

Consolidated Financial Results for the Year Ended March 31, 2019
(Prepared pursuant to Japanese GAAP)

May 13, 2019

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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Scheduled dates

Annual general meeting of shareholders: June 26, 2019
 Dividend payout: June 6, 2019
 Filing of fiscal year-end financial report: June 26, 2019
 Supplementary materials to fiscal year-end financial results available: Yes
 Fiscal year-end earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the Fiscal Year Ended March 31, 2019
(April 1, 2018 – March 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	%
Year ended March 31, 2019	603,378	1.2	17,230	(11.0)	19,014	(9.4)	10,754	(19.7)
Year ended March 31, 2018	596,158	1.4	19,363	3.3	20,996	3.6	13,386	3.1

Note: Comprehensive income: Year Ended March 31, 2019 : 14,345 million yen (-1.2%)
 Year Ended March 31, 2018 : 14,516 million yen (-4.4%)

	Profit per share – basic	Profit per share – diluted	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	yen	yen	%	%	%
Year ended March 31, 2019	158.64	—	6.7	5.4	2.9
Year ended March 31, 2018	197.36	—	9.0	6.1	3.2

For reference: Equity in earnings of affiliates: Year Ended March 31, 2019: 961 million yen
 Year Ended March 31, 2018: 837 million yen

Note: The Company has adopted *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. The financial statements for the fiscal year ended March 31, 2018, have been recast to reflect the retrospective application of the amendments.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
March 31, 2019	359,445	168,782	46.3	2,456.35
March 31, 2018	351,240	157,338	44.1	2,286.11

For reference:

Equity: March 31, 2019 : 166,295 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) from the beginning 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.

(3) Consolidated Cash Flow Position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalent at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
Year ended March 31, 2019	21,938	(14,248)	(7,396)	14,303
Year ended March 31, 2018	22,817	(11,799)	(12,904)	14,076

2. Dividends

Record date or period	Cash dividends per share					Total dividends paid	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	End-Q4	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
Year ended March 31, 2018	—	—	—	40.00	40.00	2,712	20.3	1.8
Year ended March 31, 2019	—	—	—	40.00	40.00	2,708	25.2	1.7
Year ending March 31, 2020 (forecast)	—	—	—	40.00	40.00		22.6	

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
Second quarter-end (Cumulative)	311,000	1.8	10,200	6.4	10,900	6.3	6,700	4.3	98.97
Full Year	615,000	1.9	18,000	4.5	19,500	2.6	12,000	11.6	177.25

Notes

(1) Material reclassifications of subsidiaries during the period: None

(2) 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

(3) Common stock issued

1) Issued shares as of period-end (including treasury stock)

March 31, 2019	70,751,855 shares
March 31, 2018	70,751,855 shares

2) Treasury stock as of period-end

March 31, 2019	3,051,487 shares
March 31, 2018	2,941,743 shares

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

Year ended March 31, 2019	67,790,904 shares
Year ended March 31, 2018	67,825,318 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	5
(1) Overview of Operating Results.....	5
(2) Analysis of Financial Condition	7
(3) Future Outlook.....	9
(4) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2019 and the Fiscal Year Ending March 31, 2020.....	9
2. Basic Policy on the Selection of Accounting Standards.....	10
3. Consolidated Financial Statements and Key Notes	11
(1) Consolidated Balance Sheets	11
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	13
Consolidated Statements of Income.....	13
Consolidated Statements of Comprehensive Income.....	14
(3) Consolidated Statements of Changes in Net Assets.....	15
(4) Consolidated Statements of Cash flows	17
(5) Notes to the Consolidated Financial Statements	19
(Notes on the assumption of a going-concern)	19
(Change in presentation).....	19
(Segment information)	20
("Per share" data)	22
(Key subsequent events).....	22

(Supplementary Information)

Supplementary Information Year Ended March 31,2019

1. Operating Results

(1) Overview of Operating Results

Although business conditions in Japan gradually recovered in the fiscal year ended March 31, 2019, recently there has been some weakness in the export and production sectors of the economy. While recovery is expected to continue, there is concern about sluggish growth in exports, which have underpinned production in Japan, as well as concern about the impact of trends in trade disputes on the world economy, the outlook for the Chinese economy, and the impact of fluctuations in the financial and capital markets overseas.

Although consumer spending is picking up as the employment and personal income environment improves, consumer confidence is weak and the economization trend among consumers continues.

The food industry is experiencing continuing increases in logistics costs and labor costs against a backdrop of labor shortages and increases in raw material costs. Consequently, moves to pass on cost increases to prices are gradually spreading. The dairy industry continues to face an adverse business environment characterized by the need to respond to sharp cost increases, including higher prices for milk for manufacturing use for cheese in fiscal year 2018, and the growing economization trend among consumers. Population decline and population aging are bringing about changes in household composition, and consumer values are diversifying as lifestyles change. New products and markets that meet diverse consumer demand are being born: For instance, even as greater numbers of products that emphasize function are being introduced, products that emphasize low price are being introduced as well.

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. Nevertheless, profit decreased due to factors including sluggish growth in sales of mainstay products in a difficult competitive environment and an inadequate response to cost increases.

As a result of these developments, in the fiscal year ended March 31, 2019, consolidated net sales were ¥603,378 million (an increase of 1.2% over the previous fiscal year), operating profit was ¥17,230 million (down 11.0%), ordinary profit was ¥19,014 million (down 9.4%), and profit attributable to owners of parent was ¥10,754 million (down 19.7%). Because of its increased importance, Luna Bussan Co., Ltd. has been accounted for as an equity-method affiliate for the fiscal year ended March 31, 2019.

As of March 31, 2019, the MEGMILK SNOW BRAND Group comprised the Company, 33 subsidiaries, and 13 affiliates.

Operating results by business segment for the fiscal year ended March 31, 2019 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 and infant formula, etc.), and other products.

Net sales were ¥241,018 million (an increase of 0.5% over the previous fiscal year), and operating profit was ¥11,759 million (down 3.1%).

Sales of butter were strong amid continued efforts to ensure a stable supply. Sales of oils and fats declined in a market that remains sluggish. 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. The Company implemented price revisions and package volume changes for household cheese products in response to cost increases, including higher prices for milk for manufacturing use. Under these circumstances, although the Company strove to increase sales by actively engaging in promotional activities, such as airing TV commercials and proposing new

ways of eating cheese, sales of cheese declined, partly as a result of lower sales of some products due to price revisions. 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 result of these developments, overall segment sales increased slightly.

Operating profit decreased due to factors including increases in logistics costs and other operation costs and higher raw material costs, including higher prices for milk for manufacturing use, despite the positive impact on profit of differences in unit sales prices accompanying the implementation of 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 ¥279,704 million (an increase of 1.5% from the previous fiscal year), and operating profit was ¥3,169 million (down 33.4%).

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. 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 result of these developments, overall segment sales increased.

Operating profit decreased substantially due to increases in logistics costs and other operation costs and in fixed costs, such as depreciation and amortization, 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 ¥46,039 million (an increase of 3.0% from the previous fiscal year), and operating profit was ¥1,163 million (down 13.8%).

Overall segment sales increased due to factors including an increase in selling prices of compound feeds.

Operating 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 ¥36,616 million (an increase of 1.2% from the previous fiscal year), and operating profit was ¥1,058 million (down 7.1%).

(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 fiscal year ended 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 March 31, 2019 increased by ¥8,205 million from the previous fiscal year-end.

The change is mainly attributable to increases in investment securities and notes and accounts receivable-trade, which offset a decrease in property, plant and equipment.

Liabilities

Total liabilities as of March 31, 2019 decreased by ¥3,238 million from the previous fiscal year-end.

The change is mainly attributable to decreases in the current portion of long-term loans payable and short-term loans payable, which offset increases in bonds payable and long-term loans payable.

Net assets

Total net assets as of March 31, 2019 increased by ¥11,444 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 March 31, 2019 totaled ¥14,303 million. The following is a summary of consolidated cash flows by activity for the fiscal year ended March 31, 2019.

(Millions of yen)

Category	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Change
Cash flows from operating activities	22,817	21,938	(878)
Cash flows from investing activities	(11,799)	(14,248)	(2,448)
Cash flows from financing activities	(12,904)	(7,396)	5,507
Currency translation adjustment relating to cash and cash equivalents	21	(65)	(87)
Increase(decrease)in cash and cash equivalents	(1,864)	227	2,092
Cash and cash equivalents at the beginning of the fiscal year	15,940	14,076	(1,864)
Cash and cash equivalents at the end of the fiscal year	14,076	14,303	227

Cash flows from operating activities

Operating activities provided net cash of ¥21,938 million, an ¥878 million decrease in cash provided from the ¥22,817 million provided in the fiscal year ended March 31, 2018.

The change is mainly attributable to a decrease in notes and accounts payable-trade, which offset decreases in inventories and income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥14,248 million, a ¥2,448 million increase in cash used from the ¥11,799 million used in the fiscal year ended March 31, 2018.

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 ¥7,396 million, a ¥5,507 million decrease in cash used from the ¥12,904 million in net cash used in the fiscal year ended March 31, 2018.

The change is mainly attributable to increases in proceeds from issuance of bonds and proceeds from long-term loans payable, which offset an increase in repayment of long-term loans payable.

The following is a summary of changes in the MEGMILK SNOW BRAND Group's cash flow-related indicators.

For the fiscal years ended March 31	2017	2018	2019
Equity ratio(%)	42.0	44.1	46.3
Equity ratio based on market value(%)	61.0	55.5	50.7
Ratio of interest-bearing debt to cash flow(years)	2.8	3.3	3.3
Interest coverage ratio(X)	42.8	42.2	49.3

Equity ratio: equity / total assets

Equity ratio based on market value: market capitalization / total assets

Ratio of interest-bearing debt to cash flow: interest-bearing debt / cash flow

Interest coverage ratio : cash flow / interest payments

Notes:

- Each indicator is calculated using financial data on consolidated basis.
- Total market value of shares is calculated based on the number of shares outstanding at the end of the period (less treasury stock).
- Cash flow is cash flow from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt includes all liabilities listed on the Consolidated Balance Sheets that bear interest.
- 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 fiscal year ended March 31, 2019. The accounting standard has been retroactively applied to the figures for the fiscal years ended March 31, 2017 and March 31, 2018.

(3) Future Outlook

At a time of continuing improvement in the employment and income environment in Japan, robust domestic demand is expected, due in part to the effect of various income support measures, despite a planned increase in the consumption tax rate. At the same time, it is necessary to keep in mind factors such as the impact of trade disputes on the world economy, uncertainties in overseas economies, and the impact of fluctuations in the financial and capital markets.

In the food industry, products that emphasize various functions are being introduced one after another against a backdrop of greater health consciousness, and consumers are expected to become increasingly selective about these products.

The Company faces an adverse business environment due to factors including the supply-and-demand situation for domestic and overseas milk resources and increases in the price of milk for manufacturing use and other raw material costs, labor costs, and logistics costs.

At the same time, the pick-up in consumer spending is expected to continue due to an expected increase in wages against a backdrop of a tight supply-and-demand situation for labor. Also, consumer lifestyles and values are diversifying due to factors including a declining birthrate and population aging and increases in the number of single-person households and double-income households, and a trend for consumers to seek products with enhanced functions and efficacy and products that facilitate new eating styles, is gaining impetus.

In these circumstances, in accordance with Group Medium-term Management Plan 2019, the Company will continue to work to strengthen the earnings base for future growth through measures including continuation of marketing investment and active efforts to increase sales of high-value-added products and mainstay products.

The Company will also implement price revisions for household dairy products to cope with increases in raw material costs (including higher prices for milk for manufacturing use), operation costs, and fixed expenses.

In light of the above factors, in the fiscal year ending March 31, 2020 the Company forecasts net sales of ¥615,000 million (an increase of 1.9% from the previous fiscal year), operating profit of ¥18,000 million (up 4.5%), ordinary profit of ¥19,500 million (up 2.6%), and profit attributable to owners of parent of ¥12,000 million (up 11.6%) on a consolidated basis.

By segment, the Company forecasts net sales of ¥250,900 million (up 4.1% from the fiscal year ended March 31, 2019) in Dairy Products, ¥280,900 million (up 0.4%) in Beverage & Dessert, ¥45,200 million (down 1.8%) in Feed and Seeds, and ¥38,000 million (up 3.8%) in Other. The above full-year outlook by segment is for sales to outside customers.

Although the outlook is for the Group to fall short of the target performance indicators set out in Group Medium-term Management Plan 2019, this will not change the direction for Transformation & Renewal, the strategic concept set out in Group Long-term Vision 2026. The fiscal year ending March 31, 2020 is an important year for achieving the objectives of Group Long-term Vision 2026, and the MEGMILK SNOW BRAND Group will continue to pursue business portfolio transformation, updating of the production structure, and promotion of Group management.

(4) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2019 and the Fiscal Year Ending March 31, 2020

The Company's basic policy on profit distribution is to establish financial soundness by generating profits, maintain capital efficiency by reinvesting in basic infrastructure that generates cash, and enhance shareholder returns.

The Company has set a consolidated dividend payout target of 20% or higher and will strive to continuously pay stable dividends, giving comprehensive consideration to factors such as consolidated business performance and the financial situation.

In accordance with the above dividend policy, the Company has decided to pay cash dividends of ¥40 per share for the fiscal year ended March 31, 2019, as originally planned.

The start date for cash dividend payment will be June 6, 2019.

In accordance with the above basic policy, the Company plans to pay cash dividends of ¥40 per share for the fiscal year ending March 31, 2020.

2. Basic Policy on the Selection of Accounting Standards

The Group's policy is to prepare consolidated financial statements in accordance with Japanese accounting standards for the time being, taking into consideration comparability of consolidated financial statements over time and comparability between companies.

With regard to application of International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately, taking into account circumstances in Japan and abroad.

3. Consolidated Financial Statements and Key Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	14,620	14,366
Notes and accounts receivable-trade	69,302	74,727
Merchandise and finished goods	39,632	40,673
Work in process	1,423	991
Raw materials and supplies	12,857	14,026
Accounts receivable-other	2,506	2,562
Other	2,187	1,883
Allowance for doubtful accounts	(405)	(368)
Total current assets	142,125	148,863
Non-current assets		
Property, plant and equipment		
Buildings and structures	99,486	101,454
Accumulated depreciation	(50,799)	(53,510)
Accumulated impairment loss	(648)	(974)
Building and structures, net	48,039	46,970
Machinery, equipment and vehicles	182,238	186,417
Accumulated depreciation	(124,003)	(130,607)
Accumulated impairment loss	(2,138)	(2,584)
Machinery, equipment and vehicles, net	56,095	53,225
Tools, furniture and fixtures	17,394	18,084
Accumulated depreciation	(13,307)	(14,016)
Accumulated impairment loss	(66)	(161)
Tools, furniture and fixtures, net	4,020	3,906
Land	50,396	49,849
Lease assets	8,900	9,216
Accumulated depreciation	(3,255)	(3,827)
Accumulated impairment loss	(225)	(222)
Lease assets, net	5,419	5,165
Construction in progress	822	3,186
Total property, plant and equipment	164,794	162,304
Intangible assets		
Lease assets	22	50
Software	3,115	2,433
Right of using facilities	736	677
Other	46	45
Total intangible assets	3,921	3,206
Investments and other assets		
Investment securities	29,326	35,491
Long-term prepaid expenses	553	420
Net defined benefit asset	1,519	2,163
Deferred tax assets	4,859	2,925
Other	4,744	4,455
Allowance for doubtful accounts	(604)	(384)
Total investments and other assets	40,398	45,072
Total non-current assets	209,114	210,582
Total assets	351,240	359,445

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	60,475	58,930
Electronically recorded obligations-operating	4,021	5,091
Short-term loans payable	19,774	16,731
Current portion of long-term loans payable	22,052	3,226
Lease obligations	1,121	1,238
Accounts payable-other	13,467	12,218
Income taxes payable	2,259	1,848
Accrued expenses	7,900	7,886
Deposits received	385	490
Provision for bonuses	5,208	4,990
Other	4,003	5,273
Total current liabilities	140,670	117,924
Non-current liabilities		
Bonds payable	—	10,000
Long-term loans payable	27,089	35,835
Long-term deposits received	5,173	5,084
Lease obligations	5,013	4,673
Deferred tax liabilities	651	1,291
Deferred tax liabilities for land revaluation	3,981	3,956
Provision for director's retirement benefits	20	20
Provision for gift token exchange	190	88
Net defined benefit liabilities	8,667	9,396
Asset retirement obligations	1,699	1,713
Other	744	677
Total non-current liabilities	53,231	72,738
Total liabilities	193,901	190,662
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,585	17,586
Retained earnings	108,186	116,474
Treasury stock	(4,643)	(4,942)
Total shareholders' equity	141,128	149,117
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,322	10,471
Deferred gains or losses on hedges	(163)	(154)
Revaluation reserve for land	8,951	8,818
Foreign currency translation adjustment	382	8
Remeasurements of defined benefit plans	(1,600)	(1,966)
Total accumulated other comprehensive income	13,892	17,177
Non-controlling interests	2,317	2,487
Total net assets	157,338	168,782
Total liabilities and net assets	351,240	359,445

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

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net sales	596,158	603,378
Cost of sales	452,218	460,868
Gross profit	143,940	142,510
Selling, general and administrative expenses		
Selling expenses	106,899	107,188
General and administrative expenses	17,677	18,091
Total selling, general and administrative expenses	124,577	125,279
Operating profit	19,363	17,230
Non-operating income		
Interest income	20	18
Dividend income	874	755
Equity in earnings of affiliates	837	961
Other	991	1,154
Total non-operating income	2,724	2,889
Non-operating expenses		
Interest expenses	538	488
Contribution	100	194
Other	452	422
Total non-operating expenses	1,091	1,105
Ordinary profit	20,996	19,014
Extraordinary income		
Gain on sales of non-current assets	127	25
Gain on sales of investment securities	53	391
Other	14	115
Total extraordinary income	196	533
Extraordinary loss		
Loss on sales of non-current assets	110	0
Loss on retirement of non-current assets	1,221	1,216
Impairment loss	488	1,690
Disaster-related loss	—	595
Other	305	770
Total extraordinary loss	2,126	4,273
Profit before income taxes	19,066	15,273
Income taxes		
Current	4,714	3,788
Deferred	955	554
Total income taxes	5,669	4,343
Profit	13,396	10,930
Profit attributable to non-controlling interests	10	176
Profit attributable to owners of parent	13,386	10,754

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Profit	13,396	10,930
Other comprehensive income		
Valuation difference on available-for-sale securities	916	4,757
Deferred gains or losses on hedges	35	9
Foreign currency translation adjustment	131	(393)
Remeasurements of defined benefit plans	(1)	(350)
Share of other comprehensive income of entities accounted for using the equity method	36	(8)
Total other comprehensive income	1,119	3,414
Comprehensive income	14,516	14,345
Comprehensive income attributable to owners of parent	14,504	14,172
Comprehensive income attributable to non-controlling interests	12	172

(3) Consolidated Statements of Changes in Net Assets
Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at beginning of term	20,000	17,583	97,336	(4,571)	130,348
Changes during term					
Cash dividends			(2,713)		(2,713)
Profit attributable to owners of parent			13,386		13,386
Purchase of treasury stock				(73)	(73)
Disposal of treasury stock		2		2	4
Change in scope of equity method			177		177
Net changes other than shareholders' equity					
Total changes during term	—	2	10,849	(71)	10,780
Balance at end of term	20,000	17,585	108,186	(4,643)	141,128

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	5,400	(199)	8,954	250	(1,574)	12,831	2,306	145,485
Changes during term								
Cash dividends								(2,713)
Profit attributable to owners of parent								13,386
Purchase of treasury stock								(73)
Disposal of treasury stock								4
Change in scope of equity method								177
Net changes other than shareholders' equity	922	35	(3)	131	(25)	1,061	11	1,072
Total changes during term	922	35	(3)	131	(25)	1,061	11	11,852
Balance at end of term	6,322	(163)	8,951	382	(1,600)	13,892	2,317	157,338

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at beginning of term	20,000	17,585	108,186	(4,643)	141,128
Changes during term					
Cash dividends			(2,712)		(2,712)
Profit attributable to owners of parent			10,754		10,754
Purchase of treasury stock				(300)	(300)
Disposal of treasury stock		0		0	1
Change in scope of equity method			113		113
Reversal of revaluation reserve for land			133		133
Net changes other than shareholders' equity					
Total changes during term	—	0	8,288	(299)	7,989
Balance at end of term	20,000	17,586	116,474	(4,942)	149,117

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	6,322	(163)	8,951	382	(1,600)	13,892	2,317	157,338
Changes during term								
Cash dividends								(2,712)
Profit attributable to owners of parent								10,754
Purchase of treasury stock								(300)
Disposal of treasury stock								1
Change in scope of equity method								113
Reversal of revaluation reserve for land								133
Net changes other than shareholders' equity	4,148	9	(133)	(374)	(365)	3,285	170	3,455
Total changes during term	4,148	9	(133)	(374)	(365)	3,285	170	11,444
Balance at end of term	10,471	(154)	8,818	8	(1,966)	17,177	2,487	168,782

(4) Consolidated Statements of Cash flows

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	19,066	15,273
Depreciation and amortization	15,157	15,901
Impairment loss	488	1,690
Disaster-related loss	—	595
Equity in (earnings) losses of affiliates	(837)	(961)
Increase (decrease) in allowance for doubtful accounts	(285)	(256)
Increase (decrease) in provision for bonuses	(78)	(215)
Decrease (increase) in net defined benefit asset	(740)	(642)
Increase (decrease) in net defined benefit liability	436	224
Increase (decrease) in provision for gift token exchange	(13)	(101)
Increase (decrease) in provision for directors' retirement benefits	(117)	—
Loss (gain) on sales and retirement of non-current assets	1,203	1,191
Interest and dividend income received	(895)	(773)
Interest expenses	538	488
Decrease (increase) in notes and accounts receivable-trade	(4,175)	(5,545)
Decrease (increase) in inventories	(5,402)	(2,187)
Increase (decrease) in notes and accounts payable-trade	4,566	(399)
Other	(1,501)	1,424
Sub total	27,409	25,707
Interest and dividend income	1,187	1,086
Interest expenses paid	(540)	(444)
Payments for disaster-related loss	—	(239)
Income taxes paid	(5,238)	(4,171)
Net cash provided by (used in) operating activities	22,817	21,938

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(90)	(22)
Proceeds from withdrawal of time deposits	262	502
Payments of loans receivable	(371)	(177)
Collection of loans receivable	410	91
Purchase of property, plant and equipment and intangible assets	(12,222)	(15,881)
Proceeds from sales of property, plant and equipment and intangible assets	435	84
Purchase of investment securities	(32)	(258)
Proceeds from sales of investment securities	156	1,036
Proceeds from sales of shares of subsidiaries and associates	—	300
Other	(347)	76
Net cash provided by (used in) investing activities	(11,799)	(14,248)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,125)	(3,043)
Proceeds from long-term loans payable	2,500	11,972
Repayment of long-term loans payable	(9,169)	(22,052)
Proceeds from issuance of bonds	—	9,936
Purchase of treasury stock	(73)	(300)
Cash dividends paid	(2,712)	(2,711)
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	(1,410)	(116)
Other	(911)	(1,078)
Net cash provided by (used in) financing activities	(12,904)	(7,396)
Effect of exchange rate on cash and cash equivalents	21	(65)
Net increase (decrease) in cash and cash equivalents	(1,864)	227
Cash and cash equivalents at beginning of period	15,940	14,076
Cash and cash equivalents at end of period	14,076	14,303

(5) Notes to the Consolidated Financial Statements

(Notes on the assumption of a going-concern)

Not applicable.

(Change in presentation)

(Consolidated statements of income)

During the fiscal year ended March 31, 2018, "contribution" (100 million yen) was included in "other" under "non-operating income". From the fiscal year ended March 31, 2019, however, it is presented separately as the amount has increased and is now considered to be material.

The consolidated financial statements for the fiscal year ended March 31, 2018 have been recast to reflect the change.

As a result, "other" of ¥552 million included in "non-operating expenses" was recast to "contribution" of ¥100 million and "other" of ¥452 million in the consolidated statements of income for the fiscal year ended March 31, 2018.

(Change associated with 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) from the beginning of the fiscal year ended March 31, 2019, the Company has changed the presentation method for "deferred tax assets" and "deferred tax liabilities", which are now presented under "investments and other assets" and "non-current liabilities," respectively.

The consolidated balance sheets for the fiscal year ended March 31, 2018 have been recast to conform to the current presentation method. As a result, ¥4,384 million of "deferred tax assets" under "current assets" and ¥1,665 million included in "deferred tax liabilities" under "non-current liabilities" are included in ¥4,859 million of "deferred tax assets" under "investments and other assets" while "deferred tax liabilities" under "non-current liabilities" is presented as ¥651 million.

(Segment information)

1. Overview of reportable segments

The Company's reportable segments are components of the MEGMILK SNOW BRAND Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group is engaged mainly in manufacturing and selling of products made from milk, etc., manufacturing and selling of cattle feed, pasture forage and crop seed, and other related products. Dairy products such as cheese and butter, and beverages and desserts such as milk and yogurt are mainly handled by the Company, while feed and seeds are mainly handled by Snow Brand Seed Co., Ltd.

The Group's operations are therefore classified based on products into three reportable segments, namely, dairy products business, beverage and dessert business, and feed and seeds business.

2. Calculation method for net sales, profit/loss, assets, liabilities and other amounts by reportable segment

Accounting methods applied in the reportable segments are in compliance with accounting policies applied for the preparation of consolidated financial statements.

Segment income represents operating income.

Intersegment sales and transfers are based on market price.

3. Net sales, profit/loss, assets, liabilities and other amounts by reportable segment

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated financial statements (note 3)
	Dairy products	Beverage and dessert	Feed and seeds	Total				
Net sales								
Sales to outside customers	239,746	275,499	44,718	559,964	36,194	596,158	—	596,158
Inter-segment sales and transfers	13,661	46	887	14,595	12,608	27,204	(27,204)	—
Total	253,408	275,545	45,605	574,560	48,802	623,363	(27,204)	596,158
Segment profit	12,132	4,761	1,350	18,244	1,139	19,383	(20)	19,363
Segment assets	154,611	137,141	35,967	327,720	32,727	360,447	(9,207)	351,240
Other items								
Depreciation/amo rtization (note 4)	7,145	6,248	906	14,300	968	15,269	(112)	15,157
Impairment loss	—	—	126	126	140	266	222	488
Increase in PP&E and intangible assets (note5)	6,089	8,571	1,051	15,711	1,372	17,084	(139)	16,944

Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Other (note 1)	Total	Adjustments (note 2)	Amount recorded on consolidated financial statements (note 3)
	Dairy products	Beverage and dessert	Feed and seeds	Total				
Net sales								
Sales to outside customers	241,018	279,704	46,039	566,761	36,616	603,378	—	603,378
Inter-segment sales and transfers	13,369	80	939	14,389	12,386	26,775	(26,775)	—
Total	254,387	279,784	46,979	581,151	49,002	630,154	(26,775)	603,378
Segment profit	11,759	3,169	1,163	16,092	1,058	17,150	80	17,230
Segment assets	165,852	137,785	33,942	337,580	34,152	371,732	(12,287)	359,445
Other items								
Depreciation/amo rtization (note 4)	7,089	7,059	891	15,040	977	16,018	(117)	15,901
Impairment loss	60	60	1,148	1,269	50	1,319	371	1,690
Increase in PP&E and intangible assets (note5)	8,175	6,080	612	14,868	674	15,543	(65)	15,477

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

2. Adjustment are as follows:

Net sales (Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Intersegment transactions elimination	(27,204)	(26,775)
Total	(27,204)	(26,775)

Segment profit (Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Intersegment transactions elimination	(20)	80
Total	(20)	80

Segment assets (Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Intersegment transactions elimination and other factors	(17,094)	(22,593)
Corporate assets*	7,886	10,306
Total	(9,207)	(12,287)

*Corporate assets comprise mainly of surplus working funds and idle assets held by the parent company.

3. Segment profit adjustments are based on operating profit reported on the consolidated statements of income for the corresponding period.
4. Depreciation/amortization includes amortization of long-term prepaid expenses.
5. Increase in PP&E and intangible assets includes an increase in long-term prepaid expenses.
6. The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019, and figures for the year ended March 31, 2018 have been recast to reflect the retrospective application of the amendments.

("Per share" data)

Item	Year ended March 31, 2018	Year ended March 31, 2019
Net assets per share	2,286.11 yen	2,456.35 yen
Profit per share - basic	197.36 yen	158.64 yen
Profit per share after adjustment for dilutive stock	As there is no dilutive stock, we have not recorded anything for "Profit per share – basic; after adjustment for dilutive stock."	As there is no dilutive stock, we have not recorded anything for "Profit per share – basic; after adjustment for dilutive stock."

(Notes)

1. The fundamentals used to calculate "Net assets per share" are as follows:

Item	As of March 31, 2018	As of March 31, 2019
Total for net assets (millions of yen)	157,338	168,782
Amounts deducted from the total for net assets (millions of yen)	2,317	2,487
(of which, Non-controlling interests) (millions of yen)	(2,317)	(2,487)
Net assets as of fiscal year-end pertaining to common stock (millions of yen)	155,021	166,295
Number of common stock as of fiscal year-end used to calculate net assets per share (shares)	67,810,112	67,700,368

2. The fundamentals used to calculate "Profit per share – basic" are as follows:

Item	Year ended March 31, 2018	Year ended March 31, 2019
Profit attributable to owners of parent (millions of yen)	13,386	10,754
Amount not attributable to owners of common stock (millions of yen)	–	–
Profit attributable to owners of parent pertaining to common stock (millions of yen)	13,386	10,754
Average number of shares during the year (shares)	67,825,318	67,790,904

(Key subsequent events)
Not applicable.