

**Consolidated Financial Results for the Year Ended March 31, 2020**  
(Prepared pursuant to Japanese GAAP)

May 13, 2020

Company name: MEGMILK SNOW BRAND Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Sapporo Securities Exchange  
 Stock code: 2270  
 URL: <https://www.meg-snow.com/english>  
 Representative: Keiji Nishio, Representative Director and President  
 Contact: Kentaro Watanabe, General Manager, Public Relations & Investor Relations Department  
 Phone: +81 3-3226-2124

Scheduled dates

Annual general meeting of shareholders: June 24, 2020  
 Dividend payout: June 4, 2020  
 Filing of fiscal year-end financial report: June 24, 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, 2020**  
(April 1, 2019 – March 31, 2020)

(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, 2020	613,405	1.7	17,998	4.5	19,680	3.5	12,165	13.1
Year ended March 31, 2019	603,378	1.2	17,230	(11.0)	19,014	(9.4)	10,754	(19.7)

Note: Comprehensive income: Year Ended March 31, 2020 : 12,271 million yen (-14.5%)  
 Year Ended March 31, 2019 : 14,345 million yen (-1.2%)

	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, 2020	179.71	—	7.1	5.4	2.9
Year ended March 31, 2019	158.64	—	6.7	5.4	2.9

For reference: Equity in earnings of affiliate Year Ended March 31, 2020: 1,085 million yen  
 Year Ended March 31, 2019: 961 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
March 31, 2020	370,434	178,094	47.3	2,586.86
March 31, 2019	359,445	168,782	46.3	2,456.35

For reference: Equity: March 31, 2020 : 175,112 million yen  
 March 31, 2019 : 166,295 million yen

### (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, 2020	24,322	(16,629)	(6,651)	15,524
Year ended March 31, 2019	21,938	(14,248)	(7,396)	14,303

### 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, 2019	—	—	—	40.00	40.00	2,708	25.2	1.7
Year ending March 31, 2020	—	—	—	40.00	40.00	2,707	22.3	1.6
Year ending March 31, 2021 (forecast)	—	—	—	40.00	40.00		20.8	

### 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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)	312,000	0.1	9,400	(11.6)	10,200	(13.1)	6,400	(16.9)	94.54
Full Year	620,000	1.1	19,000	5.6	20,500	4.2	13,000	6.9	192.04

### 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, 2020	70,751,855 shares
March 31, 2019	70,751,855 shares

2) Treasury stock as of period-end

March 31, 2020	3,058,747 shares
March 31, 2019	3,051,487 shares

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

Year ended March 31, 2020	67,697,550 shares
Year ended March 31, 2019	67,790,904 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 .....	5
(3) Future Outlook.....	7
(4) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2020 and the Fiscal Year Ending March 31, 2021.....	7
2. Basic Policy on the Selection of Accounting Standards.....	8
3. Management Policies.....	8
4. Consolidated Financial Statements and Key Notes .....	10
(1) Consolidated Balance Sheets .....	10
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	12
Consolidated Statements of Income.....	12
Consolidated Statements of Comprehensive Income.....	13
(3) Consolidated Statements of Changes in Net Assets.....	14
(4) Consolidated Statements of Cash flows .....	16
(5) Notes to the Consolidated Financial Statements .....	18
(Notes on the assumption of a going-concern) .....	18
(Change in presentation).....	18
(Segment information) .....	19
("Per share" data) .....	21
(Key subsequent events).....	21

(Supplementary Information)

Supplementary Information Year Ended March 31,2020

## 1. Operating Results

### (1) Overview of Operating Results

Although the gradual recovery in the Japanese economy continued in the fiscal year ended March 31, 2020, the situation has since worsened considerably due to the impact of the novel coronavirus outbreak.

At this juncture, it remains difficult to predict when the outbreak will come to an end in Japan and we expect the adverse business conditions to continue up ahead. Thus, the risk of further deterioration in Japan's economy, as well as overseas, will require close monitoring.

Concerns about overseas economic trends and fluctuations in the financial and capital markets are also growing.

While consumer spending had picked up against the backdrop of a gradual increase in real wage income and a recovery in the job market, consumer sentiment is now rapidly deteriorating as restaurant and travel-related spending slumps mainly because of the outbreak and resulting the mood of self-restraint.

In the food industry, in order to guarantee stable product supply amid the spread of the novel coronavirus more companies are currently taking steps to address heavily fluctuating demand by hiring more workers at production sites and maintaining distribution capabilities.

Demand for wholesale foodstuffs has plummeted owing to a rapid increase in closures of restaurants and bars as more people refrain from going out. At the same time, however, the outbreak is generating heightened demand associated with an increase in home cooking, snacking, and opportunities to eat ready-made meals at home, with people taking home ready-to-eat food, for example.

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

As a result, in the fiscal year ended March 31, 2020, consolidated net sales were ¥613,405 million (up 1.7% YoY), operating profit was ¥17,998 million (up 4.5%), ordinary profit was ¥19,680 million (up 3.5%), and profit attributable to owners of parent was ¥12,165 million (up 13.1%).

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 fiscal year ended March 31, 2020.

As of March 31, 2020, the MEGMILK SNOW BRAND Group comprised the Company, 32 subsidiaries, and 14 affiliates.

Operating results by business segment for the fiscal year ended March 31, 2020 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 ¥249,098 million (up 3.4% YoY), and operating profit was ¥11,557 million (down 1.7%).

Sales of butter were solid amid continued efforts to ensure a stable supply. Sales of margarine declined due in part to continued market contraction, despite promotional activities such as campaigns offering increased product volume. Although sales of cheese decreased, sales of products with a competitive edge in the market were brisk thanks to promotional activities communicating new value to customers, including suggestions on different ways to consume cheese. Sales of functional food products grew owing to continued marketing investment in Mainichi Hone Care MBP, a food for specified health use. As a result of these developments, overall segment sales increased.

Operating profit declined mainly due to higher fixed costs and operation costs, despite the positive impact on profit of efficient use of advertising and promotional costs.

## 2) Beverage & Dessert

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

Net sales were ¥283,923 million (up 1.5% YoY), and operating profit was ¥5,229 million (up 65.0%).

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

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

## 3) 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 ¥43,703 million (down 5.1% YoY), and operating profit was ¥1,036 million (down 10.9%).

Both segment sales and operating profit decreased year on year mainly because of a decline in sales volumes of pasture forage and crop seeds and feedstuffs, as well as fewer large-scale projects in the landscaping business.

## 4) Other

This segment comprises joint distribution center services, real estate rental, and other businesses. Net sales were ¥36,680 million (up 0.2% YoY), and operating profit was ¥170 million (down 83.9%). The considerable decline in operating profit mainly owed to the impact of rent and operating costs for an alternate warehouse necessitated by fire damage to a merchandise warehouse of subsidiary SI System Corporation that occurred at the end of September.

## (2) Analysis of Financial Condition

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

#### Assets

Total assets as of March 31, 2020 increased by ¥10,988 million from the previous fiscal year-end. The change is mainly attributable to increases in property, plant and equipment, merchandise and finished goods, and intangible assets, which offset a decrease in notes and accounts receivable–trade.

#### Liabilities

Total liabilities as of March 31, 2020 increased by ¥1,676 million from the previous fiscal year-end. The change is mainly attributable to an increase in accounts payable–other, which offset decreases in notes and accounts payable–trade and debts related to the acquisition of fixed assets (included in “other”).

#### Net assets

Total net assets as of March 31, 2020 increased by ¥9,311 million from the previous fiscal year-end. The change is mainly attributable to an increase in retained earnings.

## 2) Cash flows

Cash and cash equivalents on a consolidated basis as of March 31, 2020 totaled ¥15,524 million.

The following is a summary of consolidated cash flows by activity for the fiscal year ended March 31, 2020.

(Millions of yen)

Category	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Cash flows from operating activities	21,938	24,322	2,383
Cash flows from investing activities	(14,248)	(16,629)	(2,380)
Cash flows from financing activities	(7,396)	(6,651)	745
Currency translation adjustment relating to cash and cash equivalents	(65)	9	75
Increase(decrease)in cash and cash equivalents	227	1,052	824
Cash and cash equivalents at the beginning of the fiscal year	14,076	14,303	227
Increase in cash and cash equivalents from newly consolidated	—	168	168
Cash and cash equivalents at the end of the fiscal year	14,303	15,524	1,220

### Cash flows from operating activities

Operating activities provided net cash of ¥24,322 million, compared to ¥21,938 million provided in the previous fiscal year. The year-on-year increase in cash provided of ¥2,383 million is mainly attributable to decreases in notes and accounts receivable—trade and notes and accounts payable—trade.

### Cash flows from investing activities

Investing activities used net cash of ¥16,629 million, compared to ¥14,248 million used in the previous fiscal year. The year-on-year increase in cash used of ¥2,380 million is mainly attributable to a decrease in proceeds from sales of investment securities and an increase in purchase of property, plant and equipment and intangible assets.

### Cash flows from financing activities

Financing activities used net cash of ¥6,651 million, compared to ¥7,396 million used in the previous fiscal year. The year-on-year decrease in cash used of ¥745 million is mainly attributable to a decrease in proceeds from long-term loans payable and the issuance of bonds, which offset a decrease in repayment of long-term loans payable and a net increase in short-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	2018	2019	2020
Equity ratio(%)	44.1	46.3	47.3
Equity ratio based on market value(%)	55.5	50.7	44.9
Ratio of interest-bearing debt to cash flow(years)	3.3	3.3	2.9
Interest coverage ratio(X)	42.2	49.3	62.6

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.

### (3) Future Outlook

Looking ahead, while we can expect economies around the world to be boosted to some extent by central bank financial policies and government economic stimulus packages, it is extremely difficult to predict the impacts of the novel coronavirus outbreak and when it will come to an end, and we think the adverse conditions for the Japanese economy will continue for the time being. We also see the potential risk of further deterioration in Japan's economy, as well as overseas, if such financial policies and economic stimulus packages have only a limited effect, or if infection spreads further and the impacts of the outbreak drag on for an extended period.

In the food industry, there is a risk that demand for wholesale foodstuffs will stagnate due to the continued closure of restaurants and bars, as well as delays in their reopening. At the same time, the outbreak is expected to generate heightened demand associated with an increase in home cooking, snacking, and opportunities to eat ready-made meals at home, with people taking home ready-to-eat food, for example.

Despite personal consumption waning as more people refrain from going out, there is still a growing need to meet the diversifying values and preferences of consumers with explicit promotion of product's functions and proposals suggesting new situations in which to consume products.

Our operating environment remains adverse—there is a risk that the downturn in consumption caused by the novel coronavirus outbreak could linger, while labor costs, distribution costs, and various other expenses are increasing on the back of higher raw material costs and labor shortages. At the same time, home cooking, snacking, and opportunities to eat ready-made meals at home are on the rise, with more people taking home ready-to-eat food, for example. The market requires us to appropriately respond to this heightened demand by providing information such as proposing new ways to consume our products and by bringing new products to market.

In these circumstances, in accordance with our newly formulated Group Medium-term Management Plan 2022, we consider the following three strategies to be key to our goal of establishing earnings bases in four business sectors in FY2022, the final year of the plan: 1) Pushing ahead with productivity reforms; 2) Resolute implementation of business structure reforms; and 3) Initiating a full-fledged renewal of our production structure in order to accelerate our transformation.

Note that we have not factored the impact of the novel coronavirus outbreak into our Group Medium-term Management Plan 2022 or earnings forecasts for the fiscal year ending March 31, 2021. Any important matters that arise will be publicly announced immediately.

In light of the above factors, in the fiscal year ending March 31, 2021 the Company forecasts net sales of ¥620,000 million (an increase of 1.1% from the previous fiscal year); operating profit of ¥19,000 million (up 5.6%); ordinary profit of ¥20,500 million (up 4.2%); and profit attributable to owners of parent of ¥13,000 million (up 6.9%).

Our full-year net sales forecasts by segment are as follows: ¥257,000 million (an increase of 3.2% from the previous fiscal year) for Dairy Products, ¥283,000 million (down 0.3%) for Beverage & Dessert, ¥43,000 million (down 1.6%) for Feedstuffs & Seed, and ¥37,000 million (up 0.9%) for the "Other" segment. Our full-year net sales forecasts for the above segments are for sales to outside customers.

### (4) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2020 and the Fiscal Year Ending March 31, 2021

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 earnings and our 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, 2020, as originally planned.

The start date for cash dividend payments will be June 4, 2020.

In accordance with the above basic policy, we plan to pay cash dividends of ¥40 per share for the fiscal year ending March 31, 2021.

## 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. Management Policies

In May 2017 we formulated our Group Long-term Vision 2026.

In FY2020, we kicked off the Group Medium-term Management Plan 2022, the action plan for the second stage of our long-term vision.

### (1) Group Long-term Vision 2026

#### 1) Vision

The MEGMILK SNOW BRAND Group's ten-year vision is to become "A Company that Makes the Future with Milk," and we have articulated the following "three futures" to concretely express how we will realize the Group corporate philosophy.

##### i. Consumers

"Create the future of food with milk."

##### ii. Dairy farmers

"Contribute to the future of dairy farmers."

##### iii. Us

"Open up the future for us, the employees."

#### 2) Concepts

Transformation & Renewal

i. Business portfolio transformation = Transformation

ii. Renewal of the production structure to support business growth = Renewal

iii. Promoting Group management = Group management

To implement these concepts, we will reorganize the Group's business domains into four business sectors—namely, dairy products, beverages & desserts, nutrition, and feedstuffs & seed products—and strengthen the Group value chain through collaboration with Group companies.

#### 3) Positioning and Role of Each Stage

Our Group Long-term Vision 2026, spanning the 10-year period from FY2017 through FY2026, is being implemented in three stages.

	First Stage (FY2017–2019)	Second Stage (FY2020–2022)	Third Stage (FY2023–2026)
Positioning	Begin transformation	Accelerate transformation	Toward renewal
	Start and promote Group management	Strengthen development of Group management	Accelerate and renew Group management
Role	• Create multiple earnings bases and maximize cash flow • Begin renewal of the production structure	• Establish Group earnings bases • Begin full-fledged renewal of the production structure	• Stable creation of earnings through four business sectors • Accelerate renewal of the production structure

#### 4) Target Performance Indicators

We aim to achieve consolidated net sales of ¥700 billion to ¥800 billion and consolidated operating profit of ¥30 billion to ¥40 billion in the final year of the long-term vision period.

#### 5) Cash Flow Allocation Policy

Our long-term cash flow allocation policy is to aim for consolidated ROE of 8% or higher, an equity ratio of 50% or higher, and a payout ratio of 30% or higher in the final year of the long-term vision period, with an emphasis on 1) financial soundness, 2) capital efficiency, and 3) shareholder returns. We originally planned to invest a total of ¥300 billion to ¥400 billion during the 10-year period of Group Long-term Vision 2026, but we have revised this to ¥280 billion in light of our investments thus far and the current management environment.



## (2) Group Medium-term Management Plan 2022

### 1) Key Initiatives

Pushing ahead with productivity reforms, resolute implementation of business structure reforms, and initiating a full-fledged renewal of our production structure in order to accelerate our transformation are the key strategies in aiming to establish earnings bases in four business sectors.

### 2) Strategies for Each Business Sector

Dairy products	i. Expand production and sales of household butter ii. Strategically expand the cheese business
Beverages & desserts	i. Strategically expand the yogurt and dessert business ii. Structurally reform the milk business*
Nutrition	i. Strengthen competitiveness in the milk powder business (Japan and overseas) ii. Generate profits in the functional foods business
Feedstuffs & seed products	i. Make operations more efficient and improve product quality in the feedstuffs business ii. Strategically expand the seeds business

\*We aim to achieve operating profitability in the milk business by the end of FY2026.

### 3) Underlying Functional Strategies

- i. Transformation based on business strategies and renewal of the production structure
- ii. Strengthening “monozukuri” (manufacturing) and creating new value
- iii. Bolstering the Group’s collective strengths by pursuing Group management
- iv. Initiatives aimed at the Group’s sustained development

### 4) Medium-term Target Performance Indicators

For the final year of the plan we aim to achieve consolidated net sales of ¥640 billion, operating profit of ¥22 billion, and EBITDA of ¥41 billion.

### 5) Financial Indicators

We aim to achieve consolidated ROE of 8% or higher, an equity ratio of 50% or higher, a payout ratio of between 20% and 30%, and interest-bearing debt of ¥78 billion in the final year of the plan. We plan to invest a total of ¥86 billion during the three-year period.

## (3) Annual Management Policies

In accordance with the aforementioned Group Medium-term Management Plan 2022, we will continue to actively carry out the following key measures.

### 1) Pushing ahead with productivity reforms

- i. Strategic expansion of businesses and strengthening of “monozukuri” (manufacturing)
  - Strategically expand the cheese business
  - Strategically expand the fermented dairy business centering on functional yogurt
  - Expand the functional foods business
  - Strategically expand the seeds business
  - Strengthen “monozukuri” (manufacturing) and create new value
- ii. Efficient procurement and effective utilization of milk resources
- iii. Stronger measures on Group-wide productivity reforms

### 2) Resolute implementation of business structure reforms

- Structurally reform the beverages & desserts business with the aim of achieving profitability in the milk business by FY2026
- Improve the product mix in the commercial product business
- Structurally reform overseas subsidiaries

### 3) Initiating a full-fledged renewal of the production structure

- Realizing a business portfolio transformation and production structure renewal
- Establish production systems for plants in the dairy products business and the beverages and desserts business
  - Roll out to Group companies

### 4) Strengthening development of Group management and initiatives aimed at the Group’s sustained development

- i. Reinforcing the Group governance framework and Group corporate functions
- ii. Strengthening the Group value chain and realizing synergies through collaboration
- iii. Achieving KPIs on CSR materiality issues and contributing to the achievement of SDGs

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,366	15,536
Notes and accounts receivable-trade	74,727	71,880
Merchandise and finished goods	40,673	42,998
Work in process	991	1,044
Raw materials and supplies	14,026	14,954
Accounts receivable-other	2,562	3,505
Other	1,883	1,678
Allowance for doubtful accounts	(368)	(410)
<b>Total current assets</b>	<b>148,863</b>	<b>151,187</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	101,454	102,964
Accumulated depreciation	(53,510)	(55,435)
Accumulated impairment loss	(974)	(1,031)
<b>Building and structures, net</b>	<b>46,970</b>	<b>46,497</b>
Machinery, equipment and vehicles	186,417	193,982
Accumulated depreciation	(130,607)	(136,860)
Accumulated impairment loss	(2,584)	(2,985)
<b>Machinery, equipment and vehicles, net</b>	<b>53,225</b>	<b>54,136</b>
Tools, furniture and fixtures	18,084	18,562
Accumulated depreciation	(14,016)	(14,480)
Accumulated impairment loss	(161)	(168)
<b>Tools, furniture and fixtures, net</b>	<b>3,906</b>	<b>3,914</b>
Land	49,849	49,910
<b>Lease assets</b>	<b>9,216</b>	<b>8,948</b>
Accumulated depreciation	(3,827)	(3,807)
Accumulated impairment loss	(222)	(222)
<b>Lease assets, net</b>	<b>5,165</b>	<b>4,917</b>
<b>Construction in progress</b>	<b>3,186</b>	<b>11,654</b>
<b>Total property, plant and equipment</b>	<b>162,304</b>	<b>171,031</b>
<b>Intangible assets</b>		
Lease assets	50	253
Software	2,433	1,854
Right of using facilities	677	658
Goodwill	—	719
Other	45	241
<b>Total intangible assets</b>	<b>3,206</b>	<b>3,727</b>
<b>Investments and other assets</b>		
Investment securities	35,491	34,807
Long-term prepaid expenses	420	364
Net defined benefit asset	2,163	2,246
Deferred tax assets	2,925	3,006
Other	4,455	4,317
Allowance for doubtful accounts	(384)	(255)
<b>Total investments and other assets</b>	<b>45,072</b>	<b>44,487</b>
<b>Total non-current assets</b>	<b>210,582</b>	<b>219,246</b>
<b>Total assets</b>	<b>359,445</b>	<b>370,434</b>

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	58,930	55,354
Electronically recorded obligations-operating	5,091	5,436
Short-term loans payable	16,731	16,514
Current portion of long-term loans payable	3,226	1,626
Lease obligations	1,238	910
Accounts payable-other	12,218	19,843
Income taxes payable	1,848	3,740
Accrued expenses	7,886	7,752
Deposits received	490	561
Provision for bonuses	4,990	5,212
Other	5,273	3,366
Total current liabilities	117,924	120,319
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,835	35,129
Long-term deposits received	5,084	4,997
Lease obligations	4,673	5,212
Deferred tax liabilities	1,291	858
Deferred tax liabilities for land revaluation	3,956	3,959
Provision for director's retirement benefits	20	20
Provision for gift token exchange	88	79
Net defined benefit liabilities	9,396	10,017
Asset retirement obligations	1,713	1,298
Other	677	446
Total non-current liabilities	72,738	72,019
Total liabilities	190,662	192,339
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,586	17,606
Retained earnings	116,474	125,489
Treasury stock	(4,942)	(4,961)
Total shareholders' equity	149,117	158,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,471	10,747
Deferred gains or losses on hedges	(154)	(88)
Revaluation reserve for land	8,818	8,815
Foreign currency translation adjustment	8	(142)
Remeasurements of defined benefit plans	(1,966)	(2,354)
Total accumulated other comprehensive income	17,177	16,977
<b>Non-controlling interests</b>		
	2,487	2,982
<b>Total net assets</b>	<b>168,782</b>	<b>178,094</b>
<b>Total liabilities and net assets</b>	<b>359,445</b>	<b>370,434</b>

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

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>Net sales</b>	603,378	613,405
Cost of sales	460,868	470,209
<b>Gross profit</b>	142,510	143,196
Selling, general and administrative expenses		
Selling expenses	107,188	106,174
General and administrative expenses	18,091	19,022
<b>Total selling, general and administrative expenses</b>	125,279	125,197
<b>Operating profit</b>	17,230	17,998
Non-operating income		
Interest income	18	9
Dividend income	755	748
Equity in earnings of affiliates	961	1,085
Other	1,154	978
<b>Total non-operating income</b>	2,889	2,821
Non-operating expenses		
Interest expenses	488	346
Other	616	793
<b>Total non-operating expenses</b>	1,105	1,140
<b>Ordinary profit</b>	19,014	19,680
Extraordinary income		
Gain on sales of non-current assets	25	13
Gain on sales of investment securities	391	94
Other	115	—
<b>Total extraordinary income</b>	533	107
Extraordinary loss		
Loss on sales of non-current assets	0	2
Loss on retirement of non-current assets	1,216	1,707
Impairment loss	1,690	576
Loss on fire damage	—	550
Other	1,366	66
<b>Total extraordinary loss</b>	4,273	2,903
<b>Profit before income taxes</b>	15,273	16,885
Income taxes		
Current	3,788	5,057
Deferred	554	(464)
<b>Total income taxes</b>	4,343	4,593
<b>Profit</b>	10,930	12,291
Profit attributable to non-controlling interests	176	126
<b>Profit attributable to owners of parent</b>	10,754	12,165

**Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>Profit</b>	10,930	12,291
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,157	135
Deferred gains or losses on hedges	9	65
Foreign currency translation adjustment	(393)	32
Remeasurements of defined benefit plans	(350)	(405)
Share of other comprehensive income of entities accounted for using the equity method	(8)	150
Total other comprehensive income	3,414	(20)
<b>Comprehensive income</b>	<b>14,345</b>	<b>12,271</b>
Comprehensive income attributable to owners of parent	14,172	12,146
Comprehensive income attributable to non-controlling interests	172	124

**(3) Consolidated Statements of Changes in Net Assets**  
Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				Total shareholder's equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
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

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at beginning of term	20,000	17,586	116,474	(4,942)	149,117
Changes during term					
Cash dividends			(2,708)		(2,708)
Profit attributable to owners of parent			12,165		12,165
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		0		0	0
Change in scope of equity method		20	(442)		(422)
Net changes other than shareholders' equity					
Total changes during term	—	20	9,014	(18)	9,017
Balance at end of term	20,000	17,606	125,489	(4,961)	158,134

(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	10,471	(154)	8,818	8	(1,966)	17,177	2,487	168,782
Changes during term								
Cash dividends								(2,708)
Profit attributable to owners of parent								12,165
Purchase of treasury stock								(19)
Disposal of treasury stock								0
Change in scope of equity method								(422)
Net changes other than shareholders' equity	276	65	(2)	(150)	(388)	(200)	495	294
Total changes during term	276	65	(2)	(150)	(388)	(200)	495	9,311
Balance at end of term	10,747	(88)	8,815	(142)	(2,354)	16,977	2,982	178,094

**(4) Consolidated Statements of Cash flows**

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	15,273	16,885
Depreciation and amortization	15,901	16,157
Impairment loss	1,690	576
Equity in (earnings) losses of affiliates	(961)	(1,085)
Amortization of goodwill	—	92
Increase (decrease) in allowance for doubtful accounts	(256)	(86)
Increase (decrease) in provision for bonuses	(215)	221
Decrease (increase) in net defined benefit asset	(642)	(341)
Increase (decrease) in net defined benefit liability	224	249
Increase (decrease) in provision for gift token exchange	(101)	(9)
Loss (gain) on sales and retirement of non-current assets	1,191	1,704
Interest and dividend income received	(773)	(758)
Interest expenses	488	346
Decrease (increase) in notes and accounts receivable-trade	(5,545)	3,271
Decrease (increase) in inventories	(2,187)	(2,864)
Increase (decrease) in notes and accounts payable-trade	(399)	(3,422)
Other	1,780	(4,024)
<b>Sub total</b>	<b>25,468</b>	<b>26,911</b>
Interest and dividend income	1,086	1,039
Interest expenses paid	(444)	(388)
Income taxes paid	(4,171)	(3,239)
Net cash provided by (used in) operating activities	21,938	24,322



(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>Cash flows from investing activities</b>		
Payments into time deposits	(22)	—
Proceeds from withdrawal of time deposits	502	50
Payments of loans receivable	(177)	(66)
Collection of loans receivable	91	44
Purchase of property, plant and equipment and intangible assets	(15,881)	(16,705)
Proceeds from sales of property, plant and equipment and intangible assets	84	100
Purchase of investment securities	(258)	(109)
Proceeds from sales of investment securities	1,036	123
Other	376	(67)
Net cash provided by (used in) investing activities	(14,248)	(16,629)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(3,043)	(523)
Proceeds from long-term loans payable	11,972	920
Repayment of long-term loans payable	(22,052)	(3,226)
Proceeds from issuance of bonds	9,936	—
Purchase of treasury stock	(300)	(19)
Cash dividends paid	(2,711)	(2,708)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(1,195)	(1,091)
Net cash provided by (used in) financing activities	(7,396)	(6,651)
Effect of exchange rate on cash and cash equivalents	(65)	9
Net increase (decrease) in cash and cash equivalents	227	1,052
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	14,303	15,524

## **(5) Notes to the Consolidated Financial Statements**

(Notes on the assumption of a going-concern)

Not applicable.

(Change in presentation)

(Consolidated statements of income)

In the fiscal year ended March 31, 2019, "contribution" was presented separately under "non-operating expenses"; however, the value of this item has become insignificant and accordingly it is included in "other" under "non-operating expenses" from the fiscal year ended March 31, 2020. The consolidated financial statements for the fiscal year ended March 31, 2019 have been recast to reflect the change.

As a result, "contribution" of ¥194 million and "other" of ¥422 million under "non-operating expenses" were recast to "other" of ¥616 million in the consolidated statements of income for the fiscal year ended March 31, 2019.

In the fiscal year ended March 31, 2019, "disaster-related loss" was presented separately under "extraordinary loss"; however, the value of this item has become insignificant and accordingly it is included in "other" under "extraordinary loss" from the fiscal year ended March 31, 2020. The consolidated financial statements for the fiscal year ended March 31, 2019 have been recast to reflect the change.

As a result, "disaster-related loss" of ¥595 million and "other" of ¥770 million under "extraordinary loss" were recast to "other" of ¥1,366 million in the consolidated statements of income for the fiscal year ended March 31, 2019.

(Consolidated statement of cash flows)

In the fiscal year ended March 31, 2019, "disaster-related loss" and "payments for disaster-related loss" were presented separately under "cash flows from operating activities"; however, the values of these items have become insignificant and accordingly they are now included in "other" under "cash flows from operating activities." The consolidated financial statements for the fiscal year ended March 31, 2019 have been recast to reflect the change.

As a result, "disaster-related loss" of ¥595 million, "payments for disaster-related loss" of minus ¥239 million and "other" of ¥1,424 million under "cash flows from operating activities" were recast to "other" of ¥1,780 million under "cash flows from operating activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2019.

In the fiscal year ended March 31, 2019, "proceeds from sales of shares of subsidiaries and associates" was presented separately under "cash flows from investing activities"; however, the value of this item has become insignificant and accordingly it is now included in "other" under "cash flows from investing activities." The consolidated financial statements for the fiscal year ended March 31, 2019 have been recast to reflect the change.

As a result, "proceeds from sales of shares of subsidiaries and associates" of ¥300 million and "other" of ¥76 million under "cash flows from investing activities" were recast to "other" of ¥376 million under "cash flows from investing activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2019.

In the fiscal year ended March 31, 2019, "payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" was presented separately under "cash flows from financing activities"; however, the value of this item has become insignificant and accordingly it is now included in "other" under "cash flows from financing activities." The consolidated financial statements for the fiscal year ended March 31, 2019 have been recast to reflect the change.

As a result, "payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" of minus ¥116 million and "other" of minus ¥1,078 million under "cash flows from financing activities" were recast to "other" of minus ¥1,195 million under "cash flows from financing activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2019.

(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 feedstuffs and seed 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 feedstuffs and seed 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, 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	Feedstuff s and Seed	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/ amortization (note 4)	7,089	7,059	891	15,040	977	16,018	(117)	15,901
Amortization of goodwill	—	—	—	—	—	—	—	—
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

Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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	Feedstuff s and Seed	Total				
Net sales								
Sales to outside customers	249,098	283,923	43,703	576,725	36,680	613,405	—	613,405
Inter-segment sales and transfers	12,325	111	927	13,364	12,803	26,167	(26,167)	—
Total	261,424	284,034	44,631	590,090	49,483	639,573	(26,167)	613,405
Segment profit	11,557	5,229	1,036	17,823	170	17,994	4	17,998
Segment assets	176,158	137,853	33,434	347,446	33,960	381,406	(10,972)	370,434
Other items								
Depreciation/ amortization (note 4)	7,151	7,297	791	15,239	1,042	16,282	(124)	16,157
Amortization of goodwill	92	—	—	92	—	92	—	92
Impairment loss	74	—	—	74	43	117	458	576
Increase in PP&E and intangible assets (note5)	12,499	11,220	846	24,566	1,173	25,739	(123)	25,615

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

2. Adjustments are as follows:

Net sales		(Millions of yen)	
	Year ended March 31, 2019	Year ended March 31, 2020	
Intersegment transactions elimination		(26,775)	(26,167)
Total		(26,775)	(26,167)

Segment profit		(Millions of yen)	
	Year ended March 31, 2019	Year ended March 31, 2020	
Intersegment transactions elimination	80	4	
Total	80	4	

Segment assets		(Millions of yen)	
	Year ended March 31, 2019	Year ended March 31, 2020	
Intersegment transactions elimination and other factors	(22,593)	(22,625)	
Corporate assets*	10,306	11,653	
Total	(12,287)	(10,972)	

\*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.

**("Per share" data)**

Item	Year ended March 31, 2019	Year ended March 31, 2020
Net assets per share	2,456.35 yen	2,586.86 yen
Profit per share - basic	158.64 yen	179.71 yen
Profit per share after adjustment for dilutive stock	As there is no dilutive stock, we have not recorded anything for "Profit per share after adjustment for dilutive stock."	As there is no dilutive stock, we have not recorded anything for "Profit per share after adjustment for dilutive stock."

**(Notes)**

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

Item	As of March 31, 2019	As of March 31, 2020
Total for net assets (millions of yen)	168,782	178,094
Amounts deducted from the total for net assets (millions of yen)	2,487	2,982
(of which, Non-controlling interests) (millions of yen)	(2,487)	(2,982)
Net assets as of fiscal year-end pertaining to common stock (millions of yen)	166,295	175,112
Number of common stock as of fiscal year-end used to calculate net assets per share (shares)	67,700,368	67,693,108

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

Item	Year ended March 31, 2019	Year ended March 31, 2020
Profit attributable to owners of parent (millions of yen)	10,754	12,165
Amount not attributable to owners of common stock (millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (millions of yen)	10,754	12,165
Average number of shares during the year (shares)	67,790,904	67,697,550

(Key subsequent events)  
Not applicable.