	5,056	4,810
Commercial papers	15,800	2,000
Current portion of bonds	10,000	10,000
Lease obligations	1,959	1,893
Income taxes payable	186	3,082
Accrued expenses	29,578	31,736
Deposits received	19,315	18,468
Other	16,636	12,009
Total current liabilities	162,962	147,804
Noncurrent liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	36,425	42,142
Lease obligations	3,419	3,024
Net defined benefit liability	15,541	18,011
Asset retirement obligations	260	273
Other	4,462	3,225
Total noncurrent liabilities	95,108	101,677
Total liabilities	258,070	249,481
Net assets		
Shareholders' equity		
Capital stock	21,704	21,704
Capital surplus	19,442	19,518
Retained earnings	76,442	85,280
Treasury stock	(621)	(585)
Total shareholders' equity	116,967	125,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,936	5,127
Deferred gains or losses on hedges	(8)	(43)
Foreign currency translation adjustment	767	(321)
Remeasurements of defined benefit plans	461	(2,475)
Total accumulated other comprehensive income	7,157	2,287
Subscription rights to shares	196	204
Non-controlling interests	965	959
Total net assets	125,286	129,370
Total liabilities and net assets	383,357	378,852

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

(Millions of yen)

	For the fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Net sales	594,834	601,499
Cost of sales	422,281	419,454
Gross profit	172,552	182,045
Selling, general and administrative expenses	165,746	167,728
Operating income	6,805	14,317
Non-operating income		
Interest income	49	48
Dividends income	1,087	555
House rent income	462	451
Amortization of negative goodwill	466	141
Equity in earnings of affiliates	125	103
Other	1,007	1,018
Total non-operating income	3,198	2,319
Non-operating expenses		
Interest expenses	1,108	1,024
Interest on commercial papers	5	6
Other	657	646
Total non-operating expenses	1,771	1,677
Ordinary income	8,232	14,959
Extraordinary income		
Gain on sales of noncurrent assets	987	5,451
Gain on sales of investment securities	131	248
Gain on bargain purchase	1	-
Total extraordinary income	1,119	5,699
Extraordinary loss		
Loss on disposal of noncurrent assets	872	1,520
Contributions to the public interest incorporated foundation Hikari Kyokai	1,614	1,667
Impairment loss	257	1,586
Factory reorganization expenses	340	55
Other	171	43
Total extraordinary losses	3,256	4,874
Income before income taxes	6,096	15,784
Income taxes - current	1,996	4,095
Income taxes - deferred	(165)	1,034
Total income taxes	1,831	5,129
Profit	4,265	10,655
Profit attributable to non-controlling interests	100	79
Profit attributable to owners of parent	4,164	10,576

(Consolidated statements of comprehensive income)

(Millions of yen)

	For the fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Profit	4,265	10,655
Other comprehensive income		
Valuation difference on available-for-sale securities	1,581	(801)
Deferred gains or losses on hedges	(78)	(33)
Foreign currency translation adjustment	297	(1,088)
Remeasurements of defined benefit plans, net of tax	1,350	(2,936)
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	3,151	(4,860)
Comprehensive income	7,416	5,794
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,314	5,706
Comprehensive income attributable to non-controlling interests	101	87

(3) Consolidated statement of changes in shareholders' equity
For the fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(Millions of Yen)

	Shareholders' Equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	21,704	19,442	77,377	(2,285)	116,238
Cumulative impact of changes in the accounting policy			(1,723)		(1,723)
Balance at the beginning of the current year reflecting changes in the accounting policy	21,704	19,442	75,654	(2,285)	114,515
Changes of items during period					
Dividends of surplus			(1,728)		(1,728)
Net income			4,164		4,164
Purchase of treasury shares				(15)	(15)
Disposal of treasury shares		(10)		42	32
Cancellation of treasury stock		(1,636)		1,636	—
Transfer to capital surplus from retained earnings		1,646	(1,646)		—
Change in scope of consolidation					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	788	1,663	2,452
Balance at end of current period	21,704	19,442	76,442	(621)	116,967

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	4,357	69	469	(889)	4,007	197	516	120,959
Cumulative impact of changes in the accounting policy								(1,723)
Balance at the beginning of the current year reflecting changes in the accounting policy	4,357	69	469	(889)	4,007	197	516	119,235
Changes of items during period								
Dividends of surplus								(1,728)
Net income								4,164
Purchase of								(15)

treasury shares								
Disposal of treasury shares								32
Cancellation of treasury stock								-
Transfer to capital surplus from retained earnings								-
Change in scope of consolidation								-
Net changes of items other than shareholders' equity	1,579	(77)	297	1,350	3,149	(0)	449	3,598
Total changes of items during period	1,579	(77)	297	1,350	3,149	(0)	449	6,050
Balance at end of current period	5,936	(8)	767	461	7,157	196	965	125,286

For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(Millions of Yen)

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

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,936	(8)	767	461	7,157	196	965	125,286
Cumulative impact of changes in the accounting policy								–
Balance at the beginning of the current year reflecting changes in the accounting policy	5,936	(8)	767	461	7,157	196	965	125,286
Changes of items during period								
Dividends of surplus								(1,729)
Net income								10,576
Purchase of treasury shares								(16)

Disposal of treasury shares								44
Cancellation of treasury stock								-
Transfer to capital surplus from retained earnings								-
Change in scope of consolidation								75
Net changes of items other than shareholders' equity	(809)	(34)	(1,088)	(2,936)	(4,869)	8	(5)	(4,866)
Total changes of items during period	(809)	(34)	(1,088)	(2,936)	(4,869)	8	(5)	4,083
Balance at end of current period	5,127	(43)	(321)	(2,475)	2,287	204	959	129,370

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Cash flows from operating activities		
Income before income taxes	6,096	15,784
Depreciation	16,810	17,561
Impairment loss	257	1,586
Amortization of goodwill	132	133
Amortization of negative goodwill	(466)	(141)
Gain on bargain purchase	(1)	—
Increase (decrease) in net defined benefit liability	3,082	2,483
Increase (decrease) in allowance for doubtful accounts	(96)	(67)
Loss (gain) on valuation of investment securities	9	3
Interest and dividend income	(1,136)	(603)
Interest expenses	1,108	1,024
Foreign exchange losses (gains)	34	(127)
Share of (profit) loss of entities accounted for using equity method	(125)	(103)
Loss (gain) on sales of non-current assets	(987)	(5,451)
Loss (gain) on disposal of non-current assets	872	1,520
Loss (gain) on sales of investment securities	(131)	(247)
Decrease (increase) in notes and accounts receivable – trade	(487)	(1,195)
Decrease (increase) in inventories	(8,589)	(1,584)
Increase (decrease) in notes and accounts payable - trade	(4,581)	(1,864)
Increase (decrease) in accrued expenses	(256)	2,129
Increase (decrease) in deposits received	(418)	(846)
Other	1,094	(460)
Subtotal	12,220	29,532
Interest and dividend income received	1,188	1,077
Interest expenses paid	(1,109)	(1,002)
Income taxes paid	(3,757)	(1,383)
Cash flows from operating activities	8,543	28,223
Cash flows from investing activities		
Purchase of non-current assets	(20,221)	(29,175)
Proceeds from sales of non-current assets	2,419	6,793
Purchase of investment securities	(367)	(201)
Proceeds from sales of investment securities	407	336
Payments of loans receivable	(7,723)	(7,098)
Collection of loans receivable	7,845	7,135
Other	(3)	(24)
Cash flows from investing activities	(17,642)	(22,234)

(Millions of yen)

	For the fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	For the fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,184)	1,651
Increase (decrease) in commercial papers	10,800	(13,800)
Proceeds from long-term loans payable	12,400	13,397
Repayments of long-term loans payable	(5,220)	(7,778)
Proceeds from issuance of bonds	15,000	9,929
Redemption of bonds	(15,040)	(10,000)
Purchase of treasury shares	(15)	(16)
Cash dividends paid	(1,728)	(1,729)
Dividends paid to non-controlling interests	(13)	(16)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(0)
Repayments of finance lease obligations	(2,109)	(2,086)
Net cash provided by (used in) financing activities	12,887	(10,449)
Effect of exchange rate change on cash and cash equivalents	207	(442)
Net increase (decrease) in cash and cash equivalents	3,995	(4,902)
Cash and cash equivalents at beginning of period	7,080	11,105
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	30	—
Cash and cash equivalents at end of period	11,105	6,203

(5) Note regarding the consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

Application of accounting standards for retirement benefits

Effective from the first quarter of the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21; September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7; September 13, 2013), and other accounting standards. As a result, the method of recording differences caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which such amounts are recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which such amounts are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal quarter in which the business combination occurs. In addition, changes have also been made in the presentation of quarterly net income, etc. and also in nomenclature from “minority interests” to “non-controlling interests.” The consolidated financial statements for the third quarter of the previous fiscal year and those for the entire previous fiscal year have been reclassified to reflect these changes in presentation.

The Accounting Standard for Business Combinations and other standards are applied in accordance with the transitional treatment set forth in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and will be applied from the beginning of the first quarter of the current fiscal year and on into the future.

As a result, income before income taxes decreased by ¥75 million and retained earnings increased by ¥75 million at the end of the consolidated fiscal year under review.

In the consolidated statement of cash flows in the fiscal year under review, cash flows from the acquisition and sale of shares of subsidiaries not resulting from changes in the scope of consolidation are listed under cash flows from financing activities. Cash flows associated with expenses related to the acquisition of subsidiaries resulting from changes in the scope of consolidation, or expenses arising from the acquisition and sale of shares of subsidiaries not resulting from changes in the scope of consolidation, are listed under cash flows from operating activities.

There is a ¥75 million increase in the term-end balance of capital surplus in the consolidated statement of changes in shareholders’ equity in the fiscal year under review.

Net assets per share, net income per share, and net income per share–diluted decrease by ¥0.31.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016
Supplementary Data on Financial Results

(1) Consolidated Statements

(1) Results for the fiscal year under review

(Unit: Millions of yen)

	Amount	YoY	YoY (%)
Net sales	601,499	6,666	1.1
Operating income	14,317	7,511	110.4
Ordinary income	14,959	6,726	81.7
Profit attributable to owners of parent	10,576	6,412	154.0

(2) Forecast for the next fiscal year

(Unit: Millions of yen)

	Amount	YoY (%)
Net sales	590,000	(1.9)
Operating income	16,400	14.5
Ordinary income	17,000	13.6
Profit attributable to owners of parent	8,200	(22.5)

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

(Unit: Billions of yen)

	Capital investment	Depreciation
Results for the fiscal year ended March 31, 2013	16.1	17.2
Results for the fiscal year ended March 31, 2014	16.7	15.1
Results for the fiscal year ended March 31, 2015	25.7	16.1
Results for the fiscal year ended March 31, 2016	25.4	16.8
Projected results for the fiscal year ending March 31, 2017	23.8	17.8

(4) Research and development expenses (trends)

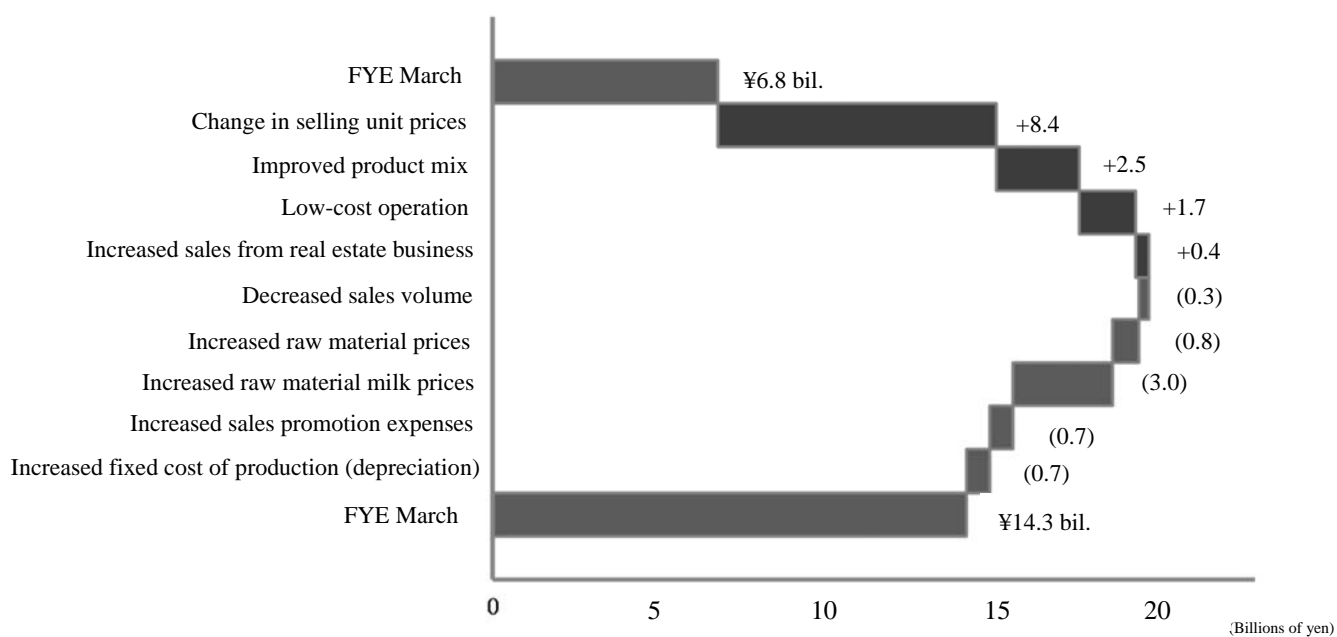
(Unit: Millions of yen)

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

(5) Number of employees (trends)

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

(6) Factors of changes in consolidated operating income



Increased sales from real estate business

(2) Non-consolidated results

(1) Sales Results

(Unit: Millions of yen)

Product Category			
	Amount	Change (YoY)	YoY (%)
Total commercial milk	206,779	3,790	1.9
Milk	76,711	3,374	4.6
Milk-based drinks	60,969	(2,003)	(3.2)
Yogurt	54,955	3,051	5.9
Pudding	14,143	(632)	(4.3)
Total dairy products	96,588	3,015	3.2
Condensed milk	4,058	(39)	(1.0)
Powdered milk	33,393	1,840	5.8
Butter	13,839	471	3.5
Cheese	45,296	743	1.7
Ice cream	52,396	2,003	4.0
Total other	98,100	684	0.7
Drinks	21,923	(1,204)	(5.2)
Other	76,177	1,888	2.5
Total	453,865	9,494	2.1

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

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

(Unit: Millions of yen)

	Full year		Cumulative second quarter	
	Amount	YoY (%)	Amount	YoY (%)
Total commercial milk	203,000	(1.8)	107,000	(1.2)
Milk	72,000	(6.1)	37,800	(4.2)
Milk-based drinks	62,000	1.7	34,300	2.1
Yogurt	56,000	1.9	28,500	2.3
Pudding	13,000	(8.1)	6,400	(14.1)
Total dairy products	96,700	0.1	47,800	0.1
Condensed milk	4,000	(1.4)	1,900	(5.3)
Powdered milk	33,000	(1.2)	16,300	(1.0)
Butter	13,800	(0.3)	6,800	(0.4)
Cheese	45,900	1.3	22,800	1.4
Ice cream	52,000	(0.8)	32,200	(1.0)
Total other	98,300	0.2	50,000	(0.1)
Drinks	21,500	(1.9)	12,300	(1.9)
Other	76,800	0.8	37,700	0.5
Total	450,000	(0.9)	237,000	(0.7)

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

(Unit: Billions of yen)

	Capital investment	Depreciation
Results for the fiscal year ended March 31, 2013	12.6	12.3
Results for the fiscal year ended March 31, 2014	10.1	10.5
Results for the fiscal year ended March 31, 2015	10.9	11.0
Results for the fiscal year ended March 31, 2016	12.1	11.4
Projected results for the fiscal year ending March 31, 2017	11.7	12.1

(4) Number of employees (trends)

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

(5) Collected milk volume (trends)

(Unit: Thousand tons)

	Collected milk volume		
	Total	Hokkaido	Other
Results for the fiscal year ended March 31, 2012	811	487	324
Results for the fiscal year ended March 31, 2013	825	498	327
Results for the fiscal year ended March 31, 2014	791	480	311
Results for the fiscal year ended March 31, 2015	767	468	299
Results for the fiscal year ended March 31, 2016	765	477	288

(Disclaimer)

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