

Consolidated Financial Results for the Nine Months Ended December 31, 2015
(Prepared pursuant to Japanese GAAP)

February 4, 2016

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, 2016
(April 1, 2015 – December 31, 2015)

(1) Consolidated Operating Results (Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Nine months ended December 31, 2015	439,740	5.3	11,062	48.3	11,055	29.2	14,194	271.4
Nine months ended December 31, 2014	417,712	0.2	7,459	(29.3)	8,559	(24.0)	3,821	(43.2)

Note: Comprehensive income: Nine Months Ended December 31, 2015: 14,548 million yen (183.7%)
 Nine Months Ended December 31, 2014: 5,128 million yen (-33.8%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Nine months ended December 31, 2015	209.23	—
Nine months ended December 31, 2014	56.33	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2015	359,873	134,709	36.8	1,951.10
March 31, 2015	345,597	122,209	34.7	1,767.71

For reference:

Equity: December 31, 2015: 132,359 million yen
 March 31, 2015: 119,926 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, 2015	—	—	—	30.00	30.00
Year ending March 31, 2016	—	—	—		
Year ending March 31, 2016 (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, 2016 (April 1, 2015 – March 31, 2016)

(Percentages indicate year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full Year	575,000	4.6	12,500	33.2	12,500	19.7	14,500	268.8	213.74

Note: Revisions from the latest release of earnings forecasts: Yes

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: Yes
 - 3) Changes in accounting estimates: Yes
 - 4) Retrospective restatement: None
- (4) Common stock issued
 - 1) Issued shares as of period-end (including treasury stock):

December 31, 2015:	70,751,855 shares
March 31, 2015:	70,751,855 shares
 - 2) Treasury stock as of period-end:

December 31, 2015:	2,913,702 shares
March 31, 2015:	2,908,870 shares
 - 3) Average number of shares (during the respective nine-month period):

Nine months ended December 31, 2015:	67,840,828 shares
Nine months ended December 31, 2014:	67,845,903 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, 2015	As of December 31, 2015
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	9,818	19,718
Notes and accounts receivable-trade	64,926	77,639
Securities	299	300
Merchandise and finished goods	33,479	33,246
Work in process	758	1,500
Raw materials and supplies	14,712	14,109
Deferred tax assets	3,505	4,261
Other	5,383	4,393
Allowance for doubtful accounts	(529)	(484)
Total current assets	132,354	154,683
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	46,474	46,203
Machinery, equipment and vehicles, net	58,498	60,057
Land	58,382	50,297
Other, net	10,155	9,666
Total property, plant and equipment	173,510	166,224
Intangible assets	6,503	5,949
Investments and other assets		
Investment securities	24,782	25,539
Deferred tax assets	4,158	2,413
Other	6,025	5,896
Allowance for doubtful accounts	(1,737)	(833)
Total investments and other assets	33,228	33,015
Total fixed assets	213,242	205,190
Total assets	345,597	359,873

Items	As of March 31, 2015	As of December 31, 2015
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable-trade	57,145	66,240
Short-term loans payable	39,947	34,669
Income taxes payable	768	6,474
Provision for bonuses	3,390	3,365
Other	27,068	29,206
Total current liabilities	128,320	139,957
Long-term liabilities		
Long-term loans payable	68,780	57,685
Deferred tax liabilities	967	1,293
Deferred tax liabilities for land revaluation	6,207	4,277
Provision for director's retirement benefits	311	244
Provision for gift token exchange	227	218
Provision for loss on business of subsidiaries and associates	—	1,609
Net defined benefit liabilities	8,490	8,263
Asset retirement obligations	425	464
Other	9,657	11,151
Total long-term liabilities	95,067	85,207
Total liabilities	223,388	225,164
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	69,194	85,399
Treasury stock	(4,541)	(4,551)
Total shareholders' equity	102,233	118,428
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,590	5,196
Deferred gains or losses on hedges	(79)	(229)
Revaluation reserve for land	12,904	8,858
Foreign currency translation adjustment	567	235
Remeasurements of defined benefit plans	(290)	(131)
Total accumulated other comprehensive income	17,693	13,930
Non-controlling interests	2,282	2,350
Total net assets	122,209	134,709
Total liabilities and net assets	345,597	359,873

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

Consolidated Statements of Income

Items	Nine months ended December 31,2014	Nine months ended December 31,2015
	millions of yen	millions of yen
Net sales	417,712	439,740
Cost of sales	323,480	337,891
Gross profit	94,232	101,849
Selling, general and administrative expenses	86,772	90,787
Operating income	7,459	11,062
Non-operating income		
Interest income	37	56
Dividend income	799	710
Equity in earnings of affiliates	44	168
Foreign exchange gain	920	—
Other	719	602
Total non-operating income	2,522	1,538
Non-operating expenses		
Interest expenses	697	705
Foreign exchange losses	—	370
Other	724	469
Total non-operating expenses	1,421	1,545
Ordinary income	8,559	11,055
Extraordinary income		
Gain on sales of fixed assets	118	11,621
Other	26	285
Total extraordinary income	145	11,907
Extraordinary loss		
Loss on sales of fixed assets	15	4
Loss on retirement of fixed assets	507	811
Impairment loss	495	223
Loss on plant reorganization	972	—
Loss on business of subsidiaries and associates	—	814
Other	111	740
Total extraordinary loss	2,102	2,594
Income before income taxes and non-controlling interests	6,602	20,368
Income taxes	2,649	6,108
Profit	3,952	14,259
Profit attributable to non-controlling interests	131	65
Profit attributable to owners of parent	3,821	14,194

Consolidated Statements of Comprehensive Income

Items	Nine months ended December 31,2014	Nine months ended December 31,2015
	millions of yen	millions of yen
Profit	3,952	14,259
Other comprehensive income		
Valuation difference on available-for-sale securities	734	603
Deferred gains or losses on hedges	20	(149)
Foreign currency translation adjustment	52	(331)
Remeasurements of defined benefit plans	348	160
Share of other comprehensive income of associates accounted for using the equity method	20	5
Total other comprehensive income	1,175	288
Comprehensive income	5,128	14,548
Comprehensive income attributable to owners of the parent	4,993	14,477
Comprehensive income attributable to non-controlling interests	135	70

(3) Consolidated Statements of Cash flows

	Nine months ended December 31,2014	Nine months ended December 31,2015
	millions of yen	millions of yen
Cash flows from operating activities		
Income before income taxes and non-controlling interests	6,602	20,368
Depreciation and amortization	10,819	10,436
Impairment loss	495	223
Equity in (earnings) losses of affiliates	(44)	(168)
Increase (decrease) in allowance for doubtful accounts	229	(949)
Increase (decrease) in provision for bonuses	(1,484)	(25)
Increase (decrease) in provision for gift token exchange	(10)	(9)
Increase (decrease) in provision for directors' retirement benefits	(27)	(66)
Increase (decrease) in net defined benefit liability	(9)	(226)
Increase (decrease) in provision for loss on business of subsidiaries and associates	—	1,609
Loss (gain) on sales and retirement of fixed assets	404	(10,805)
Interest and dividend income received	(837)	(767)
Interest expenses	697	705
Decrease (increase) in notes and accounts receivable-trade	(10,012)	(12,712)
Decrease (increase) in inventories	(1,238)	94
Increase (decrease) in notes and accounts payable-trade	8,599	9,478
Other- net	2,503	4,651
Sub total	16,687	21,834
Interest and dividend income	930	853
Interest expenses paid	(682)	(701)
Income taxes paid	(4,737)	(801)
Net cash provided by (used in) operating activities	12,197	21,185

	Nine months ended December 31,2014	Nine months ended December 31,2015
	millions of yen	millions of yen
Cash flows from investing activities		
Payments into time deposits	(84)	(84)
Proceeds from withdrawal of time deposits	246	74
Payments of loans receivable	(238)	(280)
Collection of loans receivable	126	215
Purchase of property, plant and equipment and intangible assets	(24,536)	(12,046)
Proceeds from sales of property, plant and equipment and intangible assets	1,032	19,563
Purchase of investment securities	(16)	(140)
Proceeds from sales of investment securities	0	724
Purchase of stocks of subsidiaries and affiliates	(1,401)	(1)
Other	(53)	(28)
Net cash provided by (used in) investing activities	(24,924)	7,994
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,037)	(4,535)
Proceeds from long-term loans payable	28,000	6,300
Repayment of long-term loans payable	(8,170)	(18,137)
Purchase of treasury stock	(5)	(10)
Cash dividends paid	(2,035)	(2,037)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(738)	(778)
Net cash provided by (used in) financing activities	15,010	(19,201)
Effect of exchange rate on cash and cash equivalents	55	(83)
Net increase (decrease) in cash and cash equivalents	2,339	9,895
Cash and cash equivalents at beginning of period	10,570	9,188
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	4	—
Cash and cash equivalents at end of period	12,915	19,083

5. Segment Information

Sales and income/loss by reportable segment

Nine months ended December 31, 2014 (April 1 to December 31, 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	158,699	197,149	36,413	392,262	25,450	417,712	—	417,712
Inter-segment sales and transfers	10,584	30	766	11,381	9,151	20,532	(20,532)	—
Total	169,284	197,179	37,179	403,644	34,601	438,245	(20,532)	417,712
Segment income (loss)	6,688	(1,000)	1,098	6,787	620	7,407	51	7,459

- Note: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.
2. The 51 million yen adjustment for segment income (loss) is for elimination of intercompany transactions.
3. Segment income (loss) adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

Nine months ended December 31, 2015 (April 1 to December 31, 2015)

(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	170,757	206,009	35,416	412,182	27,558	439,740	—	439,740
Inter-segment sales and transfers	10,794	22	762	11,579	9,108	20,688	(20,688)	—
Total	181,551	206,031	36,178	423,762	36,666	460,428	(20,688)	439,740
Segment income	7,535	1,332	956	9,824	1,174	10,998	63	11,062

- Note: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.
2. The 63 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.