

**Consolidated Financial Results for the Nine Months Ended December 31, 2016**  
(Prepared pursuant to Japanese GAAP)

February 10, 2017

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>  
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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, 2017**  
(April 1, 2016 – December 31, 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                         | %      |
| Nine months ended December 31, 2016 | 449,853         | 2.3 | 16,184           | 46.3 | 17,196          | 55.5 | 11,588                                  | (18.4) |
| Nine months ended December 31, 2015 | 439,740         | 5.3 | 11,062           | 48.3 | 11,055          | 29.2 | 14,194                                  | 271.4  |

Note: Comprehensive income: Nine Months Ended December 31, 2016: 12,759 million yen (-12.3%)  
 Nine Months Ended December 31, 2015: 14,548 million yen (183.7%)

|                                     | Profit per share – basic | Profit per share – diluted |
|-------------------------------------|--------------------------|----------------------------|
|                                     | yen                      | yen                        |
| Nine months ended December 31, 2016 | 170.83                   | —                          |
| Nine months ended December 31, 2015 | 209.23                   | —                          |

(2) Consolidated Financial Position

|                   | Total assets    | Net assets      | Equity ratio | Net asset per share |
|-------------------|-----------------|-----------------|--------------|---------------------|
|                   | millions of yen | millions of yen | %            | yen                 |
| December 31, 2016 | 345,505         | 143,110         | 40.7         | 2,073.24            |
| March 31, 2016    | 344,194         | 132,401         | 37.8         | 1,917.33            |

For reference:

Equity: December 31, 2016: 140,634 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<br>March 31, 2016                | —                        | —      | —      | 30.00    | 30.00 |
| Year ending<br>March 31, 2017               | —                        | —      | —      |          |       |
| Year ending<br>March 31, 2017<br>(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                      |
| Full Year | 590,000         | 2.0 | 18,500           | 32.1 | 19,000          | 33.6 | 12,000                                  | (20.3) | 176.90                   |

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):
 

|                    |                   |
|--------------------|-------------------|
| December 31, 2016: | 70,751,855 shares |
| March 31, 2016:    | 70,751,855 shares |
  - 2) Treasury stock as of period-end:
 

|                    |                  |
|--------------------|------------------|
| December 31, 2016: | 2,918,579 shares |
| March 31, 2016:    | 2,914,832 shares |
  - 3) Average number of shares (during the respective nine-month period):
 

|                                      |                   |
|--------------------------------------|-------------------|
| Nine months ended December 31, 2016: | 67,835,428 shares |
| Nine months ended December 31, 2015: | 67,840,828 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,<br>2016 | As of December 31,<br>2016 |
|--|-------------------------|----------------------------|
|  | millions of yen         | millions of yen            |
| <b>Assets</b>                          |                         |                            |
| <b>Current assets</b>                  |                         |                            |
| Cash and deposits                      | 15,503                  | 13,421                     |
| Notes and accounts receivable-trade    | 65,338                  | 74,493                     |
| Merchandise and finished goods         | 35,842                  | 33,167                     |
| Work in process                        | 1,119                   | 1,169                      |
| Raw materials and supplies             | 15,468                  | 13,083                     |
| Deferred tax assets                    | 4,498                   | 4,276                      |
| Other                                  | 4,649                   | 4,116                      |
| Allowance for doubtful accounts        | (479)                   | (517)                      |
| Total current assets                   | 141,943                 | 143,210                    |
| <b>Non-current assets</b>              |                         |                            |
| Property, plant and equipment          |                         |                            |
| Buildings and structures, net          | 45,874                  | 44,737                     |
| Machinery, equipment and vehicles, net | 59,772                  | 57,545                     |
| Land                                   | 51,059                  | 50,337                     |
| Other, net                             | 9,392                   | 12,281                     |
| Total property, plant and equipment    | 166,098                 | 164,902                    |
| Intangible assets                      | 5,881                   | 5,126                      |
| Investments and other assets           |                         |                            |
| Investment securities                  | 24,333                  | 25,882                     |
| Deferred tax assets                    | 2,270                   | 2,180                      |
| Other                                  | 4,486                   | 4,932                      |
| Allowance for doubtful accounts        | (819)                   | (730)                      |
| Total investments and other assets     | 30,270                  | 32,265                     |
| Total Non-current assets               | 202,250                 | 202,294                    |
| <b>Total assets</b>                    | <b>344,194</b>          | <b>345,505</b>             |

| Items   | As of March 31,<br>2016 | As of December 31,<br>2016 |
|---|-------------------------|----------------------------|
|   | millions of yen         | millions of yen            |
| <b>Liabilities</b>                                    |                         |                            |
| <b>Current liabilities</b>                            |                         |                            |
| Notes and accounts payable-trade                      | 61,238                  | 63,900                     |
| Short-term loans payable                              | 34,624                  | 29,465                     |
| Income taxes payable                                  | 6,417                   | 1,455                      |
| Provision for bonuses                                 | 4,554                   | 3,356                      |
| Other   | 25,123                  | 26,972                     |
| Total current liabilities                             | 131,959                 | 125,150                    |
| <b>Non-current liabilities</b>                        |                         |                            |
| Long-term loans payable                               | 53,380                  | 50,082                     |
| Deferred tax liabilities                              | 993                     | 1,325                      |
| Deferred tax liabilities for land revaluation         | 4,043                   | 4,043                      |
| Provision for director's retirement benefits          | 254                     | 128                        |
| Provision for gift token exchange                     | 214                     | 206                        |
| Net defined benefit liabilities                       | 9,029                   | 8,805                      |
| Asset retirement obligations                          | 464                     | 502                        |
| Other   | 11,452                  | 12,148                     |
| Total Non-current liabilities                         | 79,832                  | 77,243                     |
| Total liabilities                                     | 211,792                 | 202,394                    |
| <b>Net assets</b>                                     |                         |                            |
| <b>Shareholders' equity</b>                           |                         |                            |
| Capital stock   | 20,000                  | 20,000                     |
| Capital surplus                                       | 17,580                  | 17,580                     |
| Retained earnings                                     | 86,269                  | 95,822                     |
| Treasury stock  | (4,554)                 | (4,567)                    |
| Total shareholders' equity                            | 119,295                 | 128,835                    |
| Accumulated other comprehensive income                |                         |                            |
| Valuation difference on available-for-sale securities | 4,465                   | 5,329                      |
| Deferred gains or losses on hedges                    | (489)                   | (162)                      |
| Revaluation reserve for land                          | 9,067                   | 9,068                      |
| Foreign currency translation adjustment               | 324                     | (18)                       |
| Remeasurements of defined benefit plans               | (2,597)                 | (2,417)                    |
| Total accumulated other comprehensive income          | 10,770                  | 11,799                     |
| <b>Non-controlling interests</b>                      | 2,335                   | 2,475                      |
| <b>Total net assets</b>                               | 132,401                 | 143,110                    |
| <b>Total liabilities and net assets</b>               | 344,194                 | 345,505                    |

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

**Consolidated Statements of Income**

| Items  | Nine months ended<br>December 31, 2015 | Nine months ended<br>December 31, 2016 |
|--|--|--|
|  | millions of yen                        | millions of yen                        |
| <b>Net sales</b>                                 | 439,740                                | 449,853                                |
| Cost of sales                                    | 337,891                                | 341,155                                |
| Gross profit                                     | 101,849                                | 108,698                                |
| Selling, general and administrative expenses     | 90,787                                 | 92,514                                 |
| <b>Operating income</b>                          | 11,062                                 | 16,184                                 |
| Non-operating income                             |  |  |
| Interest income                                  | 56                                     | 14                                     |
| Dividend income                                  | 710                                    | 651                                    |
| Equity in earnings of affiliates                 | 168                                    | 466                                    |
| Foreign exchange gain                            | —                                      | 47                                     |
| Other  | 602                                    | 791                                    |
| Total non-operating income                       | 1,538                                  | 1,970                                  |
| Non-operating expenses                           |  |  |
| Interest expenses                                | 705                                    | 529                                    |
| Foreign exchange losses                          | 370                                    | —                                      |
| Other  | 469                                    | 429                                    |
| Total non-operating expenses                     | 1,545                                  | 958                                    |
| <b>Ordinary income</b>                           | 11,055                                 | 17,196                                 |
| Extraordinary income                             |  |  |
| Gain on sales of non-current assets              | 11,621                                 | 284                                    |
| Other  | 285                                    | 65                                     |
| Total extraordinary income                       | 11,907                                 | 349                                    |
| Extraordinary loss                               |  |  |
| Loss on sales of non-current assets              | 4                                      | 37                                     |
| Loss on retirement of non-current assets         | 811                                    | 778                                    |
| Impairment loss                                  | 223                                    | 262                                    |
| Loss on business of subsidiaries and associates  | 814                                    | —                                      |
| Other  | 740                                    | 88                                     |
| Total extraordinary loss                         | 2,594                                  | 1,166                                  |
| Income before income taxes                       | 20,368                                 | 16,379                                 |
| Income taxes                                     | 6,108                                  | 4,645                                  |
| Profit   | 14,259                                 | 11,733                                 |
| Profit attributable to non-controlling interests | 65                                     | 145                                    |
| <b>Profit attributable to owners of parent</b>   | 14,194                                 | 11,588                                 |

### Consolidated Statements of Comprehensive Income

| Items   | Nine months ended<br>December 31,2015 | Nine months ended<br>December 31,2016 |
|---|---------------------------------------|---------------------------------------|
|   | millions of yen                       | millions of yen                       |
| <b>Profit</b>   | 14,259                                | 11,733                                |
| <b>Other comprehensive income</b>   |                                       |                                       |
| Valuation difference on available-for-sale securities                                   | 603                                   | 864                                   |
| Deferred gains or losses on hedges  | (149)                                 | 326                                   |
| Foreign currency translation adjustment   | (331)                                 | (343)                                 |
| Remeasurements of defined benefit plans   | 160                                   | 181                                   |
| Share of other comprehensive income of associates accounted for using the equity method | 5                                     | (3)                                   |
| Total other comprehensive income  | 288                                   | 1,025                                 |
| <b>Comprehensive income</b>   | 14,548                                | 12,759                                |
| Comprehensive income attributable to owners of parent                                   | 14,477                                | 12,616                                |
| Comprehensive income attributable to non-controlling interests                          | 70                                    | 142                                   |

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

|   | Nine months<br>ended<br>December 31,<br>2015 | Nine months<br>ended<br>December 31,<br>2016 |
|---|--|--|
|   | millions of yen                              | millions of yen                              |
| <b>Cash flows from operating activities</b>   |  |  |
| Income before income taxes  | 20,368                                       | 16,379                                       |
| Depreciation and amortization   | 10,436                                       | 11,081                                       |
| Impairment loss   | 223  | 262  |
| Equity in (earnings) losses of affiliates   | (168)  | (466)  |
| Increase (decrease) in allowance for doubtful<br>accounts                               | (949)  | (51)   |
| Increase (decrease) in provision for bonuses  | (25)   | (1,197)                                      |
| Increase (decrease) in net defined benefit liability                                    | (226)  | (223)  |
| Increase (decrease) in provision for gift token<br>exchange                             | (9)  | (8)  |
| Increase (decrease) in provision for directors'<br>retirement benefits                  | (66)   | (125)  |
| Increase (decrease) in provision for loss on<br>business of subsidiaries and associates | 1,609  | —  |
| Loss (gain) on sales and retirement of<br>non-current assets                            | (10,805)                                     | 530  |
| Interest and dividend income received   | (767)  | (665)  |
| Interest expenses   | 705  | 529  |
| Decrease (increase) in notes and accounts<br>receivable-trade                           | (12,712)                                     | (9,155)                                      |
| Decrease (increase) in inventories  | 94   | 5,010  |
| Increase (decrease) in notes and accounts<br>payable-trade                              | 9,478  | 2,812  |
| Other   | 4,651  | 4,034  |
| Sub total   | 21,834                                       | 28,747                                       |
| Interest and dividend income  | 853  | 713  |
| Interest expenses paid  | (701)  | (525)  |
| Income taxes paid   | (801)  | (9,279)                                      |
| Net cash provided by (used in) operating activities                                     | 21,185                                       | 19,656                                       |



|  | Nine months<br>ended<br>December 31,<br>2015 | Nine months<br>ended<br>December 31,<br>2016 |
|--|--|--|
|  | millions of yen                              | millions of yen                              |
| <b>Cash flows from investing activities</b>                                |  |  |
| Payments into time deposits  | (84)   | (103)  |
| Proceeds from withdrawal of time deposits                                  | 74   | 111  |
| Payments of loans receivable   | (280)  | (180)  |
| Collection of loans receivable   | 215  | 185  |
| Purchase of property, plant and equipment and intangible assets            | (12,046)                                     | (11,609)                                     |
| Proceeds from sales of property, plant and equipment and intangible assets | 19,563                                       | 1,110  |
| Purchase of investment securities  | (140)  | (15)   |
| Proceeds from sales of investment securities                               | 724  | 35   |
| Purchase of stocks of subsidiaries and affiliates                          | (1)  | —  |
| Other  | (28)   | (3)  |
| Net cash provided by (used in) investing activities                        | 7,994  | (10,468)                                     |
| <b>Cash flows from financing activities</b>                                |  |  |
| Net increase (decrease) in short-term loans payable                        | (4,535)                                      | 4,035  |
| Proceeds from long-term loans payable                                      | 6,300  | 5,000  |
| Repayment of long-term loans payable                                       | (18,137)                                     | (17,492)                                     |
| Purchase of treasury stock   | (10)   | (12)   |
| Cash dividends paid  | (2,037)                                      | (2,035)                                      |
| Cash dividends paid to non-controlling interests                           | (2)  | (2)  |
| Other  | (778)  | (637)  |
| Net cash provided by (used in) financing activities                        | (19,201)                                     | (11,144)                                     |
| Effect of exchange rate on cash and cash equivalents                       | (83)   | (112)  |
| Net increase (decrease) in cash and cash equivalents                       | 9,895  | (2,069)                                      |
| Cash and cash equivalents at beginning of period                           | 9,188  | 14,797                                       |
| Cash and cash equivalents at end of period                                 | 19,083                                       | 12,728                                       |

## 5. Segment Information

### Sales and income/loss by reportable segment

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

(Millions of yen)

|   | Reportable segment            |  |                                  |         | Other<br>(note 1) | Total   | Adjustments<br>(note 2) | Amount<br>recorded on<br>consolidated<br>statements<br>of income<br>(note 3) |
|---|-------------------------------|--|----------------------------------|---------|-------------------|---------|-------------------------|--|
|   | Dairy<br>products<br>Business | Beverage<br>and<br>dessert<br>business | Feed<br>and<br>seeds<br>business | Total   |                   |         |                         |  |
| Net sales                               |                               |  |                                  |         |                   |         |                         |  |
| Sales to<br>outside<br>customers        | 170,757                       | 206,009                                | 35,416                           | 412,182 | 27,558            | 439,740 | —                       | 439,740  |
| Inter-segment<br>sales and<br>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<br>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 intersegment transactions.

3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

Nine months ended December 31, 2016 (April 1 to December 31, 2016)

(Millions of yen)

|   | Reportable segment            |  |                                  |         | Other<br>(note 1) | Total   | Adjustments<br>(note 2) | Amount<br>recorded on<br>consolidated<br>statements<br>of income<br>(note 3) |
|---|-------------------------------|--|----------------------------------|---------|-------------------|---------|-------------------------|--|
|   | Dairy<br>products<br>business | Beverage<br>and<br>dessert<br>business | Feed<br>and<br>seeds<br>business | Total   |                   |         |                         |  |
| Net sales                               |                               |  |                                  |         |                   |         |                         |  |
| Sales to<br>outside<br>customers        | 176,618                       | 213,503                                | 32,762                           | 422,884 | 26,969            | 449,853 | —                       | 449,853  |
| Inter-segment<br>sales and<br>transfers | 10,203                        | 23                                     | 693                              | 10,920  | 8,942             | 19,863  | (19,863)                | —  |
| Total                                   | 186,821                       | 213,527                                | 33,455                           | 433,805 | 35,911            | 469,716 | (19,863)                | 449,853  |
| Segment<br>income                       | 9,472                         | 4,351                                  | 1,152                            | 14,975  | 1,127             | 16,102  | 81                      | 16,184   |

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

2. The 81 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.