

Consolidated Financial Results for the Year Ended March 31, 2022
(Prepared pursuant to Japanese GAAP)

May 13, 2022

Company name: MEGMILK SNOW BRAND Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (Prime), Sapporo Securities Exchange
 Stock code: 2270
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Scheduled dates

Annual general meeting of shareholders: June 28, 2022
 Dividend payout: June 8, 2022
 Filing of fiscal year-end financial report: June 28, 2022
 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, 2022
(April 1, 2021 – March 31, 2022)

(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, 2022	558,403	—	18,059	(8.7)	19,987	(7.7)	12,068	(19.1)
Year ended March 31, 2021	615,186	0.3	19,780	9.9	21,662	10.1	14,913	22.6

Note: Comprehensive income: Year ended March 31, 2022 : 15,120 million yen (-35.0%)
 Year ended March 31, 2021 : 23,265 million yen (89.6%)

	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, 2022	178.70	—	6.0	5.0	3.2
Year ended March 31, 2021	220.64	—	8.1	5.6	3.2

For reference: Equity in earnings of affiliates: Year ended March 31, 2022: 1,015 million yen
 Year ended March 31, 2021: 1,233 million yen

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year ended March 31, 2022. As a result, the Company has omitted year-on-year change in net sales for the previous fiscal year, as this was prior to application of the above accounting standard. Assuming, however, that the above accounting standard, etc. had been applied effective from the fiscal year ended March 31, 2021, the year-on year change would be 0.7%.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
March 31, 2022	401,890	209,528	51.5	3,061.75
March 31, 2021	398,650	198,255	49.0	2,890.65

For reference: Equity: March 31, 2022 : 206,777 million yen
 March 31, 2021 : 195,213 million yen

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
Year ended March 31, 2022	29,421	(20,206)	(11,262)	19,979
Year ended March 31, 2021	26,567	(27,076)	6,771	21,829

2. Dividends

Record date or period	Cash dividends per share					Total dividends paid millions of yen	Payout ratio (consolidated) %	Dividends to net assets (consolidated) %
	End-Q1 yen	End-Q2 yen	End-Q3 yen	End-Q4 yen	Total yen			
Year ended March 31, 2021	—	—	—	40.00	40.00	2,707	18.1	1.5
Year ended March 31, 2022	—	—	—	60.00	60.00	4,061	33.6	2.0
Year ending March 31, 2023 (forecast)	—	—	—	60.00	60.00		40.5	

**3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2023
(April 1, 2022 – March 31, 2023)**

(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)	298,000	3.9	8,000	(34.5)	8,500	(36.0)	5,500	(35.9)	81.44
Full year	585,000	4.8	15,000	(16.9)	16,500	(17.4)	10,000	(17.1)	148.07

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.: Yes

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

Note: For further details, please refer to “(5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies)”, under “3. Consolidated Financial Statements and Key Notes” on page 19 of the Attachments.

(3) Common stock issued

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

March 31, 2022	70,751,855 shares
March 31, 2021	70,751,855 shares

2) Treasury stock as of period-end

March 31, 2022	3,216,075 shares
March 31, 2021	3,219,054 shares

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

Year ended March 31, 2022	67,534,284 shares
Year ended March 31, 2021	67,594,981 shares

**(Reference) Non-consolidated Results for the Fiscal Year Ended March 31, 2022
(April 1, 2021 – March 31, 2022)**

(1) Non-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, 2022	289,457	(16.6)	12,593	(11.6)	14,781	(5.1)	9,043	(20.8)
Year ended March 31, 2021	347,175	(2.5)	14,241	(0.9)	15,570	(0.1)	11,423	19.3

	Profit per share – basic	Profit per share – diluted
	yen	yen
Year ended March 31, 2022	133.90	—
Year ended March 31, 2021	169.00	—

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year ended March 31, 2022. The said accounting standard, etc. have been applied to the figures for the fiscal year ended March 31, 2022

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	yen
March 31, 2022	328,568	159,505	48.5	2,361.79
March 31, 2021	325,268	150,986	46.4	2,235.74

For reference: Equity: March 31, 2022 : 159,505 million yen
March 31, 2021 : 150,986 million yen

***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.

The Company is scheduled to hold an earnings presentation for analysts and institutional investors on Friday, May 13, 2022. Presentation materials to be used at the meeting will be made available on the Company's website on the same day.

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(Supplementary Information)

Supplementary Information for the Year Ended March 31, 2022

1. Operating Results

Forward-looking statements included in the following text are based on the judgments of the Group's management as of March 31, 2022. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., have been applied from April 1, 2021. With the application of this accounting standard, etc., net sales in the fiscal year ended March 31, 2022 declined significantly compared to net sales in the previous fiscal year. Therefore, in the explanations about operating results in the fiscal year ended March 31, 2022, year-on-year comparisons of net sales usually presented as percentages (% YoY), have been replaced with "-- YoY". For further details please refer to "(Changes in Accounting Policies)" under (5) Notes to the Consolidated Financial Statements" in "3. Consolidated Financial Statements and Key Notes".

(1) Overview of Operating Results

In the fiscal year ended March 31, 2022, while the Japanese economy is showing signs of a partial recovery as the severe restrictions and other conditions caused by the COVID-19 pandemic are easing, the outlook remains uncertain, partly due to the situation in Ukraine.

In the food industry, the prolonged spread of COVID-19 has caused a decline in the demand for home-cooked meals. Additionally, although there are signs of recovery in demand for dining out, the recovery is still ongoing. Furthermore, the skyrocketing costs for raw materials, energy, and other commodities worldwide caused by the situation in Ukraine and the ongoing price increases for food and other products affecting consumer behavior are also creating a difficult business environment.

In this business environment, the MEGMILK SNOW BRAND Group pursued 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, 2022, the Group undertook: (1) strategic expansion and further product mix improvement of yogurt, cheese, and other mainstay products, centered 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 foodstuffs and seed business area; 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.

Despite this, in the fiscal year ended March 31, 2022, especially in the second half of the year, costs rose significantly due to soaring raw material and energy prices, including foreign exchange fluctuations. In addition, sales of household products declined more than expected due to the absence of the year-earlier heightened levels of demand for home-cooked meals.

As a result, in the fiscal year ended March 31, 2022, consolidated net sales were ¥558,403 million (--YoY), operating profit was 18,059 million (down 8.7% YoY), ordinary profit was ¥19,987 million (down 7.7% YoY), and profit attributable to owners of the parent was ¥12,068 million (down 19.1% YoY).

As of March 31, 2022, 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, 2022, were as follows. Net sales by segment are sales to outside customers. Comparisons of net sales with those of the fiscal year ended March 31, 2021, are based on figures that have been calculated assuming the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).

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 ¥236,936 million (-- YoY), and operating profit was ¥12,520 million (down 8.4%).

(Net sales)

Sales of butter increased year on year due to ongoing efforts to ensure a stable supply. Sales of margarine declined year on year due to the drop in demand for home-cooked meals caused by the prolonged spread of COVID-19 and the implementation of price revisions.

Sales of cheese decreased year on year due to a decline in demand for processed cheese due to a drop in demand for home-cooked meals caused by the prolongation of the COVID-19 pandemic, despite strong sales of Sakeru Cheese.

Sales of functional food products continued to grow, owing to continued strong sales in the subscription-based e-commerce business, proactive marketing investment, and increasing health-consciousness among consumers.

(Operating profit)

Operating profit decreased due to factors including increased raw materials costs, operating expenses, and depreciation due to the operation of the Isobunnai Plant.

2) Beverage & Dessert

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

Net sales were ¥239,729 million (-- YoY), and operating profit was ¥3,611 million (down 12.9%).

(Net sales)

With regard to sales of beverages (both milk-based and other beverages), new products including MBP Drink, the first beverage type of its kind in Japan as a food with functional claims relating to increasing bone density, made a positive contribution. However, sales declined year on year due to a drop in sales volume during the peak demand season due to low summer temperatures and prolonged rainy weather, as well as the decline in demand for home-cooked meals due to the prolongation of the COVID-19 pandemic.

At the end of March 2022, we will launch a renewal of "Delicious Megmilk Snow Brand Milk" with the aim of further expanding sales.

With regard to yogurt, although sales of plain yogurt and thickened yogurt, for which an increased volume campaign was implemented in the first half of the year, increased year on year, overall sales decreased year on year due to a drop in demand for home-cooked meals caused by the prolonged spread of COVID-19 and a slowdown in the growth of the functional yogurt market.

Dessert sales were strong, reflecting the launch of new products and other efforts to increase product appeal, as well as efforts to expand sales of existing products.

(Operating profit)

Despite the increase due to changes in product composition, operation profit decreased due to higher raw material costs, higher operating costs, and higher sales promotion expenses.

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 ¥46,868 million (-- YoY), and operating profit was ¥695 million (down 38.1%).

(Net sales)

Overall segment sales increased year on year, due to factors including the rise in compound feed sales prices.

(Operating profit)

Operating profit declined due to an increase in our formula feed fund contributions and other factors.

4) Other

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

Net sales were ¥34,868 million (-- YoY), and operating profit was ¥1,148 million (up 8.8%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets (Millions of yen)

Category	End of March 2021	End of March 2022	Change	Primary reason for change
Assets	398,650	401,890	3,239	Investment securities + 3,590 Construction in progress + 2,434 Accounts receivable (3,121)
Liabilities	200,394	192,361	(8,032)	Current portion of long-term loans payable (14,665) Long-term loans payable +7,332
Net Assets	198,255	209,528	11,272	Retained earnings +9,289 Valuation difference on available-for-sale securities +2,024

2) Cash flows (Millions of yen)

Category	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change	Primary reason for change
Cash flows from operating activities	26,567	29,421	2,853	Accounts receivable +6,266 Loss on sales and retirement of non-current assets +2,603 Profit before income taxes (3,930) Change in inventories (1,141) Impairment loss (931)
Cash flows from investing activities	(27,076)	(20,206)	6,870	Purchase of property, plant and equipment, and intangible assets +11,150 Proceeds from sales of property, plant and equipment, and intangible assets (4,153)
Cash flows from financing activities	6,771	(11,262)	(18,033)	Repayment of long-term loans payable (13,997) Proceeds from long-term loans payable (4,250)
Cash and cash equivalents at end of period	21,829	19,979	(1,849)	—

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	FY2019	FY2020	FY2021
Equity ratio(%)	47.3	49.0	51.5
Equity ratio based on market value(%)	44.9	38.1	33.3
Ratio of interest-bearing debt to cash flow(years)	2.9	3.0	2.5
Interest coverage ratio(X)	62.6	67.5	75.1

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 economy will begin to recover as socioeconomic activities begin to normalize. However, in addition to the risk of a downturn in corporate earnings due to the unpredictability of the end of COVID-19 and soaring raw material and energy prices, the outlook for the situation in Ukraine and other factors are expected to mean that conditions are expected to remain uncertain.

In the food industry, demand for home-cooked meals is expected to remain stable, but demand for eating out is in the process of recovering, and overall conditions are expected to remain difficult.

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. Conversely, there is a risk that the substantial increase in raw materials prices, as well as exchange rate fluctuations, logistics costs, and other costs will not be fully absorbed despite efforts to revise prices and improve productivity. In addition there is the risk of prolonged sluggish consumption in the food market caused by price increases and sluggish demand for eating out due to the impact of COVID-19.

In light of the above factors, in the fiscal year ending March 31, 2023, the Company forecasts net sales of ¥585,000 million (up 4.8% YoY); operating profit of ¥15,000 million (down 16.9% YoY); ordinary profit of ¥16,500 million (down 17.4% YoY); and profit attributable to owners of parent of ¥10,000 million (down 17.1% YoY).

Our full-year net sales forecasts by segment are as follows: ¥252,000 million (up 6.4% YoY) for Dairy Products, ¥251,000 million (up 4.7% YoY) for Beverage & Dessert, ¥47,000 million (up 0.3% YoY) for Feedstuffs & Seed, and ¥35,000 million (up 0.4% YoY) for the "Other" segment.

Although we do not expect to reach the management benchmarks set forth in the "Group Medium-term Management Plan 2022," this will not change the direction of the "Transformation & Renewal" strategy concept set forth in the "Group Long-Term Vision 2026". We will continue to implement business portfolio reforms, renewal of our production structure, and advancement of Group management.

(4) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2022 and the Fiscal Year Ending March 31, 2023

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, simultaneously, in order to enhance shareholder returns. If the equity ratio remains stable at 50% or higher, we will raise the dividend payout ratio to 30% or higher, without waiting for the third stage (FY2023-FY2026) of the "Group Long-Term Vision 2026."

In accordance with the above dividend policy, as the equity ratio surpassed 50%, the Company has raised the dividend payout ratio to 30% or higher and decided to pay cash dividends of ¥60 per share for the fiscal year ended March 31, 2022.

The start date for cash dividend payments will be June 8, 2022.

Based on the above basic policy, the Company plans to pay cash dividends of ¥60 per share for the fiscal year ending March 31, 2023.

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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	21,840	19,991
Notes and accounts receivable-trade	71,710	72,248
Contract assets	—	49
Merchandise and finished goods	43,881	47,408
Work in process	1,114	890
Raw materials and supplies	14,931	13,851
Accounts receivable-other	6,957	3,836
Other	1,657	2,172
Allowance for doubtful accounts	(377)	(309)
Total current assets	161,716	160,139
Non-current assets		
Property, plant and equipment		
Buildings and structures	114,341	115,805
Accumulated depreciation	(57,483)	(59,382)
Accumulated impairment loss	(1,310)	(1,309)
Building and structures, net	55,547	55,113
Machinery, equipment and vehicles	205,099	208,751
Accumulated depreciation	(141,558)	(146,560)
Accumulated impairment loss	(3,106)	(3,217)
Machinery, equipment and vehicles, net	60,434	58,973
Tools, furniture and fixtures	19,573	19,904
Accumulated depreciation	(15,031)	(15,561)
Accumulated impairment loss	(232)	(248)
Tools, furniture and fixtures, net	4,309	4,094
Land	47,774	49,426
Lease assets	8,613	8,729
Accumulated depreciation	(4,132)	(4,610)
Accumulated impairment loss	(250)	(249)
Lease assets, net	4,230	3,868
Construction in progress	4,981	7,416
Total property, plant and equipment	177,277	178,892
Intangible assets		
Lease assets	184	172
Software	1,859	1,781
Right of using facilities	608	543
Goodwill	645	582
Other	215	213
Total intangible assets	3,512	3,291
Investments and other assets		
Investment securities	44,517	48,107
Long-term prepaid expenses	277	224
Nets defined benefit asset	4,024	4,152
Deferred tax assets	3,092	2,936
Other	4,466	4,337
Allowance for doubtful accounts	(234)	(193)
Total investments and other assets	56,143	59,566
Total non-current assets	236,933	241,751
Total assets	398,650	401,890

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	55,002	53,447
Electronically recorded obligations-operating	4,784	5,277
Short-term loans payable	16,409	17,011
Current portion of long-term loans payable	15,623	958
Lease obligations	793	830
Accounts payable-other	12,334	7,569
Income taxes payable	3,521	2,227
Accrued expenses	8,019	2,947
Contract liabilities	—	466
Deposits received	633	686
Provision for bonuses	5,293	4,876
Other	6,144	16,835
Total current liabilities	128,558	113,134
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	32,046	39,378
Long-term deposits received	5,018	5,014
Lease obligations	4,502	4,051
Deferred tax liabilities	5,149	6,607
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for director's retirement benefits	20	14
Provision for gift token exchange	68	—
Nets defined benefit liabilities	9,570	8,826
Asset retirement obligations	1,331	1,250
Other	312	266
Total non-current liabilities	71,835	79,226
Total liabilities	200,394	192,361
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,607	17,027
Retained earnings	137,941	147,231
Treasury stock	(5,355)	(5,347)
Total shareholders' equity	170,192	178,911
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,952	18,976
Deferred gains or losses on hedges	(3)	90
Revaluation reserve for land	8,570	8,571
Foreign currency translation adjustment	(48)	326
Remeasurements of defined benefit plans	(449)	(99)
Total accumulated other comprehensive income	25,020	27,866
Non-controlling interests	3,042	2,750
Total net assets	198,255	209,528
Total liabilities and net assets	398,650	401,890

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

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	615,186	558,403
Cost of sales	472,574	468,961
Gross profit	142,612	89,441
Selling, general and administrative expenses		
Selling expenses	104,499	53,245
General and administrative expenses	18,331	18,136
Total selling, general and administrative expenses	122,831	71,382
Operating profit	19,780	18,059
Non-operating income		
Interest income	7	3
Dividend income	737	765
Equity in earnings of affiliates	1,233	1,015
Other	1,045	1,203
Total non-operating income	3,024	2,987
Non-operating expenses		
Interest expenses	410	388
Donations	54	141
Special milk formula supply business expenses	52	120
Other	625	409
Total non-operating expenses	1,142	1,060
Ordinary profit	21,662	19,987
Extraordinary income		
Gain on sales of non-current assets	2,678	3
Gain on sales of investment securities	18	2
Other	455	0
Total extraordinary income	3,152	6
Extraordinary loss		
Loss on sales of non-current assets	477	28
Loss on retirement of non-current assets	1,486	1,865
Impairment loss	1,282	350
Loss on valuation of investment securities	38	524
Other	374	0
Total extraordinary loss	3,659	2,768
Profit before income taxes	21,156	17,226
Income taxes		
Current	5,589	4,487
Deferred	588	511
Total income taxes	6,177	4,998
Profit	14,978	12,227
Profit attributable to non-controlling interests	64	159
Profit attributable to owners of parent	14,913	12,068

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Profit	14,978	12,227
Other comprehensive income		
Valuation difference on available-for-sale securities	6,084	2,146
Deferred gains or losses on hedges	84	94
Foreign currency translation adjustment	80	411
Remeasurements of defined benefit plans	1,869	328
Share of other comprehensive income of entities accounted for using the equity method	167	(87)
Total other comprehensive income	8,286	2,893
Comprehensive income	23,265	15,120
Comprehensive income attributable to owners of parent	23,202	14,912
Comprehensive income attributable to non- controlling interests	62	208

(3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of term	20,000	17,606	125,489	(4,961)	158,134
Cumulative effects of changes in accounting policies					—
Restated balance	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
Change in ownership interest of parent due to transactions with non-controlling interests					—
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
Cumulative effects of changes in accounting policies								—
Restated balance	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
Change in ownership interest of parent due to transactions with non-controlling interests								—
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

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of term	20,000	17,607	137,941	(5,355)	170,192
Cumulative effects of changes in accounting policies			(69)		(69)
Restated balance	20,000	17,607	137,871	(5,355)	170,123
Changes during term					
Cash dividends			(2,707)		(2,707)
Profit attributable to owners of parent			12,068		12,068
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		13	13
Change in ownership interest of parent due to transactions with non-controlling interests		(579)			(579)
Reversal of revaluation reserve for land			(1)		(1)
Net changes other than shareholders' equity					
Total changes during term	—	(579)	9,359	8	8,787
Balance at end of term	20,000	17,027	147,231	(5,347)	178,911

(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	16,952	(3)	8,570	(48)	(449)	25,020	3,042	198,255
Cumulative effects of changes in accounting policies								(69)
Restated balance	16,952	(3)	8,570	(48)	(449)	25,020	3,042	198,186
Changes during term								
Cash dividends								(2,707)
Profit attributable to owners of parent								12,068
Purchase of treasury stock								(5)
Disposal of treasury stock								13
Change in ownership interest of parent due to transactions with non-controlling interests								(579)
Reversal of revaluation reserve for land								(1)
Net changes other than shareholders' equity	2,024	94	1	375	349	2,845	(291)	2,554
Total changes during term	2,024	94	1	375	349	2,845	(291)	11,342
Balance at end of term	18,976	90	8,571	326	(99)	27,866	2,750	209,528

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	21,156	17,226
Depreciation and amortization	15,917	16,957
Impairment loss	1,282	350
Equity in (earnings) losses of affiliates	(1,233)	(1,015)
Amortization of goodwill	89	100
Increase (decrease) in allowance for doubtful accounts	(53)	(109)
Increase (decrease) in provision for bonuses	80	(419)
Decrease (increase) in nets defined benefit asset	(582)	(751)
Increase (decrease) in nets defined benefit liability	1,062	344
Increase (decrease) in provision for gift token exchange	(10)	—
Loss (gain) on sales and retirement of non-current assets	(714)	1,889
Interest and dividend income received	(745)	(769)
Interest expenses	410	388
Decrease (increase) in accounts receivable-other	(3,145)	3,121
Decrease (increase) in notes and accounts receivable-trade	(137)	(479)
Decrease (increase) in inventories	(939)	(2,080)
Increase (decrease) in notes and accounts payable-trade	(231)	(1,125)
Other	(548)	828
Sub total	31,656	34,455
Interest and dividend income	1,101	1,125
Interest expenses paid	(393)	(391)
Income taxes paid	(5,796)	(5,768)
Net cash provided by (used in) operating activities	26,567	29,421

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(10)	—
Proceeds from withdrawal of time deposits	12	—
Payments of loans receivable	(295)	(3)
Collection of loans receivable	159	72
Purchase of property, plant and equipment and intangible assets	(31,122)	(19,971)
Proceeds from sales of property, plant and equipment and intangible assets	4,171	17
Purchase of investment securities	(17)	(423)
Proceeds from sales of investment securities	67	27
Other	(40)	75
Net cash provided by (used in) investing activities	(27,076)	(20,206)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(105)	602
Proceeds from long-term loans payable	12,540	8,290
Repayment of long-term loans payable	(1,626)	(15,623)
Purchase of treasury stock	(394)	(5)
Cash dividends paid	(2,705)	(2,705)
Cash dividends paid to non-controlling interests	(2)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,076)
Other	(933)	(741)
Net cash provided by (used in) financing activities	6,771	(11,262)
Effect of exchange rate on cash and cash equivalents	42	197
Net increase (decrease) in cash and cash equivalents	6,305	(1,849)
Cash and cash equivalents at beginning of period	15,524	21,829
Cash and cash equivalents at end of period	21,829	19,979

(5) Notes to the Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied effective from the beginning of the fiscal year ended March 31, 2022.

Accordingly, revenue is recognized when control of promised goods or services has been transferred to customers at the amount expected to be received in exchange for those goods or services.

The principal impacts of the application of the Accounting Standard for Revenue Recognition, etc. on the Group's consolidated financial statements for the fiscal year ended March 31, 2022, are as follows:

- Consideration to be paid to customers

For transactions that were previously recorded primarily as sales promotion expenses and shipping and storage expenses under selling, general and administrative expenses, where the Group makes payments to a customer and where the consideration paid to the customer is not payment made in exchange for distinct goods or services from the customer, revenue is now measured by deducting said consideration from the transaction price.

- Agent transactions

The Group previously recognized revenue based on the total amount of consideration received from customers. For those transactions where the Group's role in providing goods to the customer is that of an agent, however, the Group has changed its revenue recognition method to recognize revenue on a net basis, which is the amount received from customers less the amount paid to suppliers.

The Group's application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022 has been reflected in the retained earnings as of the beginning of said fiscal year, and the new accounting policy has thereby been applied to the balance of retained earnings as of the beginning of said fiscal year.

In the consolidated balance sheets for the fiscal year ended March 31, 2021, "Notes and accounts receivable-trade", presented under "Current assets" will now be presented as "Notes and accounts receivable-trade" and "Contract assets". "Accounts payable-other" and "Accrued expenses", presented under "Current liabilities" are now presented as "Accounts payable-other", "Accrued expenses", and "Refund liabilities". "Other" is now presented as "Contract liabilities" and "Other". Note that "Refund liabilities" is included in "Other" under "Current liabilities" due to the immateriality of the amounts involved. However, in accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, statements for the fiscal year ended March 31, 2021 have not been reclassified to conform to the new presentation method.

As a result, compared to before the Group's application of the Accounting Standard for Revenue Recognition etc. the consolidated balance sheets for the fiscal year ended March 31, 2022 show a decrease of ¥49 million in "Notes and accounts receivable-trade", and an increase of ¥49 million in "Contract assets", both under "Current assets"; a decrease of ¥4,724 million in "Accounts payable-other", a decrease of ¥5,514 million in "Accrued expenses", an increase of ¥466 million in "Contract liabilities", and an increase of ¥9,772 million in "Other", all under "Current liabilities". In the Consolidated Statements of Income for the fiscal year ended March 31, 2022, "Net sales" decreased ¥61,726 million, "Cost of sales" decreased ¥8,838 million, and "Selling, general and administrative expenses" decreased ¥52,886 million.

The "Balance at beginning of term" of "Retained earnings" in the Consolidated Statements of Changes in Net Assets decreased by ¥69 million due to the cumulative effect on net assets at the beginning of the fiscal year ended March 31, 2022.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes regarding "Revenue Recognition" for the fiscal year ended March 31, 2021 are omitted.

(Application of Accounting Standard for Fair Value Measurement, etc.)
Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. have been applied effective from the beginning of the fiscal year ended March 31, 2022.

In accordance with the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Group has opted to apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. prospectively. This has no impact on the Group's consolidated financial statements.

(Change in Presentation)

(Consolidated Statements of Income)

In the fiscal year ended March 31, 2021, "Compensation expenses" was presented separately under "Non-operating expenses". Due to the immateriality of the amounts involved, however "Compensation expenses" has been included in "Other" under "Non-operating expenses" from the fiscal year ended March 31, 2022. In addition, from the fiscal year ended March 31, 2022, "Donations" and "Special milk formula supply business expenses", which were included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2021, have been presented separately as the amounts have increased and are now considered to be material. The consolidated financial statements for the fiscal year ended March 31, 2021 have been recast to reflect the change in presentation.

As a result, "Compensation expenses" of ¥166 million and "Other" of ¥565 million under "Non-operating expenses" in the consolidated statement of income for the fiscal year ended March 31, 2021 were recast as ¥54 million in "Donations," ¥52 million of in "Special milk formula supply business expenses", and ¥625 million in "Other."

In the fiscal year ended March 31, 2021, "Loss on fire damage" was presented separately under "Extraordinary loss". Due to the immateriality of the amounts involved, however, it has been included in "Other" from the fiscal year ended March 31, 2022. In addition, from the fiscal year ended March 31, 2022, "Loss on valuation of investment securities", which was included in "Other" under "Extraordinary loss" in the fiscal year ended March 31, 2021, 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, 2021 have been recast to reflect the change in presentation.

As a result, "Loss on fire damage" of ¥63 million and "Other" of ¥349 million in the consolidated statement of income for the fiscal year ended March 31, 2021 were recast as "Loss on valuation of investment securities" of ¥38 million and "other" of ¥374 million.

(Consolidated statements of cash flows)

From the fiscal year ended March 31, 2022, "Decrease (increase) in accounts receivable-other", which was included in "Other" under "Cash flows from operating activities", 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, 2021 have been recast to reflect the change in presentation.

As a result, "Other" of ¥(3,693) million under "Cash flows from operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2021 was recast as "Decrease (increase) in accounts receivable-other" of ¥(3,145) million and "Other" of ¥(548) million.

(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 profit represents operating profit.

Intersegment sales and transfers are based on market price.

3. Net sales, profit/loss, assets, liabilities and other amounts by reportable segment and breakdown of revenue

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

(Millions of yen)

	Reportable segment (note 1)				Other (note 2)	Total	Adjustments (note 3)	Amount recorded on consolidated financial statements (note 4)
	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	197,115	144,218	34,616	375,951	33,550	409,501	(10,851)	398,650
Other items								
Depreciation/ amortization (note 5)	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 (note 6)	17,369	8,353	898	26,621	1,325	27,947	(373)	27,573

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment (note 1)				Other (note 2)	Total	Adjustments (note 3)	Amount recorded on consolidated financial statements (note 4)
	Dairy Products	Beverage and Dessert	Feedstuffs and Seed	Total				
Net sales								
Revenue from contracts with customers	236,936	239,729	46,868	523,535	34,868	558,403	—	558,403
Sales to outside customers	236,936	239,729	46,868	523,535	34,868	558,403	—	558,403
Inter-segment sales and transfers	13,221	126	990	14,338	12,490	26,829	(26,829)	—
Total	250,158	239,856	47,859	537,873	47,359	585,233	(26,829)	558,403
Segment profit	12,520	3,611	695	16,827	1,148	17,975	83	18,059
Segment assets	201,026	141,503	34,703	377,233	35,538	412,772	(10,882)	401,890
Other items								
Depreciation/ amortization (note 5)	8,114	7,020	858	15,993	1,116	17,109	(152)	16,957
Amortization of goodwill	100	—	—	100	—	100	—	100
Impairment loss	28	—	—	28	—	28	322	350
Increase in PP&E and intangible assets (note 6)	10,959	5,922	1,458	18,340	1,780	20,121	(63)	20,057

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. Adjustments are as follows:

Net sales (Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Intersegment transactions elimination	(27,334)	(26,829)
Total	(27,334)	(26,829)

Segment profit (Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Intersegment transactions elimination	(218)	83
Total	(218)	83

Segment assets (Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Intersegment transactions elimination and other factors	(26,045)	(22,958)
Corporate assets*	15,194	12,076
Total	(10,851)	(10,882)

*Corporate assets comprise mainly of surplus working funds and idle assets held by the parent company.

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

5. Depreciation/amortization includes amortization of long-term prepaid expenses.

6. Increase in PP&E and intangible assets includes an increase in long-term prepaid expenses.

(Revenue Recognition)

The breakdown of revenue from contracts with customers is as presented in "(5) Notes to the Consolidated Financial Statements (Segment Information)".

("Per Share" Data)

Item	Year ended March 31, 2021	Year ended March 31, 2022
Net assets per share	2,890.65 yen	3,061.75 yen
Profit per share - basic	220.64 yen	178.70 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, 2021	As of March 31, 2022
Total for net assets (millions of yen)	198,255	209,528
Amounts deducted from the total for net assets (millions of yen)	3,042	2,750
(of which, Non-controlling interests) (millions of yen)	(3,042)	(2,750)
Net assets as of fiscal year-end pertaining to common stock (millions of yen)	195,213	206,777
Number of common stock as of fiscal year-end used to calculate net assets per share (shares)	67,532,801	67,535,780

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

Item	Year ended March 31, 2021	Year ended March 31, 2022
Profit attributable to owners of parent (millions of yen)	14,913	12,068
Amount not attributable to owners of common stock (millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (millions of yen)	14,913	12,068
Average number of shares during the year (shares)	67,594,981	67,534,284

3. The Company's shares held by a trust for the performance-linked stock compensation plan are included in the number of treasury stock deducted from the total number of issued shares as of period-end for the calculation of net assets per share. In addition, these shares are included in the number of treasury stock deducted in calculation of the average number of shares during the year for the calculation of profit per share-basic.

The number of shares of treasury stock held by the trust as of the end of the fiscal years ended March 31, 2021 and 2022 was 157 thousand shares and 152 thousand shares, respectively. The average number of shares during the fiscal years ended March 31, 2021 and 2022 was 97 thousand shares and 154 thousand shares, respectively.

(Key Subsequent Events)

Not applicable.