

**Consolidated Financial Results for the Six Months Ended September 30, 2020**  
(Prepared pursuant to Japanese GAAP)

November 9, 2020

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, 2021**  
(April 1, 2020 – September 30, 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	%
Six months ended September 30, 2020	314,035	0.8	11,088	4.2	11,980	2.1	7,193	(6.6)
Six months ended September 30, 2019	311,625	2.0	10,637	10.9	11,733	14.4	7,703	20.0

Note: Comprehensive income: Six months Ended September 30, 2020 : 9,545 million yen (16.3%)  
 Six months Ended September 30, 2019 : 8,210 million yen (18.3%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Six months ended September 30, 2020	106.34	—
Six months ended September 30, 2019	113.79	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
September 30, 2020	390,656	184,539	46.5	2,689.00
March 31, 2020	370,434	178,094	47.3	2,586.86

For reference:

Equity: September 30, 2020 : 181,600 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	192.49

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

2) Treasury stock as of period-end

September 30, 2020	3,217,410 shares
March 31, 2020	3,058,747 shares

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

Six months ended September 30, 2020	67,647,671 shares
Six months ended September 30, 2019	67,699,430 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 a conference call for analysts and institutional investors on Monday, November 9, 2020. The present consolidated financial results summary report and the supplementary information document will be used as reference materials during the conference call.

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Supplementary Information for the Six Months Ended September 30, 2020

## 1. Operating Results

### (1) Overview of Operating Results

During the six months ended September 30, 2020, the Japanese economy continued to face extremely difficult conditions due to the impact of the novel coronavirus outbreak. Amid efforts to balance social and economic activity with prevention of further spread of infection, however, there were some signs of recovery.

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 the novel coronavirus outbreak, the incremental resumption of social and economic activity is leading to a gradual recovery in spending.

The novel coronavirus outbreak is having a substantial impact on the food industry, and on the whole, movement toward recovery is sluggish. The growth in sales in the retail food sector achieved through efforts to meet increased stay-at-home consumption has slowed somewhat, and a recovery in the restaurant industry is also still far off, despite a variety of measures being implemented by the government and other bodies.

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 newly instituted Group Medium-term Management Plan 2022. In the first and second quarters, the Group undertook (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 continuation of marketing investment in the nutrition business field, (3) strategic expansion and development of an earnings base in the seed products business, and (4) bolstering of 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 novel coronavirus infection 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 due to the impact of the novel coronavirus outbreak, the Group engaged in raw milk processing to perform its role of adjusting supply and demand to avoid disposal of raw milk.

As a result of these developments, in the six months ended September 30, 2020, consolidated net sales were ¥314,035 million (up 0.8% YoY), operating profit was ¥11,088 million (up 4.2%), ordinary profit was ¥11,980 million (up 2.1%), and profit attributable to owners of parent was ¥7,193 million (down 6.6%).

Operating results by business segment for the six months ended September 30, 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 ¥129,848 million (up 6.4% year on year), and operating profit was ¥6,567 million (up 26.1%).

The impact of the novel coronavirus outbreak on sales differed by sales channel: For instance, demand for at-home meals increased, while demand for eating out declined. In these circumstances, sales of butter were strong amid continued efforts to ensure a stable supply. Sales of margarine increased, due in part to the household-use market shifting from contraction to expansion 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 cheese products market due to increased demand for homemade 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 products, despite declining demand for eating out due to the novel coronavirus outbreak.

## 2) Beverage & Dessert

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

Net sales were ¥143,427 million (down 2.6% YoY), and operating profit was ¥2,763 million (down 22.3%).

Sales of beverages declined due to factors including suspension of school meals accompanying temporary school closures to prevent the spread of the novel coronavirus and the impact of changes in consumption trends with people staying at home. Sales of yogurt were also affected by changes in consumption trends. Although sales of plain yogurt and other yogurt products were solid, sales of lactobacillus gasseri SP and lactobacillus helveticus yogurt, which are products with function claims, declined despite promotional activities. 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 substantially, reflecting higher operation costs, a decrease in sales volumes due to the impact of changes in consumption trends attributable to the novel coronavirus outbreak, 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 ¥22,562 million (down 5.5% YoY), and operating profit was ¥1,239 million (up 8.6%). 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 ¥18,197 million (down 1.4% YoY), and operating profit was ¥649 million (down 8.5%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

Assets

Total assets as of September 30, 2020 increased by ¥20,222 million from the previous fiscal year-end. The change is mainly attributable to increases in notes and accounts receivable-trade, investment securities, and construction in progress (included in "Other" under property, plant and equipment).

Liabilities

Total liabilities as of September 30, 2020 increased by ¥13,777 million from the previous fiscal year-end. The change is mainly attributable to increases in long-term loans payable.

Net assets

Total net assets as of September 30, 2020 increased by ¥6,444 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, 2020 totaled ¥17,272 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the six months ended September 30, 2020.

Cash flows from operating activities

Operating activities provided net cash of ¥9,694 million, compared to ¥13,639 million provided in the same period the previous fiscal year. The year-on-year decrease in cash provided of ¥3,945 million is mainly attributable to an increase in notes and accounts receivable-trade, which offset an increase in notes and accounts payable-trade.

Cash flows from investing activities

Investing activities used net cash of ¥15,795 million, compared to ¥9,924 million used in the used in the same period the previous fiscal year. The year-on-year increase in cash used of ¥5,870 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 ¥7,852 million, compared to ¥5,211 million used in the same period the previous fiscal year. The year-on-year increase in cash provided of ¥13,064 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 September 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	15,536	17,287
Notes and accounts receivable-trade	71,880	76,410
Merchandise and finished goods	42,998	44,494
Work in process	1,044	1,099
Raw materials and supplies	14,954	15,133
Other	5,183	6,075
Allowance for doubtful accounts	(410)	(391)
Total current assets	151,187	160,110
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	46,497	47,234
Machinery, equipment and vehicles, net	54,136	54,578
Land	49,910	49,688
Other, net	20,487	26,989
Total property, plant and equipment	171,031	178,491
Intangible assets		
Goodwill	719	649
Other	3,007	2,914
Total intangible assets	3,727	3,564
Investments and other assets		
Investment securities	34,807	38,326
Deferred tax assets	3,006	3,026
Other	6,928	7,380
Allowance for doubtful accounts	(255)	(243)
Total investments and other assets	44,487	48,490
Total non-current assets	219,246	230,546
<b>Total assets</b>	<b>370,434</b>	<b>390,656</b>

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	55,354	55,563
Electronically recorded obligations-operating	5,436	4,915
Short-term loans payable	18,140	17,295
Income taxes payable	3,740	3,479
Provision for bonuses	5,212	5,067
Other	32,435	34,488
<b>Total current liabilities</b>	<b>120,319</b>	<b>120,809</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,129	47,364
Deferred tax liabilities	858	2,043
Deferred tax liabilities for land revaluation	3,959	3,898
Provision for director's retirement benefits	20	20
Provision for gift token exchange	79	73
Net defined benefit liabilities	10,017	10,223
Asset retirement obligations	1,298	1,369
Other	10,656	10,315
<b>Total non-current liabilities</b>	<b>72,019</b>	<b>85,307</b>
<b>Total liabilities</b>	<b>192,339</b>	<b>206,117</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	130,113
Treasury stock	(4,961)	(5,351)
<b>Total shareholders' equity</b>	<b>158,134</b>	<b>162,369</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,747	12,940
Deferred gains or losses on hedges	(88)	(91)
Revaluation reserve for land	8,815	8,677
Foreign currency translation adjustment	(142)	(260)
Remeasurements of defined benefit plans	(2,354)	(2,034)
<b>Total accumulated other comprehensive income</b>	<b>16,977</b>	<b>19,230</b>
<b>Non-controlling interests</b>	<b>2,982</b>	<b>2,939</b>
<b>Total net assets</b>	<b>178,094</b>	<b>184,539</b>
<b>Total liabilities and net assets</b>	<b>370,434</b>	<b>390,656</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, 2019	Six months ended September 30, 2020
<b>Net sales</b>	311,625	314,035
Cost of sales	237,539	241,314
<b>Gross profit</b>	<b>74,085</b>	<b>72,721</b>
Selling, general and administrative expenses	63,448	61,633
<b>Operating profit</b>	<b>10,637</b>	<b>11,088</b>
Non-operating income		
Interest income	5	3
Dividend income	410	392
Equity in earnings of affiliates	582	587
Other	570	499
<b>Total non-operating income</b>	<b>1,568</b>	<b>1,483</b>
Non-operating expenses		
Interest expenses	154	200
Other	318	391
<b>Total non-operating expenses</b>	<b>472</b>	<b>591</b>
<b>Ordinary profit</b>	<b>11,733</b>	<b>11,980</b>
Extraordinary income		
Gain on sales of non-current assets	8	8
Other	0	—
<b>Total extraordinary income</b>	<b>8</b>	<b>8</b>
Extraordinary loss		
Loss on sales of non-current assets	0	7
Loss on retirement of non-current assets	622	602
Impairment loss	162	651
Other	57	230
<b>Total extraordinary loss</b>	<b>843</b>	<b>1,492</b>
<b>Profit before income taxes</b>	<b>10,897</b>	<b>10,496</b>
Income taxes	3,067	3,325
<b>Profit</b>	<b>7,830</b>	<b>7,171</b>
Profit (loss) attributable to non-controlling interests	126	(22)
<b>Profit attributable to owners of parent</b>	<b>7,703</b>	<b>7,193</b>

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Profit</b>	7,830	7,171
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	290	2,057
Deferred gains or losses on hedges	(16)	(2)
Foreign currency translation adjustment	(72)	(131)
Remeasurements of defined benefit plans	187	316
Share of other comprehensive income of entities accounted for using the equity method	(8)	133
Total other comprehensive income	380	2,373
<b>Comprehensive income</b>	8,210	9,545
Comprehensive income attributable to owners of parent	8,072	9,585
Comprehensive income attributable to non- controlling interests	138	(40)

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	10,897	10,496
Depreciation and amortization	8,095	7,975
Impairment loss	162	651
Equity in (earnings) losses of affiliates	(582)	(587)
Amortization of goodwill	47	43
Increase (decrease) in allowance for doubtful accounts	(27)	(31)
Increase (decrease) in provision for bonuses	100	(145)
Decrease (increase) in net defined benefit asset	(0)	(291)
Increase (decrease) in net defined benefit liability	(59)	550
Increase (decrease) in provision for gift token exchange	(4)	(6)
Loss (gain) on sales and retirement of non-current assets	615	601
Interest and dividend income received	(415)	(396)
Interest expenses	154	200
Decrease (increase) in notes and accounts receivable-trade	(512)	(4,876)
Decrease (increase) in inventories	(1,700)	(1,775)
Increase (decrease) in notes and accounts payable-trade	(817)	476
Other	(998)	(37)
<b>Sub total</b>	<b>14,954</b>	<b>12,847</b>
Interest and dividend income	473	496
Interest expenses paid	(195)	(182)
Income taxes paid	(1,593)	(3,466)
<b>Net cash provided by (used in) operating activities</b>	<b>13,639</b>	<b>9,694</b>

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	(2)
Payments of loans receivable	(28)	(142)
Collection of loans receivable	24	92
Purchase of property, plant and equipment and intangible assets	(9,924)	(15,665)
Proceeds from sales of property, plant and equipment and intangible assets	94	30
Purchase of investment securities	(105)	(10)
Other	15	(97)
Net cash provided by (used in) investing activities	(9,924)	(15,795)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	8	10
Proceeds from long-term loans payable	—	12,500
Repayment of long-term loans payable	(2,152)	(1,120)
Purchase of treasury stock	(5)	(390)
Cash dividends paid	(2,705)	(2,702)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(354)	(440)
Net cash provided by (used in) financing activities	(5,211)	7,852
Effect of exchange rate on cash and cash equivalents	(37)	(3)
Net increase (decrease) in cash and cash equivalents	(1,533)	1,748
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	12,938	17,272

**(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 Six months ended September 30, 2019 (April 1 to September 30, 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	122,034	147,246	23,882	293,163	18,461	311,625	—	311,625
Inter-segment sales and transfers	6,378	51	474	6,905	6,285	13,190	(13,190)	—
<b>Total</b>	<b>128,412</b>	<b>147,298</b>	<b>24,357</b>	<b>300,068</b>	<b>24,747</b>	<b>324,815</b>	<b>(13,190)</b>	<b>311,625</b>
Segment profit	5,209	3,557	1,140	9,907	709	10,616	20	10,637

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

2. The 20 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 Six months ended September 30, 2020 (April 1 to September 30, 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	129,848	143,427	22,562	295,838	18,197	314,035	—	314,035
Inter-segment sales and transfers	6,196	55	395	6,647	7,253	13,900	(13,900)	—
<b>Total</b>	<b>136,044</b>	<b>143,482</b>	<b>22,957</b>	<b>302,485</b>	<b>25,451</b>	<b>327,936</b>	<b>(13,900)</b>	<b>314,035</b>
Segment profit	6,567	2,763	1,239	10,570	649	11,220	(132)	11,088

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

2. The -132 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.