

Consolidated Financial Results for the Three Months Ended June 30, 2014  
(Prepared pursuant to Japanese GAAP)

August 7, 2014

Company name: MEGMILK SNOW BRAND Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Sapporo Securities Exchange  
 Stock code: 2270  
 URL: <http://www.meg-snow.com>  
 Representative: Yoshiharu Nakano, Representative Director and President  
 Contact: Osamu Sase, General Manager, Public Relations Department  
 Phone: +81 3-3226-2124

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2015  
(April 1, 2014 – June 30, 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	%
Three months ended June 30, 2014	136,047	0.9	2,639	(17.5)	2,897	(10.5)	1,030	(33.6)
Three months ended June 30, 2013	134,870	2.6	3,198	(18.4)	3,237	(27.1)	1,552	(45.1)

Note: Comprehensive income: Three Months Ended June 30, 2014: 1,317 million yen (-37.2%)  
 Three Months Ended June 30, 2013: 2,098 million yen (-27.0%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
Three months ended June 30, 2014	15.20	—
Three months ended June 30, 2013	22.88	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2014	339,103	115,704	33.5	1,673.91
March 31, 2014	334,775	116,453	34.1	1,684.89

For reference:

Equity: June 30, 2014: 113,570 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
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

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.: 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):

June 30, 2014: 70,751,855 shares

March 31, 2014: 70,751,855 shares

2) Treasury stock as of period-end:

June 30, 2014: 2,904,815 shares

March 31, 2014: 2,904,299 shares

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

Three months ended June 30, 2014: 67,847,234 shares

Three months ended June 30, 2013: 67,852,181 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 June 30, 2014
	millions of yen	millions of yen
<b>Assets</b>		
Current assets		
Cash and deposits	11,289	9,865
Notes and accounts receivable-trade	62,905	66,995
Merchandise and finished goods	28,530	28,031
Work in process	995	1,090
Raw materials and supplies	12,785	12,614
Deferred tax assets	4,140	4,115
Other	5,296	6,049
Allowance for doubtful accounts	(1,002)	(603)
Total current assets	124,940	128,159
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	43,938	47,625
Machinery, equipment and vehicles, net	47,209	52,252
Land	59,350	58,671
Other, net	22,312	14,661
Total property, plant and equipment	172,810	173,211
Intangible assets	4,838	5,766
Investments and other assets		
Investment securities	21,679	21,853
Deferred tax assets	6,154	5,925
Other	5,354	5,676
Allowance for doubtful accounts	(1,002)	(1,488)
Total investments and other assets	32,186	31,966
Total fixed assets	209,835	210,944
<b>Total assets</b>	<b>334,775</b>	<b>339,103</b>

Items	As of March 31, 2014	As of June 30, 2014
	millions of yen	millions of yen
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	56,147	58,827
Short-term loans payable	30,255	40,570
Income taxes payable	2,815	932
Provision for bonuses	3,405	1,959
Asset retirement obligations	312	266
Other	35,890	34,266
<b>Total current liabilities</b>	<b>128,827</b>	<b>136,822</b>
<b>Long-term liabilities</b>		
Long-term loans payable	60,563	58,063
Deferred tax liabilities	1,007	1,007
Deferred tax liabilities for land revaluation	6,845	6,845
Provision for director's retirement benefits	327	271
Provision for gift token exchange	242	237
Net defined benefit liabilities	10,377	10,516
Asset retirement obligations	350	348
Other	9,779	9,285
<b>Total long-term liabilities</b>	<b>89,494</b>	<b>86,576</b>
<b>Total liabilities</b>	<b>218,321</b>	<b>223,399</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	67,316	66,286
Treasury stock	(4,535)	(4,535)
<b>Total shareholders' equity</b>	<b>100,362</b>	<b>99,331</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,094	3,298
Deferred gains or losses on hedges	(121)	(178)
Revaluation reserve for land	12,277	12,277
Foreign currency translation adjustment	428	456
Remeasurements of defined benefit plans	(1,726)	(1,615)
<b>Total accumulated other comprehensive income</b>	<b>13,952</b>	<b>14,238</b>
<b>Minority interests</b>	<b>2,138</b>	<b>2,134</b>
<b>Total net assets</b>	<b>116,453</b>	<b>115,704</b>
<b>Total liabilities and net assets</b>	<b>334,775</b>	<b>339,103</b>

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

Consolidated Statements of Income

Items	Three months ended June 30,2013	Three months ended June 30,2014
	millions of yen	millions of yen
Net sales	134,870	136,047
Cost of sales	101,441	104,610
Gross profit	33,428	31,436
Selling, general and administrative expenses	30,229	28,797
Operating income	3,198	2,639
Non-operating income		
Interest income	8	13
Dividend income	144	186
Amortization of negative goodwill	19	—
Foreign exchange gain	24	465
Other	209	220
Total non-operating income	405	886
Non-operating expenses		
Interest expenses	214	229
Equity in losses of affiliates	28	73
Contribution	59	251
Other	64	74
Total non-operating expenses	366	627
Ordinary income	3,237	2,897
Extraordinary income		
Gain on sales of fixed assets	6	24
Compensation income	14	—
Other	3	4
Total extraordinary income	24	29
Extraordinary loss		
Loss on sales of fixed assets	0	0
Loss on retirement of fixed assets	127	184
Impairment loss	9	49
Loss on plant reorganization	30	432
Other	18	97
Total extraordinary loss	186	764
Income before income taxes and minority interests	3,075	2,162
Income taxes	1,599	1,138
Income before minority interests	1,475	1,024
Minority interests loss	(76)	(6)
Net income	1,552	1,030

Consolidated Statements of Comprehensive Income

Items	Three months ended June 30,2013	Three months ended June 30,2014
	millions of yen	millions of yen
Income before minority interests	1,475	1,024
Other comprehensive income		
Valuation difference on available-for-sale securities	371	206
Deferred gains or losses on hedges	1	(56)
Foreign currency translation adjustment	244	27
Remeasurements of defined benefit plans	—	116
Share of other comprehensive income of associates accounted for using the equity method	4	0
Total other comprehensive income	622	293
Comprehensive income	2,098	1,317
Comprehensive income attributable to owners of the parent	2,162	1,321
Comprehensive income attributable to minority interests	(64)	(3)

## (3) Consolidated Statements of Cash flows

	Three months ended June 30,2013	Three months ended June 30,2014
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	3,075	2,162
Depreciation and amortization	3,236	3,491
Impairment loss	9	49
Equity in (earnings) losses of affiliates	28	73
Amortization of negative goodwill	(19)	—
Increase (decrease) in allowance for doubtful accounts	67	88
Increase (decrease) in provision for bonuses	(1,548)	(1,445)
Increase (decrease) in provision for employees' retirement benefits	252	—
Increase (decrease) in net defined benefit liability	—	138
Increase (decrease) in provision for gift token exchange	(3)	(4)
Increase (decrease) in provision for directors' retirement benefits	(58)	(56)
Loss (gain) on sales and retirement of fixed assets	120	160
Interest and dividend income received	(153)	(200)
Interest expenses	214	229
Compensation income	(14)	—
Decrease (increase) in notes and accounts receivable-trade	(5,410)	(4,090)
Decrease (increase) in inventories	(2,083)	574
Increase (decrease) in notes and accounts payable-trade	3,216	1,763
Other- net	1,975	(252)
Sub total	2,905	2,682
Interest and dividend income	243	293
Interest expenses paid	(235)	(242)
Compensation income received	86	—
Income taxes paid	(2,432)	(2,778)
Net cash provided by (used in) operating activities	567	(45)



	Three months ended June 30,2013	Three months ended June 30,2014
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(19)	(19)
Proceeds from withdrawal of time deposits	—	99
Payments of loans receivable	(48)	(117)
Collection of loans receivable	93	55
Purchase of property, plant and equipment and intangible assets	(12,244)	(7,890)
Proceeds from sales of property, plant and equipment and intangible assets	14	890
Purchase of investment securities	(5)	(5)
Proceeds from sales of investment securities	1	—
Other	—	(47)
Net cash provided by (used in) investing activities	(12,210)	(7,035)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	17,545	11,007
Repayment of long-term loans payable	(3,259)	(3,193)
Purchase of treasury stock	(1)	(0)
Cash dividends paid	(1,822)	(1,827)
Cash dividends paid to minority shareholders	(15)	(2)
Other	(217)	(260)
Net cash provided by (used in) financing activities	12,230	5,723
Effect of exchange rate on cash and cash equivalents	83	5
Net increase (decrease) in cash and cash equivalents	670	(1,351)
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	—	4
Cash and cash equivalents at end of period	11,588	9,224

## 5. Segment Information

### Sales and income/loss by reportable segment

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.

Three months ended June 30, 2014 (April 1 to June 30, 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	49,227	66,023	12,613	127,865	8,182	136,047	—	136,047
Inter-segment sales and transfers	3,522	6	251	3,781	3,066	6,848	(6,848)	—
Total	52,750	66,030	12,865	131,646	11,248	142,895	(6,848)	136,047
Segment income (loss)	1,877	(54)	607	2,430	144	2,575	64	2,639

- Note: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.  
2. The 64 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.