

Consolidated Financial Results for the Year Ended March 31, 2014
(Prepared pursuant to Japanese GAAP)

May 9, 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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Scheduled dates:
 Annual general meeting of shareholders: June 26, 2014
 Dividend payout: June 27, 2014
 Filing of fiscal year-end financial report: June 27, 2014
 Supplementary materials to fiscal year-end financial results available: Yes
 Fiscal year-end earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the Fiscal Year Ended March 31, 2014
(April 1, 2013– March 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	%
Year ended March 31, 2014	544,907	4.2	11,241	(25.1)	9,758	(40.4)	2,569	(73.2)
Year ended March 31, 2013	522,987	2.7	15,009	(4.8)	16,384	(8.3)	9,600	3.2

Note: Comprehensive income: Year Ended March 31, 2014: 3,546 million yen (-69.1 %)
 Year Ended March 31, 2013: 11,494 million yen (+9.4 %)

	Net income per share – basic	Net income per share – diluted	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
Year ended March 31, 2014	37.88	-	2.2	3.0	2.1
Year ended March 31, 2013	141.49	-	8.7	5.4	2.9

For reference: Equity in earnings of affiliates: Year Ended March 31, 2014: (23) million yen
 Year Ended March 31, 2013: 182 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
March 31, 2014	334,775	116,453	34.1	1,684.89
March 31, 2013	313,569	116,684	36.6	1,690.13

For reference: Equity: March 31, 2014: 114,315 million yen
 March 31, 2013: 114,679 million yen

(3) Cash Flow Position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
Year ended March 31, 2014	15,266	(35,724)	20,047	10,570
Year ended March 31, 2013	23,761	(26,543)	(4,869)	10,917

2. Dividends

Record date or period	Cash dividends per share					Total dividends paid (full year)	Payout Ratio (consolidated)	Dividends to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	End-Q4	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
Year ended March 31, 2013	-	-	-	30.00	30.00	2,035	21.2	1.8
Year ended March 31, 2014	-	-	-	30.00	30.00	2,035	79.2	1.8
Year ending March 31, 2015 (forecast)	-	-	-	30.00	30.00		37.0	

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	%	
Six months ending September 30, 2014	280,000	1.6	4,500	(34.0)	5,000	(28.3)	2,500	(36.9)	36.85
Full Year	550,000	0.9	10,000	(11.0)	10,500	7.6	5,500	114.0	81.06

* Notes

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

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

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

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Common stock issued

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

March 31, 2014: 70,751,855 shares

March 31, 2013: 70,751,855 shares

2) Treasury stock as of period-end:

March 31, 2014: 2,904,299 shares

March 31, 2013: 2,899,338 shares

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

Year ended March 31, 2014: 67,850,203 shares

Year ended March 31, 2013: 67,854,314 shares

Reference: Overview of Non-consolidated Results

Non-consolidated Results for the Fiscal Year Ended March 31, 2014
(April 1, 2013 – March 31, 2014)

(1) Non-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	%
Year ended March 31, 2014	348,866	1.9	7,675	(30.9)	8,715	(27.8)	2,509	(63.8)
Year ended March 31, 2013	342,515	0.7	11,102	(12.7)	12,067	(13.5)	6,932	(34.3)

	Net income per share - basic	Net income per share - diluted
	yen	yen
Year ended March 31, 2014	36.98	-
Year ended March 31, 2013	102.17	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
March. 31, 2014	277,285	86,463	31.2	1,274.38
March. 31, 2013	257,309	85,387	33.2	1,258.43

For reference: Equity: March 31, 2014: 86,463 million yen
March 31, 2013: 85,387 million yen

*Audit 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 the consolidated fiscal year-end financial statements in accordance with the Act was being conducted.

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

The above forecasts are based on the assumptions of management in the light of information available as of the release date 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.

(Supplementary materials and presentation handouts)

Supplementary materials are attached to this report.

The Company has scheduled an earnings presentation aimed at analysts and institutional investors for Friday, May 9, 2014, and intends to publish the presentation handout materials on its website on the same date of the event.

4. Operating Results

(1) Analysis of Operating Results

In the fiscal year ended March 31, 2014, improvement in business confidence and the employment situation and an upturn in capital investment helped solidify economic recovery in Japan.

Although a recovery trend in consumer spending appeared in certain sectors of the economy, low-price orientation continues in the food products industry.

In this business environment, in the fiscal year ended March 31, 2014, the Company undertook new product sales expansion and product brand reinforcement to vigorously execute the Number-One-in-the-Category Strategy set forth in the MEGMILK SNOW BRAND Group Mid-term Management Plan (October 1, 2009 to March 31, 2015) in four product categories: milk beverages, yogurt, desserts, and natural cheese.

The second half of the fiscal year brought a revision of raw milk prices in response to soaring imported feed prices. In addition, soaring prices of imported cheese and other imported raw materials as a result of factors including a tight supply and demand situation for milk resources worldwide and the impact of yen depreciation resulted in substantial cost increases. Although the Company responded by revising drinking milk prices and changing the package size of some household cheese products and household margarine products, the cost increases could not be completely absorbed.

With regard to strategic capital expenditure, in March 2014 the Company completed consolidation of chilled beverage production functions into the Ebina Plant, the key plant in the Kanto region. In addition, the distribution building at the Ami Plant began operation in December 2013, and the plant's production lines are scheduled to go into full-scale operation in the second half of the fiscal year ending March 31, 2015. The Company will steadily move ahead with these production and distribution system development initiatives and implement earnings structure reforms.

In overseas business operations, the Company started up a processed cheese business in Indonesia and will work to get local production and sales off to a solid start.

In addition, an increase in non-operating expenses resulting from exchange losses at overseas subsidiaries, extraordinary losses in connection with plant reorganization and other factors, and a reversal of deferred tax assets following the abolition of the special corporate tax for reconstruction occurred during the year under review.

As a result of these developments, in the fiscal year ended March 31, 2014, consolidated net sales were ¥544,907 million (an increase of 4.2% over the previous fiscal year), operating income was ¥11,241 million (down 25.1%), ordinary income was ¥9,758 million (down 40.4%), and net income was ¥2,569 million (down 73.2%). As of March 31, 2014, the MEGMILK SNOW BRAND Group comprised the Company, 32 subsidiaries, and 11 affiliates.

Operating results by business segment for the fiscal year ended March 31, 2014 were as follows. Net sales by segment are sales to outside customers.

1) Dairy Products Business

This segment includes the manufacture and sale of cheese, butter, powdered milk, margarine, infant formula, and other products.

Overall sales increased on strong sales performance from butter and cheese, despite lower sales of margarine due to intensified competition.

As a result, net sales in the Dairy Products Business were ¥200,477 million (an increase of 6.1% over the previous fiscal year).

2) Beverage & Dessert Business

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, dessert, and other products.

Although price revisions accompanying the revision of raw milk prices kept sales of milk at the prior-year level and sales of *Mainichi Honebuto* and other milk-based soft drinks were strong, overall sales in the beverage category decreased on lower sales of soft drinks and natural fruit juice.

In the yogurt category, the Company focused on strengthening the *Megumi* Brand and increasing awareness of gasseri SP. Sales increased, driven by the contribution from higher sales of the key products *Nature Megumi* and *Nature Megumi Fruit Yogurt*.

As a result, net sales in the Beverage & Dessert Business were ¥263,246 million (up 1.7% on the previous fiscal year).

3) Feed and Seeds Business

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, and other products.

Although sales volumes of compound feeds and simple feeds decreased, revenue increased as a result of higher selling prices of compound feeds, among other factors. Net sales in the Feed and Seeds Business were ¥48,842 million (up 5.1% on the previous fiscal year).

4) Other Businesses

This segment comprises real estate rental, joint distribution center services, and other businesses. Net sales in this segment were ¥32,341 million (up 12.3% on the previous fiscal year).

In the fiscal year ending March 31, 2015, although economic recovery in Japan is expected, the outlook is for continuation of adverse business conditions to result from unprecedented increases in the cost of raw materials.

In this environment, the Company will work to increase profitability through business structure reforms and sales volume expansion in accordance with the newly formulated Mid-term Management Plan.

In light of the above factors, in the fiscal ending March 31, 2015, the Company forecasts net sales of ¥550,000 million (an increase of 0.9% over the previous fiscal year), operating income

of ¥10,000 million (down 11.0%), ordinary income of ¥10,500 million (up 7.6%), and net income of ¥5,500 million (up 114.0%) on a consolidated basis.

By segment, the Company forecasts net sales of ¥206,000 million (an increase of 2.8% over the fiscal year ended March 31, 2014) in the Dairy Products Business, ¥264,200 million (up 0.4%) in the Beverage & Dessert Business, ¥48,100 million (down 1.5%) in the Feed and Seeds Business, and ¥31,700 (down 2.0%) in Other Businesses. The above full-year outlook by segment is for sales to outside customers.

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

Assets

Total assets as of March 31, 2014 increased by ¥21,206 million from the previous fiscal year-end. The change is mainly attributable to increases in inventories and property, plant and equipment, which offset decreases in notes and accounts receivable-trade and goodwill.

Liabilities

Total liabilities as of March 31, 2014 increased by ¥21,437 million from the previous fiscal year-end. This is mainly attributable to increases in short-term loans payable and long-term loans payable, which offset decreases in notes and accounts payable-trade and the current portion of long-term loans payable.

Net assets

Total net assets as of March 31, 2014 decreased by ¥230 million from the previous fiscal year-end. The change is mainly attributable to the recording of remeasurements of defined benefit plans, which offset an increase in retained earnings.

2) Cash flows

Cash and cash equivalents on a consolidated basis as of March 31, 2014 totaled ¥10,570 million. The following is a summary of consolidated cash flows by activity for the fiscal year ended March 31, 2014.

(Millions of yen)			
Category	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Change
Cash flows from operating activities	23,761	15,266	(8,495)
Cash flows from investing activities	(26,543)	(35,724)	(9,181)
Cash flows from financing activities	(4,869)	20,047	24,916
Currency translation adjustment relating to cash and cash equivalents	116	38	(77)
Increase (decrease) in cash and cash equivalents	(7,535)	(372)	7,162
Cash and cash equivalents at the beginning of the fiscal year	18,444	10,917	(7,527)
Increase in cash and cash equivalents due to new consolidation	—	26	26

Increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	7	—	(7)
Cash and cash equivalents at the end of the fiscal year	10,917	10,570	(346)

Cash flows from operating activities

Operating activities provided net cash of ¥15,266 million, a ¥8,495 million decrease in cash provided from the ¥23,761 million provided in the fiscal year ended March 31, 2013. The change is mainly attributable to factors including decreases in income before income taxes and minority interests and notes and accounts payable-trade, which offset decreases in notes and accounts receivable-trade and inventories.

Cash flows from investing activities

Investing activities used net cash of ¥35,724 million, a ¥9,181 million increase in cash used from the ¥26,543 million used in the fiscal year ended March 31, 2013. This is mainly attributable to an increase in the purchase of property, plant and equipment and intangible assets.

Cash flows from financing activities

Financing activities provided net cash of ¥20,047 million, a ¥24,916 million increase in cash provided from the ¥4,869 million in net cash used in the fiscal year ended March 31, 2013. The change is mainly attributable to an increase in proceeds from long-term loans payable.

The following is a summary of changes in the MEGMILK SNOW BRAND Group's cash flow-related indicators.

For the fiscal years ended March31	2012	2013	2014
Equity ratio (%)	35.4	36.6	34.1
Equity ratio based on market value (%)	35.1	32.4	27.3
Ratio of interest-bearing debt to cash flow (years)	2.9	3.1	6.3
Interest coverage ratio (x)	25.8	27.5	17.3

Equity ratio: equity / total assets

Equity ratio based on market value: market capitalization / total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / interest payments

Notes:

1. Each indicator is calculated using financial data on a consolidated basis.
2. Total market value of shares is calculated based on the number of shares outstanding at the end of the period (less treasury stock).
3. Cash flow is cash flow from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt includes all liabilities listed on the Consolidated Balance Sheets that bear interest.

(3) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2014 and the Fiscal Year Ending March 31, 2015

The Company's policy is to enhance shareholder returns while also reinforcing the financial position in preparation for execution of the medium- to long-term growth and expansion strategy and to continuously pay stable dividends, giving comprehensive consideration to factors such as consolidated business performance and the financial situation.

The Company has set a consolidated dividend payout target of 20% or higher.

For the fiscal year ended March 31, 2014, the Company will pay a year-end dividend of ¥30 per share.

For the fiscal year ending March 31, 2015, the Company plans to pay a year-end dividend of ¥30 per share. Accordingly, the outlook is for a consolidated dividend payout of 37.0%.

5. Overview of the Group

As of March 31, 2014, the MEGMILK SNOW BRAND Group comprised the Company, 32 subsidiaries, and 11 affiliates.

6. Management Policies

(1) Basic Management Policy and Medium- to Long-Term Management Strategy

In May 2014 the Company formulated the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017). To pave the way for corporate value enhancement, the Company will execute its business strategy by focusing on the following four concepts, increase profitability and steadily proceed with solidification of the business base for the next phase of growth.

1) Business Structure Reforms

To secure earnings in an adverse business environment characterized by a weak yen and a tight supply and demand situation for milk resources, the Company will increase profitability by undertaking product mix improvement, optimization of the production and distribution system, cost reduction from improved business process efficiency, and the early realization of measures to absorb cost increases.

2) Maximum Leveraging of Strategic Capital Expenditure

The Company will secure stable earnings by increasing sales volumes and boosting plant capacity utilization to ensure maximum utilization of the Ebina Plant and Ami Plant, where investments have been made.

The new plants will proceed from a smooth transfer of production to stable operation and realize high productivity, high quality, and advanced technical capabilities.

3) Business Expansion in Growth Sectors

To achieve continuous growth into the future, the Company will prioritize allocation of enterprise resources to growth sectors in which the Group's strengths can be leveraged: namely, yogurt, natural cheese, institutional cheese, the functional food products business, and overseas businesses.

At a time of continuous market expansion, the Company will increase its market share by introducing and nurturing new yogurt, natural cheese, and institutional cheese products.

In the functional food products business, the Company will capture demand in the growing health food products market by emphasizing the value of its functional ingredients.

In overseas businesses, the Company will focus mainly on increasing sales of powdered milk in Southeast Asia and actively work to increase sales of cheese in Indonesia and develop new businesses in the Southeast Asia region.

4) Functional Enhancement and Systems Development

In order to support business structure reforms and initiatives for business expansion in growth sectors, the Company will work to strengthen R&D capabilities, maintain and expand the dairy production base to secure domestic milk for manufacturing use, develop a procurement system for securing a stable supply of overseas milk resources, and develop the production and distribution system by means including alliances with other companies.

(2) Target Performance Indicators

The Company aims to achieve the following target performance indicators in the fiscal year ending March 31, 2017 by solidifying the business infrastructure to make possible the next phase of growth: consolidated operating income of from ¥13 billion to ¥15 billion and consolidated EBITDA (operating income + depreciation expenses) of from ¥31 billion to ¥33 billion.

(3) Issues to Be Addressed

The Company has decided its management policies for the fiscal year ending March 31, 2015 and will vigorously work to achieve the goals in the MEGMILK SNOW BRAND Group Mid-term Management Plan (April 1, 2014 to March 31, 2017).

(Overview of Management Policies for the Fiscal Year Ending March 31, 2015)

1) Basic concept

The Company will respond to changes in the business environment and work to open up and develop growth markets.

2) Details of key activities

- i. To secure an advantageous position in market competition and achieve sustainable growth, enhance product development capabilities to identify market needs and utilize milk resources to create demand and strengthen functional cooperation.
- ii. Demonstrate to the fullest the benefits of operating large-scale production facilities.
- iii. Seek to maximize earnings through business structure reforms while taking into account environmental change.
- iv. Proceed with further opening up and development of growth markets, starting with overseas markets.
- v. CSR is the foundation of MEGMILK SNOW BRAND Group, and the entire Group aims to enhance the level of CSR activities and be a business group trusted by society.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

Items	As of March 31, 2013	As of March 31, 2014
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	11,696	11,289
Notes and accounts receivable-trade	64,592	62,905
Merchandise and finished goods	28,535	28,530
Work in process	1,537	995
Raw materials and supplies	10,463	12,785
Deferred tax assets	4,172	4,140
Accounts receivable-other	2,526	2,640
Other	1,934	2,655
Allowance for doubtful accounts	(806)	(1,002)
Total current assets	124,651	124,940
Fixed assets		
Property, plant and equipment		
Buildings and structures	82,188	95,854
Accumulated depreciation	(48,987)	(51,079)
Accumulated impairment loss	(753)	(837)
Buildings and structures, net	32,446	43,938
Machinery, equipment and vehicles	161,084	171,567
Accumulated depreciation	(117,814)	(123,267)
Accumulated impairment loss	(556)	(1,090)
Machinery, equipment and vehicles, net	42,713	47,209
Tools, furniture and fixtures	14,569	15,582
Accumulated depreciation	(11,616)	(12,219)
Accumulated impairment loss	(38)	(53)
Tools, furniture and fixtures, net	2,913	3,309
Land	59,197	59,350
Lease assets	6,242	6,667
Accumulated depreciation	(1,961)	(2,623)
Accumulated impairment loss	(207)	(207)
Lease property, net	4,073	3,836
Construction in progress	13,283	15,165
Total property, plant and equipment	154,628	172,810
Intangible assets		
Lease assets	215	182
Software	2,867	3,696
Right of using facilities	139	783
Goodwill	2,081	-
Other	201	175
Total intangible assets	5,505	4,838

Items	As of March 31, 2013	As of March 31, 2014
	millions of yen	millions of yen
Investments and other assets		
Investment securities	20,312	21,679
Long-term prepaid expenses	492	415
Deferred tax assets	4,771	6,154
Other	4,204	4,938
Allowance for doubtful accounts	(997)	(1,002)
Total investments and other assets	28,783	32,186
Total fixed assets	188,917	209,835
Total assets	313,569	334,775

Items	As of March 31, 2013	As of March 31, 2014
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	59,884	56,147
Short-term loans payable	16,532	19,628
Current portion of long-term loans payable	14,351	10,627
Lease obligations	890	1,072
Accounts payable-other	21,764	18,355
Income taxes payable	2,684	2,815
Accrued expenses	7,598	7,659
Deposits received	961	1,119
Provision for bonuses	3,354	3,405
Asset retirement obligations	351	312
Other	4,557	7,683
Total current liabilities	132,932	128,827
Long-term liabilities		
Long-term loans payable	37,234	60,563
Long-term deposits received	5,119	5,189
Lease obligations	3,843	3,713
Deferred tax liabilities	1,035	1,007
Deferred tax liabilities for land revaluation	6,863	6,845
Provision for employees' retirement benefits	7,700	-
Provision for director's retirement benefits	351	327
Provision for gift token exchange	256	242
Net defined benefit liability	-	10,377
Negative goodwill	37	-
Asset retirement obligations	378	350
Other	1,131	875
Total long-term liabilities	63,952	89,494
Total liabilities	196,884	218,321
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	66,751	67,316
Treasury stock	(4,528)	(4,535)
Total shareholders' equity	99,803	100,362
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,249	3,094
Deferred gains or losses on hedges	58	(121)
Revaluation reserve for land	12,308	12,277
Foreign currency translation adjustment	259	428
Remeasurements of defined benefit plans	-	(1,726)
Total accumulated other comprehensive income	14,875	13,952
Minority interests	2,005	2,138
Total net assets	116,684	116,453
Total liabilities and net assets	313,569	334,775

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

Consolidated Statements of Income

Items	Year Ended March 31, 2013	Year Ended March 31, 2014
	millions of yen	millions of yen
Net sales	522,987	544,907
Cost of sales	389,867	414,568
Gross profit	133,119	130,338
Selling, general and administrative expenses		
Selling expenses	102,437	103,615
General and administrative expenses	15,671	15,481
Total selling, general and administrative expenses	118,109	119,096
Operating income	15,009	11,241
Non-operating income		
Interest income	25	41
Dividend income	596	750
Real estate rent	135	132
Amortization of negative goodwill	776	37
Equity in earnings of affiliates	182	-
Other	916	758
Total non-operating income	2,632	1,720
Non-operating expenses		
Interest expenses	835	880
Foreign exchange losses	-	1,718
Equity in losses of affiliates	-	23
Other	422	580
Total non-operating expenses	1,258	3,203
Ordinary income	16,384	9,758
Extraordinary income		
Gain on sales of fixed assets	77	64
Compensation income	970	110
Other	251	39
Total extraordinary income	1,299	214
Extraordinary loss		
Loss on sales of fixed assets	1	5
Loss on retirement of fixed assets	1,309	985
Impairment loss	595	1,601
Loss on plant reorganization	95	928
Other	409	145
Total extraordinary losses	2,412	3,666
Income before income taxes and minority interests	15,271	6,306
Income taxes		
Current	3,285	4,179
Deferred	2,007	(568)
Total income taxes	5,293	3,610
Income before minority interests	9,978	2,695
Minority interests in income	377	125
Net income	9,600	2,569

Consolidated Statements of Comprehensive Income

Items	Year Ended March 31, 2013	Year Ended March 31, 2014
	millions of yen	millions of yen
Income before minority interests	9,978	2,695
Other comprehensive income		
Valuation difference on available-for-sale securities	1,149	846
Deferred gains or losses on hedges	29	(179)
Foreign currency translation adjustment	329	169
Share of other comprehensive income of associates accounted for using the equity method	8	13
Total other comprehensive income	1,516	850
Comprehensive income	11,494	3,546
Comprehensive income attributable to owners of the parent	11,111	3,405
Comprehensive income attributable to minority interests	383	141

(3) Consolidated Statements of Changes in Net Assets
Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	20,000	17,580	59,124	(4,523)	92,181
Changes during term					
Reversal of revaluation reserve for land			58		58
Cash dividends			(2,035)		(2,035)
Net income			9,600		9,600
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		(0)		0	0
Increase from merger of consolidated and non-consolidated subsidiaries			26		26
Change of scope of equity method			(22)		(22)
Net changes other than shareholders' equity					
Total changes during term	-	(0)	7,626	(4)	7,622
Balance at end of term	20,000	17,580	66,751	(4,528)	99,803

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	1,108	29	12,367	(142)	-	13,362	1,798	107,342
Changes during term								
Reversal of revaluation reserve for land								58
Cash dividends								(2,035)
Net income								9,600
Purchase of treasury stock								(4)
Disposal of treasury stock								0
Increase from merger of consolidated and non-consolidated subsidiaries								26
Change of scope of equity method								(22)
Net changes other than shareholders' equity	1,141	29	(58)	401	-	1,513	206	1,719
Total changes during term	1,141	29	(58)	401	-	1,513	206	9,342
Balance at end of term	2,249	58	12,308	259	-	14,875	2,005	116,684

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	20,000	17,580	66,751	(4,528)	99,803
Changes during term					
Reversal of revaluation reserve for land			31		31
Cash dividends			(2,035)		(2,035)
Net income			2,569		2,569
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		(0)		0	0
Increase from merger of consolidated and non-consolidated subsidiaries					
Change of scope of equity method					
Net changes other than shareholders' equity					
Total changes during term	-	(0)	565	(6)	558
Balance at end of term	20,000	17,580	67,316	(4,535)	100,362

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	2,249	58	12,308	259	-	14,875	2,005	116,684
Changes during term								
Reversal of revaluation reserve for land								31
Cash dividends								(2,035)
Net income								2,569
Purchase of treasury stock								(7)
Disposal of treasury stock								0
Increase from merger of consolidated and non-consolidated subsidiaries								
Change of scope of equity method								
Net changes other than shareholders' equity	845	(179)	(31)	169	(1,726)	(922)	133	(789)
Total changes during term	845	(179)	(31)	169	(1,726)	(922)	133	(230)
Balance at end of term	3,094	(121)	12,277	428	(1,726)	13,952	2,138	116,453

(4) Consolidated Statements of Cash flows

	Year Ended March 31, 2013	Year Ended March 31, 2014
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	15,271	6,306
Depreciation and amortization	13,082	13,573
Impairment loss	595	1,601
Equity in (earnings) losses of affiliates	(182)	23
Amortization of goodwill	1,387	1,387
Amortization of negative goodwill	(776)	(37)
Increase (decrease) in allowance for doubtful accounts	(21)	200
Increase (decrease) in provision for bonuses	(405)	50
Increase (decrease) in provision for employees' retirement benefits	69	-
Increase (decrease) in net defined benefit liability	-	(16)
Increase (decrease) in provision for gift token exchange	22	(14)
Increase (decrease) in provision for directors' retirement benefits	40	(23)
Loss (gain) on sales and retirement of fixed assets	1,233	926
Interest and dividend income received	(622)	(791)
Interest expenses	835	880
Compensation Income	(970)	(110)
Decrease (increase) in notes and accounts receivable-trade	(1,063)	1,688
Decrease (increase) in inventories	(4,708)	(1,774)
Increase (decrease) in notes and accounts payable-trade	1,745	(3,764)
Other, net	(684)	(1,493)
Sub total	24,850	18,613
Interest and dividend income	734	876
Interest expenses paid	(862)	(883)
Proceeds from compensation	898	182
Income taxes paid	(1,859)	(3,522)
Net cash provided by (used in) operating activities	23,761	15,266

	Year Ended March 31, 2013	Year Ended March 31, 2014
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(164)	(153)
Proceeds from withdrawal of time deposits	24	224
Proceeds from redemption of securities	50	-
Purchase of investment securities	(349)	(645)
Proceeds from sales of investment securities	94	43
Proceeds from redemption of securities	-	300
Payments of loans receivable	(391)	(274)
Collection of loans receivable	227	220
Purchase of property, plant and equipment and intangible assets	(25,696)	(35,370)
Proceeds from sales of property, plant and equipment and intangible assets	280	359
Purchase of shares of subsidiaries and affiliates	(731)	(57)
Proceeds from sales of shares of subsidiaries and affiliates	113	-
Payments for investments in capital of subsidiaries and affiliates	-	(296)
Other	-	(75)
Net cash provided by (used in) investing activities	(26,543)	(35,724)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,230)	3,096
Proceeds from long-term loans payable	8,000	35,000
Repayment of long-term loans payable	(8,889)	(15,403)
Purchase of treasury stock	(4)	(7)
Cash dividends paid	(2,031)	(2,035)
Cash dividends paid to minority shareholders	(3)	(15)
Other	(710)	(588)
Net cash provided by (used in) financing activities	(4,869)	20,047
Effect of exchange rate on cash and cash equivalents	116	38
Net increase (decrease) in cash and cash equivalents	(7,535)	(372)
Cash and cash equivalents at beginning of term	18,444	10,917
Net increase in cash and cash equivalents from newly consolidated subsidiaries	-	26
Increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	7	-
Cash and cash equivalents at end of term	10,917	10,570

Segment and Other Information

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the MEGMILK SNOW BRAND Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group is engaged mainly in manufacturing and selling of products made from milk, etc., manufacturing and selling of cattle feed, pasture forage and crop seed, and other related products. Dairy products such as cheese and butter, and beverages and desserts such as milk and yogurt are mainly handled by the Company, while feed and seeds are mainly handled by Snow Brand Seed Co., Ltd. The Group's operations are therefore classified based on products into three reportable segments, namely, dairy products business, beverage and dessert business, and feed and seeds business.

2. Calculation method for net sales, income/loss, assets, liabilities and other amounts by reportable segment

Segment income represents operating income. Intersegment sales and transfers are based on market price.

3. Net sales, income/loss, assets, liabilities and other amounts by reportable segment

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable segment				Other (note1)	Total	Adjustments (note2)	Amount recorded on consolidated financial statements (note3)
	Dairy products business	Beverage and dessert business	Feed and seeds business	Total				
Net sales								
Sales to outside customers	188,910	258,816	46,452	494,179	28,807	522,987	-	522,987
Inter-segment sales and transfers	11,439	15	988	12,444	11,499	23,943	(23,943)	-
Total	200,350	258,832	47,440	506,623	40,306	546,930	(23,943)	522,987
Segment income	12,417	166	890	13,474	1,612	15,086	(77)	15,009
Segment assets	136,572	128,606	36,165	301,344	22,686	324,031	(10,461)	313,569
Other items								
Depreciation/amortization (note 4)	5,405	5,994	1,335	12,735	475	13,210	(128)	13,082
Amortization of goodwill	-	1,387	-	1,387	-	1,387	-	1,387
Impairment loss	38	-	-	38	463	502	92	595
Increase in PP&E and intangible assets (note 5)	17,479	18,020	752	36,251	421	36,672	(240)	36,432

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segment				Other (note1)	Total	Adjustments (note2)	Amount recorded on consolidated financial statements (note3)
	Dairy products business	Beverage and dessert business	Feed and seeds business	Total				
Net sales								
Sales to outside customers	200,477	263,246	48,842	512,565	32,341	544,907	-	544,907
Inter-segment sales and transfers	12,908	37	1,049	13,995	13,452	27,447	(27,447)	-
Total	213,385	263,283	49,891	526,561	45,793	572,355	(27,447)	544,907
Segment income	11,322	(2,600)	1,031	9,753	1,653	11,406	(164)	11,241
Segment assets	155,240	131,287	34,159	320,687	25,012	345,700	(10,924)	334,775
Other items								
Depreciation/amo rtization (note 4)	5,629	6,534	1,112	13,275	432	13,707	(134)	13,573
Amortization of goodwill	-	1,387	-	1,387	-	1,387	-	1,387
Impairment loss	29	1,465	-	1,495	18	1,513	87	1,601
Increase in PP&E and intangible assets (note 5)	19,255	12,740	662	32,657	2,379	35,037	(354)	34,683

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

2. Adjustments are as follows:

Net sales			(Millions of yen)
	Year ended March 31, 2013	Year ended March 31, 2014	
Intersegment transactions elimination	(23,943)	(27,447)	
Total	(23,943)	(27,447)	

Segment income			(Millions of yen)
	Year ended March 31, 2013	Year ended March 31, 2014	
Intersegment transactions elimination	(77)	(164)	
Total	(77)	(164)	

Segment assets			(Millions of yen)
	Year ended March 31, 2013	Year ended March 31, 2014	
Intersegment transactions elimination	(13,657)	(14,309)	
Corporate assets*	3,195	3,385	
Total	(10,461)	(10,924)	

* Corporate assets comprise mainly of surplus working funds and idle assets held by the parent company.

3. Segment income adjustments are based on operating income reported on the consolidated statements of income for the corresponding period.
4. Depreciation/amortization includes amortization of long-term prepaid expenses.
5. Increase in PP&E and intangible assets includes an increase in long-term prepaid expenses.

[Related information]

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

1. Information by product and service

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Total
Sales to outside customers	188,910	258,816	46,452	28,807	522,987

2. Information by geographic area

(1) Net sales

Information was omitted from disclosure because net sales to outside customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

Information was omitted from disclosure because total property, plant and equipment owned in Japan exceed 90% of total property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segments
NIPPON ACCESS, INC	115,830	Dairy products business segment Beverage and dessert business segment
Seven-Eleven Japan Co., Ltd.	76,045	Dairy products business segment Beverage and dessert business segment

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Information by product and service

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Total
Sales to outside customers	200,477	263,246	48,842	32,341	544,907

2. Information by geographic area

(1) Net sales

Information was omitted from disclosure because net sales to outside customers in Japan exceed 90% of total net sales in the consolidated statements of income.

(2) Property, plant and equipment

Information was omitted from disclosure because total property, plant and equipment owned in Japan exceed 90% of total property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segments
NIPPON ACCESS, INC	118,230	Dairy products business segment Beverage and dessert business segment
Seven-Eleven Japan Co., Ltd.	85,075	Dairy products business segment Beverage and dessert business segment

[Impairment loss on fixed assets by reportable segments]

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other (Note)	Corporate / elimination	Total
Impairment loss	38	-	-	463	92	595

Note: The figure for "other" is the amount of impairment loss mainly associated with the joint distribution center and real estate rental services.

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other (Note)	Corporate / elimination	Total
Impairment loss	29	1,465	-	18	87	1,601

Note: The figure for "other" is the amount of impairment loss mainly associated with the joint distribution center and real estate rental services.

[Amortization for and unamortized balance of goodwill by reportable segment]

Year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Corporate / elimination	Total
Amortization charge for the year ended March 31, 2013	-	1,387	-	-	-	1,387
Balance as of March, 31, 2013	-	2,081	-	-	-	2,081

Amortization for and unamortized balance of negative goodwill accrued from business combination completed before April 1, 2010 is as follows.

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Corporate / elimination	Total
Amortization charge for the year ended March 31, 2013	-	-	776	-	-	776
Balance as of March, 31, 2013	-	-	37	-	-	37

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Corporate / elimination	Total
Amortization charge for the year ended March 31, 2014	-	1,387	-	-	-	1,387
Balance as of March, 31, 2014	-	-	-	-	-	-

Amortization for and unamortized balance of negative goodwill accrued from business combination completed before April 1, 2010 is as follows.

(Millions of yen)

	Dairy products business	Beverage and dessert business	Feed and seeds business	Other	Corporate / elimination	Total
Amortization charge for the year ended March 31, 2014	-	-	37	-	-	37
Balance as of March, 31, 2014	-	-	-	-	-	-

[Gain on negative goodwill by reportable segment]

Not applicable.