November 8, 2018

Supplementary Information
Six Months Ended September 30, 2018
(April 1, 2018 to September 30, 2018)

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Earnings forecasts contained in this supplementary material are forward-looking statements and include uncertain factors. Please note that actual results may differ from forecasts due to various unknown or unpredictable factors.
This material has not been prepared to solicit investment.

MEGMILK SNOW BRAND Co., Ltd.

〈Consolidated Financial Results〉

The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28, February 16, 2018) and other related standards from the beginning of the first quarter of the fiscal year ending March 31, 2019. The financial statements for the fiscal year ended March 31, 2018, have been recast to reflect the retrospective application of the amendments.

1. Quarterly Consolidated Statements of Income (Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017		Six months ended September 30, 2018		Net change	
	Result	Vs. Sales (%)	Result	Vs. Sales (%)	Amount	Year-on-year change (%)
Net sales	3,035	100.0	3,053	100.0	18	0.6
Cost of sales	2,291	75.5	2,321	76.0	29	1.3
Selling, general and administrative expenses	633	20.9	636	20.8	3	0.5
Operating profit	110	3.6	95	3.1	(14)	(13.4)
Non-operating income	13	0.4	12	0.4	(0)	(7.5)
Non-operating expenses	5	0.2	5	0.2	(0)	(9.1)
Ordinary profit	117	3.9	102	3.4	(15)	(13.0)
Extraordinary income	0	0.0	1	0.0	0	288.6
Extraordinary loss	6	0.2	12	0.4	6	91.4
Profit before income taxes	111	3.7	90	3.0	(20)	(18.5)
Income taxes	39	1.3	25	0.8	(14)	(36.9)
Profit (loss) attributable to non-controlling interests	(0)	0.0	1	0.0	1	—
Profit attributable to owners of parent	71	2.4	64	2.1	(7)	(10.6)

2. Quarterly Consolidated Statements of Comprehensive Income

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Net change	
	Result	Result	Amount	Year-on-year change (%)
Profit	71	65	(5)	(8.3)
Total other comprehensive income	4	3	(0)	(16.9)
Comprehensive income	76	69	(6)	(8.8)
(of which, comprehensive income attributable to non-controlling interests)	(0)	1	1	—

3. Quarterly Consolidated Sales and Operating Profit by Product of Each Segment

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Net change	
	Result	Result	Amount	Year-on-year change (%)
[Net sales]				
Butter	99	102	2	2.6
Oils & fats	63	61	(2)	(4.5)
Cheese	381	371	(9)	(2.5)
Other	169	160	(9)	(5.4)
Subsidiaries and other	462	478	15	3.4
Dairy products	1,177	1,174	(3)	(0.3)
White drinks	430	431	1	0.3
Colored drinks	246	236	(9)	(3.7)
Yogurt	287	304	17	6.0
Desserts & fresh cream	120	120	0	0.1
Other	16	15	(1)	(7.1)
Subsidiaries and other	338	343	4	1.4
Beverage and dessert	1,439	1,452	12	0.9
Feedstuffs	169	176	6	3.6
Seed products	65	63	(2)	(4.3)
Feed and seeds	235	239	3	1.4
Other	182	187	4	2.6
Total	3,035	3,053	18	0.6
[Operating profit]				
Dairy products	56	53	(2)	(5.0)
Beverage and dessert	34	22	(12)	(36.0)
Feed and seeds	13	12	(1)	(10.4)
Other	5	7	1	35.1
Total	110	95	(14)	(13.4)

(Notes) 1. Main types of goods traded by business segment
Dairy Products: Dairy products (cheese, butter, milk powder etc.); oils & fats; Nutrition business (functional food products, infant formula etc.) etc.
Beverage & Dessert: Beverages (milk drinks, fruit juice beverages etc.); yogurts; desserts; fresh cream etc.
Feed and Seeds: Cattle feed; pasture forage and crop seed; vegetable seeds etc.
Other: Joint distribution center services; real estate leasing etc.
2. The net sales for each segment list the figures for external customers.
Note that figures for external customers are also used in the year-on-year comparisons.
3. Subsidiaries and other includes the sales by subsidiaries and the total effects from accounting for consolidation (intercompany elimination, etc.).
Feed and seeds are on a consolidated basis (after excluding intercompany elimination, etc.).

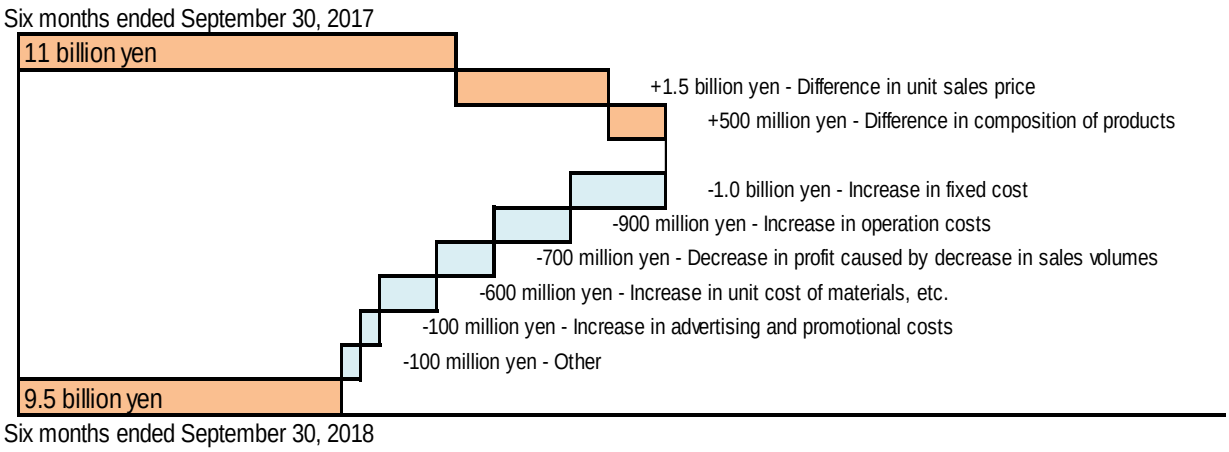
Nutrition Business of Dairy Products

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Net change	
	Result	Result	Amount	Year-on-year change (%)
Functional food products	21	23	2	11.0
Powdered milk and other	75	74	(0)	(1.2)
Total on a consolidated basis	96	97	1	1.4

(Note) These figures are on a consolidated basis (after intercompany elimination, etc.)

4. Causes of Net Changes in Consolidated Operating Profit



Details of Consolidated Operating Profit by Segment (Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Factors behind changes	Total	Dairy products	Beverage and dessert	Feed and seeds	Other
Factors behind increase in profit	Difference in unit sales price	15	14	0	1	0
	Difference in composition of products	5	2	3	0	0
Subtotal		20	16	3	1	0
Factors behind decrease in profit	Increase in fixed cost	(10)	(3)	(6)	0	(1)
	Increase in operation costs	(9)	(3)	(6)	0	0
	Decrease in profit caused by decrease in sales volumes	(7)	(10)	3	(2)	2
	Increase in unit cost of materials, etc.	(6)	(5)	(1)	0	0
	Increase in advertising and promotional costs	(1)	3	(4)	0	0
	Other	(1)	0	(1)	0	0
Subtotal		(34)	(18)	(15)	(2)	1
Total		(14)	(2)	(12)	(1)	1

5. Quarterly Consolidated Balance Sheets (Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Year ended March 31, 2018	Six months ended September 30, 2018	Amount of Net change
(Current assets)	1,421	1,462	41
Cash and deposits	146	129	(16)
Receivables	693	761	68
Inventory assets	539	530	(8)
Other	42	41	(1)
(Non-current assets)	2,091	2,085	(5)
Property, plant and equipment	1,647	1,636	(11)
Intangible assets	39	33	(5)
Investment securities	293	306	13
Deferred tax assets	48	46	(2)
Other	62	62	(0)
Total assets	3,512	3,548	35

	Year ended March 31, 2018	Six months ended September 30, 2018	Amount of Net change
(Current liabilities)	1,406	1,418	11
Payables	644	651	6
Short-term loans payable	418	429	11
Other	343	336	(6)
(Non-current liabilities)	532	511	(20)
Long-term loans payable	270	251	(19)
Net defined benefit liabilities	86	86	(0)
Other	174	174	(0)
Total liabilities	1,939	1,929	(9)
Shareholders' equity	1,550	1,593	43
Non-controlling interests	23	24	1
Total net assets	1,573	1,618	44
Total liabilities/net assets	3,512	3,548	35

6. Quarterly Consolidated Statements of Cash Flows

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017 Result	Six months ended September 30, 2018 Result	Amount of net change
Ⅰ Cash flows from operating activities	108	118	10
Ⅱ Cash flows from investing activities	(58)	(91)	(32)
Ⅲ Cash flows from financing activities	(100)	(39)	61
Ⅳ Effect of exchange rate on cash and cash equivalents	0	(0)	(0)
Ⅴ Amount of net change in cash and cash equivalents	(49)	(12)	37
Ⅵ Cash and cash equivalents at beginning of period	159	140	(18)
Ⅶ Cash and cash equivalents at end of period	109	128	18
(Ref.) Free cash flow (I + II)	50	27	(22)

7. Capital Investment, Depreciation and Amortization, Research & Development Costs and the Number of Employees

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Consolidated Amount of capital investment	67	60
Depreciation and amortization*	74	77
Consolidated Research & development costs	21	22

* Depreciation and amortization costs are the sum of the depreciation of property, plant and equipment the amortization of intangible assets (excluding "Goodwill"), and long-term prepaid expenses.

	Six months ended September 30, 2017	Six months ended September 30, 2018
Number of consolidated employees	5,013	5,150

8. Consolidated Management Indicators

	Six months ended September 30, 2017	Six months ended September 30, 2018
Equity ratio	42.5%	44.9%
Ratio of operating profit to net sales	3.6%	3.1%
Consolidate ROA(vs. operating profit)	3.2%	2.7%
EBITDA Margin	6.1%	5.7%

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Total assets	3,489	3,548
Equity	1,482	1,593
Interest-bearing debt*	778	742

* The balance for interest-bearing debt is the sum of outstanding borrowings plus outstanding lease obligations.

〈Consolidated Financial Forecast〉 (There is no revisions from the latest earnings forecasts released on May 10, 2018.)

1. Comparison with the Consolidated Earnings Forecast for the Six Months Ended September 30, 2018

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2018				Net change	
	Forecast	Vs. Sales	Result	Vs. Sales	Amount	Forecast vs. Actual (%)
Net sales	3,080	100.0%	3,053	100.0%	(26)	(0.9)
Operating profit	97	3.1%	95	3.1%	(1)	(1.2)
Ordinary profit	100	3.2%	102	3.4%	2	2.5
Profit attributable to owners of parent	71	2.3%	64	2.1%	(6)	(9.5)

2. Comparison with the Consolidated Earnings Forecast by Segment for the Six Months Ended September 30, 2018

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2018		Net change	
	Earnings Forecast	Result	Amount	Forecast vs. Actual (%)
[Net sales]				
Dairy products	1,190	1,174	(15)	(1.3)
Beverage and dessert	1,470	1,452	(17)	(1.2)
Feed and seeds	235	239	4	1.7
Other	185	187	2	1.2
Total	3,080	3,053	(26)	(0.9)
[Operating profit]				
Dairy products	51	53	2	5.3
Beverage and dessert	28	22	(5)	(20.6)
Feed and seeds	11	12	1	10.5
Other	7	7	0	2.1
Total	97	95	(1)	(1.2)

(Notes) 1. The net sales for each segment list the figures for external customers.
Note that figures for external customers are also used in the year-on-year comparisons.
2. Feed and seeds are on a consolidated basis. (after excluding intercompany elimination, etc.).

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Year ending March 31, 2019	
	Forecast	Year-on-year change (%)
Net sales	6,050	1.5
Operating profit	190	(1.9)
Ordinary profit	200	(4.7)
Profit attributable to owners of parent	135	0.9

4. Consolidated Sales by Product of Each Segment and Operating Profit by Segment

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Year ending March 31, 2019	
	Forecast	Year-on-year change (%)
[Net sales]		
Butter	222	0.3
Oils & fats	130	0.1
Cheese	781	1.3
Other	311	(6.3)
Subsidiaries and other	994	5.6
Dairy products	2,440	1.8
White drinks	825	(1.3)
Colored drinks	416	(5.4)
Yogurt	630	12.3
Desserts & fresh cream	250	2.7
Other	35	(0.6)
Subsidiaries and other	640	0.6
Beverage and dessert	2,800	1.6
Feedstuffs	339	(1.4)
Seed products	100	(2.4)
Feed and seeds	440	(1.6)
Other	370	2.2
Total	6,050	1.5
[Operating profit]		
Dairy products	119	(1.9)
Beverage and dessert	49	2.9
Feed and seeds	10	(26.0)
Other	12	5.3
Total	190	(1.9)

1. The net sales for each segment list the figures for external customers.
   Note that figures for external customers are also used in the year-on-year comparisons.
2. Subsidiaries and other includes the sales by subsidiaries and the total effects from accounting for consolidation (intercompany elimination, etc.).
   Feed and seeds are on a consolidated basis. (after excluding intercompany elimination, etc.).

Nutrition Business of Dairy Products

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Year ending March 31, 2019	
	Forecast	Year-on-year change (%)
Functional food products	54	25.5
Powdered milk and other	166	9.7
Total on a consolidated basis	220	13.2

(Note) These figures are on a consolidated basis. (after excluding intercompany elimination, etc.).

〈Other〉

1. Non-consolidated Net Sales by Business Segment

(Unit: 100 million yen)(Amounts rounded down to the nearest 100 million yen)

	Six months ended September 30, 2017		Six months ended September 30, 2018		Amount of net change
	Result	Year-on-year change (%)	Result	Year-on-year change (%)	
Dairy products	714	3.3	696	(2.6)	(18)
Butter	99	(1.5)	102	2.6	2
Oils & fats	63	(1.5)	61	(4.5)	(2)
Cheese	381	5.6	371	(2.5)	(9)
Beverage and dessert	1,101	0.7	1,109	0.7	8
White drinks	430	0.8	431	0.3	1
Colored drinks	246	(0.7)	236	(3.7)	(9)
Yogurt	287	3.1	304	6.0	17
Desserts & fresh cream	120	(0.1)	120	0.1	0
Other	10	2.4	9	(7.3)	(0)
Total	1,826	1.7	1,814	(0.6)	(11)

(For reference) Market share (of household consumption) for the First Six Months of Fiscal Year Ending March 31, 2019

Source: SCI (up to 79 years old), in value terms

Butter:	33.2%
Oils & fats:	37.8%
Cheese:	16.8%
Milk:	7.2%
Milk beverage:	20.6%
Yogurt:	11.8%
Chilled dessert:	12.3%