

**Consolidated Financial Results for the Nine Months Ended December 31, 2019**  
(Prepared pursuant to Japanese GAAP)

February 7, 2020

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 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 Nine Months of the Fiscal Year Ending March 31, 2020**  
(April 1, 2019 – December 31, 2019)

(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, 2019	469,118	2.1	14,788	5.8	16,400	7.8	10,235	7.3
Nine months ended December 31, 2018	459,477	1.1	13,972	(13.3)	15,212	(13.4)	9,542	(18.9)

Note: Comprehensive income: Nine months Ended December 31, 2019 : 12,594 million yen (49.5%)  
 Nine months Ended December 31, 2018 : 8,421 million yen (-34.9%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Nine months ended December 31, 2019	151.19	—
Nine months ended December 31, 2018	140.73	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2019	374,568	178,557	46.9	2,593.31
March 31, 2019	359,445	168,782	46.3	2,456.35

For reference:

Equity: December 31, 2019 : 175,554 million yen  
 March 31, 2019 : 166,295 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, 2019	—	—	—	40.00	40.00
Year ending March 31, 2020	—	—	—		
Year ending March 31, 2020 (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, 2020 (April 1, 2019 – March 31, 2020)

(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	612,000	1.4	17,300	0.4	19,000	(0.1)	11,500	6.9	169.87

Note: Revisions from the latest release of earnings forecasts: Yes

For details, please see "1. Operating Results, (3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results" on page 6.

### 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, 2019	70,751,855 shares
March 31, 2019	70,751,855 shares
  - 2) Treasury stock as of period-end

December 31, 2019	3,056,679 shares
March 31, 2019	3,051,487 shares
  - 3) Average number of shares (during the respective period)

Nine months ended December 31, 2019	67,698,746 shares
Nine months ended December 31, 2018	67,807,918 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.

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 Supplementary Information for the Nine Months Ended December 31, 2019

## 1. Operating Results

### (1) Overview of Operating Results

Although business conditions in Japan gradually recovered in the nine months ended December 31, 2019, the economy showed some weakness, mainly in the export sector.

While the gradual recovery is expected to continue, there is concern about exports and production in Japan due to uncertainties in overseas economies as well as concern about the impact of events overseas, such as trends in trade disputes, the outlook for the Chinese economy and other economic trends, and fluctuations in the financial and capital markets.

Consumer spending is picking up against the backdrop of a gradual increase in real wage income and an improving job market. Although consumer confidence is showing signs of picking up, shoppers continue to economize. Also, consumption trends following the October 2019 consumption tax hike will continue to bear watching.

In the food industry, distribution and labor costs continue to increase owing to labor shortages, while raw materials costs are also rising. Consequently, more manufacturers are passing these higher costs onto product prices. In addition to these circumstances, the dairy industry continues to face adverse business conditions characterized by sharp cost increases, including hikes in raw milk prices from April 2019. Household compositions are changing as Japan's population shrinks and ages, and consumer values are diversifying amid changes in lifestyles. New products and markets are emerging to meet diverse consumer demand; for example, we are seeing an increase in products with functional claims, while products that emphasize low price are being introduced as well.

In this business environment and in accordance with our Group Medium-term Management Plan 2019, we endeavored to (1) develop multiple earnings bases and maximize cash flow, (2) improve our product mix in conjunction with higher sales of functional yogurt and other high-value-added products and of cheese and other mainstay products, (3) pursue scale expansion through continuation of marketing investment in the nutrition business field, and (4) bolster the Group's overall strengths by making full use of Group managerial resources and the value chain.

As a result, in the nine months ended December 31, 2019, consolidated net sales were ¥469,118 million (up 2.1% YoY), operating profit was ¥14,788 million (up 5.8%), ordinary profit was ¥16,400 million (up 7.8%), and profit attributable to owners of parent was ¥10,235 million (up 7.3%).

Although not constituting a change in specified subsidiaries, owing to their increased importance, both PT. MEGMILK SNOW BRAND INDONESIA and Udder Delights Australia Pty Ltd. have been included in the scope of consolidation effective from the three months ended June 30, 2019.

Operating results by business segment for the nine months ended December 31, 2019 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 ¥188,409 million (up 4.0% YoY), and operating profit was ¥8,733 million (down 3.5%).

Sales of butter were solid amid continued efforts to ensure a stable supply. Sales of margarine declined due in part to continued market contraction, despite promotional activities such as campaigns offering increased product volume. Although sales of cheese decreased, sales of products with a competitive edge in the market were brisk thanks to promotional activities communicating new value to customers, including suggestions on different ways to consume cheese. Sales of functional food products grew owing 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 declined mainly due to higher fixed costs and operation costs, despite the positive impact on profit of efficient use of advertising and promotional costs.

## 2) Beverage & Dessert

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

Net sales were ¥218,681 million (up 1.5% YoY), and operating profit was ¥4,341 million (up 50.4%)

Although sales of milk and milk-based beverages were strong, sales of other beverages decreased due in part to the impact of dispersion of demand across products in various categories amid diversification of consumer preferences. Sales of yogurt edged up slightly thanks to greater efforts to communicate the value of each product, including ongoing promotional activities emphasizing the visceral fat-reducing function of *Lactobacillus gasseri* SP. Dessert sales were flat year on year despite efforts to increase product appeal, such as the launch of new products.

As a result of these developments, overall segment sales increased.

Operating profit increased substantially due to the impact of differences in unit sales prices accompanying price revisions and the effect of efficient use of promotional costs, despite higher raw material and operation costs owing mainly to the impact of an increase in raw milk prices.

## 3) Feedstuffs and Seed

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

Net sales were ¥33,733 million (down 4.2% YoY), and operating profit was ¥1,095 million (up 3.2%). Overall segment sales decreased year on year, mainly because of a decline in sales volumes of pasture forage and crop seeds and feedstuffs.

Operating profit increased thanks to reduction of selling expenses and other costs.

## 4) Other

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

Net sales were ¥28,295 million (up 2.2% YoY), and operating profit was ¥639 million (down 28.5%).

## (2) Analysis of Financial Condition

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

#### Assets

Total assets as of December 31, 2019 increased by ¥15,123 million from the previous fiscal year-end. The change is mainly attributable to increases in notes and accounts receivable–trade and construction in progress (included in “other” under property, plant and equipment), which offset a decrease in cash and deposits.

#### Liabilities

Total liabilities as of December 31, 2019 increased by ¥5,348 million from the previous fiscal year-end. The change is mainly attributable to increases in electronically recorded obligations–operating and accrued expenses (included in “other” under current liabilities)

#### Net assets

Net assets as of December 31, 2019 increased by ¥9,774 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, 2019 totaled ¥11,283 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the nine months ended December 31, 2019.

#### Cash flows from operating activities

Operating activities provided net cash of ¥17,293 million, compared to ¥19,797 million provided in the same period the previous fiscal year. The year-on-year decrease of ¥2,503 million in cash provided 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 ¥14,145 million, compared to ¥12,370 million used in the same period the previous fiscal year. The year-on-year increase of ¥1,774 million in cash used is mainly attributable to an increase in payments for purchases of property, plant and equipment and intangible assets.

#### Cash flows from financing activities

Financing activities used net cash of ¥6,289 million, compared to ¥5,624 million used in the same period the previous fiscal year. The year-on-year increase of ¥664 million in cash used is mainly attributable to decreases in proceeds from long-term loans payable and proceeds from issuance of bonds, which offset a decrease in repayment of long-term loans payable.

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

The Company has revised the forecast of consolidated results for the fiscal year ending March 31, 2020 disclosed in the Summary of Financial Results of May 13, 2019, as stated below.

The Company expects net sales to fall short of the previously announced forecast, reflecting the nine-month results and the outlook for market conditions. The Company also expects operating profit, ordinary profit, and profit attributable to owners of parent to fall short of the previously announced forecasts, reflecting the projected shortfall in sales against the previously announced forecast as well as factors including the expected impact of rent and operating costs for an alternate warehouse necessitated by fire damage to a merchandise warehouse of subsidiary SI System Corporation (Fuji City, Shizuoka Prefecture) at the end of September.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previously announced forecast (A)	Million yen 615,000	Million yen 18,000	Million yen 19,500	Million yen 12,000	Yen 177.25
Revised forecast (B)	612,000	17,300	19,000	11,500	169.87
Difference (B-A)	(3,000)	(700)	(500)	(500)	
Difference (%)	-0.5%	-3.9%	-2.6%	-4.2%	
Reference: Prior-year consolidated results (fiscal year ended March 31, 2019)	603,378	17,230	19,014	10,754	158.64

Note: The above forecasts are projections that reflect the Company's judgments based on currently available information and are subject to many uncertainties. Actual results may differ from the above forecasts due to changes in business conditions and other factors.

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

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,366	11,345
Notes and accounts receivable-trade	74,727	85,917
Merchandise and finished goods	40,673	39,950
Work in process	991	1,306
Raw materials and supplies	14,026	14,715
Other	4,446	4,535
Allowance for doubtful accounts	(368)	(365)
Total current assets	148,863	157,405
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	46,970	46,616
Machinery, equipment and vehicles, net	53,225	51,423
Land	49,849	49,921
Other, net	12,258	18,399
Total property, plant and equipment	162,304	166,361
Intangible assets		
Goodwill	—	707
Other	3,206	2,855
Total intangible assets	3,206	3,563
Investments and other assets		
Investment securities	35,491	37,600
Deferred tax assets	2,925	2,843
Other	7,039	7,042
Allowance for doubtful accounts	(384)	(246)
Total investments and other assets	45,072	47,238
Total non-current assets	210,582	217,163
<b>Total assets</b>	<b>359,445</b>	<b>374,568</b>

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	58,930	60,669
Electronically recorded obligations-operating	5,091	7,283
Short-term loans payable	19,957	19,130
Income taxes payable	1,848	2,533
Provision for bonuses	4,990	3,822
Other	27,105	30,237
<b>Total current liabilities</b>	<b>117,924</b>	<b>123,677</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,835	34,360
Deferred tax liabilities	1,291	2,139
Deferred tax liabilities for land revaluation	3,956	3,956
Provision for director's retirement benefits	20	20
Provision for gift token exchange	88	81
Net defined benefit liabilities	9,396	9,398
Asset retirement obligations	1,713	1,493
Other	10,435	10,882
<b>Total non-current liabilities</b>	<b>72,738</b>	<b>72,333</b>
<b>Total liabilities</b>	<b>190,662</b>	<b>196,011</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,586	17,606
Retained earnings	116,474	123,704
Treasury stock	(4,942)	(4,956)
<b>Total shareholders' equity</b>	<b>149,117</b>	<b>156,355</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,471	12,541
Deferred gains or losses on hedges	(154)	(96)
Revaluation reserve for land	8,818	8,818
Foreign currency translation adjustment	8	(342)
Remeasurements of defined benefit plans	(1,966)	(1,722)
<b>Total accumulated other comprehensive income</b>	<b>17,177</b>	<b>19,199</b>
<b>Non-controlling interests</b>	<b>2,487</b>	<b>3,002</b>
<b>Total net assets</b>	<b>168,782</b>	<b>178,557</b>
<b>Total liabilities and net assets</b>	<b>359,445</b>	<b>374,568</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, 2018	Nine months ended December 31, 2019
<b>Net sales</b>	459,477	469,118
Cost of sales	349,480	358,651
<b>Gross profit</b>	<b>109,996</b>	<b>110,466</b>
Selling, general and administrative expenses	96,023	95,678
<b>Operating profit</b>	<b>13,972</b>	<b>14,788</b>
Non-operating income		
Interest income	13	7
Dividend income	703	696
Equity in earnings of affiliates	670	901
Other	687	771
<b>Total non-operating income</b>	<b>2,074</b>	<b>2,377</b>
Non-operating expenses		
Interest expenses	353	247
Other	481	517
<b>Total non-operating expenses</b>	<b>834</b>	<b>764</b>
<b>Ordinary profit</b>	<b>15,212</b>	<b>16,400</b>
Extraordinary income		
Gain on sales of non-current assets	21	10
Other	88	2
<b>Total extraordinary income</b>	<b>109</b>	<b>12</b>
Extraordinary loss		
Loss on sales of non-current assets	0	2
Loss on retirement of non-current assets	821	883
Impairment loss	334	421
Loss on fire damage	—	566
Other	801	57
<b>Total extraordinary loss</b>	<b>1,957</b>	<b>1,931</b>
<b>Profit before income taxes</b>	<b>13,364</b>	<b>14,481</b>
Income taxes	3,612	4,090
Profit	9,752	10,390
Profit attributable to non-controlling interests	209	155
<b>Profit attributable to owners of parent</b>	<b>9,542</b>	<b>10,235</b>

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
<b>Profit</b>	9,752	10,390
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(1,268)	2,038
Deferred gains or losses on hedges	28	57
Foreign currency translation adjustment	(237)	(167)
Remeasurements of defined benefit plans	142	230
Share of other comprehensive income of entities accounted for using the equity method	4	43
Total other comprehensive income	(1,330)	2,203
<b>Comprehensive income</b>	<b>8,421</b>	<b>12,594</b>
Comprehensive income attributable to owners of parent	8,208	12,449
Comprehensive income attributable to non- controlling interests	212	144

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	13,364	14,481
Depreciation and amortization	11,701	11,999
Impairment loss	334	421
Equity in (earnings) losses of affiliates	(670)	(901)
Amortization of goodwill	—	69
Increase (decrease) in allowance for doubtful accounts	(219)	(140)
Increase (decrease) in provision for bonuses	(2,302)	(1,166)
Decrease (increase) in net defined benefit asset	(202)	(160)
Increase (decrease) in net defined benefit liability	(225)	202
Increase (decrease) in provision for gift token exchange	(8)	(6)
Loss (gain) on sales and retirement of non-current assets	800	875
Interest and dividend income received	(716)	(703)
Interest expenses	353	247
Decrease (increase) in notes and accounts receivable-trade	(6,363)	(10,821)
Decrease (increase) in inventories	1,472	91
Increase (decrease) in notes and accounts payable-trade	1,311	3,776
Other	4,840	1,851
<b>Sub total</b>	<b>23,470</b>	<b>20,115</b>
Interest and dividend income	771	761
Interest expenses paid	(337)	(286)
Income taxes paid	(4,106)	(3,297)
<b>Net cash provided by (used in) operating activities</b>	<b>19,797</b>	<b>17,293</b>

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
<b>Cash flows from investing activities</b>		
Payments into time deposits	(22)	—
Proceeds from withdrawal of time deposits	502	—
Payments of loans receivable	(93)	(62)
Collection of loans receivable	4	27
Purchase of property, plant and equipment and intangible assets	(12,698)	(14,148)
Proceeds from sales of property, plant and equipment and intangible assets	75	97
Purchase of investment securities	(254)	(104)
Proceeds from sales of investment securities	47	24
Other	67	19
Net cash provided by (used in) investing activities	(12,370)	(14,145)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(2,021)	(55)
Proceeds from long-term loans payable	10,000	—
Repayment of long-term loans payable	(20,301)	(2,553)
Proceeds from issuance of bonds	9,939	—
Purchase of treasury stock	(22)	(13)
Cash dividends paid	(2,709)	(2,707)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(507)	(957)
Net cash provided by (used in) financing activities	(5,624)	(6,289)
Effect of exchange rate on cash and cash equivalents	(46)	(46)
Net increase (decrease) in cash and cash equivalents	1,755	(3,188)
Cash and cash equivalents at beginning of period	14,076	14,303
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	168
Cash and cash equivalents at end of period	15,831	11,283

**(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, 2018 (April 1 to December 31, 2018)

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	181,154	215,407	35,227	431,788	27,688	459,477	—	459,477
Inter-segment sales and transfers	10,220	61	703	10,986	9,354	20,340	(20,340)	—
Total	191,374	215,469	35,930	442,774	37,043	479,818	(20,340)	459,477
Segment profit	9,052	2,886	1,060	12,999	893	13,893	79	13,972

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

2. The 79 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, 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.