

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

November 4, 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 Six Months of the Fiscal Year Ending March 31, 2015
(April 1, 2014 – September 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	%
Six months ended September 30, 2014	276,831	0.4	5,120	(24.9)	5,589	(19.9)	2,297	(42.0)
Six months ended September 30, 2013	275,671	3.5	6,813	(20.0)	6,973	(24.6)	3,961	(31.5)

Note: Comprehensive income: Six Months Ended September 30, 2014: 3,369 million yen (-17.2%)
 Six Months Ended September 30, 2013: 4,067 million yen (-26.6%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
Six months ended September 30, 2014	33.87	—
Six months ended September 30, 2013	58.39	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
September 30, 2014	340,034	117,754	34.0	1,703.20
March 31, 2014	334,775	116,453	34.1	1,684.89

For reference:

Equity: September 30, 2014: 115,553 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):

September 30, 2014: 70,751,855 shares

March 31, 2014: 70,751,855 shares

2) Treasury stock as of period-end:

September 30, 2014: 2,906,840 shares

March 31, 2014: 2,904,299 shares

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

Six months ended September 30, 2014: 67,846,548 shares

Six months ended September 30, 2013: 67,851,523 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 September 30, 2014
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	11,289	9,511
Notes and accounts receivable-trade	62,905	68,874
Merchandise and finished goods	28,530	27,562
Work in process	995	1,230
Raw materials and supplies	12,785	12,731
Deferred tax assets	4,140	4,021
Other	5,296	5,710
Allowance for doubtful accounts	(1,002)	(602)
Total current assets	124,940	129,039
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	43,938	47,255
Machinery, equipment and vehicles, net	47,209	53,733
Land	59,350	58,674
Other, net	22,312	13,323
Total property, plant and equipment	172,810	172,986
Intangible assets	4,838	5,783
Investments and other assets		
Investment securities	21,679	22,715
Deferred tax assets	6,154	5,407
Other	5,354	5,687
Allowance for doubtful accounts	(1,002)	(1,585)
Total investments and other assets	32,186	32,225
Total fixed assets	209,835	210,995
Total assets	334,775	340,034

Items	As of March 31, 2014	As of September 30, 2014
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,147	58,997
Short-term loans payable	30,255	37,282
Income taxes payable	2,815	1,579
Provision for bonuses	3,405	3,485
Asset retirement obligations	312	258
Other	35,890	26,586
Total current liabilities	128,827	128,190
Long-term liabilities		
Long-term loans payable	60,563	66,012
Deferred tax liabilities	1,007	1,016
Deferred tax liabilities for land revaluation	6,845	6,845
Provision for director's retirement benefits	327	286
Provision for gift token exchange	242	234
Net defined benefit liabilities	10,377	10,304
Asset retirement obligations	350	357
Other	9,779	9,032
Total long-term liabilities	89,494	94,089
Total liabilities	218,321	222,280
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	67,316	67,553
Treasury stock	(4,535)	(4,538)
Total shareholders' equity	100,362	100,595
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,094	3,796
Deferred gains or losses on hedges	(121)	(74)
Revaluation reserve for land	12,277	12,277
Foreign currency translation adjustment	428	458
Remeasurements of defined benefit plans	(1,726)	(1,498)
Total accumulated other comprehensive income	13,952	14,958
Minority interests	2,138	2,200
Total net assets	116,453	117,754
Total liabilities and net assets	334,775	340,034

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

Consolidated Statements of Income

Items	Six months ended September 30,2013	Six months ended September 30,2014
	millions of yen	millions of yen
Net sales	275,671	276,831
Cost of sales	208,522	214,392
Gross profit	67,149	62,439
Selling, general and administrative expenses	60,335	57,319
Operating income	6,813	5,120
Non-operating income		
Interest income	16	20
Dividend income	197	233
Amortization of negative goodwill	37	—
Equity in earnings of affiliates	84	5
Foreign exchange gain	13	726
Other	475	379
Total non-operating income	824	1,366
Non-operating expenses		
Interest expenses	444	458
Contribution	69	257
Other	150	180
Total non-operating expenses	664	896
Ordinary income	6,973	5,589
Extraordinary income		
Gain on sales of fixed assets	16	36
Compensation income	71	14
Other	18	8
Total extraordinary income	106	59
Extraordinary loss		
Loss on sales of fixed assets	1	4
Loss on retirement of fixed assets	333	307
Impairment loss	9	139
Loss on plant reorganization	131	771
Other	72	104
Total extraordinary loss	548	1,328
Income before income taxes and minority interests	6,531	4,320
Income taxes	2,607	1,963
Income before minority interests	3,924	2,356
Minority interests in income (loss)	(36)	59
Net income	3,961	2,297

Consolidated Statements of Comprehensive Income

Items	Six months ended September 30,2013	Six months ended September 30,2014
	millions of yen	millions of yen
Income before minority interests	3,924	2,356
Other comprehensive income		
Valuation difference on available-for-sale securities	148	688
Deferred gains or losses on hedges	(81)	46
Foreign currency translation adjustment	66	29
Remeasurements of defined benefit plans	—	232
Share of other comprehensive income of associates accounted for using the equity method	9	16
Total other comprehensive income	143	1,012
Comprehensive income	4,067	3,369
Comprehensive income attributable to owners of the parent	4,093	3,307
Comprehensive income attributable to minority interests	(25)	62

(3) Consolidated Statements of Cash flows

	Six months ended September 30,2013	Six months ended September 30,2014
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and minority interests	6,531	4,320
Depreciation and amortization	6,557	7,101
Impairment loss	9	139
Equity in (earnings) losses of affiliates	(84)	(5)
Amortization of negative goodwill	(37)	—
Increase (decrease) in allowance for doubtful accounts	93	183
Increase (decrease) in provision for bonuses	(89)	80
Increase (decrease) in provision for employees' retirement benefits	149	—
Increase (decrease) in net defined benefit liability	—	(73)
Increase (decrease) in provision for gift token exchange	(7)	(7)
Increase (decrease) in provision for directors' retirement benefits	(53)	(41)
Loss (gain) on sales and retirement of fixed assets	318	275
Interest and dividend income received	(213)	(254)
Interest expenses	444	458
Compensation income	(71)	(14)
Decrease (increase) in notes and accounts receivable-trade	(4,021)	(5,969)
Decrease (increase) in inventories	(387)	787
Increase (decrease) in notes and accounts payable-trade	(226)	3,049
Other- net	52	(545)
Sub total	8,965	9,485
Interest and dividend income	300	346
Interest expenses paid	(436)	(453)
Compensation income received	143	14
Income taxes paid	(2,585)	(2,970)
Net cash provided by (used in) operating activities	6,386	6,422

	Six months ended September 30,2013	Six months ended September 30,2014
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(39)	(39)
Proceeds from withdrawal of time deposits	199	99
Payments of loans receivable	(120)	(206)
Collection of loans receivable	138	95
Purchase of property, plant and equipment and intangible assets	(20,588)	(18,811)
Proceeds from sales of property, plant and equipment and intangible assets	28	909
Purchase of investment securities	(11)	(11)
Proceeds from sales of investment securities	21	0
Purchase of stocks of subsidiaries and affiliates	—	(13)
Payments for investments in capital of subsidiaries and affiliates	(296)	—
Other	(32)	(53)
Net cash provided by (used in) investing activities	(20,700)	(18,029)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8,430	5,133
Proceeds from long-term loans payable	15,500	13,000
Repayment of long-term loans payable	(9,688)	(5,657)
Purchase of treasury stock	(3)	(3)
Cash dividends paid	(2,031)	(2,033)
Cash dividends paid to minority shareholders	(15)	(2)
Other	(418)	(562)
Net cash provided by (used in) financing activities	11,773	9,874
Effect of exchange rate on cash and cash equivalents	14	7
Net increase (decrease) in cash and cash equivalents	(2,526)	(1,725)
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	8,390	8,849

5. Segment Information

Sales and income/loss by reportable segment

Six months ended September 30, 2013 (April 1 to September 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	96,123	137,573	25,518	259,214	16,457	275,671	—	275,671
Inter-segment sales and transfers	6,599	11	537	7,149	5,856	13,005	(13,005)	—
Total	102,723	137,585	26,055	266,363	22,313	288,677	(13,005)	275,671
Segment income	4,872	223	907	6,003	890	6,894	(80)	6,813

- 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 80 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.

Six months ended September 30, 2014 (April 1 to September 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	101,092	133,767	24,855	259,716	17,115	276,831	—	276,831
Inter-segment sales and transfers	6,965	14	511	7,490	6,169	13,660	(13,660)	—
Total	108,057	133,782	25,367	267,207	23,284	290,492	(13,660)	276,831
Segment income (loss)	3,602	(79)	1,126	4,649	458	5,107	12	5,120

- Note: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.
2. The 12 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.