

# Consolidated Financial Summary for the Fiscal Year Ended March 31, 2017 (Japanese Accounting Standards)

May 12, 2017

Company name: MORINAGA & CO., LTD.      Stock listing: Tokyo Stock Exchange  
 Stock code: 2201      URL: <http://www.morinaga.co.jp/english/>  
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Scheduled date of general meeting of shareholders: June 29, 2017  
 Scheduled date for commencement of dividend payments: June 30, 2017  
 Scheduled date for filing of annual securities report: June 29, 2017  
 Supplementary documents for financial results: Yes  
 Financial results briefing: Yes (for institutional investors and analysts)

(The figures are rounded down to the nearest million yen.)

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

### (1) Consolidated operating results

(The percentages are year-on-year percentage changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 31, 2017	199,479	9.7	17,612	53.7	18,325	51.9	11,115	37.4
Year ended Mar. 31, 2016	181,868	2.2	11,456	92.9	12,062	84.7	8,092	112.6

(Note) Comprehensive income: Year ended March 31, 2017: 16,438 million yen (74.5%);  
 Year ended March 31, 2016: 9,422 million yen (-4.9%)

	Net income per share	Diluted net income per share	ROE	Ordinary income to total asset ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Year ended Mar. 31, 2017	213.60	–	13.6	10.5	8.8
Year ended Mar. 31, 2016	155.47	–	11.5	7.6	6.3

(Reference) Equity in net gain of affiliated companies: Year ended March 31, 2017: 46 million yen;  
 Year ended March 31, 2016: 32 million yen

\* A reverse stock split of five common shares to one was implemented on October 1, 2016. Net income per share has been calculated by assuming that this reverse stock split was implemented at the beginning of the previous consolidated fiscal year.

### (2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Mar. 31, 2017	185,032	91,763	48.2	1,713.49
Year ended Mar. 31, 2016	164,978	77,223	45.2	1,432.50

(Reference) Shareholders' equity: Year ended March 31, 2017: 89,161 million yen;  
 Year ended March 31, 2016: 74,557 million yen

\* A reverse stock split of five common shares to one was implemented on October 1, 2016. Net assets per share have been calculated by assuming that this reverse stock split was implemented at the beginning of the previous consolidated fiscal year.

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 31, 2017	18,400	(29,736)	(2,398)	12,902
Year ended Mar. 31, 2016	16,715	(2,091)	(2,311)	26,714

## 2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Mar. 31, 2016	–	0.00	–	7.00	7.00	1,821	22.5	2.6
Year ended Mar. 31, 2017	–	0.00	–	45.00	45.00	2,341	21.1	2.9
Year ending Mar. 31, 2018 (forecast)	–	0.00	–	45.00	45.00		18.6	

\* A reverse stock split of five common shares to one was implemented on October 1, 2016. The annual dividend per share will be 35 yen if it is translated, taking the reverse stock split into account.



### 3. Consolidated Results Forecasts for the Fiscal Year Ending March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)

(The percentages are year-on-year percentage changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	103,500	4.5	10,800	(3.7)	11,100	(4.0)	7,700	(1.6)	147.98
Full year	205,000	2.8	18,000	2.2	18,500	1.0	12,600	13.4	242.14

#### \* Notes

(1) Important changes in subsidiaries during the period (changes in specified subsidiaries accompanied by changes in the scope of consolidation): None  
 New subsidiaries: — (corporate name)  
 Subsidiaries excluded: — (corporate name)

(2) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies associated with revisions to accounting standards: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For more detailed information, please see “(5) Notes to Consolidated Financial Statements (Change in Accounting Policy) of Section 4. Consolidated Financial Statements and Key Notes” on page 17 of the accompanying materials.

(3) Number of shares issued (common shares)

(i) Number of shares issued at end of period (including treasury stock)

Year ended March 31, 2017: 54,189,769 Year ended March 31, 2016: 54,189,769

(ii) Number of shares of treasury stock at end of period

Year ended March 31, 2017: 2,154,628 Year ended March 31, 2016: 2,142,569

(iii) Average number of shares during the period

Year ended March 31, 2017: 52,040,892 Year ended March 31, 2016: 52,051,551

\* A reverse stock split of five common shares to one was implemented on October 1, 2016. The number of shares issued at the end of the period, the number of shares of treasury stock at the end of the period, and the average number of shares during the period have been calculated by assuming that this reverse stock split was implemented at the beginning of the previous consolidated fiscal year.

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

(1) Non-consolidated operating results

(The percentages are year-on-year percentage changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 31, 2017	173,069	8.6	15,878	52.2	16,442	50.1	11,382	65.0
Year ended Mar. 31, 2016	159,403	4.1	10,433	156.1	10,953	134.6	6,898	140.1

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Mar. 31, 2017	218.73	—
Year ended Mar. 31, 2016	132.52	—

\* A reverse stock split of five common shares to one was implemented on October 1, 2016. Net income per share has been calculated by assuming that this reverse stock split was implemented at the beginning of the previous fiscal year.

(2) Non-consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Mar. 31, 2017	166,115	84,679	51.0	1,627.34
Year ended Mar. 31, 2016	146,658	70,343	48.0	1,351.54

(Reference) Shareholders' equity: Year ended March 31, 2017: 84,679 million yen;  
 Year ended March 31, 2016: 70,343 million yen

\* A reverse stock split of five common shares to one was implemented on October 1, 2016. Net assets per share have been calculated by assuming that this reverse stock split was implemented at the beginning of the previous fiscal year.

\* Consolidated financial summaries are not subject to audit.

\* Explanation about the proper use of results forecasts, and additional information

The results forecasts given in this document are based on assumptions, prospects, and future business plans, currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons.

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\* References: Supplementary Data on Preliminary Release of Consolidated Financial Results for Fiscal Year Ended March 31, 2017

## 1. Overview of Operating Results, Etc.

### (1) Overview of Operating Results for the Fiscal Year ended March 31, 2017

During the fiscal year under review, the Japanese economy continued to pick up moderately, backed by the government's economic measures, among other things. However, the economic outlook remained uncertain, given factors such as political uncertainty overseas and rising costs due to the labor shortage in Japan.

In the foodstuffs industry surrounding the Group, the manufacturing of higher value-added products that pursue food safety and security and meet the diversifying needs of ordinary citizens was required in an environment where persistent budget-minded household spending continued. With this as a backdrop, the competitive environment was increasingly intense.

In this business environment, we have worked to improve our system for developing high value-added products, increase production efficiency, and reduce overall costs, etc. to strengthen our revenue base in an effort to become a profitable and stable company.

Net sales rose 17,611 million yen, or 9.7% year on year, to 199,479 million yen, as a result of strong sales in the mainstay Food Manufacturing business.

Profitability increased significantly, due largely to growth in net sales and cost cutting through the modification of product standards and improved production efficiency, etc. As a result, operating income increased by 6,156 million yen, or 53.7% year on year, to 17,612 million yen, and ordinary income climbed by 6,263 million yen, or 51.9% year on year, to 18,325 million yen. Profit attributable to owners of parent rose by 3,023 million yen, or 37.4% year on year, to 11,115 million yen.

The following is consolidated results by business segment.

#### Food Manufacturing

##### Confectionery & Foodstuffs

In Japan, sales of *Morinaga Cocoa* rose significantly from a year earlier, reflecting increasing attention to its health effects. While sales of *Morinaga Biscuits*, *Chocoball* chocolate and *Milk Caramel* declined from the previous fiscal year, sales of *Ototto* snack, of which both the standard items and new products remained steady, and *DARS* chocolate, which focused on high value-added products, was stronger than a year earlier. As a result, total sales of the mainstay brands exceeded the year-ago level.

In terms of other brands, sales of *Carre de chocolat*, featuring the benefit of high polyphenol content, and *Amazake*, whose customer base expanded thanks to rising recognition of its nutritional functions, increased significantly year on year. As a result, total domestic sales were much higher than the level a year earlier.

Overseas sales were stronger than a year ago, reflecting steady growth in sales of *HI-CHEW* and higher year-on-year sales in the United States, Indonesia, China and Taiwan.

As a result, total sales for this segment rose 8,292 million yen, or 7.2% year on year, to 123,437 million yen.

##### Frozen Desserts

Sales of *Choco Monaka Jumbo*, a mainstay brand, and *Vanilla Monaka Jumbo*, namely the *Jumbo Group* as a whole, remained strong. In addition, multipack products such as *Pari Pari bar* and *PAXIEL*, *ICEBOX* and premium products for convenience stores also saw solid growth, registering year-on-year rises.

As a result, total sales for this segment increased 3,056 million yen, or 9.4% year on year, to 35,437 million yen.

**Health Products**

Sales of *in Jelly*, a mainstay brand, remained strong throughout the year and rose significantly from the previous fiscal year, chiefly reflecting the impact of marketing and advertising that spotlighted functionality. Sales of *Delicious Collagen Drink* and products related to *Passieno!*<sup>TM</sup> in the series of the mail-order *Healthy Angel* products were higher than those for the previous fiscal year, resulting in higher sales than a year ago in the mail-order business.

As a result of the above, sales for this segment rose 5,830 million yen, or 23.4% year on year, to 30,735 million yen.

[Year-on-year changes (%) in sales of mainstay brands]

Confectionery & Foodstuffs		Frozen Desserts	
<i>Chocoball</i>	97	<i>Jumbo group</i>	104
<i>DARS</i>	101	<i>Multipack</i>	115
<i>Morinaga Biscuits</i>	97	<b>Health Products</b>	
<i>HI-CHEW</i>	101	<i>in Jelly</i>	123
<i>Ottopo</i>	111	<i>Delicious Collagen Drink</i>	127
<i>Milk Caramel</i>	98	<i>Passieno!</i> <sup>TM</sup> products	135
<i>Morinaga Cocoa</i>	123		
Total of mainstay confectionery products	102		
<i>Carre de chocolat</i>	131		

\* The figures in the table are year-on-year changes in domestic sales.

Overall, sales in the Food Manufacturing segment rose 10.0% year on year, to 189,610 million yen. Operating income for the segment increased 6,447 million yen from the previous fiscal year, to 17,310 million yen, as a result of the reduced cost of sales in addition to higher net sales.

**Food Merchandise**

Sales for the segment increased 10.4% year on year, to 6,858 million yen. Operating income for the segment rose 14 million yen from the previous fiscal year, to 536 million yen.

**Real Estate and Services**

Sales in both the golf and real estate businesses decreased from the previous fiscal year, resulting in a fall in sales for the segment to 2,457 million yen in total. Operating income for the segment rose 31 million yen year on year, to 709 million yen.

**Other Services**

Sales were 552 million yen. Operating income was 60 million yen.

**(2) Overview of Financial Position for the Fiscal Year ended March 31, 2017**

In the fiscal year under review, cash and cash equivalents (hereinafter "cash") decreased by 13,812 million yen year on year, to 12,902 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 18,400 million yen, increasing 1,685 million yen from the end of the previous fiscal year. The main components were 15,380 million yen in income before income taxes, 5,771 million yen in depreciation and amortization, and 6,241 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 29,736 million yen. The main component was payments into time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 2,398 million yen. The main component was cash dividends paid.

The following table shows trends in cash flow indicators.

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Shareholders' equity ratio (%)	37.2	41.5	43.4	45.2	48.2
Equity ratio at market value (%)	38.0	40.7	71.9	90.4	138.9
Debt-to-cash flows ratio (year)	5.4	3.4	2.4	1.6	1.4
Interest coverage ratio (times)	20.4	39.7	66.4	106.0	134.6

Notes: Shareholders' equity ratio = Shareholders' equity / Total assets

Equity ratio at market value = Value of shares / Total assets

Debt-to-cash flows ratio = Interest-bearing liabilities / Cash flows

Interest coverage ratio = Cash flows / Interest expenses

\* All indicators are based on consolidated financial data.

\* Value of shares is calculated by multiplying the closing stock price at the end of the fiscal year by the number of shares outstanding (after subtracting treasury stock) at the end of the fiscal year.

\* Cash flows are operating cash flows, as shown in the consolidated statements of cash flows. Interest-bearing liabilities are the sum of all liabilities on which interest is paid that are shown in the consolidated balance sheets. Interest expenses are the interest expenses paid, as shown in the consolidated statements of cash flows.

### (3) Future Outlook

With respect to the future outlook, while the Japanese economy is expected to recover moderately partly due to the effects of various policies, consumer spending is still likely to remain uncertain. It is also necessary to pay attention to the uncertainty of the situations overseas.

In these circumstances, the Group will increase the profitability of its existing businesses by improving the product development system and creating high value-added products. We will also strive to develop a stronger corporate foundation by expanding business in the growing health area industry and accelerating the global expansion of overseas businesses. We will also work to increase management efficiency primarily through the revision of merchandise standards, an increase in the productivity of the production division and company-wide cost reductions for the purpose of improving profitability.

The Group's results forecasts for the next consolidated fiscal year are as follows:

Net sales	205.0 billion yen	(up 2.8% year on year)
Operating income	18.0 billion yen	(up 2.2% year on year)
Ordinary income	18.5 billion yen	(up 1.0% year on year)
Profit attributable to owners of parent	12.6 billion yen	(up 13.4% year on year)

**(4) Basic Policy for Profit Distribution and Dividends for the Fiscal Years ended March 31, 2017 and ending March 31, 2018**

The Company regards distributing profits to shareholders, while strengthening the business foundation, as a priority management issue. Our basic policy is to secure stable dividends and to pay dividends that reflect operations results.

We will retain earnings for the purpose of expanding business and further improving profitability, and use a flexible capital policy to increase shareholder value.

Based on operations results for the fiscal year under review and the outlook for future business operations, we have decided to add 10 yen to 35 yen in the most recent plan and pay a year-end dividend of 45 yen per share. (This proposal will be submitted at the general meeting of shareholders scheduled to be held on June 29, 2017.)

For the fiscal year ending March 31, 2018, we also plan to pay a year-end dividend of 45 yen per share.

## 2. Profile of the Corporate Group

The Morinaga Group, which consists of MORINAGA & CO., LTD. and its 22 subsidiaries, is principally engaged in the businesses of food manufacturing, food merchandise, real estate and services, and other services.

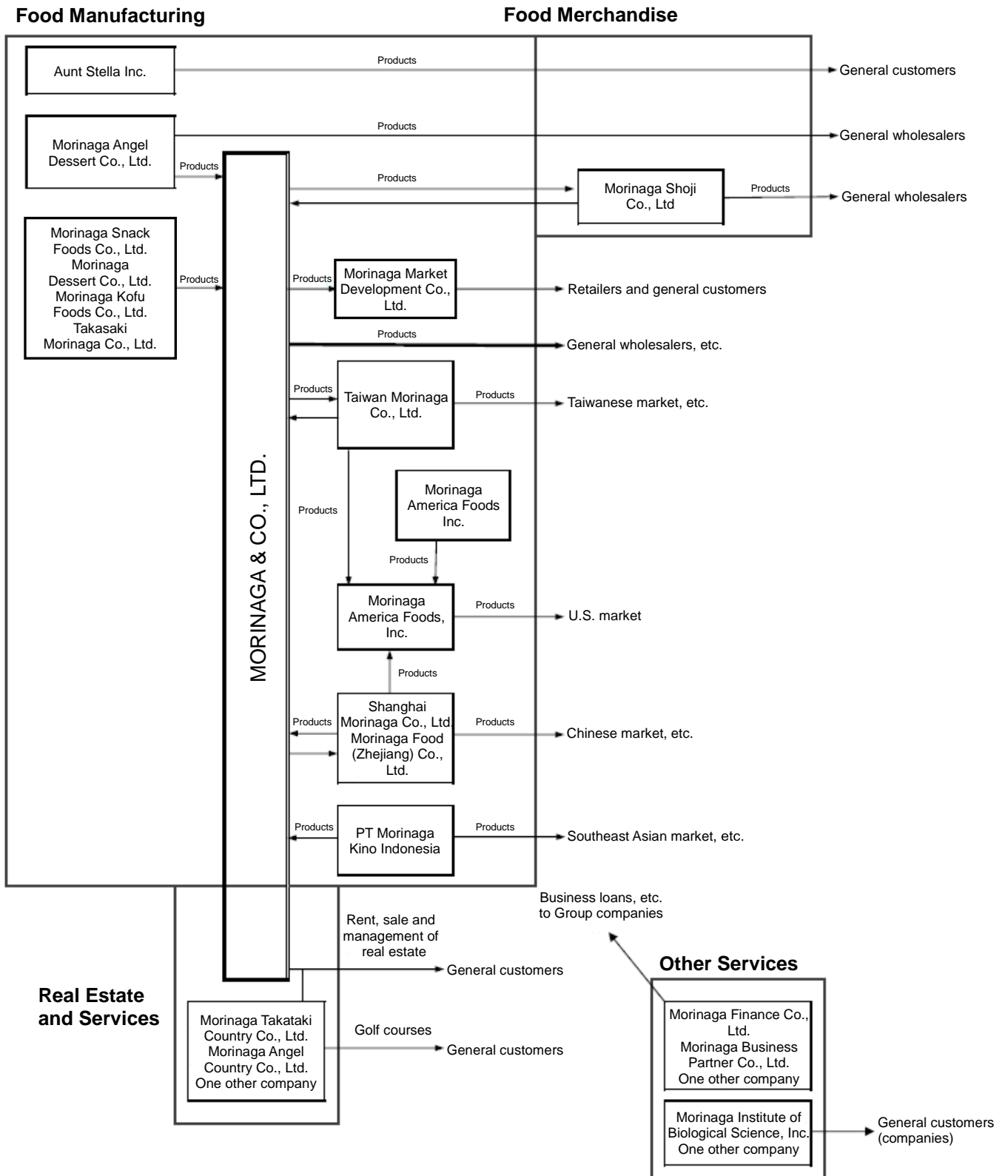
The lines of business of the Morinaga Group, as well as the positioning and segments of MORINAGA & CO., LTD. and its affiliates are as follows.

Futtsu Tagura Golf Co., Ltd., which was newly established, has been included in non-consolidated equity method subsidiaries.

Segment Name	Business	MORINAGA & CO., LTD. and Consolidated Subsidiaries	Non-Consolidated Subsidiaries
Food Manufacturing	Manufacture and sale of confectionaries and foodstuffs	MORINAGA & CO., LTD. Morinaga Angel Dessert Co., Ltd. Morinaga Snack Foods Co., Ltd. Morinaga Kofu Foods Co., Ltd. Aunt Stella Inc. Takasaki Morinaga Co., Ltd. Morinaga Market Development Co., Ltd. Taiwan Morinaga Co., Ltd. Shanghai Morinaga Co., Ltd. Morinaga America, Inc. Morinaga Food (Zhejiang) Co., Ltd. PT Morinaga Kino Indonesia Morinaga America Foods, Inc. (Number of Companies: 13)	
	Manufacture and sale of frozen desserts	MORINAGA & CO., LTD. Morinaga Angel Dessert Co., Ltd. Morinaga Dessert Co., Ltd. (Number of Companies: 3)	
Food Merchandise	Sale of confectionaries and foodstuffs	Morinaga Shoji Co., Ltd. (Number of Companies: 1)	
Real Estate and Services	Real estate business and management of golf courses	MORINAGA & CO., LTD. Morinaga Angel Country Co., Ltd. Morinaga Takataki Country Co., Ltd. (Number of Companies: 3)	Futtsu Tagura Golf Co., Ltd. (Number of Companies: 1)
Other Services	Finance	Morinaga Finance Co., Ltd. (Number of Companies: 1)	
	Other	Morinaga Institute of Biological Science, Inc. Morinaga Business Partner Co., Ltd. (Number of Companies: 2)	Morinaga Risk Consulting Co., Ltd. Morinaga Bio-Science (Thailand) Co., Ltd. (Number of Companies: 2)
Number of Companies		MORINAGA & CO., LTD. and 19 consolidated subsidiaries	Three non-consolidated subsidiaries

Note: The equity method is used for the non-consolidated subsidiary.

The operational diagram of the Morinaga Group is as follows:



### **3. Basic Policy for the Selection of Accounting Standards**

Because of the relatively high importance of our domestic businesses, the Group will continue to use the Japanese accounting standards for the preparation of consolidated financial statements in the immediate future. However, we plan to consider adopting IFRS (the International Financial Reporting Standards), based on the future progress in the situation of our overseas businesses.

**4. Consolidated Financial Statements and Key Notes****(1) Consolidated Balance Sheets**

(Million yen)

	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	26,714	39,902
Notes and accounts receivable—trade	19,329	21,862
Merchandise and finished goods	8,844	9,837
Work in process	599	816
Raw materials and supplies	5,267	4,996
Deferred tax assets	2,309	2,311
Other	3,543	4,079
Allowance for doubtful accounts	(4)	(6)
Total current assets	66,602	83,801
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	58,836	57,855
Accumulated depreciation	(35,893)	(36,156)
Buildings and structures—net	22,943	21,699
Machinery, equipment and vehicles	84,384	83,712
Accumulated depreciation	(66,117)	(67,069)
Machinery, equipment and vehicles—net	18,267	16,643
Land	28,912	26,253
Lease assets	1,425	1,415
Accumulated depreciation	(760)	(803)
Lease assets—net	665	612
Construction in progress	285	1,468
Other	3,736	3,829
Accumulated depreciation	(3,127)	(3,161)
Other—net	608	667
Total property, plant and equipment	71,683	67,344
Intangible assets		
Goodwill	1,970	588
Other	451	323
Total intangible assets	2,421	912
Investments and other assets		
Investments securities	20,723	27,343
Net defined benefit asset	1,931	3,018
Deferred tax assets	529	491
Other	1,147	2,183
Allowance for doubtful accounts	(62)	(62)
Total investments and other assets	24,270	32,974
Total noncurrent assets	98,376	101,231
Total assets	164,978	185,032

(Million yen)

	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	16,995	18,620
Short-term bank loans	143	15,000
Current portion of bonds	—	10,000
Lease obligations	351	308
Accounts payable—other	9,197	10,660
Income taxes payable	4,125	3,797
Allowance for bonuses	2,365	2,466
Provision for directors' bonuses	33	56
Other	7,572	10,273
Total current liabilities	40,784	71,182
Long-term liabilities		
Bonds payable	10,000	—
Long-term loans	16,303	1,282
Lease obligations	434	391
Deferred tax liabilities	5,603	6,195
Retirement benefits for directors and corporate auditors	83	80
Provision for environmental measures	477	433
Net defined benefit liability	7,787	7,581
Asset retirement obligations	110	112
Deposits received	6,069	5,907
Other	101	100
Total long-term liabilities	46,970	22,086
Total liabilities	87,755	93,269
<b>Net assets</b>		
Shareholders' equity		
Common stock	18,612	18,612
Capital surplus	17,186	17,186
Retained earnings	29,611	38,905
Treasury stock	(2,582)	(2,634)
Total shareholders' equity	62,828	72,070
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,167	14,916
Deferred gains or losses on hedges	(124)	(2)
Foreign currency translation adjustments	1,296	855
Remeasurements of defined benefit plans	390	1,321
Total accumulated other comprehensive income	11,729	17,090
Non-controlling interests	2,665	2,601
Total net assets	77,223	91,763
Total liabilities and net assets	164,978	185,032

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

(Million yen)

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	181,868	199,479
Cost of sales	94,269	99,125
Gross profit	87,598	100,354
Selling, general and administrative expenses	76,142	82,742
Operating income	11,456	17,612
Non-operating income		
Interest income	36	26
Dividends income	315	321
Equity in earnings of affiliates	32	46
Incentives for establishment of new business facilities	188	162
Other	410	452
Total non-operating income	982	1,009
Non-operating expenses		
Interest expenses	111	87
Interest on bonds	44	44
Depreciation	44	36
Other	175	127
Total non-operating expenses	376	295
Ordinary income	12,062	18,325
Extraordinary income		
Gain on sales of noncurrent assets	563	90
Total extraordinary income	563	90
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	394	442
Impairment loss	112	2,586
Loss on valuation of investment securities	–	6
Total extraordinary loss	506	3,036
Income before income taxes	12,119	15,380
Income taxes—current	5,058	5,914
Income taxes—deferred	(874)	(1,655)
Total income taxes	4,183	4,258
Net income	7,936	11,122
Profit (loss) attributable to non-controlling interests	(156)	6
Profit attributable to owners of parent	8,092	11,115

## (Consolidated Statement of Comprehensive Income)

(Million yen)

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net income	7,936	11,122
Other comprehensive income		
Valuation difference on available-for-sale securities	1,964	4,729
Deferred gains or losses on hedges	(184)	121
Foreign currency translation adjustments	(795)	(483)
Remeasurements of defined benefit plans, net of tax	525	931
Share of other comprehensive income of associates accounted for using equity method	(23)	16
Total other comprehensive income	1,486	5,316
Net comprehensive income	9,422	16,438
(Breakdown)		
Comprehensive income attributable to owners of the parent	9,823	16,477
Comprehensive income attributable to non-controlling interests	(401)	(38)

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

Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity capital
Balance at beginning of the fiscal year	18,612	17,186	23,080	(2,551)	56,328
Changes of items during the period					
Dividends from surplus			(1,561)		(1,561)
Profit attributable to owners of parent			8,092		8,092
Purchase of treasury stock				(31)	(31)
Disposal of treasury stock			0	0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	6,530	(31)	6,499
Balance at end of the fiscal year	18,612	17,186	29,611	(2,582)	62,828

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the fiscal year	8,222	62	1,847	(134)	9,998	3,067	69,393
Changes of items during the period							
Dividends from surplus							(1,561)
Profit attributable to owners of parent							8,092
Purchase of treasury stock							(31)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	1,945	(187)	(551)	524	1,731	(401)	1,330
Total changes of items during the period	1,945	(187)	(551)	524	1,731	(401)	7,829
Balance at end of the fiscal year	10,167	(124)	1,296	390	11,729	2,665	77,223

## Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity capital
Balance at beginning of the fiscal year	18,612	17,186	29,611	(2,582)	62,828
Changes of items during the period					
Dividends from surplus			(1,821)		(1,821)
Profit attributable to owners of parent			11,115		11,115
Purchase of treasury stock				(51)	(51)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	0	9,294	(51)	9,242
Balance at end of the fiscal year	18,612	17,186	38,905	(2,634)	72,070

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of the fiscal year	10,167	(124)	1,296	390	11,729	2,665	77,223
Changes of items during the period							
Dividends from surplus							(1,821)
Profit attributable to owners of parent							11,115
Purchase of treasury stock							(51)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	4,748	122	(441)	931	5,361	(64)	5,296
Total changes of items during the period	4,748	122	(441)	931	5,361	(64)	14,539
Balance at end of the fiscal year	14,916	(2)	855	1,321	17,090	2,601	91,763

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

(Million yen)

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Operating activities		
Income before income taxes	12,119	15,380
Depreciation and amortization	6,130	5,771
Impairment loss	112	2,586
Amortization of goodwill	198	197
Increase (decrease) in provision for directors' retirement benefits	(12)	(3)
Increase (decrease) in net defined benefit liability	546	333
(Increase) decrease in net defined benefit asset	(308)	(283)
Increase (decrease) in allowance for bonuses	497	100
Increase (decrease) in provision for directors' bonuses	33	23
Increase (decrease) in allowance for doubtful accounts	13	1
Increase (decrease) in provision for environmental measures	(0)	(44)
Interest and dividends income	(351)	(348)
Interest expenses	156	132
Equity in losses (earnings) of affiliates	(32)	(46)
Loss (gain) on valuation of investment securities	–	6
(Gain) loss on sales of noncurrent assets	(506)	7
Loss on retirement of noncurrent assets	337	344
(Increase) decrease in notes and accounts receivable—trade	(478)	(2,581)
(Increase) decrease in inventories	216	(1,005)
Increase (decrease) in notes and accounts payable—trade	(649)	1,671
Other	909	2,185
Subtotal	18,930	24,429
Interest and dividends income received	353	348
Interest expenses paid	(157)	(136)
Income taxes paid	(2,411)	(6,241)
Net cash provided by operating activities	16,715	18,400

(Million yen)

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
<b>Investing activities</b>		
Payments into time deposits	–	(52,000)
Proceeds from withdrawal of time deposits	400	25,000
Purchase of property, plant and equipment	(4,474)	(3,028)
Proceeds from sales of property, plant and equipment	2,260	439
Purchase of intangible assets	(32)	(51)
Proceeds from sales of intangible assets	–	114
Purchase of investment securities	(32)	(18)
Proceeds from sales of investment securities	0	0
Purchase of shares of subsidiaries and associates	–	(1)
Payments for asset retirement obligations	–	(26)
Other	(212)	(163)
Net cash used in investing activities	(2,091)	(29,736)
<b>Financing activities</b>		
Net increase (decrease) in short-term loans payable	(892)	–
Proceeds from long-term loans payable	603	–
Repayment of long-term loans payable	(19)	(131)
Purchase of treasury stock	(31)	(51)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(1,561)	(1,821)
Dividends paid to non-controlling interests	–	(26)
Other	(409)	(367)
Net cash used in financing activities	(2,311)	(2,398)
Effect of exchange rate change on cash and cash equivalents	(109)	(76)
Net increase (decrease) in cash and cash equivalents	12,202	(13,811)
Cash and cash equivalents at beginning of period	11,602	26,714
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	2,908	–
Cash and cash equivalents at end of period	26,714	12,902

## **(5) Notes to Consolidated Financial Statements**

### **(Notes on the Going Concern Assumption)**

Not applicable.

### **(Basis for Preparing Consolidated Financial Statements)**

#### **1. Scope of Consolidation**

Consolidated subsidiaries: 19 (Name of major company: Takasaki Morinaga Co., Ltd.)

Non-consolidated subsidiary: 3 (Name of major company: Morinaga Risk Consulting Co., Ltd.)

(Reason of exclusion from the scope of consolidation)

The scale of non-consolidated subsidiaries is small, and the combined figures, including the total assets, net sales, net income (proportional to equity) and retained earnings (proportional to equity), have no significant impact on the consolidated financial statements.

#### **2. Application of Equity Method**

Non-consolidated subsidiary: 3 (Name of major company: Morinaga Risk Consulting Co., Ltd.)

Effective from the fiscal year under review, newly established Futtsu Tagura Golf Co., Ltd. (established on March 1, 2017) has been included in the scope of application of the equity method.

#### **3. Fiscal Years of Consolidated Subsidiaries**

The fiscal year-end of Aunt Stella Inc. is February 28, and the fiscal year-end of Taiwan Morinaga Co., Ltd., Shanghai Morinaga Co., Ltd., Morinaga Food (Zhejiang) Co., Ltd., Morinaga America, Inc., PT Morinaga Kino Indonesia, and Morinaga America Foods, Inc. is December 31. The fiscal year of other consolidated subsidiaries ends on March 31.

To prepare the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year-ends and makes the necessary adjustments for important transactions between their fiscal year-ends and the consolidated book closing date.

### **(Change in Accounting Policy)**

Following the revision to the Corporation Tax Act, the Company adopted the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) effective from the consolidated fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effects of the change on the Company’s income and loss for the consolidated fiscal year under review are limited.

### **(Additional Information)**

The Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) effective from the consolidated fiscal year under review.

**(Consolidated Balance Sheets)**

1. Items related to non-consolidated subsidiaries are as follows:

	(Million yen)	
	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
Investment securities (stock)	341	401

2. Pledged assets and secured debts

The following assets are pledged as collateral:

	(Million yen)	
	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
Investment securities	938	1,275

Debt secured by the above assets pledged as collateral is as follows:

	(Million yen)	
	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
“Other” under current liabilities (Deposits received from employees)	276	261

3. Guarantee obligation

The following obligation is guaranteed:  
(Guaranteed obligation)

	(Million yen)	
	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
Employees (housing loans)	5	2

4. Credit facility

The Company has established a credit facility with four financial institutions to ensure that it can safely and flexibly meet any demand for funds. Unused loans at the end of the consolidated fiscal year under review are as follows:

	(Million yen)	
	Fiscal 2016 (Mar. 31, 2016)	Fiscal 2017 (Mar. 31, 2017)
Total amount of credit facilities	7,000	5,000
Balance of loans executed	-	-
Balance of loans not yet executed	7,000	5,000

**(Consolidated Statements of Operations)**

1. Major items of selling, general and administrative expenses are as follows:

	(Million yen)	
	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Promotion expenses	36,301	39,144
Advertising expenses	6,471	7,980
Freightage expenses	7,539	8,480
Salaries and allowances	8,799	8,988
Provision for bonuses	1,620	1,630
Retirement benefit expenses	731	643

2. Research and development expenses included in selling, general and administrative expenses are as follows:

	(Million yen)	
	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
	2,152	2,210

3. Breakdown of gain on sales of noncurrent assets is as follows:

	(Million yen)	
	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Buildings and structures	0	54
Machinery and equipment	65	5
Land	497	27
Other	0	3
Total	563	90

4. Breakdown of loss on retirement of noncurrent assets is as follows:

	(Million yen)	
	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Buildings and structures	137	198
Machinery and equipment	173	136
Other	26	9
Total	337	344

5. Breakdown of loss on sales of noncurrent assets is as follows:

	(Million yen)	
	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Buildings and structures	5	8
Machinery and equipment	50	58
Land	–	31
Other	0	0
Total	57	98

6. Impairment loss

The Group recorded an impairment loss on the following assets.

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

Location	Use	Type and impairment loss (million yen)					
		Buildings and structures	Machinery, equipment and vehicles	Land	Goodwill	Other	Total
Chino, Nagano	Assets for lease	7	3	–	–	13	24
Futtsu, Chiba	Golf course	149	–	1,143	–	96	1,389
Yokohama, Kanagawa	Store	2	–	–	–	0	2
Banten, Indonesia	–	–	–	–	1,169	–	1,169

(Classification method of assets)

The Group classifies assets for business by identifying the minimum unit that generates independent cash flows based on the business segment by type. The Group classifies golf courses, assets for lease, stores and idle assets for each property and goodwill by company.

**(Background of recognition of impairment loss)**

The Company has reduced the book value of the noncurrent assets above to their recoverable amount because the recovery of investment is considered to be impossible.

**(Calculation method of recoverable amount)**

Assets for lease and stores are valued by either net cash value or use value, whichever is higher. The net cash value is calculated rationally based on the assessed value of noncurrent assets.

Golf courses are valued using an expected disposition price as the recoverable amount.

For goodwill, the entire amount of the unamortized balance for PT Morinaga Kino Indonesia is recorded as an impairment loss because recovery on the initially anticipated schedule became unlikely.

**(Consolidated Statement of Comprehensive Income)**

## 1. Recycling and tax effect relating to other comprehensive income

(Million yen)

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Valuation difference on available-for-sale securities		
Amount accrued during the period	3,055	6,547
Recycling	–	–
Before tax effect	3,055	6,547
Amount of tax effect	(1,091)	(1,817)
Net valuation difference on available-for-sale securities	1,964	4,729
Deferred gains or losses on hedges		
Amount accrued during the period	(271)	176
Amount of tax effect	87	(54)
Deferred gains or losses on hedges	(184)	121
Foreign currency translation adjustment		
Amount accrued during the period	(795)	(483)
Remeasurements of defined benefit plans, net of tax		
Amount accrued during the period	651	1,404
Recycling	107	(62)
Before tax effect	758	1,341
Amount of tax effect	(233)	(410)
Remeasurements of defined benefit plans, net of tax	525	931
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued during the period	(23)	16
Total other comprehensive income	1,486	5,316

**(Consolidated Statements of Changes in Net Assets)**

Fiscal 2016 (April 1, 2015 – March 31, 2016)

## 1. Number and type of shares issued and number and type of shares of treasury stock

	Number of stocks as of April 1, 2015	Increase in number of stocks in fiscal 2016	Decrease in number of stocks in fiscal 2016	Number of stocks as of March 31, 2016
Shares issued Common stock	270,948,848	–	–	270,948,848
Treasury stock Common stock (Note)	10,658,302	54,778	235	10,712,845

(Note 1) The increase in the amount of common stock in treasury stock is attributable to the purchase of odd-lot stock.

(Note 2) The decrease in the amount of common stock in treasury stock is attributable to requests from odd-lot stockholders for the sale of odd-lot stock.

## 2. Dividends

## (1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders, June 26, 2015	Common stock	1,561	6.00	March 31, 2015	June 29, 2015

## (2) Dividends with a record date in fiscal 2016 but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders, June 29, 2016	Common stock	Retained earnings	1,821	7.00	March 31, 2016	June 30, 2016

Fiscal 2017 (April 1, 2016 – March 31, 2017)

## 1. Number and type of shares issued and number and type of shares of treasury stock

	Number of stocks as of April 1, 2016	Increase in number of stocks in fiscal 2017	Decrease in number of stocks in fiscal 2017	Number of stocks as of March 31, 2017
Shares issued Common stock (Note 1)	270,948,848	–	216,759,079	54,189,769
Treasury stock Common stock (Note 2,3)	10,712,845	33,124	8,591,341	2,154,628

(Note 1) A reverse stock split of five common shares to one was implemented on October 1, 2016. As a result, the number of shares issued declined 216,759,079 shares, to 54,189,769 shares.

(Note 2) The increase of 33,124 shares of common stock in treasury stock is attributable to an increase of 31,234 shares (26,170 shares before the reverse stock split and 5,064 shares after the reverse stock split) by the purchase of odd-lot stock and an increase of 1,890 shares due to the purchase of fractional shares associated with the reverse stock split.

(Note 3) The decrease of 8,591,341 shares of common stock in treasury stock is attributable to a decrease of 409 shares (350 shares before the reverse stock split and 59 shares after the reverse stock split) due to requests from odd-lot stockholders for the sale of odd-lot stock and a decrease of 8,590,932 shares due to the reverse stock split.

## 2. Dividends

## (1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders, June 29, 2016	Common stock	1,821	7.00	March 31, 2016	June 30, 2016

(Note) A reverse stock split of five common shares to one was implemented on October 1, 2016. For the dividend per share based on a resolution at the ordinary shareholders meeting held on June 29, 2016, the actual amount of dividends before the reverse stock split is stated.

## (2) Dividends with a record date in fiscal 2017 but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders, June 29, 2017	Common stock	Retained earnings	2,341	45.00	March 31, 2017	June 30, 2017

**(Consolidated Statements of Cash Flows)**

Relationship between the ending balance of cash and cash equivalents and the amount of accounts on the Consolidated Balance Sheet (Million yen)

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Cash and deposits	26,714	39,902
Time deposits with maturity of more than three months	–	27,000
Cash and cash equivalents	26,714	12,902

**(Segment Information)**

## 1. Overview of reportable segments

## (1) Method to determine reportable segments

The reportable segments of the Morinaga Group are its constituents for which separate financial information is available and which the Board of Directors, etc., regularly reviews to determine the allocation of management resources and to evaluate performance.

The Morinaga Group operates business activities centering on food manufacturing. The reportable segments are Food Manufacturing, Food Merchandise, and Real Estate and Services.

## (2) Products and services that belong to the reportable segments

The Food Manufacturing segment manufactures confectioneries, foodstuffs, frozen desserts, health products (jelly drinks, etc.), and other products.

The Food Merchandise segment engages in wholesale food service and food products.

The Real Estate and Services segment engages in real estate transactions, real estate leasing, and the management of golf courses.

## 2. Method to calculate net sales, profits and losses, assets, and other items by reportable segment

The accounting methods for the reportable segments are the same as the accounting methods used in preparing the consolidated financial statements.

Intersegment sales and transfers are based on prevailing market prices, etc.

### 3. Information on net sales, profits and losses, assets and other items by reportable segment Fiscal 2016 (April 1, 2015 – March 31, 2016)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated financial statements (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Outside customers	172,431	6,213	2,557	181,202	665	181,868	–	181,868
Intersegment sales or transfers	417	238	586	1,242	1,641	2,884	(2,884)	–
Total	172,849	6,452	3,143	182,444	2,307	184,752	(2,884)	181,868
Segment operating income	10,863	522	678	12,064	54	12,118	(662)	11,456
Segment assets	138,799	4,238	23,811	166,849	6,211	173,060	(8,081)	164,978
Other items								
Depreciation and amortization	5,425	8	676	6,110	20	6,130	–	6,130
Increase in property, plant and equipment and intangible assets	7,216	–	153	7,370	35	7,406	–	7,406

(Note 1) "Others Services" category is a business segment comprising services not included in the reportable segments, including the manufacture and sale of research reagents.

(Note 2) Adjustments are as follows:

- (1) The minus 662 million yen adjustment to segment operating income includes an inter-segment elimination of 52 million yen, corporate expenses that are not allocated to any reportable segment of minus 519 million yen, and the amortization of goodwill of minus 198 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.
- (2) The adjustment of segment assets of minus 8,081 million yen includes corporate assets of 2,362 million yen and an offset of inter-segment receivables of minus 10,443 million yen. Corporate assets represent long-term investments (shares in financial institutions, investment trusts, and public and corporate bonds) of the Company.

(Note 3) The segment operating income has been adjusted to the operating income stated in the consolidated financial statements.

### Fiscal 2017 (April 1, 2016 – March 31, 2017)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated financial statements (Note 3)
	Food Manufacturing	Food Merchandise	Real Estate and Services	Total				
Net sales								
Outside customers	189,610	6,858	2,457	198,926	552	199,479	–	199,479
Intersegment sales or transfers	459	368	533	1,361	1,410	2,771	(2,771)	–
Total	190,070	7,227	2,991	200,288	1,963	202,251	(2,771)	199,479
Segment operating income	17,310	536	709	18,556	60	18,617	(1,005)	17,612
Segment assets	158,782	4,830	21,838	185,451	8,134	193,586	(8,553)	185,032
Other items								
Depreciation and amortization	5,099	7	640	5,747	24	5,771	–	5,771
Increase in property, plant and equipment and intangible assets	3,542	0	154	3,697	53	3,750	–	3,750

(Note 1) "Others Services" category is a business segment comprising services not included in the reportable segments, including the manufacture and sale of research reagents.

(Note 2) Adjustments are as follows:

- (1) The minus 1,005 million yen adjustment to segment operating income includes an inter-segment elimination of 51 million yen, corporate expenses that are not allocated to any reportable segment of minus 862 million yen, and the amortization of goodwill of minus 197 million yen. Corporate expenses mainly include general and administrative expenses and new business development expenses that do not belong to any particular reportable segment.
- (2) The adjustment of segment assets of minus 8,553 million yen includes corporate assets of 3,122 million yen and an offset of inter-segment receivables of minus 11,675 million yen. Corporate assets represent long-term investments (shares in financial institutions, investment trusts, and public and corporate bonds) of the Company.

(Note 3) The segment operating income has been adjusted to the operating income stated in the consolidated financial statements.

## [Related information]

Fiscal 2016 (From April 1, 2015, to March 31, 2016)

## 1. Information on each product and service

This information is omitted because the same information is disclosed in the section on segment information.

## 2. Information on each geographic area

## (1) Sales

This information is omitted because the amount of sales to external customers in Japan exceeds 90% of the sales on the consolidated statements of operations.

## (2) Property, plant, and equipment

(Million yen)

Japan	Asia	US	Total
61,909	5,415	4,358	71,683

## 3. Information on major customers

(Million yen)

Name of customer	Net sales	Name of related segment
Mitsubishi Shokuhin Co., Ltd.	26,011	Food Manufacturing

Fiscal 2017 (From April 1, 2016, to March 31, 2017)

## 1. Information on each product and service

This information is omitted because the same information is disclosed on the section of segment information.

## 2. Information on each geographic area

## (1) Sales

This information is omitted because the amount of sales to external customers in Japan exceeds 90% of the sales on the consolidated statements of operations.

## (2) Property, plant, and equipment

(Million yen)

Japan	Asia	US	Total
59,437	3,981	3,924	67,344

## 3. Information on major customers

(Million yen)

Name of customer	Net sales	Name of related segment
Mitsubishi Shokuhin Co., Ltd.	25,855	Food Manufacturing

## [Information on impairment loss on noncurrent assets by reportable segment]

Fiscal 2016 (April 1, 2015 – March 31, 2016)

(Million yen)

	Food Manufacturing	Food Merchandise	Real Estate and Services	Other	Adjustment	Total
Impairment loss	106	1	4	0	–	112

Fiscal 2017 (April 1, 2016 – March 31, 2017)

(Million yen)

	Food Manufacturing	Food Merchandise	Real Estate and Services	Other	Adjustment	Total
Impairment loss	1,172	–	1,414	–	–	2,586

## [Information on amortization of goodwill and unamortized balance by reportable segment]

Fiscal 2016 (April 1, 2015 – March 31, 2016)

(Million yen)

	Food Manufacturing	Food Merchandise	Real Estate and Services	Other	Adjustment	Total
Amortization during fiscal year	–	–	–	–	198	198
Unamortized balance at end of fiscal year	1,970	–	–	–	–	1,970

Fiscal 2017 (April 1, 2016 – March 31, 2017)

(Million yen)

	Food Manufacturing	Food Merchandise	Real Estate and Services	Other	Adjustment	Total
Amortization during fiscal year	–	–	–	–	197	197
Unamortized balance at end of fiscal year	588	–	–	–	–	588

(Note) For goodwill attributable to the Food Manufacturing segment, an impairment loss of 1,169 million yen is recorded.

**(Per-Share Information)**

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	1,432.50 yen	1,713.49 yen
Net income per share	155.47 yen	213.60 yen

(Note 1) Diluted net income per share is not stated, as there are no dilutive shares.

(Note 2) A reverse stock split of five common shares to one was implemented on October 1, 2016. Net assets per share and net income per share have been calculated by assuming that the reverse stock split was implemented at the beginning of the previous consolidated fiscal year.

(Note 3) The calculation basis for net assets per share is as follows:

	Fiscal 2016 (As of March 31, 2016)	Fiscal 2017 (As of March 31, 2017)
Total net assets on consolidated balance sheets (million yen)	77,223	91,763
Amount not included in total net assets (million yen)	2,665	2,601
(Non-controlling interests)	(2,665)	(2,601)
Net assets related to common stock (million yen)	74,557	89,161
Number of common stock included in the calculation of net assets per share (1,000 shares)	52,047	52,035

(Note 4) The calculation basis for net income per share is as follows:

	Fiscal 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Profit attributable to owners of parent (million yen)	8,092	11,115
Amount not attributable to common stock shareholders (million yen)	–	–
Profit attributable to owners of parent related to common stock (million yen)	8,092	11,115
Average number of common stock outstanding in fiscal year (1,000 shares)	52,051	52,040

**(Significant Subsequent Events)**

(Assignment of significant business and the sale of shares of subsidiaries, etc.)

At a meeting of the Board of Directors held on April 25, 2017, the Company resolved to assign Angel Country Club (“Subject Facility”), a golf course managed and operated by the Company and its wholly-owned subsidiary Morinaga Angel Country Co., Ltd. (“Morinaga Angel Country”), to Pacific Golf Properties Co., Ltd. (“Pacific Golf Properties”).

## 1. Reason for the assignment

Although we have operated the Subject Facility since its opening in 1977, aiming to be a high quality club, we have decided to assign this business as a result of comprehensively examining the future business development of the Group and the further development of the Subject Facility.

## 2. Name of the company to which the Subject Facility is assigned

Pacific Golf Properties Co., Ltd.

There are no capital, human or business relationships requiring special mention between the assignee and the Company or any affiliate of the Company. The assignee does not fall under the related party of the Company.

## 3. Date of assignment

July 3, 2017 (planned)

## 4. Overview of the business to be assigned

The assignment of this business is due to be conducted by the following method: The Company and Morinaga Angel Country will first transfer assets and liabilities, etc. that they own in the Subject Facility to Futtsu Tagura Golf Co., Ltd. (“Futtsu Tagura”), a wholly-owned subsidiary of the Company, by the method of absorption-type company split, and then assign all the shares of Futtsu Tagura owned by the Company to Pacific Golf Properties.

## (1) Overview of Futtsu Tagura

## i) Name

Futtsu Tagura Golf Co., Ltd.

## ii) Business

Ownership and management, etc. of golf course and related facilities

## (2) Items and amounts of assets and liabilities transferred to Futtsu Tagura by the absorption-type company split (as of March 31, 2017)

## i) Items and amounts of assets and liabilities split by the Company (Note)

(Million yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	–	Current liabilities	–
Noncurrent assets	1,709	Long-term liabilities	–
Total current assets	1,709	Total liabilities	–

## ii) Items and amounts of assets and liabilities split by Morinaga Angel Country (Note)

(Million yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	9	Current liabilities	18
Noncurrent assets	29	Long-term liabilities	110
Total current assets	38	Total liabilities	129

(Note) Amounts of assets and liabilities to be split are prepared based on the balance sheets as of March 31, 2017. Actual amounts of assets and liabilities to be split are determined after making an adjustment to changes in the above amounts up to the effective date of the absorption-type company split.

5. Disposition price and ownership ratio before and after the assignment

(1) Disposition price

The disposition price is not disclosed because a confidentiality agreement is concluded with the counterparty of the assignment.

(2) Ownership ratio before the assignment

100% (number of shares held: 340)

(3) Ownership ratio after the assignment

0% (number of shares held: 0)

6. Impact of the assignment of the business

In the fiscal year ended March 31, 2017, the book value of noncurrent assets subject to the assignment was reduced to the recoverable amount, and an impairment loss of 1,389 million yen was recorded under extraordinary losses.

For details, please refer to "4. Consolidated Financial Statements and Key Notes, (5) Notes to Consolidated Financial Statements (Consolidated Statements of Operations), 6. Impairment loss."

7. Other matters

The Company and Morinaga Angel Country after the split are scheduled to implement an absorption-type merger, with the Company as the surviving company and Morinaga Angel Country as the disappearing company.

## 5. Other

### Changes in Directors (As of June 29, 2017)

1. Changes in representatives

Not applicable

2. Changes in other directors

i) Candidates for new directors: 2

Yoshifumi Taima, Director

(currently Executive Officer and General Manager of the Production Division)

Toshiaki Fukunaga, Director

(currently Executive Officer Director-General Research & Development Institute)

ii) Directors to resign: 1

Toshio Shirakawa, Managing Director

iii) Directors to be promoted: 1

Eijiro Oota, Senior Managing Director

(currently Managing Director and General Manager Sales)

3. Changes in corporate auditors

Not applicable

## Supplementary documents for Preliminary Release of Consolidated Financial Results Ended March 31, 2017

[Consolidated Fiscal Year Ended March 31, 2017]

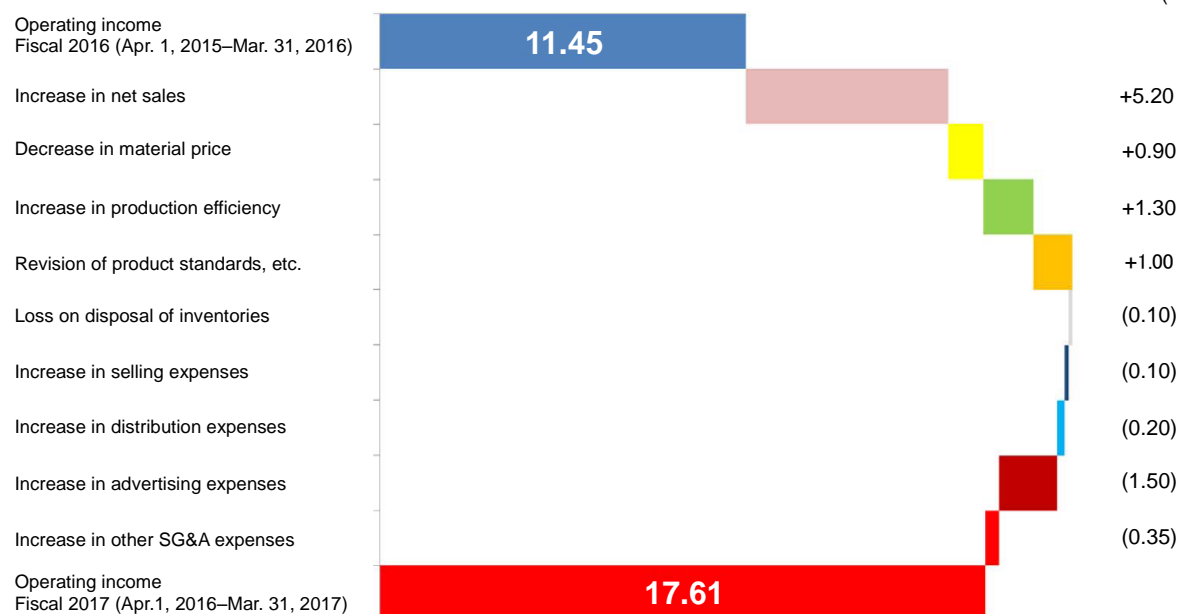
## 1. Financial results

(Million yen)

	Fiscal 2016 (Apr. 1, 2015–Mar. 31, 2016)		Fiscal 2017 (Apr. 1, 2016–Mar. 31, 2017)		Year-on-year Comparisons		
	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Amount	Ratio to net sales (%)	Year-on-year change (%)
Net sales	181,868		199,479		17,611		9.7
Cost of sales	94,269	51.8	99,125	49.7	4,856	(2.1)	5.2
Selling, general and administrative expenses	76,142	41.9	82,742	41.5	6,600	(0.4)	8.7
Promotion expenses	36,301	20.0	39,144	19.6	2,843	(0.4)	7.8
Advertising expenses	6,471	3.6	7,980	4.0	1,509	0.4	23.3
Freightage expenses	7,539	4.1	8,480	4.3	941	0.2	12.5
Other	25,830	14.2	27,136	13.6	1,306	(0.6)	5.1
Operating income	11,456	6.3	17,612	8.8	6,156	2.5	53.7
Non-operating income	982	0.5	1,009	0.5	27	(0.0)	2.7
Non-operating expenses	376	0.2	295	0.1	(81)	(0.1)	(21.4)
Ordinary income	12,062	6.6	18,325	9.2	6,263	2.6	51.9
Extraordinary income	563	0.3	90	0.0	(473)	(0.3)	(83.9)
Extraordinary loss	506	0.3	3,036	1.5	2,530	1.2	499.3
Income before income taxes	12,119	6.7	15,380	7.7	3,261	1.0	26.9
Income taxes	4,183	2.3	4,258	2.1	75	(0.2)	1.8
Net income	7,936	4.4	11,122	5.6	3,186	1.2	40.1
Profit (loss) attributable to non-controlling interests	(156)	(0.1)	6	0.0	162	0.1	–
Profit attributable to owners of parent	8,092	4.4	11,115	5.6	3,023	1.2	37.4

## 2. Analysis of changes in operating income

(Billion yen)



## 3. Segment information

(Million yen)

Business	Fiscal 2016 (Apr. 1, 2015– Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Year-on-year Comparisons	Year-on-year (%)
Food Manufacturing				
Net sales	172,431	189,610	17,179	110.0
(Composition ratio to total net sales)	(94.8%)	(95.1%)		
Segment operating income	10,863	17,310	6,447	159.3
Food Merchandise				
Net sales	6,213	6,858	645	110.4
(Composition ratio to total net sales)	(3.4%)	(3.4%)		
Segment operating income	522	536	14	102.7
Real Estate and Services				
Net sales	2,557	2,457	(100)	96.1
(Composition ratio to total net sales)	(1.4%)	(1.2%)		
Segment operating income	678	709	31	104.6
Others Services				
Net sales	665	552	(113)	83.0
(Composition ratio to total net sales)	(0.4%)	(0.3%)		
Segment operating income	54	60	6	112.1

## 4. Net sales and operating income in Food Manufacturing

(Million yen)

	Fiscal 2016 (Apr. 1, 2015– Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Year-on-year Comparisons	Year-on-year (%)
Consolidated net sales	181,868	199,479	17,611	109.7
Operating income	11,456	17,612	6,156	153.7
Food Manufacturing				
Net sales	172,431	189,610	17,179	110.0
Operating income	10,863	17,310	6,447	159.3
Confectionery				
Net sales	115,145	123,437	8,292	107.2
Operating income	3,331	7,605	4,274	228.3
Frozen desserts				
Net sales	32,381	35,437	3,056	109.4
Operating income	3,413	3,995	582	117.1
Health products				
Net sales	24,905	30,735	5,830	123.4
Operating income	4,119	5,709	1,590	138.6

Domestic	161,007	175,212	14,205	108.8
Overseas	11,424	14,398	2,974	126.0

Ratio of overseas sales to consolidated net sales	6.3%	7.2%
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## 5. Capital investment, depreciation expenses, and research and development expenses

(Million yen)

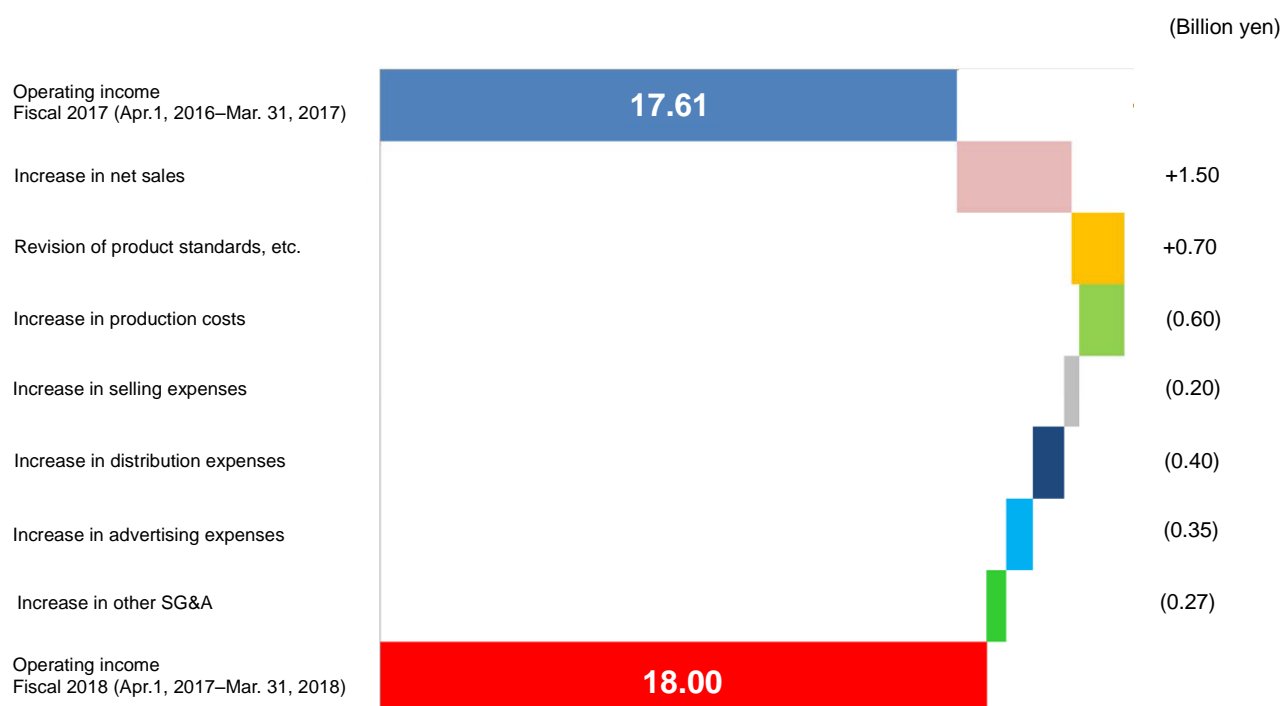
	Fiscal 2016 (Apr. 1, 2015– Mar. 31, 2016)	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Year-on-year Comparisons
Capital investment	7,406	3,750	(3,656)
Depreciation expenses	6,130	5,771	(359)
Research and development expenses	2,152	2,210	58

[Full-year forecast]

## 1. Financial results

	(Million yen)			
	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017– Mar. 31, 2018)	Year-on-year Comparisons	Year-on-year (%)
Net sales	199,479	205,000	5,521	102.8
Operating income	17,612	18,000	388	102.2
Ordinary income	18,325	18,500	175	101.0
Profit attributable to owners of parent	11,115	12,600	1,485	113.4

## 2. Analysis of changes in operating income



## 3. Segment information

(Million yen)

Business	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017– Mar. 31, 2018)	Year-on-year Comparisons	Year-on-year (%)
Food Manufacturing				
Net sales	189,610	195,200	5,590	102.9
(Composition ratio to total net sales)	(95.1%)	(95.2%)		
Segment operating income	17,310	18,528	1,218	107.0
Food Merchandise				
Net sales	6,858	7,150	292	104.2
(Composition ratio to total net sales)	(3.4%)	(3.5%)		
Segment operating income	536	530	(6)	98.8
Real Estate and Services				
Net sales	2,457	2,100	(357)	85.5
(Composition ratio to total net sales)	(1.2%)	(1.0%)		
Segment operating income	709	752	43	105.9
Others Services				
Net sales	552	550	(2)	99.5
(Composition ratio to total net sales)	(0.3%)	(0.3%)		
Segment operating income	60	78	18	128.0

## 4. Domestic and overseas net sales in Food Manufacturing

(Million yen)

	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017– Mar. 31, 2018)	Year-on-year Comparisons	Year-on-year (%)
Domestic	175,212	177,650	2,438	101.4
Overseas	14,398	17,550	3,152	121.9

Ratio of overseas sales to consolidated net sales	7.2%	8.6%
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## 5. Capital investment, depreciation expenses, and research and development expenses

(Million yen)

	Fiscal 2017 (Apr. 1, 2016– Mar. 31, 2017)	Fiscal 2018 (Apr. 1, 2017– Mar. 31, 2018)	Year-on-year Comparisons
Capital investment	3,750	7,781	4,031
Depreciation expenses	5,771	5,690	(81)
Research and development expenses	2,210	2,145	(65)