

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

August 9, 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 Three Months of the Fiscal Year Ending March 31, 2020**  
(April 1, 2019 – June 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	%
Three months ended June 30, 2019	154,698	2.5	5,069	6.5	5,894	16.8	3,825	13.2
Three months ended June 30, 2018	150,984	0.8	4,757	(18.0)	5,046	(17.7)	3,379	1.6

Note: Comprehensive income: Three months Ended June 30, 2019 : 3,180 million yen (-4.6%)  
 Three months Ended June 30, 2018 : 3,335 million yen (-14.3%)

	Profit per share – basic	Profit per share – diluted
Three months ended June 30, 2019	56.50 yen	— yen
Three months ended June 30, 2018	49.83 yen	— yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2019	361,880	169,169	45.9	2,455.13
March 31, 2019	359,445	168,782	46.3	2,456.35

For reference:

Equity: June 30, 2019 : 166,211 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
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

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)

June 30, 2019	70,751,855 shares
March 31, 2019	70,751,855 shares

2) Treasury stock as of period-end

June 30, 2019	3,052,141 shares
March 31, 2019	3,051,487 shares

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

Three months ended June 30, 2019	67,699,960 shares
Three months ended June 30, 2018	67,809,524 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 .....	4
(1) Overview of Operating Results.....	4
(2) Analysis of Financial Condition .....	6
(3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results.....	6
2. Quarterly Consolidated Financial Statements and Key Notes .....	7
(1) Quarterly Consolidated Balance Sheets .....	7
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	9
Quarterly Consolidated Statements of Income.....	9
Quarterly Consolidated Statements of Comprehensive Income.....	10
(3) Quarterly Consolidated Statements of Cash flows .....	11
(4) Notes to the Quarterly Consolidated Financial Statements .....	13
(Notes on the Assumption of a Going Concern) .....	13
(Notes Concerning Significant Changes in Shareholders' Equity (if any)).....	13
(Segment and Other information) .....	14

(Supplementary Information)

Supplementary Information for the Three Months Ended June 30, 2019

## 1. Operating Results

### (1) Overview of Operating Results

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

While 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 on the world economy of trade disputes, the outlook for the Chinese economy, and the impact of fluctuations in the financial and capital markets.

Although consumer spending is picking up against a backdrop of a gradual increase in real wage income and improvement in the employment situation, 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 as well as increases in raw material costs. Consequently, the movement to pass on cost increases to prices is spreading. In addition to these circumstances, the dairy industry continues to face an adverse business environment characterized by sharp cost increases, including an increase in raw milk prices from April 2019. 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 create multiple earnings bases and maximize cash flow and strove for product mix improvement accompanying sales growth from high-value-added products such as functional yogurt and from cheese and other mainstay products, for scale expansion from continued marketing investment in the nutrition business sector, and for enhancement of the overall strength of the Group through optimal utilization of Group management resources and the value chain.

As a result of these developments, in the three months ended June 30, 2019, consolidated net sales were ¥154,698 million (an increase of 2.5% over the same period of the previous fiscal year), operating profit was ¥5,069 million (up 6.5%), ordinary profit was ¥5,894 million (up 16.8%), and profit attributable to owners of parent was ¥3,825 million (up 13.2%).

Although this does not fall under a change in specified subsidiaries, because of their increased importance, 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 three months ended June 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 ¥61,091 million (an increase of 5.1% from the same period of the previous fiscal year), and operating profit was ¥2,757 million (down 3.9%).

Sales of butter were strong amid continued efforts to ensure a stable supply. Sales of margarine declined due to continuing market contraction, despite efforts to boost demand through promotional activities. Sales of cheese increased, partly as a result of the impact of promotional activities such as campaigns and recipe proposals. 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.

Operating profit declined due to factors including increases in 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 ¥72,305 million (an increase of 1.2% from the same period of the previous fiscal year), and operating profit was ¥1,456 million (up 57.8%).

Beverage sales decreased due in part to the impact of market sluggishness. The Company aired TV commercials and engaged in promotional activities for yogurt that emphasize the visceral fat-reducing function of *Lactobacillus gasseri* SP, the Company's own lactobacillus. Sales of yogurt increased due to strong sales of products that emphasize function and price, even after price revisions. Dessert sales decreased 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 advertising and promotional costs, despite increases in raw material costs and operation costs, such as 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 ¥12,373 million (an increase of 0.6% from the same period of the previous fiscal year), and operating profit was ¥638 million (down 8.3%).

Overall segment sales increased due to factors including an increase in feed sales volumes. Operating profit declined due to lower sales of pasture forage/crop seeds and the impact of product cost increases.

## 4) Other

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

Net sales in this segment were ¥8,927 million (a decrease of 2.2% from the same period of the previous fiscal year), and operating profit was ¥238 million (up 2.6%).

## (2) Analysis of Financial Condition

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

#### Assets

Total assets as of June 30, 2019 increased by ¥2,434 million from the previous fiscal year-end. The change is mainly attributable to increases in cash and deposits, notes and accounts receivable-trade, and goodwill, which offset a decrease in investment securities.

#### Liabilities

Total liabilities as of June 30, 2019 increased by ¥2,048 million from the previous fiscal year-end. The change is mainly attributable to increases in notes and accounts payable-trade, electronically recorded obligations-operating, and accrued expenses included in "Other," which offset a decrease in provision for bonuses.

#### Net assets

Net assets as of June 30, 2019 increased by ¥386 million from the previous fiscal year-end. The change is mainly attributable to increases in non-controlling interests and retained earnings, which offset a decrease in valuation difference on available-for-sale securities.

### 2) Cash flows

Cash and cash equivalents on a consolidated basis as of June 30, 2019 totaled ¥16,291 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the three months ended June 30, 2019.

#### Cash flows from operating activities

Operating activities provided net cash of ¥8,610 million, a ¥5,569 million increase in cash provided from the ¥3,041 million in cash provided in the three months ended June 30, 2018. The change is mainly attributable to decreases in notes and accounts receivable-trade and inventories.

#### Cash flows from investing activities

Investing activities used net cash of ¥3,516 million, a ¥1,247 million increase in cash used from the ¥2,269 million used in the fiscal year ended June 30, 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 ¥3,278 million, a ¥529 million increase in cash used from the ¥2,749 million used in the three months ended June 30, 2018. The change is mainly attributable to a net decrease in short-term loans payable and an increase 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 June 30, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,366	16,353
Notes and accounts receivable-trade	74,727	76,490
Merchandise and finished goods	40,673	41,202
Work in process	991	1,289
Raw materials and supplies	14,026	13,701
Other	4,446	4,173
Allowance for doubtful accounts	(368)	(376)
Total current assets	148,863	152,835
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	46,970	46,754
Machinery, equipment and vehicles, net	53,225	53,273
Land	49,849	49,927
Other, net	12,258	13,025
Total property, plant and equipment	162,304	162,980
Intangible assets		
Goodwill	—	801
Other	3,206	3,223
Total intangible assets	3,206	4,024
Investments and other assets		
Investment securities	35,491	32,748
Deferred tax assets	2,925	2,809
Other	7,039	6,862
Allowance for doubtful accounts	(384)	(380)
Total investments and other assets	45,072	42,040
Total non-current assets	210,582	209,045
<b>Total assets</b>	359,445	361,880

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	58,930	60,678
Electronically recorded obligations-operating	5,091	6,200
Short-term loans payable	19,957	20,248
Income taxes payable	1,848	1,151
Provision for bonuses	4,990	2,756
Other	27,105	29,693
<b>Total current liabilities</b>	<b>117,924</b>	<b>120,729</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,835	35,434
Deferred tax liabilities	1,291	1,168
Deferred tax liabilities for land revaluation	3,956	3,956
Provision for director's retirement benefits	20	20
Provision for gift token exchange	88	86
Net defined benefit liabilities	9,396	9,274
Asset retirement obligations	1,713	1,661
Other	10,435	10,380
<b>Total non-current liabilities</b>	<b>72,738</b>	<b>71,982</b>
<b>Total liabilities</b>	<b>190,662</b>	<b>192,711</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	117,299
Treasury stock	(4,942)	(4,944)
<b>Total shareholders' equity</b>	<b>149,117</b>	<b>149,961</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,471	9,577
Deferred gains or losses on hedges	(154)	(189)
Revaluation reserve for land	8,818	8,818
Foreign currency translation adjustment	8	(71)
Remeasurements of defined benefit plans	(1,966)	(1,884)
<b>Total accumulated other comprehensive income</b>	<b>17,177</b>	<b>16,250</b>
<b>Non-controlling interests</b>	<b>2,487</b>	<b>2,957</b>
<b>Total net assets</b>	<b>168,782</b>	<b>169,169</b>
<b>Total liabilities and net assets</b>	<b>359,445</b>	<b>361,880</b>



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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Net sales</b>	150,984	154,698
Cost of sales	113,935	117,211
<b>Gross profit</b>	<b>37,049</b>	<b>37,486</b>
Selling, general and administrative expenses	32,291	32,417
<b>Operating profit</b>	<b>4,757</b>	<b>5,069</b>
Non-operating income		
Interest income	4	2
Dividend income	158	321
Equity in earnings of affiliates	187	308
Insurance return	—	214
Other	194	173
<b>Total non-operating income</b>	<b>544</b>	<b>1,020</b>
Non-operating expenses		
Interest expenses	122	56
Foreign exchange losses	—	48
Other	133	89
<b>Total non-operating expenses</b>	<b>256</b>	<b>194</b>
<b>Ordinary profit</b>	<b>5,046</b>	<b>5,894</b>
Extraordinary income		
Gain on sales of non-current assets	12	7
Other	6	—
<b>Total extraordinary income</b>	<b>18</b>	<b>7</b>
Extraordinary loss		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	149	331
Impairment loss	22	118
Other	12	51
<b>Total extraordinary loss</b>	<b>184</b>	<b>501</b>
<b>Profit before income taxes</b>	<b>4,880</b>	<b>5,400</b>
Income taxes	1,410	1,467
<b>Profit</b>	<b>3,469</b>	<b>3,933</b>
Profit attributable to non-controlling interests	90	108
<b>Profit attributable to owners of parent</b>	<b>3,379</b>	<b>3,825</b>

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Profit</b>	3,469	3,933
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	33	(899)
Deferred gains or losses on hedges	39	(35)
Foreign currency translation adjustment	(259)	100
Remeasurements of defined benefit plans	47	77
Share of other comprehensive income of entities accounted for using the equity method	4	4
Total other comprehensive income	(134)	(752)
<b>Comprehensive income</b>	3,335	3,180
Comprehensive income attributable to owners of parent	3,241	3,073
Comprehensive income attributable to non- controlling interests	93	107

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

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,880	5,400
Depreciation and amortization	3,857	4,025
Impairment loss	22	118
Equity in (earnings) losses of affiliates	(187)	(308)
Amortization of goodwill	—	23
Increase (decrease) in allowance for doubtful accounts	(197)	5
Increase (decrease) in provision for bonuses	(2,465)	(2,234)
Decrease (increase) in net defined benefit asset	(202)	164
Increase (decrease) in net defined benefit liability	45	(90)
Increase (decrease) in provision for gift token exchange	(3)	(2)
Loss (gain) on sales and retirement of non-current assets	137	324
Interest and dividend income received	(162)	(323)
Interest expenses	122	56
Decrease (increase) in notes and accounts receivable-trade	(6,681)	(1,316)
Decrease (increase) in inventories	(1,135)	(36)
Increase (decrease) in notes and accounts payable-trade	2,968	2,649
Other	3,739	1,398
<b>Sub total</b>	<b>4,737</b>	<b>9,852</b>
Interest and dividend income	218	381
Interest expenses paid	(104)	(90)
Income taxes paid	(1,809)	(1,532)
Net cash provided by (used in) operating activities	3,041	8,610

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
<b>Cash flows from investing activities</b>		
Payments into time deposits	(22)	—
Proceeds from withdrawal of time deposits	5	—
Payments of loans receivable	(28)	(16)
Collection of loans receivable	29	13
Purchase of property, plant and equipment and intangible assets	(2,317)	(3,491)
Proceeds from sales of property, plant and equipment and intangible assets	64	90
Purchase of investment securities	(5)	(98)
Other	5	(14)
Net cash provided by (used in) investing activities	(2,269)	(3,516)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	316	(15)
Repayment of long-term loans payable	(233)	(401)
Purchase of treasury stock	(3)	(1)
Cash dividends paid	(2,651)	(2,652)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(174)	(204)
Net cash provided by (used in) financing activities	(2,749)	(3,278)
Effect of exchange rate on cash and cash equivalents	(68)	3
Net increase (decrease) in cash and cash equivalents	(2,045)	1,819
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	12,030	16,291

**(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 Three months ended June 30, 2018 (April 1 to June 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	58,125	71,439	12,296	141,861	9,123	150,984	—	150,984
Inter-segment sales and transfers	3,285	10	219	3,514	3,169	6,683	(6,683)	—
<b>Total</b>	<b>61,410</b>	<b>71,449</b>	<b>12,515</b>	<b>145,375</b>	<b>12,292</b>	<b>157,668</b>	<b>(6,683)</b>	<b>150,984</b>
<b>Segment profit</b>	<b>2,871</b>	<b>922</b>	<b>696</b>	<b>4,490</b>	<b>232</b>	<b>4,722</b>	<b>34</b>	<b>4,757</b>

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

2. The 34 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.

(Significant change in amount of goodwill)

Not applicable

II Three months ended June 30, 2019 (April 1 to June 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	61,091	72,305	12,373	145,770	8,927	154,698	—	154,698
Inter-segment sales and transfers	3,212	24	241	3,478	3,215	6,693	(6,693)	—
<b>Total</b>	<b>64,304</b>	<b>72,329</b>	<b>12,615</b>	<b>149,248</b>	<b>12,142</b>	<b>161,391</b>	<b>(6,693)</b>	<b>154,698</b>
<b>Segment profit</b>	<b>2,757</b>	<b>1,456</b>	<b>638</b>	<b>4,853</b>	<b>238</b>	<b>5,091</b>	<b>(22)</b>	<b>5,069</b>

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

2. The -22 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

(Significant change in amount of goodwill)

In the Dairy Products segment, from the first three months of the fiscal year ending March 31, 2020, Udder Delights Australia Pty Ltd. has been consolidated as its materiality has increased.

Due to this change, goodwill increased by 830 million yen.