

**Consolidated Financial Results for the Three Months Ended June 30, 2020**  
(Prepared pursuant to Japanese GAAP)

August 12, 2020

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 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, 2021**  
(April 1, 2020 – June 30, 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	%
Three months ended June 30, 2020	156,298	1.0	5,026	(0.8)	5,474	(7.1)	3,176	(16.9)
Three months ended June 30, 2019	154,698	2.5	5,069	6.5	5,894	16.8	3,825	13.2

Note: Comprehensive income: Three months ended June 30, 2020 : 3,721 million yen (17.0%)  
 Three months ended June 30, 2019 : 3,180 million yen (-4.6%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Three months ended June 30, 2020	46.93	—
Three months ended June 30, 2019	56.50	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2020	383,825	179,105	45.9	2,602.36
March 31, 2020	370,434	178,094	47.3	2,586.86

For reference:

Equity: June 30, 2020: 176,161 million yen  
 March 31, 2020: 175,112 million yen

## 2. Dividends

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Year ended March 31, 2020	yen —	yen —	yen —	yen 40.00	yen 40.00
Year ending March 31, 2021	—	—	—	—	—
Year ending March 31, 2021 (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, 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

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

2) Treasury stock as of period-end

June 30, 2020	3,058,993 shares
March 31, 2020	3,058,747 shares

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

Three months ended June 30, 2020	67,693,013 shares
Three months ended June 30, 2019	67,699,960 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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Supplementary Information for the Three Months Ended June 30, 2020

## 1. Operating Results

### (1) Overview of Operating Results

The rapid deterioration of the Japanese economy due to the impact of the novel coronavirus outbreak continued in the three months ended June 30, 2020, and Japan faced an extremely serious situation. However, currently there is movement toward a gradual increase in social and economic activity levels following lifting of the state of emergency, and the economy is leveling out.

Although efforts to balance prevention of novel coronavirus infection with social and economic activity have led to expectations that the economy will begin to rally from the current dire circumstances, infection trends in Japan and overseas and fluctuations in the financial and capital markets will require close monitoring.

Although consumer spending rapidly declined as consumer sentiment worsened due to the impact of the novel coronavirus outbreak, since the lifting of the state of emergency there have been signs of a pickup in spending reflecting a stemming of the worsening trend.

The novel coronavirus outbreak continues to have a substantial impact on the food industry, and on the whole, movement toward recovery is sluggish. Although the situation has calmed in the retail food sector, where an increase in at-home consumption because of people staying at home has led to strong sales, there has been a pronounced delay in recovery in the restaurant industry even after lifting of the state of emergency.

Even as consumer spending declines, people are increasingly seeking products that respond to diversification of values and preferences, such as products that clearly emphasize functional benefits or products that propose new lifestyle scenarios, and companies are strengthening their response to this trend through measures such as recipe suggestions or communication through social media.

In this business environment, the MEGMILK SNOW BRAND Group is pursuing initiatives to “Establish earnings bases in four business sectors (Dairy Products; Beverage & Dessert; Nutrition; and Feedstuffs & Seed)” in accordance with the newly instituted Group Medium-term Management Plan 2022. In the first quarter, the Group undertook (1) further product mix improvement through strategic expansion of the fermented dairy business, with a focus on functional yogurt, and of cheese and other mainstay products, (2) simultaneous pursuit of scale expansion and profit generation through continuation of marketing investment in the nutrition business field, (3) strategic expansion and development of an earnings base in the seed products business, and (4) bolstering of the Group’s overall strengths by making full use of Group managerial resources and the value chain.

Also, at a time of sharply decreased demand for milk and other products accompanying suspension of school meals and declining demand for eating out due to the impact of the novel coronavirus outbreak, the Group engaged in raw milk processing to perform its role of adjusting supply and demand to avoid disposal of raw milk.

As a result of these developments, in the three months ended June 30, 2020, consolidated net sales were ¥156,298 million (up 1.0% YoY), operating profit was ¥5,026 million (down 0.8%), ordinary profit was ¥5,474 million (down 7.1%), and profit attributable to owners of parent was ¥3,176 million (down 16.9%).

Operating results by business segment for the three months ended June 30, 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 ¥65,793 million (up 7.7% YoY), and operating profit was ¥3,252 million (up 17.9%).

The impact of the novel coronavirus outbreak on sales differed by sales channel: For instance, demand for at-home meals increased, while demand for eating out declined. In these circumstances, sales of butter were strong amid continued efforts to ensure a stable supply. Sales of margarine increased, due in part to the household-use market shifting from contraction to expansion and the effect of promotional activities such as provision of new serving suggestions. Sales of cheese increased thanks to the effect of TV commercials and other promotional activities and growth of the household cheese products market. Sales of functional food products rose due 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 increased due to factors including higher sales volumes of household products, fueled by the increase in demand for at-home meals, despite declining demand for eating out due to the novel coronavirus outbreak.

#### 2) Beverage & Dessert

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

Net sales were ¥69,566 million (down 3.8% YoY), and operating profit was ¥874 million (down 40.0%).

Sales of beverages declined due to factors including suspension of school meals accompanying temporary school closures to prevent the spread of the novel coronavirus and the impact of changes in consumption trends with people staying at home. Sales of yogurt were also affected by changes in consumption trends. Although sales of plain yogurt and other yogurt products were solid, sales of lactobacillus gasseri SP and lactobacillus helveticus yogurt, which are products with function claims, declined despite promotional activities. Dessert sales were strong, reflecting the launch of new products and other efforts to increase product appeal and market growth accompanying an increase in stay-at-home consumption. As a result of these developments, overall segment sales decreased.

Operating profit declined substantially, reflecting higher operation costs, a decrease in sales volumes due to the impact of changes in consumption trends attributable to the novel coronavirus outbreak, and other factors, despite the positive effect of efficient use of promotional costs.

#### 3) Feedstuffs and Seed

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, landscaping, and other products.

Net sales were ¥11,846 million (down 4.3% YoY), and operating profit was ¥714 million (up 11.8%).

Overall segment sales decreased year on year, mainly because of a decline in sales volumes of pasture forage and crop seed and feedstuffs, despite a revenue boost from an increase in the number of large-scale projects in the landscaping business. Operating profit rose on lower selling, general and administrative expenses and other expenses.

#### 4) Other

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

Net sales were ¥9,092 million (up 1.8% YoY), and operating profit was ¥280 million (up 17.6%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

Assets

Total assets as of June 30, 2020 increased by ¥13,391 million from the previous fiscal year-end. The change is mainly attributable to increases in notes and accounts receivable–trade, cash and deposits, and construction in progress (included in “Other” under property, plant and equipment).

Liabilities

Total liabilities as of June 30, 2020 increased by ¥12,381 million from the previous fiscal year-end. The change is mainly attributable to increases in long-term loans payable and notes and accounts payable–trade.

Net assets

Total net assets as of June 30, 2020 increased by ¥1,010 million from the previous fiscal year-end. The change is mainly attributable to increases in valuation difference on available-for-sale securities and retained earnings.

2) Cash flows

Cash and cash equivalents on a consolidated basis as of June 30, 2020 totaled ¥18,109 million. The following is a summary of consolidated cash flows and factors affecting cash flows for the three months ended June 30, 2020.

Cash flows from operating activities

Operating activities provided net cash of ¥2,090 million, compared to ¥8,610 million provided in the three months ended June 30, 2019. The year-on-year decrease in cash provided of ¥6,519 million is mainly attributable to increases in notes and accounts receivable–trade, inventories, and income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥6,257 million, compared to ¥3,516 million used in the three months ended June 30, 2019. The year-on-year increase in cash used of ¥2,741 million is mainly attributable to an increase in purchase of property, plant and equipment and intangible assets.

Cash flows from financing activities

Financing activities provided net cash of ¥6,855 million, compared to ¥3,278 million used in the three months ended June 30, 2019. The year-on-year increase in cash provided of ¥10,133 million is mainly attributable to an increase in proceeds from 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, 2020.

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

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	15,536	18,114
Notes and accounts receivable-trade	71,880	75,637
Merchandise and finished goods	42,998	44,450
Work in process	1,044	649
Raw materials and supplies	14,954	15,433
Other	5,183	4,739
Allowance for doubtful accounts	(410)	(405)
Total current assets	151,187	158,618
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	46,497	46,816
Machinery, equipment and vehicles, net	54,136	54,940
Land	49,910	49,682
Other, net	20,487	24,214
Total property, plant and equipment	171,031	175,653
Intangible assets		
Goodwill	719	601
Other	3,007	2,988
Total intangible assets	3,727	3,589
Investments and other assets		
Investment securities	34,807	36,168
Deferred tax assets	3,006	2,907
Other	6,928	7,132
Allowance for doubtful accounts	(255)	(245)
Total investments and other assets	44,487	45,963
Total non-current assets	219,246	225,207
<b>Total assets</b>	<b>370,434</b>	<b>383,825</b>

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	55,354	56,809
Electronically recorded obligations-operating	5,436	5,264
Short-term loans payable	18,140	18,102
Income taxes payable	3,740	752
Provision for bonuses	5,212	2,893
Other	32,435	38,196
<b>Total current liabilities</b>	<b>120,319</b>	<b>122,018</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	35,129	44,922
Deferred tax liabilities	858	1,909
Deferred tax liabilities for land revaluation	3,959	3,898
Provision for director's retirement benefits	20	20
Provision for gift token exchange	79	76
Net defined benefit liabilities	10,017	10,144
Asset retirement obligations	1,298	1,314
Other	10,656	10,416
<b>Total non-current liabilities</b>	<b>72,019</b>	<b>82,702</b>
<b>Total liabilities</b>	<b>192,339</b>	<b>204,720</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,606	17,607
Retained earnings	125,489	126,097
Treasury stock	(4,961)	(4,962)
<b>Total shareholders' equity</b>	<b>158,134</b>	<b>158,742</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,747	11,646
Deferred gains or losses on hedges	(88)	(83)
Revaluation reserve for land	8,815	8,677
Foreign currency translation adjustment	(142)	(626)
Remeasurements of defined benefit plans	(2,354)	(2,194)
<b>Total accumulated other comprehensive income</b>	<b>16,977</b>	<b>17,419</b>
<b>Non-controlling interests</b>	<b>2,982</b>	<b>2,943</b>
<b>Total net assets</b>	<b>178,094</b>	<b>179,105</b>
<b>Total liabilities and net assets</b>	<b>370,434</b>	<b>383,825</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, 2019	Three months ended June 30, 2020
<b>Net sales</b>	154,698	156,298
Cost of sales	117,211	120,112
Gross profit	37,486	36,185
Selling, general and administrative expenses	32,417	31,159
<b>Operating profit</b>	5,069	5,026
Non-operating income		
Interest income	2	2
Dividend income	321	302
Equity in earnings of affiliates	308	191
Other	388	197
Total non-operating income	1,020	694
Non-operating expenses		
Interest expenses	56	92
Foreign exchange losses	48	53
Other	89	101
Total non-operating expenses	194	246
<b>Ordinary profit</b>	5,894	5,474
Extraordinary income		
Gain on sales of non-current assets	7	2
Total extraordinary income	7	2
Extraordinary loss		
Loss on sales of non-current assets	0	7
Loss on retirement of non-current assets	331	330
Impairment loss	118	304
Other	51	89
Total extraordinary loss	501	731
<b>Profit before income taxes</b>	5,400	4,744
Income taxes	1,467	1,550
Profit	3,933	3,193
Profit attributable to non-controlling interests	108	16
<b>Profit attributable to owners of parent</b>	3,825	3,176

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Profit</b>	3,933	3,193
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(899)	820
Deferred gains or losses on hedges	(35)	5
Foreign currency translation adjustment	100	(536)
Remeasurements of defined benefit plans	77	158
Share of other comprehensive income of entities accounted for using the equity method	4	79
Total other comprehensive income	(752)	527
<b>Comprehensive income</b>	<b>3,180</b>	<b>3,721</b>
Comprehensive income attributable to owners of parent	3,073	3,757
Comprehensive income attributable to non- controlling interests	107	(35)

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

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,400	4,744
Depreciation and amortization	4,025	3,955
Impairment loss	118	304
Equity in (earnings) losses of affiliates	(308)	(191)
Amortization of goodwill	23	21
Increase (decrease) in allowance for doubtful accounts	5	(14)
Increase (decrease) in provision for bonuses	(2,234)	(2,317)
Decrease (increase) in net defined benefit asset	164	(141)
Increase (decrease) in net defined benefit liability	(90)	308
Increase (decrease) in provision for gift token exchange	(2)	(2)
Loss (gain) on sales and retirement of non-current assets	324	335
Interest and dividend income received	(323)	(305)
Interest expenses	56	92
Decrease (increase) in notes and accounts receivable-trade	(1,316)	(4,241)
Decrease (increase) in inventories	(36)	(1,682)
Increase (decrease) in notes and accounts payable-trade	2,649	2,138
Other	1,398	2,296
<b>Sub total</b>	<b>9,852</b>	<b>5,301</b>
Interest and dividend income	381	404
Interest expenses paid	(90)	(86)
Income taxes paid	(1,532)	(3,528)
Net cash provided by (used in) operating activities	8,610	2,090

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	7
Payments of loans receivable	(16)	(52)
Collection of loans receivable	13	1
Purchase of property, plant and equipment and intangible assets	(3,491)	(6,192)
Proceeds from sales of property, plant and equipment and intangible assets	90	4
Purchase of investment securities	(98)	(5)
Other	(14)	(20)
Net cash provided by (used in) investing activities	(3,516)	(6,257)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(15)	171
Proceeds from long-term loans payable	—	10,000
Repayment of long-term loans payable	(401)	(417)
Purchase of treasury stock	(1)	(1)
Cash dividends paid	(2,652)	(2,658)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(204)	(236)
Net cash provided by (used in) financing activities	(3,278)	6,855
Effect of exchange rate on cash and cash equivalents	3	(102)
Net increase (decrease) in cash and cash equivalents	1,819	2,585
Cash and cash equivalents at beginning of period	14,303	15,524
Increase in cash and cash equivalents from newly consolidated subsidiaries	168	—
Cash and cash equivalents at end of period	16,291	18,109

**(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, 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>
Segment profit	2,757	1,456	638	4,853	238	5,091	(22)	5,069

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 ended 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.

II Three months ended June 30, 2020 (April 1 to June 30, 2020)

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	65,793	69,566	11,846	147,206	9,092	156,298	—	156,298
Inter-segment sales and transfers	2,985	28	203	3,218	3,737	6,955	(6,955)	—
<b>Total</b>	<b>68,779</b>	<b>69,594</b>	<b>12,050</b>	<b>150,424</b>	<b>12,829</b>	<b>163,253</b>	<b>(6,955)</b>	<b>156,298</b>
Segment profit	3,252	874	714	4,841	280	5,121	(94)	5,026

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

2. The -94 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.