

**Consolidated Financial Results for the Six Months Ended September 30, 2018**  
(Prepared pursuant to Japanese GAAP)

November 8, 2018

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, 2019**  
(April 1, 2018 – September 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Six months ended September 30, 2018	305,369	0.6	9,587	(13.4)	10,253	(13.0)	6,422	(10.6)
Six months ended September 30, 2017	303,569	1.4	11,072	1.7	11,781	6.0	7,183	(2.9)

Note: Comprehensive income: Six months Ended September 30, 2018 : 6,941 million yen (-8.8%)  
 Six months Ended September 30, 2017 : 7,614 million yen (4.1%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Six months ended September 30, 2018	94.71	—
Six months ended September 30, 2017	105.91	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
September 30, 2018	354,810	161,811	44.9	2,350.02
March 31, 2018	351,240	157,338	44.1	2,286.11

For reference:

Equity: September 30, 2018 : 159,349 million yen

March 31, 2018 : 155,021 million yen

Note: The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending March 31, 2019. The financial statements for the fiscal year ended March 31, 2018, have been recast to reflect the retrospective application of the amendments.

## 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, 2018	—	—	—	40.00	40.00
Year ending March 31, 2019	—	—			
Year ending March 31, 2019 (forecast)			—	40.00	40.00

Note: Revisions from the latest release of dividend forecasts: None

## 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full Year	605,000	1.5	19,000	(1.9)	20,000	(4.7)	13,500	0.9	199.09

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)

September 30, 2018	70,751,855 shares
March 31, 2018	70,751,855 shares

2) Treasury stock as of period-end

September 30, 2018	2,944,090 shares
March 31, 2018	2,941,743 shares

3) Average number of shares (during the respective period)

Six months ended September 30, 2018	67,808,930 shares
Six months ended September 30, 2017	67,830,930 shares

**\*This summary of financial statements is not subject to audit by certified public accountant and auditing firm.**

### \*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.

(Supplementary materials and presentation handouts)

Supplementary materials are attached to this report.

The Company has scheduled an earnings presentation aimed at analysts and institutional investors on Thursday, November 8, 2018, and intends to publish the presentation handout materials on its website on the same date of the event.

Table of Contents for Attachments

1. Operating Results .....	4
(1) Overview of Operating Results.....	4
(2) Analysis of Financial Condition .....	5
(3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results.....	6
2. Quarterly Consolidated Financial Statements and Key Notes .....	7
(1) Quarterly Consolidated Balance Sheets .....	7
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	9
Quarterly Consolidated Statements of Income.....	9
Quarterly Consolidated Statements of Comprehensive Income.....	10
(3) Quarterly Consolidated Statements of Cash Flows .....	11
(4) Notes to the Quarterly Consolidated Financial Statements .....	13
(Notes on the assumption of a Going-concern) .....	13
(Notes Concerning Significant Changes in Shareholders' Equity (if any)).....	13
(Additional Information) .....	13
(Segment and Other Information) .....	14

(Supplementary Information)

Supplementary Information for the six months ended September 30, 2018

## 1. Operating Results

### (1) Overview of Operating Results

In the six months ended September 30, 2018, business conditions in Japan gradually recovered, and economic recovery is expected to continue. However, there is concern about the impact of trade disputes, uncertainties in overseas economies, and the impact of fluctuations in the financial and capital markets as well as the impact of a series of natural disasters in Japan on the economy.

Although consumer spending is picking up as the employment and personal income environment improves, the trend for consumers to economize continues. In the food industry, there is movement to pass on cost increases to prices, and wide-ranging demand is being created as consumer values diversify—for instance, products that emphasize function or low price are being introduced.

In this business environment, in accordance with Group Medium-term Management Plan 2019, the MEGMILK SNOW BRAND Group endeavored to strengthen the earnings base in preparation for future growth through efforts to create multiple earnings bases and maximize cash flow, through product mix improvement accompanying sales growth from high-value-added products such as functional yogurt and from cheese and other mainstay products, and through scale expansion from continued marketing investment in the nutrition business sector.

Note that the Hokkaido Eastern Iburi Earthquake that occurred in September had an impact on parts of the Company's supply chain.

As net a result of these developments, in the six months ended September 30, 2018 consolidated net sales were ¥305,369 million (an increase of 0.6% over the same period of the previous fiscal year), operating profit was ¥9,587 million (down 13.4%), ordinary profit was ¥10,253 million (down 13.0%), and profit attributable to owners of parent was ¥6,422 million (down 10.6%).

Because of its increased importance, Luna Bussan Co., Ltd. has been accounted for as an equity-method affiliate since the first quarter of the fiscal year ending March 31, 2019.

Operating results by business segment for the six months ended September 30, 2018 were as follows. Note that net sales by segment are sales to outside customers.

#### 1) Dairy Products

This segment comprises the manufacture and sale of dairy products (cheese, butter, powdered milk), oils and fats, nutrition business products (functional foods, infant formula, etc.), and other products.

Net sales were ¥117,457 million (a decrease of 0.3% from the same period of the previous fiscal year), and operating profit was ¥5,370 million (down 5.0%).

Sales of butter were strong amid continued efforts to ensure a stable supply. Although sales of oils and fats declined in a market that remains sluggish, since March 2018 the Company has introduced product formulations that do not use partially hydrogenated oils (which include large amounts of trans fats), for household margarine products and will continue to work to secure sales through efforts to reduce trans fats. Sales of cheese declined, partly as a result of adapting sales activities to the domestic milk resources supply and demand situation. Sales of functional food products grew as a result of continued marketing investment for Mainichi Hone Care MBP, a "food for specified health use." As a net result of these developments, overall segment sales decreased slightly.

Operating profit decreased because of increases in raw material costs, partly due to the impact of raw milk price revisions, and an increase in fixed expenses, as well as the impact of the Hokkaido Eastern Iburi Earthquake, which occurred in September, despite product mix improvement and the positive impact of unit sales price differences accompanying price revisions and package volume changes.

## 2) Beverage & Dessert

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, dessert, and other products.

Net sales were ¥145,281 million (an increase of 0.9% from the same period of the previous fiscal year), and operating profit was ¥2,224 million (down 36.0%).

Sales of yogurt were strong due to strengthening of promotional activities that emphasize the functions of lactobacillus gasseri SP, the Company's own lactobacillus, contained in products such as Megumi Gasseri SP Yogurt Drink Berry Mix and Megumi Gasseri SP Yogurt Drink Muscat, newly launched as foods with function claims, and Megumi Gasseri SP Yogurt, renewed and relaunched as a food for specified health use. Beverage sales decreased due in part to the impact of market sluggishness. Dessert sales were strong, driven by sales of new products and renewed products. As a net result of these developments, overall segment sales increased.

Operating profit decreased substantially due to increases in promotional costs accompanying aggressive promotional activities, operation costs, and depreciation and amortization costs, despite the increase in functional yogurt sales.

## 3) Feed and Seeds

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, and other products.

Net sales were ¥23,906 million (an increase of 1.4% from the same period of the previous fiscal year), and operating profit was ¥1,215 million (down 10.4%).

Overall segment sales increased due to factors including an increase in selling prices of compound feeds, while profit declined due to the impact of lower sales of pasture forage/crop seeds, a decrease in sales volumes of compound feeds, and an increase in the cost of compound feeds.

## 4) Other

This segment comprises joint distribution center services, real estate rental, and other businesses.

Net sales in this segment were ¥18,724 (an increase of 2.6% from the same period of the previous fiscal year), and operating profit was ¥714 million (up 35.1%).

## (2) Analysis of Financial Condition

The Company has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

The accounting standard has been retroactively applied to the figures for the previous fiscal year to allow comparison and analysis.

### 1) Assets, liabilities, and net assets

#### Assets

Total assets as of September 30, 2018 increased by ¥3,570 million from the previous fiscal year-end. The change is mainly attributable to an increase in notes and accounts receivable-trade, which offset decreases in cash and deposits, merchandise and finished goods, and machinery, equipment and vehicles.

#### Liabilities

Total liabilities as of September 30, 2018 decreased by ¥902 million from the previous fiscal year-end. The change is mainly attributable to decreases in long-term loans payable and notes and accounts payable-trade, which offset an increase in electronically recorded obligations-operating.

#### Net assets

Net assets as of September 30, 2018 increased by ¥4,473 million from the previous fiscal year-end. The change is mainly attributable to increases in retained earnings and valuation difference on available-for-sale securities.

## 2) Cash flows

Cash and cash equivalents on a consolidated basis as of September 30, 2018 totaled ¥12,860 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the six months ended September 30, 2018.

### Cash flows from operating activities

Operating activities provided net cash of ¥11,886 million, a ¥ 1,001 million increase in cash provided from the ¥ 10,884 million in cash provided in the six months ended September 30, 2017. The change is mainly attributable to decreases in notes and accounts receivable-trade and inventories, which offset a decrease in notes and accounts payable-trade.

### Cash flows from investing activities

Investing activities used net cash of ¥9,131 million, a ¥3,290 million increase in cash used from the ¥5,841 million used in the six months ended September 30, 2017. The change is mainly attributable to an increase in purchase of property, plant and equipment and intangible assets.

### Cash flows from financing activities

Financing activities used net cash of ¥3,907 million, a ¥6,133 million decrease in cash used from the ¥10,041 million used in the six months ended September 30, 2017. The change is mainly attributable to a net increase in short-term loans payable and a decrease in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

## (3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results

There is no revision to the forecast of consolidated results disclosed in the Summary of Financial Results of May 10, 2018.

**2. Quarterly Consolidated Financial Statements and Key Notes**  
**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,620	12,923
Notes and accounts receivable-trade	69,302	76,190
Merchandise and finished goods	39,632	38,438
Work in process	1,423	1,621
Raw materials and supplies	12,857	12,990
Other	4,694	4,527
Allowance for doubtful accounts	(405)	(404)
Total current assets	142,125	146,287
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	48,039	47,041
Machinery, equipment and vehicles, net	56,095	54,927
Land	50,396	50,372
Other, net	10,262	11,337
Total property, plant and equipment	164,794	163,679
Intangible assets	3,921	3,385
Investments and other assets		
Investment securities	29,326	30,645
Deferred tax assets	4,859	4,601
Other	6,817	6,606
Allowance for doubtful accounts	(604)	(395)
Total investments and other assets	40,398	41,457
Total non-current assets	209,114	208,522
<b>Total assets</b>	<b>351,240</b>	<b>354,810</b>

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	60,475	59,562
Electronically recorded obligations-operating	4,021	5,614
Short-term loans payable	41,827	42,958
Income taxes payable	2,259	2,831
Provision for bonuses	5,208	5,013
Other	26,878	25,834
<b>Total current liabilities</b>	<b>140,670</b>	<b>141,814</b>
<b>Non-current liabilities</b>		
Long-term loans payable	27,089	25,136
Deferred tax liabilities	651	667
Deferred tax liabilities for land revaluation	3,981	3,975
Provision for director's retirement benefits	20	20
Provision for gift token exchange	190	184
Net defined benefit liabilities	8,667	8,640
Asset retirement obligations	1,699	1,721
Other	10,932	10,838
<b>Total non-current liabilities</b>	<b>53,231</b>	<b>51,184</b>
<b>Total liabilities</b>	<b>193,901</b>	<b>192,998</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,585	17,585
Retained earnings	108,186	112,164
Treasury stock	(4,643)	(4,650)
<b>Total shareholders' equity</b>	<b>141,128</b>	<b>145,100</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,322	6,812
Deferred gains or losses on hedges	(163)	(93)
Revaluation reserve for land	8,951	8,937
Foreign currency translation adjustment	382	97
Remeasurements of defined benefit plans	(1,600)	(1,505)
<b>Total accumulated other comprehensive income</b>	<b>13,892</b>	<b>14,249</b>
<b>Non-controlling interests</b>	<b>2,317</b>	<b>2,462</b>
<b>Total net assets</b>	<b>157,338</b>	<b>161,811</b>
<b>Total liabilities and net assets</b>	<b>351,240</b>	<b>354,810</b>



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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Net sales</b>	303,569	305,369
Cost of sales	229,196	232,144
<b>Gross profit</b>	<b>74,372</b>	<b>73,224</b>
Selling, general and administrative expenses	63,300	63,636
<b>Operating profit</b>	<b>11,072</b>	<b>9,587</b>
Non-operating income		
Interest income	10	9
Dividend income	250	252
Equity in earnings of affiliates	400	473
Other	641	469
<b>Total non-operating income</b>	<b>1,302</b>	<b>1,204</b>
Non-operating expenses		
Interest expenses	280	251
Contribution	73	121
Other	239	166
<b>Total non-operating expenses</b>	<b>593</b>	<b>539</b>
<b>Ordinary profit</b>	<b>11,781</b>	<b>10,253</b>
Extraordinary income		
Gain on sales of non-current assets	18	19
Gain on sales of investment securities	7	14
Other	1	73
<b>Total extraordinary income</b>	<b>27</b>	<b>107</b>
Extraordinary loss		
Loss on sales of non-current assets	93	0
Loss on retirement of non-current assets	437	535
Impairment loss	102	41
Disaster-related loss	—	614
Other	39	97
<b>Total extraordinary loss</b>	<b>673</b>	<b>1,289</b>
<b>Profit before income taxes</b>	<b>11,135</b>	<b>9,071</b>
Income taxes	3,974	2,508
Profit	7,160	6,563
Profit (loss) attributable to non-controlling interests	(23)	141
<b>Profit attributable to owners of parent</b>	<b>7,183</b>	<b>6,422</b>

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Profit</b>	7,160	6,563
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	295	490
Deferred gains or losses on hedges	44	69
Foreign currency translation adjustment	66	(284)
Remeasurements of defined benefit plans	45	95
Share of other comprehensive income of entities accounted for using the equity method	1	6
Total other comprehensive income	454	377
<b>Comprehensive income</b>	7,614	6,941
Comprehensive income attributable to owners of parent	7,637	6,793
Comprehensive income attributable to non- controlling interests	(22)	147

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	11,135	9,071
Depreciation and amortization	7,408	7,744
Impairment loss	102	41
Disaster-related loss	—	614
Equity in (earnings) losses of affiliates	(400)	(473)
Increase (decrease) in allowance for doubtful accounts	126	(208)
Increase (decrease) in provision for bonuses	(288)	(192)
Decrease (increase) in net defined benefit asset	(366)	(201)
Increase (decrease) in net defined benefit liability	193	(161)
Increase (decrease) in provision for gift token exchange	(7)	(5)
Increase (decrease) in provision for directors' retirement benefits	(117)	—
Loss (gain) on sales and retirement of non-current assets	512	516
Interest and dividend income received	(261)	(261)
Interest expenses	280	251
Decrease (increase) in notes and accounts receivable-trade	(11,423)	(6,975)
Decrease (increase) in inventories	(1,359)	469
Increase (decrease) in notes and accounts payable-trade	6,484	730
Other	1,278	2,849
<b>Sub total</b>	<b>13,299</b>	<b>13,808</b>
Interest and dividend income	333	317
Interest expenses paid	(273)	(238)
Payments for disaster-related loss	—	(38)
Income taxes paid	(2,474)	(1,961)
<b>Net cash provided by (used in) operating activities</b>	<b>10,884</b>	<b>11,886</b>

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Cash flows from investing activities</b>		
Payments into time deposits	(45)	(22)
Proceeds from withdrawal of time deposits	190	502
Payments of loans receivable	(233)	(25)
Collection of loans receivable	235	2
Purchase of property, plant and equipment and intangible assets	(6,573)	(9,727)
Proceeds from sales of property, plant and equipment and intangible assets	375	70
Purchase of investment securities	(9)	(15)
Proceeds from sales of investment securities	11	47
Other	206	35
Net cash provided by (used in) investing activities	(5,841)	(9,131)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(2,535)	2,246
Proceeds from long-term loans payable	1,500	—
Repayment of long-term loans payable	(4,307)	(3,067)
Purchase of treasury stock	(7)	(7)
Cash dividends paid	(2,708)	(2,706)
Cash dividends paid to non-controlling interests	(0)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,424)	—
Other	(555)	(370)
Net cash provided by (used in) financing activities	(10,041)	(3,907)
Effect of exchange rate on cash and cash equivalents	28	(62)
Net increase (decrease) in cash and cash equivalents	(4,968)	(1,215)
Cash and cash equivalents at beginning of period	15,940	14,076
Cash and cash equivalents at end of period	10,972	12,860

**(4) Notes to the Quarterly Consolidated Financial Statements**

(Notes on the assumption of a Going-concern)

Not applicable.

(Notes Concerning Significant Changes in Shareholders' Equity (if any))

Not applicable.

(Additional Information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.")

With the adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company has changed the presentation method for "deferred tax assets" and "deferred tax liabilities" to be presented under "investments and other assets" and "non-current liabilities," respectively.

(Segment and Other Information)  
**【Segment information】**

Net sales and income/loss by reportable segment  
Six months ended September 30, 2017 (April 1 to September 30, 2017)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated statements of income (note 3)
	Dairy products	Beverage and dessert	Feed and seeds	Total				
Net sales								
Sales to outside customers	117,760	143,982	23,581	285,325	18,244	303,569	—	303,569
Inter-segment sales and transfers	7,085	18	443	7,547	6,137	13,684	(13,684)	—
<b>Total</b>	<b>124,845</b>	<b>144,001</b>	<b>24,025</b>	<b>292,872</b>	<b>24,381</b>	<b>317,254</b>	<b>(13,684)</b>	<b>303,569</b>
<b>Segment profit</b>	<b>5,653</b>	<b>3,476</b>	<b>1,355</b>	<b>10,485</b>	<b>528</b>	<b>11,014</b>	<b>57</b>	<b>11,072</b>

Note: 1. "Other" comprises businesses, such as the joint distribution center and real estate rental services are not included in reportable segments.  
2. The 57 million yen adjustment for segment profit is for elimination of intersegment transactions.  
3. Segment profit adjustments are based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.

Six months ended September 30, 2018 (April 1 to September 30, 2018)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated statements of income (note 3)
	Dairy products	Beverage and dessert	Feed and seeds	Total				
Net sales								
Sales to outside customers	117,457	145,281	23,906	286,644	18,724	305,369	—	305,369
Inter-segment sales and transfers	6,805	41	456	7,303	6,285	13,589	(13,589)	—
<b>Total</b>	<b>124,262</b>	<b>145,322</b>	<b>24,362</b>	<b>293,948</b>	<b>25,009</b>	<b>318,958</b>	<b>(13,589)</b>	<b>305,369</b>
<b>Segment profit</b>	<b>5,370</b>	<b>2,224</b>	<b>1,215</b>	<b>8,810</b>	<b>714</b>	<b>9,525</b>	<b>62</b>	<b>9,587</b>

Note: 1. "Other" comprises businesses, such as the joint distribution center and real estate rental services that are not included in reportable segments.  
2. The 62 million yen adjustment for segment profit is for elimination of intersegment transactions.  
3. Segment profit adjustments are based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.