

Consolidated Financial Results for the Year Ended March 31, 2021
(Prepared pursuant to Japanese GAAP)

May 13, 2021

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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Scheduled dates

Annual general meeting of shareholders: June 23, 2021
 Dividend payout: June 3, 2021
 Filing of fiscal year-end financial report: June 23, 2021
 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, 2021
(April 1, 2020 – March 31, 2021)

(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, 2021	615,186	0.3	19,780	9.9	21,662	10.1	14,913	22.6
Year ended March 31, 2020	613,405	1.7	17,998	4.5	19,680	3.5	12,165	13.1

Note: Comprehensive income: Year Ended March 31, 2021 : 23,265 million yen (89.6%)
 Year Ended March 31, 2020 : 12,271 million yen (-14.5%)

	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, 2021	220.64	—	8.1	5.6	3.2
Year ended March 31, 2020	179.71	—	7.1	5.4	2.9

For reference: Equity in earnings of affiliates: Year Ended March 31, 2021: 1,233 million yen
 Year Ended March 30, 2020: 1,085 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, 2021	398,650	198,255	49.0	2,890.65
March 31, 2020	370,434	178,094	47.3	2,586.86

For reference: Equity: March 31, 2021 : 195,213 million yen
 March 31, 2020 : 175,112 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, 2021	26,567	(27,076)	6,771	21,829
Year ended March 31, 2020	24,322	(16,629)	(6,651)	15,524

2. Dividends

Record date or period	Cash dividends per share					Total dividends paid (full year)	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, 2020	—	—	—	40.00	40.00	2,707	22.3	1.6
Year ended March 31, 2021	—	—	—	40.00	40.00	2,707	18.1	1.5
Year ending March 31, 2022 (forecast)	—	—	—	50.00	50.00		27	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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)	288,000	—	10,800	(2.6)	11,400	(4.8)	6,800	(5.5)	100.69
Full Year	570,000	—	20,500	3.6	21,500	(0.8)	12,500	(16.2)	185.10

The forecast figures for net sales for the fiscal year ending March 31, 2022 have been calculated after application of the "Accounting Standard for Revenue Recognition". For this reason, the percentages indicating year-on-year change from the net sales results for the fiscal year ended March 31, 2021 (recorded prior to application of the above accounting standard) are not presented.

The forecast figures for net sales for the fiscal year ending March 31, 2022, when calculated based on the same accounting standard as that used for the fiscal year ended March 31, 2021, are presented below together with the percentages indicating year-on-year change.

Six months ending September 30, 2021: 318,000 million yen (+1.3%)

Year ending March 31, 2022: 629,500 million yen (+2.3%)

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, 2021	70,751,855 shares
March 31, 2020	70,751,855 shares

2) Treasury stock as of period-end

March 31, 2021	3,219,054 shares
March 31, 2020	3,058,747 shares

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

Year ended March 31, 2021	67,594,981 shares
Year ended March 31, 2020	67,697,550 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)

Supplementary Information Year Ended March 31,2021

1. Operating Results

(1) Overview of Operating Results

In the fiscal year ended March 31, 2021, despite differences among sectors, conditions in the Japanese economy were challenging overall due to the impacts of the novel coronavirus (COVID-19) pandemic. Although there were signs of recovery at times, COVID-19 infections have recently been increasing, and the future outlook remains uncertain.

In the food industry, demand for home-cooked meals increased while demand for eating out declined significantly due to the government's request for people to refrain from going out and shortened operating hours at eating and drinking establishments following state of emergency declarations. Despite government economic stimulus measures contributing to a temporary earnings recovery in the restaurant industry, the outlook is once again uncertain.

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 Group Medium-term Management Plan 2022.

In the fiscal year ended March 31, 2021, the Group undertook: (1) strategic expansion and further product mix improvement of yogurt, cheese, and other mainstay products, with focus on functionality; (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 the Group's management resources and by improving the productivity of the value chain.

Amid the spread of COVID-19, the Group also took steps to prevent COVID-19 infections among Group employees and endeavored to provide a stable supply of safe and reliable products to customers.

In addition, at a time of sharply decreased demand for milk and other products accompanying the suspension of school meals and declining demand for eating out, the Group engaged in raw milk processing, including increasing production of butter and non-fat powdered milk, in order to avoid the disposal of raw milk, as the Group performed its role of adjusting supply and demand.

As a result, in the fiscal year ended March 31, 2021, consolidated net sales were ¥615,186 million (up 0.3% YoY), operating profit was ¥19,780 million (up 9.9%), ordinary profit was ¥21,662 million (up 10.1%) and profit attributable to owners of parent was ¥14,913 million (up 22.6%).

As of March 31, 2021, 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, 2021, 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 ¥262,337 million (up 5.3% YoY), and operating profit was ¥13,675 million (up 18.3%).

The impact of COVID-19 on sales varied between sales channels. For instance, the increase in demand for home-cooked meals was a boon for household products, while on the other hand, the decline in demand for eating out created headwinds for commercial-use products.

In these circumstances, sales of butter were flat year on year due to continued efforts to ensure a stable supply. Sales of margarine declined due to the settling down of the dramatic increase in demand for home-cooked meals which started at the end of February 2020, despite proactive promotional activities. Sales of cheese increased slightly due to factors including the rise in demand for cheese as an at-home snack item, along with strong sales of natural cheeses such as Sakeru Cheese. Sales of functional food products grew owing to continued marketing investment in the e-commerce business which performed well amid the COVID-19 pandemic.

As a result of these developments, overall segment sales increased.

Operating profit increased due to factors including a decrease in fixed costs and higher sales volumes of household-use products.

2) Beverage & Dessert

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

Net sales were ¥274,487 million (down 3.3% YoY), and operating profit was ¥4,143 million (down 20.8%).

Sales of beverages (both milk-based and other beverages) decreased due to the decline in sales at convenience stores and other retailers in conjunction with the decline in opportunities for people to go out, despite the solid demand for home-cooked meals, as a result of COVID-19. Sales of yogurt declined despite efforts to expand sales through activities to promote the benefits of lactobacillus gasseri SP and lactobacillus helveticus yogurt (which are products with functional claims) because of the increasing variety of products with functional claims on the market. Dessert sales were strong, reflecting the launch of new products and other efforts to increase product appeal, along with the increase in demand for at-home meals.

As a result of these developments, overall segment sales decreased.

Operating profit declined, reflecting higher operational costs, a decrease in sales volumes due to the impact of changes in consumption trends attributable to COVID-19, and other factors, despite the positive effect of efficient use of promotional costs.

3) Feed and Seeds

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

Net sales were ¥43,349 million (down 0.8% YoY), and operating profit was ¥1,123 million (up 8.4%).

Overall segment sales decreased year on year, mainly because of a decline in sales volumes of pasture forage and crop seed and feedstuffs, along with a decline in sales in the landscaping business.

Operating profit, on the other hand, rose mainly due to a decline in fixed costs.

4) Other

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

Net sales were ¥35,012 million (down 4.5% YoY), and operating profit was ¥1,056 million (up 519.6%).

Operating profit increased significantly, due to the fact that the costs resulting from the fire at a merchandise warehouse of subsidiary SI System Corporation in the fiscal year ended March 31, 2020, were absent in the fiscal year ended March 31, 2021.

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

Assets

Total assets as of March 31, 2021 increased by ¥28,216 million from the previous fiscal year-end.

The change is mainly attributable to increases in buildings and structures as well as machinery, equipment and vehicles, along with an increase in investment securities.

Liabilities

Total liabilities as of March 31, 2021 increased by ¥8,055 million from the previous fiscal year-end.

The change is mainly attributable to an increase in loans payable due to the procurement of funds, despite a decline in accounts payable-other.

Net assets

Total net assets as of March 31, 2021 increased by ¥20,160 million from the previous fiscal year-end.

The change is mainly attributable to increases in retained earnings and valuation difference on available-for-sale securities.

2) Cash flows

Cash and cash equivalents on a consolidated basis as of March 31, 2021 totaled ¥21,829 million. The following is a summary of consolidated cash flows by activity for the fiscal year ended March 31, 2021.

(Millions of yen)

Category	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change
Cash flows from operating activities	24,322	26,567	2,245
Cash flows from investing activities	(16,629)	(27,076)	(10,447)
Cash flows from financing activities	(6,651)	6,771	13,422
Currency translation adjustment relating to cash and cash equivalents	9	42	32
Increase(decrease)in cash and cash equivalents	1,052	6,305	5,252
Cash and cash equivalents at the beginning of the fiscal year	14,303	15,524	1,220
Increase in cash and cash equivalents from newly consolidated	168	—	(168)
Cash and cash equivalents at the end of the fiscal year	15,524	21,829	6,305

Cash flows from operating activities

Operating activities provided net cash of ¥26,567 million, compared to ¥24,322 million provided in the previous fiscal year. The year-on-year increase in cash provided of ¥2,245 million is mainly attributable to increases in profit before income taxes and notes and accounts payable-trade, despite increases in notes and accounts receivable-trade and income taxes paid.

Cash flows from investing activities

Investing activities used net cash of ¥27,076 million, compared to ¥16,629 million used in the previous fiscal year. The year-on-year increase in cash used of ¥10,447 million is mainly attributable to an increase in purchase of property, plant and equipment and intangible assets, despite an increase in proceeds from sales of property, plant and equipment and intangible assets.

Cash flows from financing activities

Financing activities provided net cash of ¥6,771 million, compared to ¥6,651 million used in the previous fiscal year. The year-on-year increase in cash provided of ¥13,422 million is mainly attributable to an increase in proceeds from long-term loans payable and a decrease in repayment of long-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	FY2018	FY2019	FY2020
Equity ratio(%)	46.3	47.3	49.0
Equity ratio based on market value(%)	50.7	44.9	38.1
Ratio of interest-bearing debt to cash flow(years)	3.3	2.9	3.0
Interest coverage ratio(X)	49.3	62.6	67.5

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

Regarding the future outlook for the Japanese economy, as the country implements measures to prevent further spread of COVID-19 and the level of social and economic activity is increased, it is expected that the modest recovery trend will continue. However, as it is very difficult to predict when the pandemic will wind down, the situation will likely remain uncertain.

In the food industry, demand for home-cooked meals is expected to remain stable, but the prospect of a recovery in demand for eating out is uncertain, and the overall difficult situation is expected to continue.

For the Company, there is a risk that the sluggish demand for eating out due to COVID-19 could become prolonged, along with a risk of increases in various costs, such as raw materials costs, labor costs and distribution costs.

On the other hand, as people spend more time at home under the “new normal”, new demand is expected to increase based on our offering of a variety of products that provide value and suggestions about how to consume these products.

In these circumstances, in accordance with our 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 light of the above factors, in the fiscal year ending March 31, 2022, the Company forecasts net sales of ¥570,000 million; operating profit of ¥20,500 million (up 3.6% from the previous fiscal year); ordinary profit of ¥21,500 million (down 0.8%); and profit attributable to owners of parent of ¥12,500 million (down 16.2%).

Our net sales forecast for the fiscal year ending March 31, 2022 is based on the “Accounting Standard for Revenue Recognition”. As a result, we have not included the percentage change from the actual net sales for the fiscal year ended March 31, 2021, prior to the start of application of the above standard.

The net sales forecast for the fiscal year ending March 31, 2022, calculated using the same standard as was used in the fiscal year ended March 31, 2021 (the “previous standard”), would be ¥629,500 million (up 2.3% year on year based on the previous standard).

Our full-year net sales forecasts by segment are as follows: ¥240,000 million (an increase of 1.8% from the previous fiscal year under the previous standard) for Dairy Products, ¥254,000 million (up 2.7% under the previous standard) for Beverage & Dessert, ¥41,000 million (down 0.4% under the previous standard) for Feedstuffs & Seed, and ¥35,000 million (up 6.7% under the previous standard) 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, 2021 and the Fiscal Year Ending March 31, 2022

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 20-30% and will strive to continuously pay stable dividends, giving comprehensive consideration to factors such as consolidated earnings and the 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, 2021, as originally planned.

The start date for cash dividend payments will be June 3, 2021.

Based on the above basic policy, and considering factors including the sales and profit forecasts as well as the outlook for financial condition, the Company plans to pay cash dividends of ¥50 per share for the fiscal year ending March 31, 2022.

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	15,536	21,840
Notes and accounts receivable-trade	71,880	71,710
Merchandise and finished goods	42,998	43,881
Work in process	1,044	1,114
Raw materials and supplies	14,954	14,931
Accounts receivable-other	3,505	6,957
Other	1,678	1,657
Allowance for doubtful accounts	(410)	(377)
Total current assets	151,187	161,716
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,964	114,341
Accumulated depreciation	(55,435)	(57,483)
Accumulated impairment loss	(1,031)	(1,310)
Building and structures, net	46,497	55,547
Machinery, equipment and vehicles	193,982	205,099
Accumulated depreciation	(136,860)	(141,558)
Accumulated impairment loss	(2,985)	(3,106)
Machinery, equipment and vehicles, net	54,136	60,434
Tools, furniture and fixtures	18,562	19,573
Accumulated depreciation	(14,480)	(15,031)
Accumulated impairment loss	(168)	(232)
Tools, furniture and fixtures, net	3,914	4,309
Land	49,910	47,774
Lease assets	8,948	8,613
Accumulated depreciation	(3,807)	(4,132)
Accumulated impairment loss	(222)	(250)
Lease assets, net	4,917	4,230
Construction in progress	11,654	4,981
Total property, plant and equipment	171,031	177,277
Intangible assets		
Lease assets	253	184
Software	1,854	1,859
Right of using facilities	658	608
Goodwill	719	645
Other	241	215
Total intangible assets	3,727	3,512
Investments and other assets		
Investment securities	34,807	44,517
Long-term prepaid expenses	364	277
Net defined benefit asset	2,246	4,024
Deferred tax assets	3,006	3,092
Other	4,317	4,466
Allowance for doubtful accounts	(255)	(234)
Total investments and other assets	44,487	56,143
Total non-current assets	219,246	236,933
Total assets	370,434	398,650

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	55,354	55,002
Electronically recorded obligations-operating	5,436	4,784
Short-term loans payable	16,514	16,409
Current portion of long-term loans payable	1,626	15,623
Lease obligations	910	793
Accounts payable-other	19,843	12,334
Income taxes payable	3,740	3,521
Accrued expenses	7,752	8,019
Deposits received	561	633
Provision for bonuses	5,212	5,293
Other	3,366	6,144
Total current liabilities	120,319	128,588
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	35,129	32,046
Long-term deposits received	4,997	5,018
Lease obligations	5,212	4,502
Deferred tax liabilities	858	5,149
Deferred tax liabilities for land revaluation	3,959	3,815
Provision for director's retirement benefits	20	20
Provision for gift token exchange	79	68
Net defined benefit liabilities	10,017	9,570
Asset retirement obligations	1,298	1,331
Other	446	312
Total non-current liabilities	72,019	71,835
Total liabilities	192,339	200,394
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,606	17,607
Retained earnings	125,489	137,941
Treasury stock	(4,961)	(5,355)
Total shareholders' equity	158,134	170,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,747	16,952
Deferred gains or losses on hedges	(88)	(3)
Revaluation reserve for land	8,815	8,570
Foreign currency translation adjustment	(142)	(48)
Remeasurements of defined benefit plans	(2,354)	(449)
Total accumulated other comprehensive income	16,977	25,020
Non-controlling interests	2,982	3,042
Total net assets	178,094	198,255
Total liabilities and net assets	370,434	398,650

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

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net sales	613,405	615,186
Cost of sales	470,209	472,574
Gross profit	143,196	142,612
Selling, general and administrative expenses		
Selling expenses	106,174	104,499
General and administrative expenses	19,022	18,331
Total selling, general and administrative expenses	125,197	122,831
Operating profit	17,998	19,780
Non-operating income		
Interest income	9	7
Dividend income	748	737
Equity in earnings of affiliates	1,085	1,233
Other	978	1,045
Total non-operating income	2,821	3,024
Non-operating expenses		
Interest expenses	346	410
Compensation expenses	46	166
Other	746	565
Total non-operating expenses	1,140	1,142
Ordinary profit	19,680	21,662
Extraordinary income		
Gain on sales of non-current assets	13	2,678
Gain on sales of investment securities	94	18
Other	—	455
Total extraordinary income	107	3,152
Extraordinary loss		
Loss on sales of non-current assets	2	477
Loss on retirement of non-current assets	1,707	1,486
Impairment loss	576	1,282
Loss on fire damage	550	63
Other	66	349
Total extraordinary loss	2,903	3,659
Profit before income taxes	16,885	21,156
Income taxes		
Current	5,057	5,589
Deferred	(464)	588
Total income taxes	4,593	6,177
Profit	12,291	14,978
Profit attributable to non-controlling interests	126	64
Profit attributable to owners of parent	12,165	14,913

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Profit	12,291	14,978
Other comprehensive income		
Valuation difference on available-for-sale securities	135	6,084
Deferred gains or losses on hedges	65	84
Foreign currency translation adjustment	32	80
Remeasurements of defined benefit plans	(405)	1,869
Share of other comprehensive income of entities accounted for using the equity method	150	167
Total other comprehensive income	(20)	8,286
Comprehensive income	12,271	23,265
Comprehensive income attributable to owners of parent	12,146	23,202
Comprehensive income attributable to non-controlling interests	124	62

(3) Consolidated Statements of Changes in Net Assets
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 consolidation		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 consolidation								(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

Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at beginning of term	20,000	17,606	125,489	(4,961)	158,134
Changes during term					
Cash dividends			(2,707)		(2,707)
Profit attributable to owners of parent			14,913		14,913
Purchase of treasury stock				(394)	(394)
Disposal of treasury stock		0		0	0
Reversal of revaluation reserve for land			245		245
Net changes other than shareholders' equity					
Total changes during term	—	0	12,451	(394)	12,057
Balance at end of term	20,000	17,607	137,941	(5,355)	170,192

(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	10,747	(88)	8,815	(142)	(2,354)	16,977	2,982	178,094
Changes during term								
Cash dividends								(2,707)
Profit attributable to owners of parent								14,913
Purchase of treasury stock								(394)
Disposal of treasury stock								0
Reversal of revaluation reserve for land								245
Net changes other than shareholders' equity	6,204	84	(245)	93	1,905	8,043	59	8,103
Total changes during term	6,204	84	(245)	93	1,905	8,043	59	20,160
Balance at end of term	16,952	(3)	8,570	(48)	(449)	25,020	3,042	198,255

(4) Consolidated Statements of Cash flows

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	16,885	21,156
Depreciation and amortization	16,157	15,917
Impairment loss	576	1,282
Equity in (earnings) losses of affiliates	(1,085)	(1,232)
Amortization of goodwill	92	89
Increase (decrease) in allowance for doubtful accounts	(86)	(53)
Increase (decrease) in provision for bonuses	221	80
Decrease (increase) in net defined benefit asset	(341)	(582)
Increase (decrease) in net defined benefit liability	249	1,062
Increase (decrease) in provision for gift token exchange	(9)	(10)
Loss (gain) on sales and retirement of non-current assets	1,704	(714)
Interest and dividend income received	(758)	(745)
Interest expenses	346	410
Decrease (increase) in notes and accounts receivable-trade	3,271	(137)
Decrease (increase) in inventories	(2,864)	(939)
Increase (decrease) in notes and accounts payable-trade	(3,422)	(231)
Other	(4,024)	(3,693)
Sub total	26,911	31,656
Interest and dividend income	1,039	1,101
Interest expenses paid	(388)	(393)
Income taxes paid	(3,239)	(5,796)
Net cash provided by (used in) operating activities	24,322	26,567

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from investing activities		
Payments into time deposits	—	(10)
Proceeds from withdrawal of time deposits	50	12
Payments of loans receivable	(66)	(295)
Collection of loans receivable	44	159
Purchase of property, plant and equipment and intangible assets	(16,705)	(31,122)
Proceeds from sales of property, plant and equipment and intangible assets	100	4,171
Purchase of investment securities	(109)	(17)
Proceeds from sales of investment securities	123	67
Other	(67)	(40)
Net cash provided by (used in) investing activities	(16,629)	(27,076)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(523)	(105)
Proceeds from long-term loans payable	920	12,540
Repayment of long-term loans payable	(3,226)	(1,626)
Purchase of treasury stock	(19)	(394)
Cash dividends paid	(2,708)	(2,705)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(1,091)	(933)
Net cash provided by (used in) financing activities	(6,651)	6,771
Effect of exchange rate on cash and cash equivalents	9	42
Net increase (decrease) in cash and cash equivalents	1,052	6,305
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	15,524	21,829

(5) Notes to the Consolidated Financial Statements

(Notes on the assumption of a going-concern)

Not applicable.

(Change in presentation)

(Consolidated statements of income)

From the fiscal year ended March 31, 2021, "compensation expenses," which was included in "other" under "non-operating expenses," has been presented separately as the amount has increased and is now considered to be material. The consolidated financial statements for the fiscal year ended March 31, 2020 have been recast to reflect the change in presentation.

As a result, ¥793 million yen included in "other" under "non-operating expenses" was recast as "compensation expenses" of ¥46 million and "other" of ¥746 million in the consolidated statement of income for the fiscal year ended March 31, 2020.

(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, 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	Feedstuffs 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

Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	Feedstuffs and Seed	Total				
Net sales								
Sales to outside customers	262,337	274,487	43,349	580,174	35,012	615,186	—	615,186
Inter-segment sales and transfers	12,421	110	797	13,329	14,005	27,334	(27,334)	—
Total	274,758	274,597	44,147	593,504	49,017	642,521	(27,334)	615,186
Segment profit	13,675	4,143	1,123	18,943	1,056	19,999	(218)	19,780
Segment assets	188,529	152,414	34,616	375,560	33,769	409,330	(10,680)	398,650
Other items								
Depreciation/ amortization (note 4)	7,014	7,118	818	14,951	1,110	16,061	(143)	15,917
Amortization of goodwill	89	—	—	89	—	89	—	89
Impairment loss	400	36	—	437	655	1,093	188	1,282
Increase in PP&E and intangible assets (note5)	17,369	8,353	898	26,621	1,325	27,947	(373)	27,573

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, 2020	Year ended March 31, 2021
Intersegment transactions elimination	(26,167)	(27,334)
Total	(26,167)	(27,334)

Segment profit

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Intersegment transactions elimination	4	(218)
Total	4	(218)

Segment assets

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Intersegment transactions elimination and other factors	(22,625)	(26,045)
Corporate assets*	11,653	15,365
Total	(10,972)	(10,680)

*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, 2020	Year ended March 31, 2021
Net assets per share	2,586.86 yen	2,890.65 yen
Profit per share - basic	179.71 yen	220.64 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, 2020	As of March 31, 2021
Total for net assets (millions of yen)	178,094	198,255
Amounts deducted from the total for net assets (millions of yen)	2,982	3,042
(of which, Non-controlling interests) (millions of yen)	(2,982)	(3,042)
Net assets as of fiscal year-end pertaining to common stock (millions of yen)	175,112	195,213
Number of common stock as of fiscal year-end used to calculate net assets per share (shares)	67,693,108	67,532,801

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

Item	Year ended March 31, 2020	Year ended March 31, 2021
Profit attributable to owners of parent (millions of yen)	12,165	14,913
Amount not attributable to owners of common stock (millions of yen)	–	–
Profit attributable to owners of parent pertaining to common stock (millions of yen)	12,165	14,913
Average number of shares during the year (shares)	67,697,550	67,594,981

(Key subsequent events)
Not applicable.