

Consolidated Financial Results for the Three Months Ended June 30, 2013
(Prepared pursuant to Japanese GAAP)

August 2, 2013

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 Quarter of the Fiscal Year Ending March 31, 2014
(April 1, 2013 – June 30, 2013)

(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	%
Three months ended June 30, 2013	134,870	2.6	3,198	(18.4)	3,237	(27.1)	1,552	(45.1)
Three months ended June 30, 2012	131,438	4.6	3,922	8.1	4,438	7.1	2,825	12.8

Note: Comprehensive income: Three Months Ended June 30, 2013: 2,098 million yen (-27.0%)
 Three Months Ended June 30, 2012: 2,873 million yen (22.6%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
Three months ended June 30, 2013	22.88	–
Three months ended June 30, 2012	41.64	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2013	322,102	116,730	35.6	1,692.00
March 31, 2013	313,569	116,684	36.6	1,690.13

For reference:

Equity: June 30, 2013: 114,805 million yen
 March 31, 2013: 114,679 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, 2013	—	—	—	30.00	30.00
Year ending March 31, 2014	—				
Year ending March 31, 2014 (forecast)		—	—	30.00	30.00

Note: Revisions from the latest release of dividend forecasts: None
Year-end dividend for the fiscal year ended March 31, 2013:
Ordinary dividend of 25.00 yen Special dividend of 5.00 yen
Forecast year-end dividend for the fiscal year ending March 31, 2014:
Ordinary dividend of 30.00 yen

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(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
Six months ending September 30, 2013	275,000	3.2	9,000	5.7	9,000	(2.7)	5,500	(4.9)	81.06
Full Year	540,000	3.3	17,000	13.3	16,500	0.7	9,500	(1.0)	140.01

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, etc.: None
 - 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):
 - June 30, 2013: 70,751,855 shares
 - March 31, 2013: 70,751,855 shares
 - 2) Treasury stock as of period-end:
 - June 30, 2013: 2,900,048 shares
 - March 31, 2013: 2,899,338 shares
 - 3) Average number of shares (during the respective three-month period):
 - Three months ended June 30, 2013: 67,852,181 shares
 - Three months ended June 30, 2012: 67,855,507 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, 2013	As of June 30, 2013
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	11,696	12,398
Notes and accounts receivable-trade	64,592	70,003
Merchandise and finished goods	28,535	30,887
Work in process	1,537	1,933
Raw materials and supplies	10,463	9,799
Deferred tax assets	4,172	4,265
Other	4,460	4,635
Allowance for doubtful accounts	(806)	(873)
Total current assets	124,651	133,049
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	32,446	32,350
Machinery, equipment and vehicles, net	42,713	41,784
Land	59,197	59,308
Other, net	20,270	21,495
Total property, plant and equipment	154,628	154,938
Intangible assets		
Goodwill	2,081	1,734
Other	3,424	3,441
Total intangible assets	5,505	5,175
Investments and other assets		
Investment securities	20,312	20,678
Deferred tax assets	4,771	4,629
Other	4,696	4,627
Allowance for doubtful accounts	(997)	(997)
Total investments and other assets	28,783	28,937
Total fixed assets	188,917	189,052
Total assets	313,569	322,102

Items	As of March 31, 2013	As of June 30, 2013
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	59,884	63,796
Short-term loans payable	30,883	47,504
Income taxes payable	2,684	1,722
Provision for bonuses	3,354	1,806
Asset retirement obligations	351	320
Other	35,772	29,048
Total current liabilities	132,932	144,199
Long-term liabilities		
Long-term loans payable	37,234	34,900
Deferred tax liabilities	1,035	1,023
Deferred tax liabilities for land revaluation	6,863	6,863
Provision for employees' retirement benefits	7,700	7,953
Provision for director's retirement benefits	351	292
Provision for gift token exchange	256	252
Asset retirement obligations	378	380
Negative goodwill	37	18
Other	10,094	9,487
Total long-term liabilities	63,952	61,171
Total liabilities	196,884	205,371
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	66,751	66,268
Treasury stock	(4,528)	(4,529)
Total shareholders' equity	99,803	99,319
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,249	2,613
Deferred gains or losses on hedges	58	59
Revaluation reserve for land	12,308	12,308
Foreign currency translation adjustment	259	503
Total accumulated other comprehensive income	14,875	15,485
Minority interests	2,005	1,925
Total net assets	116,684	116,730
Total liabilities and net assets	313,569	322,102

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

Consolidated Statements of Income

Items	Three months ended June 30,2012	Three months ended June 30,2013
	millions of yen	millions of yen
Net sales	131,438	134,870
Cost of sales	97,282	101,441
Gross profit	34,156	33,428
Selling, general and administrative expenses	30,234	30,229
Operating income	3,922	3,198
Non-operating income		
Interest income	6	8
Dividend income	184	144
Amortization of negative goodwill	252	19
Equity in earnings of affiliates	96	—
Other	322	233
Total non-operating income	863	405
Non-operating expenses		
Interest expenses	219	214
Equity in losses of affiliates	—	28
Other	127	124
Total non-operating expenses	346	366
Ordinary income	4,438	3,237
Extraordinary income		
Gain on sales of fixed assets	5	6
Compensation income	287	14
Other	132	3
Total extraordinary income	425	24
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on retirement of fixed assets	86	127
Impairment loss	—	9
Other	81	49
Total extraordinary loss	168	186
Income before income taxes and minority interests	4,695	3,075
Income taxes	1,799	1,599
Income before minority interests	2,895	1,475
Minority interests in income (loss)	70	(76)
Net income	2,825	1,552

Consolidated Statements of Comprehensive Income

Items	Three months ended June 30,2012	Three months ended June 30,2013
	millions of yen	millions of yen
Income before minority interests	2,895	1,475
Other comprehensive income		
Valuation difference on available-for-sale securities	(192)	371
Deferred gains or losses on hedges	(47)	1
Foreign currency translation adjustment	185	244
Share of other comprehensive income of associates accounted for using the equity method	31	4
Total other comprehensive income	(22)	622
Comprehensive income	2,873	2,098
Comprehensive income attributable to owners of the parent	2,803	2,162
Comprehensive income attributable to minority interests	70	(64)

(3) Consolidated Statements of Cash flows

	Three months ended June 30,2012	Three months ended June 30,2013
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	4,695	3,075
Depreciation and amortization	2,941	3,236
Impairment loss	—	9
Equity in (earnings) losses of affiliates	(96)	28
Amortization of goodwill	346	346
Amortization of negative goodwill	(252)	(19)
Increase (decrease) in allowance for doubtful accounts	(11)	67
Increase (decrease) in provision for bonuses	(1,573)	(1,548)
Increase (decrease) in provision for employees' retirement benefits	289	252
Increase (decrease) in provision for gift token exchange	(2)	(3)
Increase (decrease) in provision for directors' retirement benefits	15	(58)
Loss (gain) on sales and retirement of fixed assets	80	120
Interest and dividend income received	(191)	(153)
Interest expenses	219	214
Compensation income	(287)	(14)
Decrease (increase) in notes and accounts receivable-trade	(4,219)	(5,410)
Decrease (increase) in inventories	(458)	(2,083)
Increase (decrease) in notes and accounts payable-trade	2,040	3,216
Other- net	1,361	1,628
Sub total	4,897	2,905
Interest and dividend income	298	243
Interest expenses paid	(284)	(235)
Compensation income received	287	86
Income taxes paid	(1,067)	(2,432)
Net cash provided by (used in) operating activities	4,132	567

	Three months ended June 30,2012	Three months ended June 30,2013
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(19)	(19)
Proceeds from withdrawal of time deposits	0	—
Payments of loans receivable	(70)	(48)
Collection of loans receivable	91	93
Purchase of property, plant and equipment and intangible assets	(4,620)	(12,244)
Proceeds from sales of property, plant and equipment and intangible assets	9	14
Purchase of investment securities	(4)	(5)
Proceeds from sales of investment securities	30	1
Purchase of stocks of subsidiaries and affiliates	(204)	—
Net cash provided by (used in) investing activities	(4,786)	(12,210)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(338)	17,545
Repayment of long-term loans payable	(3,507)	(3,259)
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(1,812)	(1,822)
Cash dividends paid to minority shareholders	(3)	(15)
Other	(165)	(217)
Net cash provided by (used in) financing activities	(5,827)	12,230
Effect of exchange rate on cash and cash equivalents	79	83
Net increase (decrease) in cash and cash equivalents	(6,402)	670
Cash and cash equivalents at beginning of period	18,444	10,917
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	7	—
Cash and cash equivalents at end of period	12,049	11,588

5. Segment Information

Sales and income/loss by reportable segment

Three months ended June 30, 2012 (April 1 to June 30, 2012)

(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	46,555	66,130	12,250	124,935	6,503	131,438	—	131,438
Inter-segment sales and transfers	2,327	4	236	2,568	2,871	5,439	(5,439)	—
Total	48,883	66,134	12,486	127,504	9,374	136,878	(5,439)	131,438
Segment income	2,799	137	684	3,622	326	3,948	(26)	3,922

- 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 26 million yen adjustment for segment income is for elimination of intercompany transactions.
3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

Three months ended June 30, 2013 (April 1 to June 30, 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	46,961	67,007	13,191	127,161	7,708	134,870	—	134,870
Inter-segment sales and transfers	3,024	5	262	3,292	2,900	6,192	(6,192)	—
Total	49,985	67,013	13,454	130,453	10,608	141,062	(6,192)	134,870
Segment income (loss)	2,286	(52)	647	2,880	320	3,200	(2)	3,198

- 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 2 million yen adjustment for segment income is for elimination of intercompany transactions.
3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.