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Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Prepared pursuant to Japanese GAAP)

February 13, 2025

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>
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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 Nine Months of the Fiscal Year Ending March 31, 2025 (April 1, 2024 – December 31, 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	%
Nine months ended December 31, 2024	469,748	2.0	16,303	0.0	17,668	(0.6)	12,480	9.5
Nine months ended December 31, 2023	460,478	4.6	16,300	46.9	17,774	61.4	11,398	92.9

Note: Comprehensive income: Nine months ended December 31, 2024 : 17,794 million yen [-0.3%]
 Nine months ended December 31, 2023 : 17,855 million yen [150.5%]

	Profit per share – basic	Profit per share – diluted
Nine months ended December 31, 2024	yen 184.80	yen —
Nine months ended December 31, 2023	168.76	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2024	442,123	247,388	55.2	3,616.98
March 31, 2024	431,222	235,300	53.8	3,436.02

For reference: Equity: December 31, 2024 : 244,011 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
Full year	630,000	4.1	19,000	2.9	20,300	2.1	13,600	(30.0)	201.59

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 Policies)” on page 10 of the attachments.

(4) Common stock issued

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

December 31, 2024	70,751,855 shares
March 31, 2024	70,751,855 shares

2) Treasury stock as of period-end

December 31, 2024	3,288,947 shares
March 31, 2024	3,206,771 shares

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

Nine months ended December 31, 2024	67,536,789 shares
Nine months ended December 31, 2023	67,544,830 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 Nine Months Ended December 31, 2024

1. Operating Results

Forward-looking statements included in the following text are based on the judgments of the Group's management as of December 31, 2024.

(1) Overview of Operating Results

In the nine months ended December 31, 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, there are risks that the downturn of overseas economies including impacts of uncertain overseas interest rate trends may put downward pressure on the Japanese economy. It is also necessary to pay close attention to the impacts of rising prices, changes in U.S. policy, the situation in the Middle East, and fluctuations in financial and capital markets, etc.

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, despite rising incomes from wage increases and other factors, the prices of everyday items such as food have also increased, leading to a stagnation in consumer sentiment.

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 nine months ended December 31, 2024, consolidated net sales were ¥469,748 million (up 2.0% YoY), operating profit was ¥16,303 million (up 0.0% YoY), ordinary profit was ¥17,668 million (down 0.6% YoY), and profit attributable to owners of parent was ¥12,480 million (up 9.5% YoY).

Operating results by business segment for the nine months ended December 31, 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 ¥197,840 million (up 1.5% YoY), and operating profit was ¥8,024 million (up 0.7% YoY).

(Net sales)

We continued to implement sales promotion activities after the price revisions in December of the previous year.

As a result, sales of butter remained strong as we outperformed the market in capturing demand.

Sales of margarine increased year on year, primarily due to a sales campaign highlighting "Get more for the same price" and brand promotions.

Sales of cheese overall were higher than the previous year due to new promotional activities for main products such as Sakeru Cheese and 6P Cheese, as well as the launch of a new product, 6P Cheese Rakunou Daichi no Megumi, to celebrate the 70th anniversary of the launch of 6P Cheese in September 2024.

Sales of functional food products remained flat from the previous year due to marketing activities at mall-type e-commerce sites. In overseas markets, sales of functional food products increased, while the total sales of powdered milk and other products declined. As a result, In nutrition business, overall segment sales decreased year on year.

(Operating profit)

Despite promoting various sales promotions, profits remained flat from the previous 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 ¥203,782 million (up 3.8% YoY), and operating profit was ¥5,544 million (up 0.4% 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; DoleLL 200ml in small 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 Nachure Megumi, were strong.

In October 2024, the Megumi *Lactobacillus gasseri* SBT2055 yogurt series underwent a successful renewal, accompanied by a series of active promotional activities. As a result, overall yogurt sales increased year on year.

Sales of desserts outperformed those of the previous fiscal year resulting from the strong sales of the main product CREAM SWEETS series and Asia Sabo series in particular.

(Operating profit)

Despite promoting various sales promotions, profits remained flat from the previous year due to an increase in fixed costs and other factors.

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 ¥37,707 million (down 4.2% YoY), and operating profit was ¥417 million (down 14.0% 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 due to lower sales.

4) Other

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

Net sales were ¥30,418 million (up 1.6% YoY), and operating profit was ¥2,312 million (up 2.9% YoY).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

(Millions of yen)

Category	End of March 2024	End of December 2024	Change	Primary reason for change
Assets	431,222	442,123	10,901	Cash and deposits (8,561) Notes and accounts receivable-trade, and contract assets +6,643 Merchandise and finished goods +1,259 Raw materials and supplies +1,605 Investment securities +8,406
Liabilities	195,921	194,735	(1,186)	Notes and accounts payable-trade +2,483 Short-term loans payable +8,087 Income taxes payable (7,329) Long-term loans payable (8,775)
Net Assets	235,300	247,388	12,087	Retained earnings +7,045 Valuation difference on available-for-sale securities +5,108

2) Cash flows

(Millions of yen)

Category	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Change	Primary reason for change
Cash flows from operating activities	20,532	10,591	(9,941)	Income taxes paid (9,685)
Cash flows from investing activities	(15,258)	(10,907)	4,350	Purchase of property, plant and equipment and intangible assets +2,688 Proceeds from sale of property, plant and equipment and intangible assets +3,065 Payments of leasehold and guarantee deposits (1,316)
Cash flows from financing activities	(10,289)	(8,315)	1,974	Repayment of long-term loans payable +3,497 Cash dividends paid (1,341)
Cash and cash equivalents at end of period	15,476	20,366	4,890	—

(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 December 31, 2024
Assets		
Current assets		
Cash and deposits	29,001	20,440
Notes and accounts receivable-trade, and contract assets	87,999	94,643
Merchandise and finished goods	40,619	41,878
Work in process	1,047	1,171
Raw materials and supplies	17,412	19,017
Other	6,044	6,702
Allowance for doubtful accounts	(356)	(391)
Total current assets	181,767	183,461
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,741	60,489
Machinery, equipment and vehicles, net	56,663	54,193
Land	48,770	47,227
Other, net	11,365	14,632
Total property, plant and equipment	177,541	176,543
Intangible assets		
Goodwill	441	359
Other	4,058	4,958
Total intangible assets	4,499	5,317
Investments and other assets		
Investment securities	53,326	61,733
Deferred tax assets	2,873	2,721
Other	11,380	12,549
Allowance for doubtful accounts	(166)	(203)
Total investments and other assets	67,414	76,800
Total non-current assets	249,454	258,661
Total assets	431,222	442,123

	(Millions of yen)	
	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	63,070	65,554
Electronically recorded obligations-operating	4,188	4,902
Short-term loans payable	10,206	18,294
Income taxes payable	8,633	1,304
Provision for bonuses	5,933	3,077
Other	30,441	35,380
Total current liabilities	122,474	128,513
Non-current liabilities		
Bonds payable	15,000	15,030
Long-term loans payable	29,054	20,278
Deferred tax liabilities	7,189	8,574
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for directors' retirement benefits	6	6
Net defined benefit liabilities	8,480	8,718
Asset retirement obligations	1,222	1,291
Other	8,678	8,504
Total non-current liabilities	73,447	66,221
Total liabilities	195,921	194,735
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,027	17,027
Retained earnings	167,278	174,323
Treasury stock	(5,322)	(5,551)
Total shareholders' equity	198,983	205,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,958	27,066
Deferred gains or losses on hedges	40	49
Revaluation reserve for land	8,571	8,571
Foreign currency translation adjustment	1,033	1,120
Remeasurements of defined benefit plans	1,499	1,404
Total accumulated other comprehensive income	33,102	38,212
Non-controlling interests	3,214	3,376
Total net assets	235,300	247,388
Total liabilities and net assets	431,222	442,123

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

Quarterly Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	460,478	469,748
Cost of sales	385,163	391,359
Gross profit	75,314	78,389
Selling, general and administrative expenses	59,013	62,085
Operating profit	16,300	16,303
Non-operating income		
Interest income	20	35
Dividend income	1,064	889
Equity in earnings of affiliates	480	645
Other	778	727
Total non-operating income	2,344	2,298
Non-operating expenses		
Contribution	38	361
Interest expenses	268	254
Loss (gain) on discontinuation of gift token	132	—
Other	431	317
Total non-operating expenses	871	934
Ordinary profit	17,774	17,668
Extraordinary income		
Gain on sale of non-current assets	23	1,210
National subsidies	—	58
Other	91	213
Total extraordinary income	115	1,482
Extraordinary loss		
Loss on sale of non-current assets	10	1
Loss on retirement of non-current assets	834	766
Impairment loss	233	557
Other	74	66
Total extraordinary loss	1,153	1,392
Profit before income taxes	16,736	17,758
Income taxes	5,208	5,103
Profit	11,527	12,655
Profit attributable to non-controlling interests	128	174
Profit attributable to owners of parent	11,398	12,480

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	11,527	12,655
Other comprehensive income		
Valuation difference on available-for-sale securities	5,898	5,114
Deferred gains or losses on hedges	(27)	8
Foreign currency translation adjustment	461	70
Remeasurements of defined benefit plans	15	(64)
Share of other comprehensive income of entities accounted for using the equity method	(19)	9
Total other comprehensive income	6,327	5,138
Comprehensive income	17,855	17,794
Comprehensive income attributable to owners of parent	17,673	17,590
Comprehensive income attributable to non-controlling interests	181	203

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	16,736	17,758
Depreciation and amortization	13,173	12,970
Impairment loss	233	557
Equity in (earnings) losses of affiliates	(480)	(645)
Amortization of goodwill	84	105
Increase (decrease) in allowance for doubtful accounts	14	67
Increase (decrease) in provision for bonuses	(2,108)	(2,855)
Decrease (increase) in nets defined benefit asset	(341)	(209)
Increase (decrease) in nets defined benefit liability	248	197
Loss (gain) on sale and retirement of non-current assets	822	(442)
Loss (gain) on sale of investment securities	(91)	(182)
Interest and dividend income received	(1,085)	(925)
Interest expenses	268	254
Decrease (increase) in accounts receivable-other	397	471
Decrease (increase) in trade receivables	(12,007)	(5,894)
Decrease (increase) in inventories	482	(2,343)
Increase (decrease) in trade payables	3,569	2,335
Other	2,715	1,300
Sub total	22,631	22,520
Interest and dividend income	1,136	985
Interest expenses paid	(287)	(281)
Income taxes paid	(2,948)	(12,633)
Net cash provided by (used in) operating activities	20,532	10,591
Cash flows from investing activities		
Payments into time deposits	—	(6)
Proceeds from withdrawal of time deposits	—	6
Payments of loans receivable	(56)	(16)
Collection of loans receivable	61	24
Purchase of property, plant and equipment and intangible assets	(15,446)	(12,758)
Proceeds from sale of property, plant and equipment and intangible assets	25	3,091
Purchase of investment securities	(171)	(684)
Proceeds from sale of investment securities	200	421
Payments of leasehold and guarantee deposits	(8)	(1,325)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	244
Other	136	94
Net cash provided by (used in) investing activities	(15,258)	(10,907)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(54)	61
Repayment of long-term loans payable	(5,558)	(2,061)
Redemption of bonds	—	(4)
Purchase of treasury stock	(5)	(266)
Cash dividends paid	(4,055)	(5,396)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(613)	(644)
Net cash provided by (used in) financing activities	(10,289)	(8,315)
Effect of exchange rate on cash and cash equivalents	152	9
Net increase (decrease) in cash and cash equivalents	(4,862)	(8,621)
Cash and cash equivalents at beginning of period	20,338	28,988
Cash and cash equivalents at end of period	15,476	20,366

(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 nine months ended December 31, 2024.

(Segment and Other Information)

I Nine months ended December 31, 2023 (April 1, 2023 to December 31, 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	194,843	196,339	39,353	430,537	29,941	460,478	—	460,478
Sales to outside customers	194,843	196,339	39,353	430,537	29,941	460,478	—	460,478
Inter-segment sales and transfers	10,554	68	994	11,617	9,615	21,233	(21,233)	—
Total	205,398	196,407	40,348	442,154	39,556	481,711	(21,233)	460,478
Segment profit	7,966	5,520	485	13,971	2,248	16,220	80	16,300

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 80 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 Nine months ended December 31, 2024 (April 1, 2024 to December 31, 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	197,840	203,782	37,707	439,330	30,418	469,748	—	469,748
Sales to outside customers	197,840	203,782	37,707	439,330	30,418	469,748	—	469,748
Inter-segment sales and transfers	10,682	69	893	11,644	10,198	21,843	(21,843)	—
Total	208,523	203,851	38,600	450,974	40,617	491,592	(21,843)	469,748
Segment profit	8,024	5,544	417	13,986	2,312	16,299	4	16,303

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 4 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)".