

Supplementary Information

Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)

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Earnings forecasts contained in this supplementary material are forward-looking statements and include uncertain factors. Please note that actual results may differ from forecasts due to various unknown or unpredictable factors.

This material has not been prepared to solicit investment.

MEGMILK SNOW BRAND Co., Ltd.

〈Consolidated Financial Results〉

The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) and other related standards 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.

1. Quarterly Consolidated Statements of Income (Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Nine months ended December 31, 2017		Nine months ended December 31, 2018		Net change	
	Result	Vs. Sales (%)	Result	Vs. Sales (%)	Amount	Year-on- year change (%)
Net sales	4,546	100.0	4,594	100.0	47	1.1
Cost of sales	3,434	75.5	3,494	76.1	60	1.8
Selling, general and administrative expenses	951	20.9	960	20.9	8	0.9
Operating profit	161	3.5	139	3.0	(21)	(13.3)
Non-operating income	21	0.5	20	0.5	(1)	(5.5)
Non-operating expenses	7	0.2	8	0.2	0	11.9
Ordinary profit	175	3.9	152	3.3	(23)	(13.4)
Extraordinary income	0	0.0	1	0.0	0	58.6
Extraordinary loss	10	0.2	19	0.4	8	83.8
Profit before income taxes	165	3.6	133	2.9	(31)	(19.3)
Income taxes	47	1.0	36	0.8	(11)	(23.8)
Profit (loss) attributable to non-controlling interests	0	0.0	2	0.0	1	254.0
Profit attributable to owners of parent	117	2.6	95	2.1	(22)	(18.9)

2. Quarterly Consolidated Statements of Comprehensive Income

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Nine months ended December 31, 2017		Nine months ended December 31, 2018		Net change	
	Result		Result		Amount	Year-on- year change (%)
Profit	118		97		(20)	(17.5)
Total other comprehensive income	11		(13)		(24)	—
Comprehensive income	129		84		(45)	(34.9)
(of which, comprehensive income attributable to non-controlling interests)	0		2		1	234.4

3. Quarterly Consolidated Sales and Operating Profit by Product of Each Segment

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Net change	
	Result	Result	Amount	Year-on- year change (%)
[Net sales]				
Butter	168	170	1	1.0
Oils & fats	97	93	(4)	(4.7)
Cheese	593	585	(7)	(1.3)
Other	246	239	(6)	(2.6)
Subsidiaries and other	699	722	23	3.3
Dairy products	1,805	1,811	6	0.3
White drinks	639	640	0	0.1
Colored drinks	346	336	(9)	(2.7)
Yogurt	425	448	23	5.5
Desserts & fresh cream	184	184	0	0.0
Other	27	26	(1)	(4.5)
Subsidiaries and other	500	517	17	3.5
Beverage and dessert	2,123	2,154	30	1.4
Feedstuffs	259	270	11	4.4
Seed products	82	81	(0)	(1.1)
Feed and seeds	341	352	10	3.1
Other	276	276	0	0.3
Total	4,546	4,594	47	1.1
[Operating profit]				
Dairy products	93	90	(2)	(2.9)
Beverage and dessert	41	28	(12)	(30.5)
Feed and seeds	14	10	(3)	(25.1)
Other	11	8	(2)	(22.2)
Total	161	139	(21)	(13.3)

(Notes) 1. Main types of goods traded by business segment

Dairy Products: Dairy products (cheese, butter, milk powder, etc.); oils & fats;

Nutrition business (functional food products, infant formula, etc.) etc.

Beverage & Dessert: Beverages (milk drinks, fruit juice beverages, etc.);
yogurts; desserts; fresh cream, etc.

Feed and Seeds: Cattle feed; pasture forage and crop seed; vegetable seeds, etc.

Other: Joint distribution center services; real estate leasing, etc.

2. The net sales for each segment list the figures for external customers.

Note that figures for external customers are also used in the year-on-year comparisons.

3. Subsidiaries and other includes the sales by subsidiaries and the total effects from accounting for consolidation (intercompany elimination, etc.).

Feed and seeds are on a consolidated basis (after excluding intercompany elimination, etc.).

Nutrition Business of Dairy Products

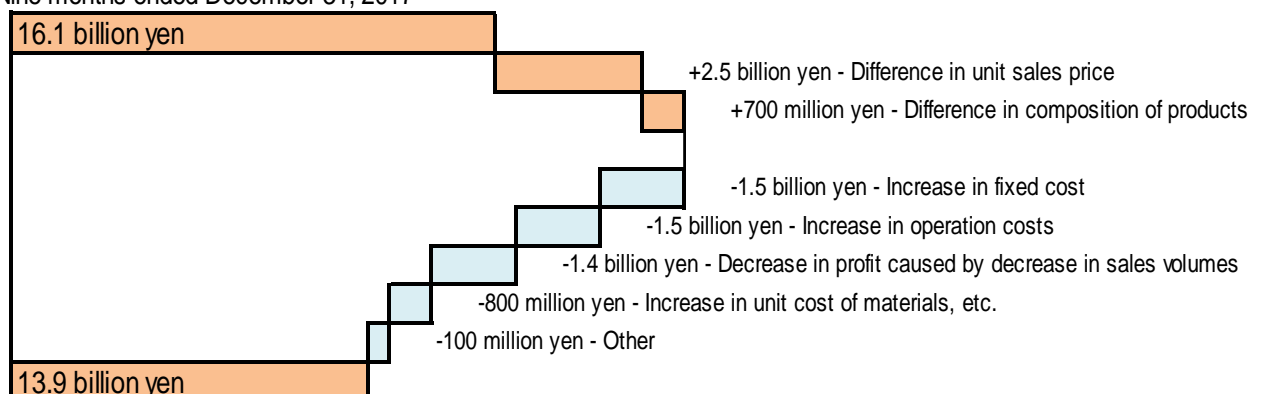
(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Net change	
	Result	Result	Amount	Year-on- year change (%)
Functional food products	33	35	2	7.4
Powdered milk and other	115	111	(3)	(2.9)
Total on a consolidated basis	148	147	(0)	(0.6)

(Note) These figures are on a consolidated basis (after intercompany elimination, etc.)

4. Causes of Net Changes in Consolidated Operating Profit

Nine months ended December 31, 2017



Nine months ended December 31, 2018

Details of Consolidated Operating Profit by Segment (Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

Factors behind changes		Total	Dairy products	Beverage and dessert	Feed and seeds	Other
Factors behind increase in profit	Difference in unit sales price	25	24	0	1	0
	Difference in composition of products	7	2	5	0	0
	Decrease in advertising and promotional costs	0	5	(5)	0	0
Subtotal		32	31	0	1	0
Factors behind decrease in profit	Increase in fixed cost	(15)	(4)	(8)	(1)	(2)
	Increase in operation costs	(15)	(6)	(9)	0	0
	Decrease in profit caused by decrease in sales volumes	(14)	(17)	6	(2)	0
	Increase in unit cost of materials, etc.	(8)	(6)	(1)	(1)	0
	Other	(1)	0	0	0	0
Subtotal		(53)	(33)	(12)	(4)	(2)
Total		(21)	(2)	(12)	(3)	(2)

5. Quarterly Consolidated Balance Sheets

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	As of March 31, 2018	As of December 31, 2018	Amount of net change		As of March 31, 2018	As of December 31, 2018	Amount of net change
(Current assets)	1,421	1,481	59	(Current liabilities)	1,406	1,200	(205)
Cash and deposits	146	158	12	Payables	644	657	12
Receivables	693	755	62	Short-term loans payable	418	216	(201)
Inventory assets	539	523	(15)	Other	343	326	(16)
Other	42	42	(0)	(Non-current liabilities)	532	707	175
(Non-current assets)	2,091	2,060	(31)	Bonds payable	—	100	100
Property, plant and equipment	1,647	1,630	(17)	Long-term loans payable	270	349	78
Intangible assets	39	33	(5)	Net defined benefit liabilities	86	86	(0)
Investment securities	293	286	(6)	Other	174	171	(2)
Deferred tax assets	48	48	(0)	Total liabilities	1,939	1,908	(30)
Other	62	61	(0)	Shareholders' equity	1,550	1,607	57
Total assets	3,512	3,541	28	Non-controlling interests	23	25	2
				Total net assets	1,573	1,632	59
				Total liabilities/net assets	3,512	3,541	28

6. Quarterly Consolidated Statements of Cash Flows

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Amount of net change
	Result	Result	
I Cash flows from operating activities	160	197	37
II Cash flows from investing activities	(90)	(123)	(32)
III Cash flows from financing activities	(118)	(56)	61
IV Effect of exchange rate on cash and cash equivalents	0	(0)	(0)
V Amount of net change in cash and cash equivalents	(47)	17	65
VI Cash and cash equivalents at beginning of period	159	140	(18)
VII Cash and cash equivalents at end of period	111	158	46
(Ref.) Free cash flow (I + II)	70	74	4

〈Consolidated Financial Forecast〉 (The earnings forecast announced on May 10, 2018, has been revised)

1. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Full year				Amount of net change
	Previously announced forecast	Year-on-year change (%)	Revised forecast	Year-on-year change (%)	
Net sales	6,050	1.5	6,010	0.8	(40.0)
Operating profit	190	(1.9)	175	(9.6)	(15.0)
Ordinary profit	200	(4.7)	190	(9.5)	(10.0)
Profit attributable to owners of parent	135	0.9	105	(21.6)	(30.0)

〈Other〉

1. Non-consolidated Net Sales by Business Segment

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Nine months ended December 31, 2017		Nine months ended December 31, 2018		Amount of net change
	Result	Year-on-year change (%)	Result	Year-on-year change (%)	
Dairy products	1,105	2.1	1,088	(1.5)	(17)
Butter	168	(1.1)	170	1.0	1
Oils & fats	97	(2.1)	93	(4.7)	(4)
Cheese	593	4.3	585	(1.3)	(7)
Beverage and dessert	1,622	(0.3)	1,636	0.8	13
White drinks	639	0.5	640	0.1	0
Colored drinks	346	(2.0)	336	(2.7)	(9)
Yogurt	425	0.9	448	5.5	23
Desserts & fresh cream	184	(1.0)	184	0.0	0
Other	15	4.1	14	(4.7)	(0)
Total	2,744	0.7	2,739	(0.2)	(4)

(For reference) Market share (of household consumption) for the First Nine Months of Fiscal Year Ending March 31, 2019

Source: SCl (up to 79 years old), in value terms

Butter:	32.8%
Oils & fats:	36.9%
Cheese:	16.5%
Milk:	7.2%
Milk beverage:	20.6%
Yogurt:	11.8%
Chilled dessert:	12.3%