

**Consolidated Financial Results for the Nine Months Ended December 31, 2020**  
(Prepared pursuant to Japanese GAAP)

February 9, 2021

Company name: MEGMILK SNOW BRAND Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Sapporo Securities Exchange  
 Stock code: 2270  
 URL: <https://www.meg-snow.com/english>  
 Representative: Keiji Nishio, Representative Director and President  
 Contact: Kentaro Watanabe, General Manager, Public Relations & Investor Relations Department  
 Phone: +81 3-3226-2124

(Amounts rounded down to the nearest million yen)

**1. Consolidated Results for the First Nine Months of the Fiscal Year Ending March 31, 2021**  
(April 1, 2020 – December 31, 2020)

(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	%
Nine months ended December 31, 2020	470,619	0.3	16,955	14.7	18,445	12.5	11,541	12.8
Nine months ended December 31, 2019	469,118	2.1	14,788	5.8	16,400	7.8	10,235	7.3

Note: Comprehensive income: Nine months Ended December 31, 2020 : 15,290 million yen (21.4%)  
 Nine months Ended December 31, 2019 : 12,594 million yen (49.5%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Nine months ended December 31, 2020	170.69	—
Nine months ended December 31, 2019	151.19	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2020	394,547	190,283	47.5	2,773.03
March 31, 2020	370,434	178,094	47.3	2,586.86

For reference:

Equity: December 31, 2020 : 187,272 million yen  
 March 31, 2020 : 175,112 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, 2020	—	—	—	40.00	40.00
Year ending March 31, 2021	—	—	—		
Year ending March 31, 2021 (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, 2021 (April 1, 2020 – March 31, 2021)

(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	620,000	1.1	19,000	5.6	20,500	4.2	13,000	6.9	192.50

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, 2020	70,751,855 shares
March 31, 2020	70,751,855 shares

2) Treasury stock as of period-end

December 31, 2020	3,218,227 shares
March 31, 2020	3,058,747 shares

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

Nine months ended December 31, 2020	67,613,544 shares
Nine months ended December 31, 2019	67,698,746 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.

Table of Contents for Attachments

1. Operating Results .....	4
(1) Overview of Operating Results.....	4
(2) Analysis of Financial Condition .....	6
(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
(Segment and Other information) .....	14

(Supplementary Information)

Supplementary Information for the Nine Months Ended December 31, 2020

## 1. Operating Results

### (1) Overview of Operating Results

During the nine months ended December 31, 2020, the Japanese economy continued to face conditions due to the impact of the novel coronavirus (COVID-19). Amid efforts to balance social and economic activity with prevention of further spread of infection, however, there were some signs of recovery. Meanwhile, with regard to the outlook, the situation does not allow for optimism, and both economic trends and trends relating to the spread of infection in Japan and abroad will require close monitoring.

Although consumer spending rapidly declined as consumer sentiment worsened due to the impact of COVID-19, the incremental resumption of social and economic activity brought with it signs of a gradual recovery in spending. However, recovery has stalled with the recent resurgence of case numbers, and the consumption environment is once again severe.

COVID-19 has had a substantial impact on the food industry. At-home consumption of food increased, because consumers stayed home to prevent the spread of infection, while demand slumped in the restaurant industry, which suffered from various COVID-19-related restrictions. Despite economic stimulus measures implemented by the government contributing to a temporary earnings recovery in the restaurant industry, there is now renewed risk of earnings falling short of expectations.

In this business environment, the MEGMILK SNOW BRAND Group is pursuing initiatives to “Establish earnings bases in four business sectors (Dairy Products; Beverage & Dessert; Nutrition; and Feedstuffs & Seed)” in accordance with the Group Medium-term Management Plan 2022. Through the first three quarters, the Group undertook the following initiatives: (1) further product mix improvement through strategic expansion of functional yogurt and cheese, and other mainstay products, (2) simultaneous pursuit of scale expansion and profit generation through continued marketing investment in the nutrition business field, (3) strategic expansion and development of an earnings base in the seed products business, and (4) bolstering the Group’s overall strengths by making full use of Group managerial resources and the value chain.

The Group also took steps to prevent the spread of COVID-19 among Group employees and strived to provide a stable supply of safe and reliable products to customers. In addition, at a time of sharply decreased demand for milk and other products accompanying suspension of school meals and declining demand for eating out because of the pandemic, the Group engaged in raw milk processing aimed at preventing the need for disposal of raw milk. When demand subsequently dropped again, the Group worked to fulfill its role in adjusting supply and demand.

As a result of these developments, in the nine months ended December 31, 2020, consolidated net sales were ¥470,619 million (up 0.3% YoY), operating profit was ¥16,955 million (up 14.7%), ordinary profit was ¥18,445 million (up 12.5%), and profit attributable to owners of parent was ¥11,541 million (up 12.8%).

Operating results by business segment for the nine months ended December 31, 2020 were as follows. 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), margarine, nutrition business products (functional foods and infant formula), and other products.

Net sales were ¥199,210 million (up 5.7% year on year), and operating profit was ¥11,247 million (up 28.8%).

The impact of COVID-19 on sales varied between sales channels. For instance, demand for home-cooked meals increased, while demand for eating out declined. In these circumstances, sales of butter were flat year-on-year amid continued efforts to ensure a stable supply. Sales of margarine increased slightly, due in part to expansion of the household-use market and the effect of promotional activities such as provision of new serving suggestions. Sales of cheese increased thanks to the effect of TV commercials and other promotional activities and growth of the household-use cheese products market due to increased demand for home-cooked meals. Sales of functional food products rose due to continued marketing investment in Mainichi Hone Care MBP, a food for specified health use. As a result of these developments, overall segment sales increased.

Operating profit increased due to factors including a decrease in fixed costs and higher sales volumes of household-use products.

## 2) Beverage & Dessert

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

Net sales were ¥211,539 million (down 3.3% YoY), and operating profit was ¥3,747 million (down 13.7%).

Sales of beverages (both milk-based and other beverages) declined due to factors including suspension of school meals accompanying temporary school closures to prevent the spread of COVID-19 and the fragmentation of consumption due to diversification of consumption behavior and consumer taste. Sales of yogurt also declined despite efforts to expand sales through activities to promote the benefits of *Lactobacillus gasseri* SP and *Lactobacillus helveticus* yogurt (which are products with function claims) because of the increasing diversification of products with function claims on the market. Dessert sales were strong, reflecting the launch of new products and other efforts to increase product appeal and market growth accompanying an increase in stay-at-home consumption. As a result of these developments, overall segment sales decreased.

Operating profit declined, reflecting higher operation costs, a decrease in sales volumes due to the impact of changes in consumption trends attributable to COVID-19, and other factors, despite the positive effect of efficient use of promotional costs.

## 3) Feedstuffs and Seed

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

Net sales were ¥32,911 million (down 2.4% YoY), and operating profit was ¥1,125 million (up 2.7%).

Overall segment sales decreased year on year, mainly because of a decline in sales volumes of pasture forage and crop seed and feedstuffs.

Operating profit, on the other hand, rose mainly due to a decrease in fixed expenses.

## 4) Other

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

Net sales were ¥26,958 million (down 4.7% YoY), while operating profit was ¥1,082 million (up 69.3%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

Assets

Total assets as of December 31, 2020 increased by ¥24,113 million from the previous fiscal year-end. The change is mainly attributable to increases in notes and accounts receivable–trade, construction in progress (included in “Other” under property, plant and equipment), and investment securities.

Liabilities

Total liabilities as of December 31, 2020 increased by ¥11,925 million from the previous fiscal year-end. The change is mainly attributable to increases in short-term loans payable and notes and accounts payable–trade, which offset decreases in long-term loans payable and provision for bonuses.

Net assets

Total net assets as of December 31, 2020 increased by ¥12,188 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 December 31, 2020 totaled ¥14,641 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the nine months ended December 31, 2020.

Cash flows from operating activities

Operating activities provided net cash of ¥16,246 million, compared to ¥17,293 million provided in the same period the previous fiscal year. The year-on-year decrease in cash provided of ¥1,047 million is mainly attributable to increases in notes and accounts receivable-trade and income taxes paid, which offset an increase in profit before income taxes.

Cash flows from investing activities

Investing activities used net cash of ¥24,404 million, compared to ¥14,145 million used in the used in the same period the previous fiscal year. The year-on-year increase in cash used of ¥10,258 million is mainly attributable to an increase in purchase of property, plant and equipment and intangible assets.

Cash flows from financing activities

Financing activities provided net cash of ¥7,284 million, compared to ¥6,289 million used in the same period the previous fiscal year. The year-on-year increase in cash provided of ¥13,573 million is mainly attributable to an increase in proceeds from long-term loans payable.

(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 13, 2020.

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

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	15,536	14,656
Notes and accounts receivable-trade	71,880	83,012
Merchandise and finished goods	42,998	42,525
Work in process	1,044	670
Raw materials and supplies	14,954	15,336
Other	5,183	6,139
Allowance for doubtful accounts	(410)	(407)
Total current assets	151,187	161,934
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	46,497	47,996
Machinery, equipment and vehicles, net	54,136	53,613
Land	49,910	49,681
Other, net	20,487	27,249
Total property, plant and equipment	171,031	178,541
Intangible assets		
Goodwill	719	641
Other	3,007	2,823
Total intangible assets	3,727	3,464
Investments and other assets		
Investment securities	34,807	40,245
Deferred tax assets	3,006	2,970
Other	6,928	7,634
Allowance for doubtful accounts	(255)	(243)
Total investments and other assets	44,487	50,607
Total non-current assets	219,246	232,613
<b>Total assets</b>	370,434	394,547

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	55,354	58,539
Electronically recorded obligations-operating	5,436	5,068
Short-term loans payable	18,140	32,144
Income taxes payable	3,740	2,173
Provision for bonuses	5,212	2,804
Other	32,435	32,509
<b>Total current liabilities</b>	<b>120,319</b>	<b>133,240</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,129	32,197
Deferred tax liabilities	858	3,000
Deferred tax liabilities for land revaluation	3,959	3,898
Provision for director's retirement benefits	20	20
Provision for gift token exchange	79	70
Net defined benefit liabilities	10,017	10,398
Asset retirement obligations	1,298	1,332
Other	10,656	10,106
<b>Total non-current liabilities</b>	<b>72,019</b>	<b>71,024</b>
<b>Total liabilities</b>	<b>192,339</b>	<b>204,264</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,606	17,607
Retained earnings	125,489	134,461
Treasury stock	(4,961)	(5,353)
<b>Total shareholders' equity</b>	<b>158,134</b>	<b>166,714</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,747	14,048
Deferred gains or losses on hedges	(88)	(81)
Revaluation reserve for land	8,815	8,677
Foreign currency translation adjustment	(142)	(212)
Remeasurements of defined benefit plans	(2,354)	(1,874)
<b>Total accumulated other comprehensive income</b>	<b>16,977</b>	<b>20,557</b>
<b>Non-controlling interests</b>	<b>2,982</b>	<b>3,010</b>
<b>Total net assets</b>	<b>178,094</b>	<b>190,283</b>
<b>Total liabilities and net assets</b>	<b>370,434</b>	<b>394,547</b>



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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
<b>Net sales</b>	469,118	470,619
Cost of sales	358,651	360,764
<b>Gross profit</b>	<b>110,466</b>	<b>109,855</b>
Selling, general and administrative expenses	95,678	92,900
<b>Operating profit</b>	<b>14,788</b>	<b>16,955</b>
Non-operating income		
Interest income	7	4
Dividend income	696	684
Equity in earnings of affiliates	901	964
Other	771	635
<b>Total non-operating income</b>	<b>2,377</b>	<b>2,288</b>
Non-operating expenses		
Interest expenses	247	305
Other	517	493
<b>Total non-operating expenses</b>	<b>764</b>	<b>799</b>
<b>Ordinary profit</b>	<b>16,400</b>	<b>18,445</b>
Extraordinary income		
Gain on sales of non-current assets	10	27
Gain on sales of investment securities	2	15
Other	0	0
<b>Total extraordinary income</b>	<b>12</b>	<b>43</b>
Extraordinary loss		
Loss on sales of non-current assets	2	9
Loss on retirement of non-current assets	883	985
Impairment loss	421	672
Loss on fire damage	566	—
Other	57	162
<b>Total extraordinary loss</b>	<b>1,931</b>	<b>1,829</b>
<b>Profit before income taxes</b>	<b>14,481</b>	<b>16,658</b>
Income taxes	4,090	5,061
<b>Profit</b>	<b>10,390</b>	<b>11,597</b>
Profit attributable to non-controlling interests	155	56
<b>Profit attributable to owners of parent</b>	<b>10,235</b>	<b>11,541</b>

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
<b>Profit</b>	10,390	11,597
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,038	3,118
Deferred gains or losses on hedges	57	7
Foreign currency translation adjustment	(167)	(98)
Remeasurements of defined benefit plans	230	475
Share of other comprehensive income of entities accounted for using the equity method	43	190
Total other comprehensive income	2,203	3,692
<b>Comprehensive income</b>	12,594	15,290
Comprehensive income attributable to owners of parent	12,449	15,259
Comprehensive income attributable to non- controlling interests	144	30

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

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	14,481	16,658
Depreciation and amortization	11,999	11,866
Impairment loss	421	672
Equity in (earnings) losses of affiliates	(901)	(964)
Amortization of goodwill	69	66
Increase (decrease) in allowance for doubtful accounts	(140)	(14)
Increase (decrease) in provision for bonuses	(1,166)	(2,408)
Decrease (increase) in net defined benefit asset	(160)	(437)
Increase (decrease) in net defined benefit liability	202	900
Increase (decrease) in provision for gift token exchange	(6)	(8)
Loss (gain) on sales and retirement of non-current assets	875	967
Interest and dividend income received	(703)	(689)
Interest expenses	247	305
Decrease (increase) in notes and accounts receivable-trade	(10,821)	(11,483)
Decrease (increase) in inventories	91	421
Increase (decrease) in notes and accounts payable-trade	3,776	3,601
Other	1,851	1,997
<b>Sub total</b>	<b>20,115</b>	<b>21,452</b>
Interest and dividend income	761	788
Interest expenses paid	(286)	(297)
Income taxes paid	(3,297)	(5,697)
Net cash provided by (used in) operating activities	17,293	16,246

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	(2)
Payments of loans receivable	(62)	(244)
Collection of loans receivable	27	94
Purchase of property, plant and equipment and intangible assets	(14,148)	(24,263)
Proceeds from sales of property, plant and equipment and intangible assets	97	60
Purchase of investment securities	(104)	(14)
Proceeds from sales of investment securities	24	55
Other	19	(89)
Net cash provided by (used in) investing activities	(14,145)	(24,404)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(55)	70
Proceeds from long-term loans payable	—	12,540
Repayment of long-term loans payable	(2,553)	(1,538)
Purchase of treasury stock	(13)	(392)
Cash dividends paid	(2,707)	(2,704)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(957)	(687)
Net cash provided by (used in) financing activities	(6,289)	7,284
Effect of exchange rate on cash and cash equivalents	(46)	(8)
Net increase (decrease) in cash and cash equivalents	(3,188)	(882)
Cash and cash equivalents at beginning of period	14,303	15,524
Increase in cash and cash equivalents from newly consolidated subsidiaries	168	—
Cash and cash equivalents at end of period	11,283	14,641

**(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.

(Segment and Other information)  
 【Segment information】

I Nine months ended December 31, 2019 (April 1 to December 31, 2019)

1. Net sales and income/loss by reportable segment

(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	Feedstuffs and Seed	Total				
Net sales								
Sales to outside customers	188,409	218,681	33,733	440,823	28,295	469,118	—	469,118
Inter-segment sales and transfers	9,426	78	696	10,202	9,408	19,611	(19,611)	—
Total	197,835	218,759	34,430	451,025	37,704	488,729	(19,611)	469,118
Segment profit	8,733	4,341	1,095	14,170	639	14,809	(21)	14,788

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

2. The -21 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.

2. Impairment loss on non-current assets or goodwill by reportable segment.

Not applicable.

II Nine months ended December 31, 2020 (April 1 to December 31, 2020)

1. Net sales and income/loss by reportable segment

(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	Feedstuffs and Seed	Total				
Net sales								
Sales to outside customers	199,210	211,539	32,911	443,661	26,958	470,619	—	470,619
Inter-segment sales and transfers	9,323	85	587	9,997	11,034	21,031	(21,031)	—
Total	208,533	211,625	33,499	453,658	37,992	491,651	(21,031)	470,619
Segment profit	11,247	3,747	1,125	16,119	1,082	17,202	(246)	16,955

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

2. The -246 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.

2. Impairment loss on non-current assets or goodwill by reportable segment

Not applicable.