

**Consolidated Financial Results for the Six Months Ended September 30, 2019**  
(Prepared pursuant to Japanese GAAP)

November 8, 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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(Amounts rounded down to the nearest million yen)

**1. Consolidated Results for the First Six Months of the Fiscal Year Ending March 31, 2020**  
(April 1, 2019 – September 30, 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	%
Six months ended September 30, 2019	311,625	2.0	10,637	10.9	11,733	14.4	7,703	20.0
Six months ended September 30, 2018	305,369	0.6	9,587	(13.4)	10,253	(13.0)	6,422	(10.6)

Note: Comprehensive income: Six months Ended September 30, 2019 : 8,210 million yen (18.3%)  
 Six months Ended September 30, 2018 : 6,941 million yen (-8.8%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Six months ended September 30, 2019	113.79	—
Six months ended September 30, 2018	94.71	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
September 30, 2019	362,734	174,170	47.2	2,528.59
March 31, 2019	359,445	168,782	46.3	2,456.35

For reference:  
 Equity: September 30, 2019 : 171,181 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	615,000	1.9	18,000	4.5	19,500	2.6	12,000	11.6	177.25

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

2) Treasury stock as of period-end

September 30, 2019	3,053,463 shares
March 31, 2019	3,051,487 shares

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

Six months ended September 30, 2019	67,699,430 shares
Six months ended September 30, 2018	67,808,930 shares

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

### \*Appropriate Use of Earnings Forecasts and Other Important Information

(Earnings Forecasts)

Business forecasts contained in this report are based on the assumptions of management in the light of information available as of the release of this report. MEGMILK SNOW BRAND makes no assurances as to the actual results, which may differ from forecasts due to various factors such as changes in the business environment.

(Supplementary materials and presentation handouts)

Supplementary materials are attached to this report.

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## 1. Operating Results

### (1) Overview of Operating Results

Although business conditions in Japan gradually recovered in the six months ended September 30, 2019, the economy showed some weakness, mainly in the export sector.

While the gradual recovery is expected to continue, there are concerns about exports and production in Japan due to uncertainties in overseas economies, tension surrounding trade disputes, the outlook for the Chinese economy, and the impact of financial and capital market fluctuations.

Although consumer spending is picking up against the backdrop of a gradual increase in real wage income and an improving job market, consumer confidence is weak as shoppers continued to economize. Consumption trends following the October 2019 consumption tax hike also bear watching up ahead.

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 expanded sales of high value-added products (mainly functional yogurt) and mainstay products (mainly cheese), (3) ramp up ongoing marketing investment in the nutrition business field, and (4) bolster the Group's overall strengths by making full use of our managerial resources and value chain.

As a result, in the six months ended September 30, 2019, consolidated net sales were ¥311,625 million (up 2.0% YoY), operating profit was ¥10,637 million (up 10.9%), ordinary profit was ¥11,733 million (up 14.4%), and profit attributable to owners of parent was ¥7,703 million (up 20.0%).

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 six months ended September 30, 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 ¥122,034 million (up 3.9% YoY) and operating profit was ¥5,209 million (down 3.0%).

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. Sales of cheese decreased but remained brisk for products with a competitive edge in the market as a result of 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 ¥147,246 million (up 1.4% YoY) and operating profit was ¥3,557 million (up 59.9%).

Beverage sales decreased due in part to the impact of a sluggish market. Sales of yogurt increased 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 ¥23,882 million (down 0.1% YoY) and operating profit was ¥1,140 million (down 6.1%). Despite higher feedstuff sales volumes, overall segment sales were flat year on year mainly because of a decline in sales of pasture forage and crop seeds.

Operating profit declined due to lower sales of pasture forage/crop seeds and the impact of rising cost of sales.

## 4) Other

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

Net sales were ¥18,461 million (down 1.4% YoY) and operating profit was ¥709 million (down 0.7%).

## (2) Analysis of Financial Condition

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

#### Assets

Total assets as of September 30, 2019, increased by ¥3,288 million from the previous fiscal year-end.

The change is mainly attributable to increases in notes and accounts receivable–trade, merchandise and finished goods, raw materials and supplies, 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 September 30, 2019, decreased by ¥2,099 million from the previous fiscal year-end. The change is mainly attributable to decreases in notes and accounts payable–trade and long-term loans payable, which offset an increase in electronically recorded obligations–operating.

#### Net assets

Net assets as of September 30, 2019, increased by ¥5,387 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, 2019, totaled ¥12,938 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the six months ended September 30, 2019.

#### Cash flows from operating activities

Operating activities provided net cash of ¥13,639 million, compared to ¥11,886 million provided in the same period the previous fiscal year.

The year-on-year increase of ¥1,752 million is mainly attributable to a decrease in notes and accounts receivable–trade, which offset an increase in inventories and a decrease in notes and accounts payable–trade.

#### Cash flows from investing activities

Investing activities used net cash of ¥9,924 million, compared to ¥9,131 million used in the same period the previous fiscal year. The year-on-year increase of ¥793 million is mainly attributable to a decrease in proceeds from withdrawal of time deposits and an increase in purchase of property, plant and equipment and intangible assets.

#### Cash flows from financing activities

Financing activities used net cash of ¥5,211 million, compared to ¥3,907 million used in the same period the previous fiscal year. The year-on-year increase of ¥1,303 million is mainly attributable to a net decrease in short-term loans payable, despite a decrease in repayment of 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, 2019.

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

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,366	13,000
Notes and accounts receivable-trade	74,727	75,642
Merchandise and finished goods	40,673	41,295
Work in process	991	1,586
Raw materials and supplies	14,026	14,910
Other	4,446	4,326
Allowance for doubtful accounts	(368)	(359)
Total current assets	148,863	150,402
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	46,970	46,259
Machinery, equipment and vehicles, net	53,225	52,363
Land	49,849	49,924
Other, net	12,258	15,745
Total property, plant and equipment	162,304	164,293
Intangible assets		
Goodwill	—	755
Other	3,206	3,056
Total intangible assets	3,206	3,812
Investments and other assets		
Investment securities	35,491	34,730
Deferred tax assets	2,925	2,917
Other	7,039	6,943
Allowance for doubtful accounts	(384)	(366)
Total investments and other assets	45,072	44,225
Total non-current assets	210,582	212,331
<b>Total assets</b>	<b>359,445</b>	<b>362,734</b>

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	58,930	56,188
Electronically recorded obligations-operating	5,091	7,187
Short-term loans payable	19,957	19,193
Income taxes payable	1,848	3,727
Provision for bonuses	4,990	5,090
Other	27,105	25,273
<b>Total current liabilities</b>	<b>117,924</b>	<b>116,660</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,835	34,762
Deferred tax liabilities	1,291	1,149
Deferred tax liabilities for land revaluation	3,956	3,956
Provision for director's retirement benefits	20	20
Provision for gift token exchange	88	84
Net defined benefit liabilities	9,396	9,219
Asset retirement obligations	1,713	1,674
Other	10,435	11,037
<b>Total non-current liabilities</b>	<b>72,738</b>	<b>71,903</b>
<b>Total liabilities</b>	<b>190,662</b>	<b>188,563</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	121,177
Treasury stock	(4,942)	(4,947)
<b>Total shareholders' equity</b>	<b>149,117</b>	<b>153,836</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,471	10,745
Deferred gains or losses on hedges	(154)	(170)
Revaluation reserve for land	8,818	8,818
Foreign currency translation adjustment	8	(244)
Remeasurements of defined benefit plans	(1,966)	(1,803)
<b>Total accumulated other comprehensive income</b>	<b>17,177</b>	<b>17,345</b>
<b>Non-controlling interests</b>	<b>2,487</b>	<b>2,988</b>
<b>Total net assets</b>	<b>168,782</b>	<b>174,170</b>
<b>Total liabilities and net assets</b>	<b>359,445</b>	<b>362,734</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, 2018	Six months ended September 30, 2019
<b>Net sales</b>	305,369	311,625
Cost of sales	232,144	237,539
<b>Gross profit</b>	<b>73,224</b>	<b>74,085</b>
Selling, general and administrative expenses	63,636	63,448
<b>Operating profit</b>	<b>9,587</b>	<b>10,637</b>
Non-operating income		
Interest income	9	5
Dividend income	252	410
Equity in earnings of affiliates	473	582
Other	469	570
<b>Total non-operating income</b>	<b>1,204</b>	<b>1,568</b>
Non-operating expenses		
Interest expenses	251	154
Other	288	318
<b>Total non-operating expenses</b>	<b>539</b>	<b>472</b>
<b>Ordinary profit</b>	<b>10,253</b>	<b>11,733</b>
Extraordinary income		
Gain on sales of non-current assets	19	8
Other	88	0
<b>Total extraordinary income</b>	<b>107</b>	<b>8</b>
Extraordinary loss		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	535	622
Impairment loss	41	162
Other	712	57
<b>Total extraordinary loss</b>	<b>1,289</b>	<b>843</b>
<b>Profit before income taxes</b>	<b>9,071</b>	<b>10,897</b>
Income taxes	2,508	3,067
<b>Profit</b>	<b>6,563</b>	<b>7,830</b>
Profit attributable to non-controlling interests	141	126
<b>Profit attributable to owners of parent</b>	<b>6,422</b>	<b>7,703</b>

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Profit</b>	6,563	7,830
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	490	290
Deferred gains or losses on hedges	69	(16)
Foreign currency translation adjustment	(284)	(72)
Remeasurements of defined benefit plans	95	187
Share of other comprehensive income of entities accounted for using the equity method	6	(8)
Total other comprehensive income	377	380
<b>Comprehensive income</b>	6,941	8,210
Comprehensive income attributable to owners of parent	6,793	8,072
Comprehensive income attributable to non- controlling interests	147	138

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

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,071	10,897
Depreciation and amortization	7,744	8,095
Impairment loss	41	162
Equity in (earnings) losses of affiliates	(473)	(582)
Amortization of goodwill	—	47
Increase (decrease) in allowance for doubtful accounts	(208)	(27)
Increase (decrease) in provision for bonuses	(192)	100
Decrease (increase) in net defined benefit asset	(201)	(0)
Increase (decrease) in net defined benefit liability	(161)	(59)
Increase (decrease) in provision for gift token exchange	(5)	(4)
Loss (gain) on sales and retirement of non-current assets	516	615
Interest and dividend income received	(261)	(415)
Interest expenses	251	154
Decrease (increase) in notes and accounts receivable-trade	(6,975)	(512)
Decrease (increase) in inventories	469	(1,700)
Increase (decrease) in notes and accounts payable-trade	730	(817)
Other	3,425	(998)
<b>Sub total</b>	<b>13,769</b>	<b>14,954</b>
Interest and dividend income	317	473
Interest expenses paid	(238)	(195)
Income taxes paid	(1,961)	(1,593)
Net cash provided by (used in) operating activities	11,886	13,639

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from investing activities</b>		
Payments into time deposits	(22)	—
Proceeds from withdrawal of time deposits	502	—
Payments of loans receivable	(25)	(28)
Collection of loans receivable	2	24
Purchase of property, plant and equipment and intangible assets	(9,727)	(9,924)
Proceeds from sales of property, plant and equipment and intangible assets	70	94
Purchase of investment securities	(15)	(105)
Proceeds from sales of investment securities	47	—
Other	35	15
Net cash provided by (used in) investing activities	(9,131)	(9,924)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,246	8
Repayment of long-term loans payable	(3,067)	(2,152)
Purchase of treasury stock	(7)	(5)
Cash dividends paid	(2,706)	(2,705)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(370)	(354)
Net cash provided by (used in) financing activities	(3,907)	(5,211)
Effect of exchange rate on cash and cash equivalents	(62)	(37)
Net increase (decrease) in cash and cash equivalents	(1,215)	(1,533)
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	12,860	12,938

**(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, 2018 (April 1 to September 30, 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	117,457	145,281	23,906	286,644	18,724	305,369	—	305,369
Inter-segment sales and transfers	6,805	41	456	7,303	6,285	13,589	(13,589)	—
Total	124,262	145,322	24,362	293,948	25,009	318,958	(13,589)	305,369
Segment profit	5,370	2,224	1,215	8,810	714	9,525	62	9,587

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

2. The 62 million yen adjustment for segment profit is for elimination of intersegment transactions.

3. Segment profit adjustments are based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.

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

Not applicable.

II 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)	—
Total	128,412	147,298	24,357	300,068	24,747	324,815	(13,190)	311,625
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.