

Consolidated Financial Results for the Nine Months Ended December 31, 2013
(Prepared pursuant to Japanese GAAP)

February 6, 2014

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, 2014
(April 1, 2013 – December 31, 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	%
Nine months ended December 31, 2013	416,765	4.0	10,554	(21.1)	11,264	(23.9)	6,732	(25.3)
Nine months ended December 31, 2012	400,890	2.7	13,382	(3.3)	14,794	(1.9)	9,008	(8.1)

Note: Comprehensive income: Nine Months Ended December 31, 2013: 7,751 million yen (-17.4%)
 Nine Months Ended December 31, 2012: 9,389 million yen (-9.0%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
Nine months ended December 31, 2013	99.22	–
Nine months ended December 31, 2012	132.77	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2013	339,661	122,384	35.4	1,772.79
March 31, 2013	313,569	116,684	36.6	1,690.13

For reference:

Equity: December 31, 2013: 120,281 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
Full Year	540,000	3.3	12,500	(16.7)	12,500	(23.7)	7,000	(27.1)	103.17

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):
 - December 31, 2013: 70,751,855 shares
 - March 31, 2013: 70,751,855 shares
 - 2) Treasury stock as of period-end:
 - December 31, 2013: 2,903,020 shares
 - March 31, 2013: 2,899,338 shares
 - 3) Average number of shares (during the respective nine-month period):
 - Nine months ended December 31, 2013: 67,850,869 shares
 - Nine months ended December 31, 2012: 67,854,764 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 December 31, 2013
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	11,696	17,272
Notes and accounts receivable-trade	64,592	71,976
Merchandise and finished goods	28,535	27,185
Work in process	1,537	1,986
Raw materials and supplies	10,463	11,477
Deferred tax assets	4,172	4,181
Other	4,460	4,625
Allowance for doubtful accounts	(806)	(932)
Total current assets	124,651	137,772
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	32,446	34,961
Machinery, equipment and vehicles, net	42,713	41,995
Land	59,197	59,586
Other, net	20,270	30,873
Total property, plant and equipment	154,628	167,417
Intangible assets		
Goodwill	2,081	1,040
Other	3,424	3,732
Total intangible assets	5,505	4,773
Investments and other assets		
Investment securities	20,312	21,570
Deferred tax assets	4,771	4,292
Other	4,696	4,821
Allowance for doubtful accounts	(997)	(985)
Total investments and other assets	28,783	29,699
Total fixed assets	188,917	201,889
Total assets	313,569	339,661

Items	As of March 31, 2013	As of December 31, 2013
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	59,884	65,750
Short-term loans payable	30,883	22,853
Income taxes payable	2,684	1,827
Provision for bonuses	3,354	1,822
Asset retirement obligations	351	279
Other	35,772	34,640
Total current liabilities	132,932	127,173
Long-term liabilities		
Long-term loans payable	37,234	63,700
Deferred tax liabilities	1,035	1,023
Deferred tax liabilities for land revaluation	6,863	6,863
Provision for employees' retirement benefits	7,700	8,000
Provision for director's retirement benefits	351	313
Provision for gift token exchange	256	245
Asset retirement obligations	378	383
Negative goodwill	37	—
Other	10,094	9,572
Total long-term liabilities	63,952	90,103
Total liabilities	196,884	217,277
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	66,751	71,448
Treasury stock	(4,528)	(4,533)
Total shareholders' equity	99,803	104,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,249	3,172
Deferred gains or losses on hedges	58	(19)
Revaluation reserve for land	12,308	12,308
Foreign currency translation adjustment	259	324
Total accumulated other comprehensive income	14,875	15,786
Minority interests	2,005	2,103
Total net assets	116,684	122,384
Total liabilities and net assets	313,569	339,661

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

Consolidated Statements of Income

Items	Nine months ended December 31, 2012	Nine months ended December 31, 2013
	millions of yen	millions of yen
Net sales	400,890	416,765
Cost of sales	297,525	315,628
Gross profit	103,365	101,136
Selling, general and administrative expenses	89,983	90,582
Operating income	13,382	10,554
Non-operating income		
Interest income	21	21
Dividend income	592	749
Amortization of negative goodwill	757	37
Equity in earnings of affiliates	214	107
Other	782	828
Total non-operating income	2,367	1,744
Non-operating expenses		
Interest expenses	639	663
Other	316	370
Total non-operating expenses	955	1,033
Ordinary income	14,794	11,264
Extraordinary income		
Gain on sales of fixed assets	20	54
Compensation income	818	75
Other	174	26
Total extraordinary income	1,014	157
Extraordinary loss		
Loss on sales of fixed assets	1	1
Loss on retirement of fixed assets	1,045	586
Impairment loss	245	9
Loss on plant reorganization	—	308
Other	193	89
Total extraordinary loss	1,485	996
Income before income taxes and minority interests	14,322	10,426
Income taxes	4,964	3,602
Income before minority interests	9,358	6,823
Minority interests in income	350	90
Net income	9,008	6,732

Consolidated Statements of Comprehensive Income

Items	Nine months ended December 31, 2012	Nine months ended December 31, 2013
	millions of yen	millions of yen
Income before minority interests	9,358	6,823
Other comprehensive income		
Valuation difference on available-for-sale securities	(82)	921
Deferred gains or losses on hedges	50	(77)
Foreign currency translation adjustment	56	65
Share of other comprehensive income of associates accounted for using the equity method	5	19
Total other comprehensive income	30	928
Comprehensive income	9,389	7,751
Comprehensive income attributable to owners of the parent	9,039	7,643
Comprehensive income attributable to minority interests	349	108

(3) Consolidated Statements of Cash flows

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	14,322	10,426
Depreciation and amortization	9,477	9,994
Impairment loss	245	9
Equity in (earnings) losses of affiliates	(214)	(107)
Amortization of goodwill	1,040	1,040
Amortization of negative goodwill	(757)	(37)
Increase (decrease) in allowance for doubtful accounts	(79)	113
Increase (decrease) in provision for bonuses	(1,735)	(1,532)
Increase (decrease) in provision for employees' retirement benefits	416	299
Increase (decrease) in provision for gift token exchange	27	(10)
Increase (decrease) in provision for directors' retirement benefits	25	(38)
Loss (gain) on sales and retirement of fixed assets	1,026	533
Interest and dividend income received	(613)	(771)
Interest expenses	639	663
Compensation income	(818)	(75)
Decrease (increase) in notes and accounts receivable-trade	(6,029)	(7,381)
Decrease (increase) in inventories	(112)	(111)
Increase (decrease) in notes and accounts payable-trade	2,271	5,639
Other	1,749	1,767
Sub total	20,879	20,423
Interest and dividend income	725	856
Interest expenses paid	(708)	(663)
Compensation income received	818	148
Income taxes paid	(1,821)	(4,003)
Net cash provided by (used in) operating activities	19,894	16,760

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(144)	(83)
Proceeds from withdrawal of time deposits	24	223
Payments of loans receivable	(144)	(243)
Collection of loans receivable	184	180
Purchase of property, plant and equipment and intangible assets	(16,629)	(27,001)
Proceeds from sales of property, plant and equipment and intangible assets	36	181
Purchase of investment securities	(112)	(16)
Proceeds from sales of investment securities	18	21
Purchase of stocks of subsidiaries and affiliates	(527)	(26)
Proceeds from sales of stocks of subsidiaries and affiliates	110	—
Payments for investments in capital of subsidiaries and affiliates	—	(296)
Other	—	(74)
Net cash provided by (used in) investing activities	(17,181)	(27,137)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(489)	(3,633)
Proceeds from long-term loans payable	—	35,000
Repayment of long-term loans payable	(8,040)	(12,938)
Purchase of treasury stock	(2)	(5)
Cash dividends paid	(2,030)	(2,033)
Cash dividends paid to minority shareholders	(3)	(15)
Other	(451)	(338)
Net cash provided by (used in) financing activities	(10,038)	16,034
Effect of exchange rate on cash and cash equivalents	10	24
Net increase (decrease) in cash and cash equivalents	(7,315)	5,682
Cash and cash equivalents at beginning of period	18,444	10,917
Net increase in cash and cash equivalents from newly consolidated subsidiaries	—	26
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	7	—
Cash and cash equivalents at end of period	11,136	16,625

5. Segment Information

Sales and income/loss by reportable segment

Nine months ended December 31, 2012 (April 1 to December 31, 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	143,738	200,468	35,321	379,527	21,363	400,890	—	400,890
Inter-segment sales and transfers	8,469	14	733	9,216	9,148	18,365	(18,365)	—
Total	152,207	200,482	36,054	388,744	30,511	419,256	(18,365)	400,890
Segment income	9,836	922	1,193	11,952	1,558	13,510	(128)	13,382

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 128 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.

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 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.