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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Prepared pursuant to Japanese GAAP)

August 9, 2024

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

Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the First Three Months of the Fiscal Year Ending March 31, 2025 (April 1, 2024 – June 30, 2024)

(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, 2024	152,438	1.5	5,768	9.7	6,359	8.0	5,272	46.9
Three months ended June 30, 2023	150,185	6.3	5,259	32.1	5,887	26.1	3,588	167.0

Note: Comprehensive income: Three months ended June 30, 2024 : 8,788 million yen [-11.7%]
 Three months ended June 30, 2023 : 9,950 million yen [- %]

	Profit per share – basic	Profit per share – diluted
Three months ended June 30, 2024	78.06 yen	— yen
Three months ended June 30, 2023	53.13 yen	— yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2024	428,752	238,648	54.9	3,485.31
March 31, 2024	431,222	235,300	53.8	3,436.02

For reference: Equity: June 30, 2024 : 235,413 million yen
 March 31, 2024 : 232,086 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, 2024	yen —	yen —	yen —	yen 80.00	yen 80.00
Year ending March 31, 2025	—	—	—	—	—
Year ending March 31, 2025 (forecast)	—	—	—	100.00	100.00

Note: Revisions from the latest release of dividend forecasts: None

Note: Breakdown of dividend at the end of the fiscal year ending March 31, 2025 (forecast)

Ordinary dividend: 80.00 yen

Commemorative dividend: 20.00 yen

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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)	316,000	3.4	10,400	(7.5)	11,200	(8.5)	8,200	6.5	121.40
Full year	630,000	4.1	19,000	2.9	20,300	2.1	13,600	(30.0)	201.35

Note: Revisions from the latest release of earnings forecasts: None

Notes

(1) Significant changes in the scope of consolidation 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.: Yes

2) Changes other than noted in 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to the Quarterly Consolidated Financial Statements (Change in Accounting Policy)” on page 10 of the attachments.

(4) Common stock issued

1) Issued shares as of period-end (including treasury stock)

June 30, 2024	70,751,855 shares
March 31, 2024	70,751,855 shares

2) Treasury stock as of period-end

June 30, 2024	3,207,447 shares
March 31, 2024	3,206,771 shares

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

Three months ended June 30, 2024	67,544,751 shares
Three months ended June 30, 2023	67,543,141 shares

***Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)**

*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, 2024

1. Operating Results

Forward-looking statements included in the following text are based on the judgments of the Group's management as of June 30, 2024.

(1) Overview of Operating Results

In the three months ended June 30, 2024, the Japanese economy saw a moderate recovery due in part to the effects of various policies as the employment and income environments were improving. The recovery is expected to continue down the road. With regard to the outlook, it is necessary to pay close attention to the impacts of rising prices, the situation in the Middle East, and fluctuations in financial and capital markets, etc., amid continuing global monetary tightening.

In the food industry, demand for dining out is on a recovery trend partly due to growth in inbound demand. On the other hand, with rising raw material prices and logistics costs worldwide, the business environment remains challenging. In addition, the effects of wage increases and other income improvements on consumer sentiment are uncertain.

Amid this business environment, in FY2023, the MEGMILK SNOW BRAND Group launched the Group Medium-term Management Plan 2025 with "Creating new seeds for growth," "Expanding quantity by utilizing platform," and "Strengthening and supporting domestic dairy farming production foundation" as the three pillars of its business strategy. In FY2024, the second year of the Plan, we have set the theme of the MEGMILK SNOW BRAND Group Management Policy 2024 as "MOVE" and been committed to advancing the Plan. We positioned as our key priorities (1) creating new seeds for growth, (2) expanding volume through foundational use, (3) strengthening and supporting domestic dairy farming production foundation, (4) promoting fundamental strategies, and (5) addressing sustainability issues.

As a result, in the three months ended June 30, 2024, consolidated net sales were ¥152,438 million (up 1.5% YoY), operating profit was ¥5,768 million (up 9.7% YoY), ordinary profit was ¥6,359 million (up 8.0% YoY), and profit attributable to owners of parent was ¥5,272 million (up 46.9% YoY).

Operating results by business segment for the three months ended June 30, 2024 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 ¥62,196 million (up 0.9% YoY), and operating profit was ¥2,379 million (down 17.8% YoY).

(Net sales)

We drove sales promotion activities aimed at revitalizing demand. As a result, sales of butter increased year on year as we outperformed the market in capturing demand.

Sales of margarine outperformed the market and remained at the same level as the previous year, primarily due to a sales campaign highlighting "Get more for the same price" and brand promotions.

Regarding cheese, sales of the main product Sakeru Cheese and 6P Cheese remained strong. As a result, overall segment sales too increased from the previous year.

Sales of functional food products remained robust primarily due to an expansion into mall-type e-commerce sites and aggressive marketing activities. On the other hand, the total sales of powdered milk and other products fell in overseas markets, resulting in a slight year-on-year decline in the nutrition business as a whole.

(Operating profit)

Despite various sales promotions, profits decreased year on year due to an increase in fixed costs and other factors.

2) Beverages & Desserts

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, desserts, and other products. Net sales were ¥66,945 million (up 3.6% YoY), and operating profit was ¥2,454 million (up 117.5% YoY).

(Net sales)

With regard to sales of beverages, sales of the MBP Drink series, a food with functional claims; Mainichi Honebuto MBP and Sukkiri Ca Tetsu in large cartons; Yukijirushi Coffee 500ml in medium cartons; and others remained firm. As a result, overall beverage sales increased year on year.

Regarding yogurt, household-use products, such as Makiba no Asa Yogurt, and Prune Fe Iron for a Day Yogurt were strong, resulting in an increase in overall yogurt sales year on year.

Sales of desserts outperformed those of the previous fiscal year resulting from the strong sales of Smooth Pudding and Asia Chabo series in particular.

(Operating profit)

Profits increased because of price revisions to meet cost increases in a broad range of products and services.

3) Feedstuffs & Seed

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, landscaping, and other products. Net sales were ¥13,374 million (down 5.6% YoY), and operating profit was ¥389 million (down 27.1% YoY).

(Net sales)

Overall segment sales decreased year on year, mainly due to the decline in revenues caused by the lower compound feed sales prices.

(Operating profit)

Operating profit decreased mainly due to a decline in gross profit on account of lower sales.

4) Other

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

Net sales were ¥9,923 million (up 2.0% YoY), and operating profit was ¥511 million (down 23.7% YoY).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

(Millions of yen)

Category	End of March 2024	End of June 2024	Change	Primary reason for change
Assets	431,222	428,752	(2,469)	Cash and deposits (12,721) Investment securities +4,968 Notes and accounts receivable-trade, and contract assets +2,968 Merchandise and finished goods +2,944
Liabilities	195,921	190,103	(5,818)	Income taxes payable (6,798) Provision for bonuses (2,902) Notes and accounts payable-trade +2,419 Deferred tax liabilities +1,910
Net Assets	235,300	238,648	3,348	Valuation difference on available-for-sale securities +3,384

2) Cash flows

(Millions of yen)

Category	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	Primary reason for change
Cash flows from operating activities	5,222	(3,097)	(8,319)	Income taxes paid (6,381) Decrease (increase) in inventories (1,581) Loss (gain) on sale and retirement of non-current assets (1,321) Decrease (increase) in accounts receivable-other (934) Increase (decrease) in trade payables +2,162
Cash flows from investing activities	(4,428)	(3,990)	438	Proceeds from sale of property, plant and equipment and intangible assets +3,068 Purchase of property, plant and equipment and intangible assets (1,394) Payments of leasehold and guarantee deposits (1,277)
Cash flows from financing activities	(4,498)	(5,695)	(1,196)	Cash dividends paid (1,343) Net increase (decrease) in short-term loans payable +290
Cash and cash equivalents at end of period	16,651	16,266	(384)	—

(3) Explanation of Forward-Looking Statements, including the Forecast of Consolidated Results

There are no revisions to the forecast of consolidated results disclosed in the Summary of Financial Results on May 14, 2024.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	29,001	16,279
Notes and accounts receivable-trade, and contract assets	87,999	90,967
Merchandise and finished goods	40,619	43,563
Work in process	1,047	1,145
Raw materials and supplies	17,412	18,347
Other	6,044	6,383
Allowance for doubtful accounts	(356)	(359)
Total current assets	181,767	176,328
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,741	60,189
Machinery, equipment and vehicles, net	56,663	55,448
Land	48,770	47,140
Other, net	11,365	11,314
Total property, plant and equipment	177,541	174,092
Intangible assets		
Goodwill	441	418
Other	4,058	4,362
Total intangible assets	4,499	4,781
Investments and other assets		
Investment securities	53,326	58,294
Deferred tax assets	2,873	2,736
Other	11,380	12,683
Allowance for doubtful accounts	(166)	(165)
Total investments and other assets	67,414	73,549
Total non-current assets	249,454	252,423
Total assets	431,222	428,752

	(Millions of yen)	
	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	63,070	65,490
Electronically recorded obligations-operating	4,188	5,145
Short-term loans payable	10,206	10,358
Income taxes payable	8,633	1,835
Provision for bonuses	5,933	3,030
Other	30,441	29,125
Total current liabilities	122,474	114,985
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	29,054	28,854
Deferred tax liabilities	7,189	9,100
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for directors' retirement benefits	6	6
Net defined benefit liabilities	8,480	8,627
Asset retirement obligations	1,222	1,224
Other	8,678	8,488
Total non-current liabilities	73,447	75,117
Total liabilities	195,921	190,103
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,027	17,027
Retained earnings	167,278	167,115
Treasury stock	(5,322)	(5,323)
Total shareholders' equity	198,983	198,818
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,958	25,343
Deferred gains or losses on hedges	40	63
Revaluation reserve for land	8,571	8,571
Foreign currency translation adjustment	1,033	1,148
Remeasurements of defined benefit plans	1,499	1,467
Total accumulated other comprehensive income	33,102	36,594
Non-controlling interests	3,214	3,235
Total net assets	235,300	238,648
Total liabilities and net assets	431,222	428,752

(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, 2023	Three months ended June 30, 2024
Net sales	150,185	152,438
Cost of sales	124,857	125,886
Gross profit	25,328	26,552
Selling, general and administrative expenses	20,068	20,783
Operating profit	5,259	5,768
Non-operating income		
Interest income	3	5
Dividend income	472	355
Equity in earnings of affiliates	81	145
Other	325	270
Total non-operating income	883	776
Non-operating expenses		
Interest expenses	85	68
Loss (gain) on discontinuation of gift token	61	—
Other	109	116
Total non-operating expenses	256	185
Ordinary profit	5,887	6,359
Extraordinary income		
Gain on sale of non-current assets	10	1,207
National subsidies	—	58
Other	—	67
Total extraordinary income	10	1,333
Extraordinary loss		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	259	134
Impairment loss	19	75
Loss on reduction of noncurrent assets	—	57
Other	25	8
Total extraordinary loss	304	276
Profit before income taxes	5,593	7,416
Income taxes	1,925	2,132
Profit	3,668	5,284
Profit attributable to non-controlling interests	79	12
Profit attributable to owners of parent	3,588	5,272

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	3,668	5,284
Other comprehensive income		
Valuation difference on available-for-sale securities	6,184	3,378
Deferred gains or losses on hedges	36	23
Foreign currency translation adjustment	61	108
Remeasurements of defined benefit plans	4	(21)
Share of other comprehensive income of entities accounted for using the equity method	(5)	14
Total other comprehensive income	6,282	3,503
Comprehensive income	9,950	8,788
Comprehensive income attributable to owners of parent	9,848	8,764
Comprehensive income attributable to non-controlling interests	102	23

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,593	7,416
Depreciation and amortization	4,283	4,361
Impairment loss	19	75
Equity in (earnings) losses of affiliates	(81)	(145)
Amortization of goodwill	27	29
Increase (decrease) in allowance for doubtful accounts	7	3
Increase (decrease) in provision for bonuses	(2,068)	(2,902)
Decrease (increase) in nets defined benefit asset	(220)	(69)
Increase (decrease) in nets defined benefit liability	129	131
Loss (gain) on sale and retirement of non-current assets	249	(1,071)
Loss (gain) on sale of investment securities	—	(67)
Interest and dividend income received	(476)	(360)
Interest expenses	85	68
Decrease (increase) in accounts receivable-other	1,159	225
Decrease (increase) in trade receivables	(2,356)	(2,923)
Decrease (increase) in inventories	(2,346)	(3,927)
Increase (decrease) in trade payables	1,190	3,353
Other	1,074	239
Sub total	6,270	4,436
Interest and dividend income	528	418
Interest expenses paid	(96)	(90)
Income taxes paid	(1,480)	(7,861)
Net cash provided by (used in) operating activities	5,222	(3,097)
Cash flows from investing activities		
Payments of loans receivable	(4)	(3)
Collection of loans receivable	7	14
Purchase of property, plant and equipment and intangible assets	(4,493)	(5,888)
Proceeds from sale of property, plant and equipment and intangible assets	17	3,085
Purchase of investment securities	(4)	(86)
Proceeds from sale of investment securities	—	133
Payments of leasehold and guarantee deposits	(2)	(1,280)
Other	51	34
Net cash provided by (used in) investing activities	(4,428)	(3,990)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(117)	173
Repayment of long-term loans payable	(223)	(221)
Purchase of treasury stock	(1)	(1)
Cash dividends paid	(3,974)	(5,317)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(179)	(325)
Net cash provided by (used in) financing activities	(4,498)	(5,695)
Effect of exchange rate on cash and cash equivalents	17	61
Net increase (decrease) in cash and cash equivalents	(3,687)	(12,721)
Cash and cash equivalents at beginning of period	20,338	28,988
Cash and cash equivalents at end of period	16,651	16,266

(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.

(Change in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022), the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022), and the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) are applied from the beginning of the period under review.

This change has no impact on the quarterly consolidated financial statements.

(Application of the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules)

The "Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (Practical Solution No. 46, March 22, 2024) is applied from the beginning of the period under review.

As we apply Paragraph 7 of the Practical Solution No. 46, current taxes related to the global minimum tax rules have not been recorded in the consolidated financial statements for the three months ended June 30, 2024.

(Segment and Other Information)

I Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

1. Net sales and income/loss by reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment (note 1)				Other (note 2)	Total	Adjustments (note 3)	Amount recorded on consolidated statements of income (note 4)
	Dairy Products	Beverages and Desserts	Feedstuffs and Seed	Total				
Net sales								
Revenue from contracts with customers	61,645	64,646	14,166	140,458	9,726	150,185	—	150,185
Sales to outside customers	61,645	64,646	14,166	140,458	9,726	150,185	—	150,185
Inter-segment sales and transfers	3,779	26	338	4,144	3,109	7,254	(7,254)	—
Total	65,424	64,673	14,504	144,603	12,836	157,439	(7,254)	150,185
Segment profit	2,895	1,128	534	4,558	670	5,229	30	5,259

Notes: 1. Net sales for reportable segments are mainly revenue from sales of merchandise and finished goods.

2. "Other" comprises businesses, such as joint distribution center services and real estate rental that are not included in reportable segments. Net sales of "Other" are mainly revenue from distribution services.

3. The 30 million yen adjustment for segment profit is for elimination of intersegment transactions.

4. Segment profit adjustments are based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.

2. Impairment loss on non-current assets or goodwill by reportable segment

(Significant change in amount of goodwill)

Not applicable.

II Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

1. Net sales and income/loss by reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment (note 1)				Other (note 2)	Total	Adjustments (note 3)	Amount recorded on consolidated statements of income (note 4)
	Dairy Products	Beverages and Desserts	Feedstuffs and Seed	Total				
Net sales								
Revenue from contracts with customers	62,196	66,945	13,374	142,515	9,923	152,438	—	152,438
Sales to outside customers	62,196	66,945	13,374	142,515	9,923	152,438	—	152,438
Inter-segment sales and transfers	3,738	25	293	4,057	3,284	7,342	(7,342)	—
Total	65,934	66,970	13,667	146,573	13,208	159,781	(7,342)	152,438
Segment profit	2,379	2,454	389	5,224	511	5,736	32	5,768

Notes: 1. Net sales for reportable segments are mainly revenue from sales of merchandise and finished goods.

2. "Other" comprises businesses, such as joint distribution center services and real estate rental that are not included in reportable segments. Net sales of "Other" are mainly revenue from distribution services.

3. The 32 million yen adjustment for segment profit is for elimination of intersegment transactions.

4. 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.

(Revenue Recognition)

The breakdown of revenue from contracts with customers is presented in "(4) Notes to the Quarterly Consolidated Financial Statements (Segment and Other Information)".