

**Consolidated Financial Results for the Three Months Ended June 30, 2016**  
(Prepared pursuant to Japanese GAAP)

August 10, 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 Three Months of the Fiscal Year Ending March 31, 2017**  
**(April 1, 2016 – June 30, 2016)**

(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	%
Three months ended June 30, 2016	147,605	2.9	5,239	40.4	5,202	41.1	3,519	42.4
Three months ended June 30, 2015	143,494	5.5	3,731	41.4	3,686	27.2	2,471	139.7

Note: Comprehensive income: Three Months Ended June 30, 2016: 3,376 million yen (26.5%)  
 Three Months Ended June 30, 2015: 2,669 million yen (102.6%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Three months ended June 30, 2016	51.89	—
Three months ended June 30, 2015	36.43	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
June 30, 2016	344,844	133,738	38.1	1,937.02
March 31, 2016	344,194	132,401	37.8	1,917.33

For reference:

Equity: June 30, 2016: 131,400 million yen  
 March 31, 2016: 130,066 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, 2016	—	—	—	30.00	30.00
Year ending March 31, 2017	—				
Year ending March 31, 2017 (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, 2017 (April 1, 2016 – March 31, 2017)

(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
Six months ending September 30, 2016	298,500	2.7	7,600	0.1	7,700	5.8	4,800	(59.2)	70.76
Full Year	590,000	2.0	15,000	7.1	15,500	9.0	9,500	(36.9)	140.04

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):

June 30, 2016: 70,751,855 shares

March 31, 2016: 70,751,855 shares

2) Treasury stock as of period-end:

June 30, 2016: 2,915,614 shares

March 31, 2016: 2,914,832 shares

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

Three months ended June 30, 2016: 67,836,681 shares

Three months ended June 30, 2015: 67,842,461 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 had been completed.

**\*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, 2016	As of June 30, 2016
	millions of yen	millions of yen
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	15,503	12,988
Notes and accounts receivable-trade	65,338	68,817
Merchandise and finished goods	35,842	38,024
Work in process	1,119	1,303
Raw materials and supplies	15,468	14,276
Deferred tax assets	4,498	4,259
Other	4,649	4,192
Allowance for doubtful accounts	(479)	(475)
Total current assets	141,943	143,386
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	45,874	45,401
Machinery, equipment and vehicles, net	59,772	59,297
Land	51,059	51,008
Other, net	9,392	9,683
Total property, plant and equipment	166,098	165,391
Intangible assets	5,881	5,601
Investments and other assets		
Investment securities	24,333	24,376
Deferred tax assets	2,270	2,253
Other	4,486	4,655
Allowance for doubtful accounts	(819)	(819)
Total investments and other assets	30,270	30,465
Total non-current assets	202,250	201,457
<b>Total assets</b>	<b>344,194</b>	<b>344,844</b>

Items	As of March 31, 2016	As of June 30, 2016
	millions of yen	millions of yen
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	61,238	61,175
Short-term loans payable	34,624	40,806
Income taxes payable	6,417	1,314
Provision for bonuses	4,554	3,065
Other	25,123	25,394
Total current liabilities	131,959	131,756
<b>Non-current liabilities</b>		
Long-term loans payable	53,380	52,631
Deferred tax liabilities	993	1,095
Deferred tax liabilities for land revaluation	4,043	4,043
Provision for director's retirement benefits	254	111
Provision for gift token exchange	214	211
Net defined benefit liabilities	9,029	9,075
Asset retirement obligations	464	491
Other	11,452	11,687
Total non-current liabilities	79,832	79,349
Total liabilities	211,792	211,105
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,580	17,580
Retained earnings	86,269	87,753
Treasury stock	(4,554)	(4,557)
Total shareholders' equity	119,295	120,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,465	4,395
Deferred gains or losses on hedges	(489)	(557)
Revaluation reserve for land	9,067	9,068
Foreign currency translation adjustment	324	254
Remeasurements of defined benefit plans	(2,597)	(2,537)
Total accumulated other comprehensive income	10,770	10,623
<b>Non-controlling interests</b>	2,335	2,338
<b>Total net assets</b>	132,401	133,738
<b>Total liabilities and net assets</b>	344,194	344,844

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

**Consolidated Statements of Income**

Items	Three months ended June 30,2015	Three months ended June 30,2016
	millions of yen	millions of yen
<b>Net sales</b>	143,494	147,605
Cost of sales	109,423	112,124
Gross profit	34,071	35,480
Selling, general and administrative expenses	30,339	30,241
<b>Operating income</b>	<b>3,731</b>	<b>5,239</b>
Non-operating income		
Interest income	23	4
Dividend income	136	155
Equity in earnings of affiliates	15	95
Other	229	196
Total non-operating income	404	451
Non-operating expenses		
Interest expenses	232	179
Foreign exchange losses	35	147
Other	181	161
Total non-operating expenses	449	488
<b>Ordinary income</b>	<b>3,686</b>	<b>5,202</b>
Extraordinary income		
Gain on sales of non-current assets	44	51
Gain on sales of investment securities	216	0
Other	13	10
Total extraordinary income	274	62
Extraordinary loss		
Loss on sales of non-current assets	13	0
Loss on retirement of non-current assets	202	144
Impairment loss	18	28
Other	32	1
Total extraordinary loss	267	174
Income before income taxes	3,693	5,090
Income taxes	1,195	1,560
Profit	2,497	3,529
Profit (loss) attributable to non-controlling interests	26	9
<b>Profit attributable to owners of parent</b>	<b>2,471</b>	<b>3,519</b>

### Consolidated Statements of Comprehensive Income

Items	Three months ended June 30,2015	Three months ended June 30,2016
	millions of yen	millions of yen
<b>Profit</b>	2,497	3,529
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	229	(82)
Deferred gains or losses on hedges	3	(68)
Foreign currency translation adjustment	(117)	(69)
Remeasurements of defined benefit plans	56	60
Share of other comprehensive income of associates accounted for using the equity method	(1)	7
Total other comprehensive income	171	(153)
<b>Comprehensive income</b>	<b>2,669</b>	<b>3,376</b>
Comprehensive income attributable to owners of parent	2,640	3,371
Comprehensive income attributable to non-controlling interests	28	5

**(3) Consolidated Statements of Cash flows**

	Three months ended June 30,2015	Three months ended June 30,2016
	millions of yen	millions of yen
<b>Cash flows from operating activities</b>		
Income before income taxes	3,693	5,090
Depreciation and amortization	3,399	3,640
Impairment loss	18	28
Equity in (earnings) losses of affiliates	(15)	(95)
Increase (decrease) in allowance for doubtful accounts	5	(3)
Increase (decrease) in provision for bonuses	(654)	(1,488)
Increase (decrease) in net defined benefit liability	(54)	45
Increase (decrease) in provision for gift token exchange	(3)	(3)
Increase (decrease) in provision for directors' retirement benefits	(78)	(142)
Loss (gain) on sales and retirement of non-current assets	172	93
Interest and dividend income received	(160)	(159)
Interest expenses	232	179
Decrease (increase) in notes and accounts receivable-trade	(4,607)	(3,478)
Decrease (increase) in inventories	(70)	(1,172)
Increase (decrease) in notes and accounts payable-trade	2,457	(579)
Other	756	1,727
Sub total	5,090	3,681
Interest and dividend income	246	208
Interest expenses paid	(230)	(158)
Income taxes paid	(609)	(6,138)
Net cash provided by (used in) operating activities	4,496	(2,407)



	Three months ended June 30,2015	Three months ended June 30,2016
	millions of yen	millions of yen
<b>Cash flows from investing activities</b>		
Payments into time deposits	(19)	(22)
Proceeds from withdrawal of time deposits	—	31
Payments of loans receivable	(133)	(120)
Collection of loans receivable	133	124
Purchase of property, plant and equipment and intangible assets	(5,070)	(3,469)
Proceeds from sales of property, plant and equipment and intangible assets	298	137
Purchase of investment securities	(130)	(4)
Proceeds from sales of investment securities	594	0
Other	(13)	(0)
Net cash provided by (used in) investing activities	(4,341)	(3,323)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	5,572	7,529
Repayment of long-term loans payable	(2,499)	(2,096)
Purchase of treasury stock	(1)	(2)
Cash dividends paid	(1,884)	(1,918)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(145)	(262)
Net cash provided by (used in) financing activities	1,038	3,246
Effect of exchange rate on cash and cash equivalents	(22)	(21)
Net increase (decrease) in cash and cash equivalents	1,170	(2,505)
Cash and cash equivalents at beginning of period	9,188	14,797
Cash and cash equivalents at end of period	10,359	12,292

## 5. Segment Information

Sales and income/loss by reportable segment

Three months ended June 30, 2015 (April 1 to June 30, 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	53,790	68,010	12,776	134,577	8,917	143,494	—	143,494
Inter-segment sales and transfers	3,499	9	252	3,761	2,961	6,723	(6,723)	—
Total	57,290	68,020	13,029	138,339	11,878	150,218	(6,723)	143,494
Segment income	2,346	295	644	3,286	413	3,699	31	3,731

- Notes: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.  
2. The 31 million yen adjustment for segment income is for elimination of intersegment 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, 2016 (April 1 to June 30, 2016)

(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	56,706	70,264	11,700	138,672	8,933	147,605	—	147,605
Inter-segment sales and transfers	3,143	7	232	3,382	2,919	6,302	(6,302)	—
Total	59,850	70,271	11,933	142,055	11,853	153,908	(6,302)	147,605
Segment income	2,805	1,564	591	4,961	217	5,179	60	5,239

- Notes: 1. "Other" comprises businesses, such as real estate rental and joint distribution center services that are not included in reportable segments.  
2. The 60 million yen adjustment for segment income is for elimination of intersegment transactions.  
3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.