

Consolidated Financial Results for the Nine Months Ended December 31, 2014
(Prepared pursuant to Japanese GAAP)

February 5, 2015

Company name: MEGMILK SNOW BRAND Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section), Sapporo Securities Exchange
 Stock code: 2270
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(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the First Nine Months of the Fiscal Year Ending March 31, 2015
(April 1, 2014 – December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Nine months ended December 31, 2014	417,712	0.2	7,459	(29.3)	8,559	(24.0)	3,821	(43.2)
Nine months ended December 31, 2013	416,765	4.0	10,554	(21.1)	11,264	(23.9)	6,732	(25.3)

Note: Comprehensive income: Nine Months Ended December 31, 2014: 5,128 million yen (-33.8%)
 Nine Months Ended December 31, 2013: 7,751 million yen (-17.4%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
Nine months ended December 31, 2014	56.33	—
Nine months ended December 31, 2013	99.22	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2014	354,298	119,511	33.1	1,728.06
March 31, 2014	334,775	116,453	34.1	1,684.89

For reference:

Equity: December 31, 2014: 117,238 million yen
 March 31, 2014: 114,315 million yen

2. Dividends

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2014	—	—	—	30.00	30.00
Year ending March 31, 2015	—	—	—		
Year ending March 31, 2015 (forecast)				30.00	30.00

Note: Revisions from the latest release of dividend forecasts: None

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income Per share- basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full Year	550,000	0.9	10,000	(11.0)	10,500	7.6	5,500	114.0	81.07

Note: Revisions from the latest release of earnings forecasts: None

Notes

(1) Material reclassifications of subsidiaries during the period: None

(2) Accounting methods specific to quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards: Yes

2) Changes other than noted in 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Common stock issued

1) Issued shares as of period-end (including treasury stock):

December 31, 2014: 70,751,855 shares

March 31, 2014: 70,751,855 shares

2) Treasury stock as of period-end:

December 31, 2014: 2,907,822 shares

March 31, 2014: 2,904,299 shares

3) Average number of shares (during the respective nine-month period):

Nine months ended December 31, 2014: 67,845,903 shares

Nine months ended December 31, 2013: 67,850,869 shares

***Quarterly Review Status**

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

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

(Earnings Forecasts)

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

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

Items	As of March 31, 2014	As of December 31, 2014
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	11,289	13,474
Notes and accounts receivable-trade	62,905	72,917
Merchandise and finished goods	28,530	28,648
Work in process	995	1,483
Raw materials and supplies	12,785	13,417
Deferred tax assets	4,140	3,836
Other	5,296	6,337
Allowance for doubtful accounts	(1,002)	(549)
Total current assets	124,940	139,566
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	43,938	46,979
Machinery, equipment and vehicles, net	47,209	58,140
Land	59,350	58,654
Other, net	22,312	10,402
Total property, plant and equipment	172,810	174,176
Intangible assets	4,838	6,553
Investments and other assets		
Investment securities	21,679	24,257
Deferred tax assets	6,154	5,182
Other	5,354	6,245
Allowance for doubtful accounts	(1,002)	(1,684)
Total investments and other assets	32,186	34,001
Total fixed assets	209,835	214,731
Total assets	334,775	354,298

Items	As of March 31, 2014	As of December 31, 2014
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,147	64,843
Short-term loans payable	30,255	36,095
Income taxes payable	2,815	614
Provision for bonuses	3,405	1,921
Asset retirement obligations	312	256
Other	35,890	29,370
Total current liabilities	128,827	133,101
Long-term liabilities		
Long-term loans payable	60,563	72,515
Deferred tax liabilities	1,007	1,044
Deferred tax liabilities for land revaluation	6,845	6,845
Provision for director's retirement benefits	327	300
Provision for gift token exchange	242	231
Net defined benefit liabilities	10,377	10,368
Asset retirement obligations	350	415
Other	9,779	9,963
Total long-term liabilities	89,494	101,684
Total liabilities	218,321	234,786
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	67,316	69,077
Treasury stock	(4,535)	(4,539)
Total shareholders' equity	100,362	102,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,094	3,845
Deferred gains or losses on hedges	(121)	(100)
Revaluation reserve for land	12,277	12,277
Foreign currency translation adjustment	428	480
Remeasurements of defined benefit plans	(1,726)	(1,382)
Total accumulated other comprehensive income	13,952	15,120
Minority interests	2,138	2,273
Total net assets	116,453	119,511
Total liabilities and net assets	334,775	354,298

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

Consolidated Statements of Income

Items	Nine months ended December 31,2013	Nine months ended December 31,2014
	millions of yen	millions of yen
Net sales	416,765	417,712
Cost of sales	315,628	323,480
Gross profit	101,136	94,232
Selling, general and administrative expenses	90,582	86,772
Operating income	10,554	7,459
Non-operating income		
Interest income	21	37
Dividend income	749	799
Amortization of negative goodwill	37	—
Equity in earnings of affiliates	107	44
Foreign exchange gain	133	920
Other	694	719
Total non-operating income	1,744	2,522
Non-operating expenses		
Interest expenses	663	697
Other	370	724
Total non-operating expenses	1,033	1,421
Ordinary income	11,264	8,559
Extraordinary income		
Gain on sales of fixed assets	54	118
Other	102	26
Total extraordinary income	157	145
Extraordinary loss		
Loss on sales of fixed assets	1	15
Loss on retirement of fixed assets	586	507
Impairment loss	9	495
Loss on plant reorganization	308	972
Other	89	111
Total extraordinary loss	996	2,102
Income before income taxes and minority interests	10,426	6,602
Income taxes	3,602	2,649
Income before minority interests	6,823	3,952
Minority interests in income	90	131
Net income	6,732	3,821

Consolidated Statements of Comprehensive Income

Items	Nine months ended December 31,2013	Nine months ended December 31,2014
	millions of yen	millions of yen
Income before minority interests	6,823	3,952
Other comprehensive income		
Valuation difference on available-for-sale securities	921	734
Deferred gains or losses on hedges	(77)	20
Foreign currency translation adjustment	65	52
Remeasurements of defined benefit plans	—	348
Share of other comprehensive income of associates accounted for using the equity method	19	20
Total other comprehensive income	928	1,175
Comprehensive income	7,751	5,128
Comprehensive income attributable to owners of the parent	7,643	4,993
Comprehensive income attributable to minority interests	108	135

(3) Consolidated Statements of Cash flows

	Nine months ended December 31,2013	Nine months ended December 31,2014
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	10,426	6,602
Depreciation and amortization	9,994	10,819
Impairment loss	9	495
Equity in (earnings) losses of affiliates	(107)	(44)
Amortization of negative goodwill	(37)	—
Increase (decrease) in allowance for doubtful accounts	113	229
Increase (decrease) in provision for bonuses	(1,532)	(1,484)
Increase (decrease) in provision for employees' retirement benefits	299	—
Increase (decrease) in provision for gift token exchange	(10)	(10)
Increase (decrease) in provision for directors' retirement benefits	(38)	(27)
Increase (decrease) in net defined benefit liability	—	(9)
Loss (gain) on sales and retirement of fixed assets	533	404
Interest and dividend income received	(771)	(837)
Interest expenses	663	697
Decrease (increase) in notes and accounts receivable-trade	(7,381)	(10,012)
Decrease (increase) in inventories	(111)	(1,238)
Increase (decrease) in notes and accounts payable-trade	5,639	8,599
Other- net	2,880	2,503
Sub total	20,571	16,687
Interest and dividend income	856	930
Interest expenses paid	(663)	(682)
Income taxes paid	(4,003)	(4,737)
Net cash provided by (used in) operating activities	16,760	12,197

	Nine months ended December 31,2013	Nine months ended December 31,2014
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(83)	(84)
Proceeds from withdrawal of time deposits	223	246
Payments of loans receivable	(243)	(238)
Collection of loans receivable	180	126
Purchase of property, plant and equipment and intangible assets	(27,001)	(24,536)
Proceeds from sales of property, plant and equipment and intangible assets	181	1,032
Purchase of investment securities	(16)	(16)
Proceeds from sales of investment securities	21	0
Purchase of stocks of subsidiaries and affiliates	(26)	(1,401)
Payments for investments in capital of subsidiaries and affiliates	(296)	—
Other	(74)	(53)
Net cash provided by (used in) investing activities	(27,137)	(24,924)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,633)	(2,037)
Proceeds from long-term loans payable	35,000	28,000
Repayment of long-term loans payable	(12,938)	(8,170)
Purchase of treasury stock	(5)	(5)
Cash dividends paid	(2,033)	(2,035)
Cash dividends paid to minority shareholders	(15)	(2)
Other	(338)	(738)
Net cash provided by (used in) financing activities	16,034	15,010
Effect of exchange rate on cash and cash equivalents	24	55
Net increase (decrease) in cash and cash equivalents	5,682	2,339
Cash and cash equivalents at beginning of period	10,917	10,570
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	26	4
Cash and cash equivalents at end of period	16,625	12,915

5. Segment Information

Sales and income/loss by reportable segment

Nine months ended December 31, 2013 (April 1 to December 31, 2013)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated statements of income (note 3)
	Dairy products business	Beverage and dessert business	Feed and seeds business	Total				
Net sales								
Sales to outside customers	150,838	203,673	37,386	391,898	24,867	416,765	—	416,765
Inter-segment sales and transfers	9,845	19	807	10,672	9,610	20,283	(20,283)	—
Total	160,683	203,693	38,193	402,570	34,477	437,048	(20,283)	416,765
Segment income (loss)	8,899	(569)	818	9,148	1,591	10,740	(186)	10,554

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

2. The minus 186 million yen adjustment for segment income (loss) is for elimination of intercompany transactions.

3. Segment income (loss) adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

Nine months ended December 31, 2014 (April 1 to December 31, 2014)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated statements of income (note 3)
	Dairy products business	Beverage and dessert business	Feed and seeds business	Total				
Net sales								
Sales to outside customers	158,699	197,149	36,413	392,262	25,450	417,712	—	417,712
Inter-segment sales and transfers	10,584	30	766	11,381	9,151	20,532	(20,532)	—
Total	169,284	197,179	37,179	403,644	34,601	438,245	(20,532)	417,712
Segment income (loss)	6,688	(1,000)	1,098	6,787	620	7,407	51	7,459

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

2. The 51 million yen adjustment for segment income (loss) is for elimination of intercompany transactions.

3. Segment income (loss) adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.