

Consolidated Financial Results for the Year Ended March 31, 2023
(Prepared pursuant to Japanese GAAP)

May 15, 2023

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, 2023
 Dividend payout: June 8, 2023
 Filing of fiscal year-end financial report: June 28, 2023
 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, 2023
(April 1, 2022 – March 31, 2023)

(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, 2023	584,308	4.6	13,054	(27.7)	14,480	(27.6)	9,129	(24.3)
Year ended March 31, 2022	558,403	—	18,059	(8.7)	19,987	(7.7)	12,068	(19.1)

Note: Comprehensive income: Year ended March 31, 2023 : 10,761 million yen (-28.8%)
 Year ended March 31, 2022 : 15,120 million yen (35.0%)

	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, 2023	135.18	—	4.4	3.6	2.2
Year ended March 31, 2022	178.70	—	6.0	5.0	3.2

For reference: Equity in earnings of affiliates: Year ended March 31, 2023: 559 million yen
 Year ended March 31, 2022: 1,015 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 fiscal year ended March 31, 2022. 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, 2023	410,130	215,899	51.9	3,151.74
March 31, 2022	401,890	209,528	51.5	3,061.75

For reference: Equity: March 31, 2023 : 212,879 million yen

March 31, 2022 : 206,777 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, 2023	26,807	(19,624)	(7,286)	20,338
Year ended March 31, 2022	29,421	(20,206)	(11,262)	19,979

2. Dividends

Record date or period	Cash dividends per share					Total dividends paid	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	End-Q4	Total			
	yen	yen	yen	yen	yen	millions of yen	%	%
Year ended March 31, 2022	—	—	—	60.00	60.00	4,061	33.6	2.0
Year ended March 31, 2023	—	—	—	60.00	60.00	4,061	44.4	1.9
Year ending March 31, 2024 (forecast)	—	—	—	60.00	60.00		42.7	

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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)	306,000	5.9	7,000	(4.7)	7,700	11.9	5,000	117.2	74.03
Full year	616,000	5.4	14,000	7.2	15,000	3.6	9,500	4.1	140.65

Notes

(1) Material reclassifications of subsidiaries during the period: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards, etc.: None

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Common stock issued

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

March 31, 2023	70,751,855 shares
March 31, 2022	70,751,855 shares

2) Treasury stock as of period-end

March 31, 2023	3,208,420 shares
March 31, 2022	3,216,075 shares

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

Year ended March 31, 2023	67,541,060 shares
Year ended March 31, 2022	67,534,284 shares

**(Reference) Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023
(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, 2023	299,147	3.3	8,739	(30.6)	10,707	(27.6)	8,407	(7.0)
Year ended March 31, 2022	289,457	(16.6)	12,593	(11.6)	14,781	(5.1)	9,043	(20.8)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Year ended March 31, 2023	124.48	—
Year ended March 31, 2022	133.90	—

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, 2023	334,885	164,952	49.3	2,442.17
March 31, 2022	328,568	159,505	48.5	2,361.79

For reference: Equity: March 31, 2023 : 164,952 million yen
March 31, 2022 : 159,505 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.

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(Supplementary Information)

Supplementary Information for the Year Ended March 31, 2023

1. Operating Results

(1) Overview of Operating Results

In the fiscal year ended March 31, 2023, although the Japanese economy is exhibiting some signs of weakness, it has been gradually recovering. With regard to the outlook, it is necessary to pay close attention to the risk that a downturn in overseas economic conditions will depress the Japanese economy, the impact of rising prices and fluctuations in financial and capital markets amid continuing global monetary tightening.

In the food industry, with the easing of restrictions due to COVID-19, demand for home-cooked meals has begun to settle, but demand for dining out has been showing signs of recovery, partly due to an increase in inbound demand.

On the other hand, although the sharp rise in global raw material and energy prices due to the situation in Ukraine and other factors appears to have passed its peak, the price increase of various products, including food products, continues to affect the purchasing behavior of consumers.

Amidst this business environment, the MEGMILK SNOW BRAND Group pursued initiatives to “Establish earnings bases in four business sectors (Dairy Products; Beverages and Desserts; Nutrition; and Foodstuffs and Seed)” in accordance with the Group Medium-term Management Plan 2022. In the fiscal year ended March 31, 2023, 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 improving value chain productivity.

However, in the fiscal year ended March 31, 2023, although net sales were higher than the previous year, we were unable to absorb all of the cost increases despite price revisions and capacity changes due to soaring raw material and energy prices caused by currency fluctuations and the situation in Ukraine.

As a result, in the fiscal year ended March 31, 2023, consolidated net sales were ¥584,308 million (up 4.6% YoY), operating profit was ¥13,054 million (down 27.7% YoY), ordinary profit was ¥14,480 million (down 27.6% YoY), and profit attributable to owners of parent was ¥9,129 million (down 24.3% YoY).

Although not applicable to changes in specified subsidiaries, Belle Neige Direct Co., Ltd. has been included in the scope of consolidation due to its increased importance over the three months ended June 30, 2022.

Additionally, during the three months ended June 30, 2022, The National Federation of Agricultural Co-operative Associations converted preferred shares into common shares, thereby decreasing MEGMILK SNOW BRAND Co., Ltd.’s shareholding ratio of Kyodo Milk Industry Co., Ltd., making Kyodo Milk Industry Co., Ltd. no longer an affiliate of MEGMILK SNOW BRAND Co., Ltd. As a result, Kyodo Milk Industry Co., Ltd. has been removed from the scope of entities accounted for using the equity method. As of March 31, 2023, there were 33 subsidiaries and 13 affiliates.

Operating results by business segment for the fiscal year ended March 31, 2023, 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 ¥252,070 million (up 6.4% YoY), and operating profit was ¥9,720 million (down 22.4%).

(Net sales)

Sales of butter increased year on year due to improved production systems, mainly at the Isobunnai Plant and Ami Plant, and an increase in sales for household use. Sales of commercial-use butter increased year on year due to a recovery in demand for dining out and hotels.

In cheese, sales of processed cheese and natural cheese both increased year on year, with brisk 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-awareness among consumers.

(Operating profit)

Operating profit decreased due to factors including increased raw material costs, higher operating expenses, despite price revisions and capacity changes.

2) Beverage & Dessert

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, dessert, and other products. Net sales were ¥241,113 million (up 0.6% YoY) and operating profit was ¥1,629 million (down 54.9% YoY).

(Net sales)

With regards to sales of beverages (both milk-based and other beverages), sales of MBP Drink, a food with functional claims, Mainichi Honebuto MBP® and Yukijirushi Coffee were strong, but sales in this segment overall declined year on year.

In yogurt sales, sales of family-use products, such as plain yogurt increased year on year, but sales were lower than the previous year despite an increase in the market due to the slower growth of the yogurt market.

Desserts performed well thanks to efforts to strengthen product appeal, including the launch of new products, and the expansion of existing products.

(Operating profit)

Operating profit decreased due to factors including increased raw material costs and higher operating expenses despite price revisions.

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 ¥53,474 million (up 14.1% YoY), and operating profit was ¥219 million (down 68.4%).

(Net sales)

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

(Operating profit)

Operating profit decreased due to an increase in raw material costs.

4) Other

This segment comprises joint distribution center services, real estate rental, and other businesses. Net sales were ¥37,649 million (up 8.0% YoY), and operating profit was ¥1,476 million (up 28.5%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

(Millions of yen)

Category	End of March 2022	End of March 2023	Change	Primary reason for change
Assets	401,890	410,130	8,239	Notes and accounts receivable-trade +7,960 Building and structures, net +5,850 Merchandise and finished goods (6,508)
Liabilities	192,361	194,230	1,868	Notes and accounts payable-trade +5,301 Bonds payable +5,000 Long-term loans payable (7,199)
Net Assets	209,528	215,899	6,371	Retained earnings +4,677 Valuation difference on available-for-sale securities +947

2) Cash flows

(Millions of yen)

Category	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change	Primary reason for change
Cash flows from operating activities	29,421	26,807	(2,614)	Accounts receivable (2,957) Profit before income taxes (4,232) Decrease (increase) in notes and accounts receivable-trade (7,052) Increase (decrease) in notes and accounts payable-trade +6,561 Change in inventories +6,652
Cash flows from investing activities	(20,206)	(19,624)	581	Proceeds from sales of investment securities +1,155 Purchase of investment securities (842) Payments of loans receivable (62)
Cash flows from financing activities	(11,262)	(7,286)	3,975	Repayment of long-term loans payable (14,665) Proceeds from issuance of bonds +4,968 Proceeds from long-term loans payable (7,860) Net increase (decrease) in short-term loans payable (7,442)
Cash and cash equivalents at end of period	19,979	20,338	359	—

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	FY2020	FY2021	FY2022
Equity ratio(%)	49.0	51.5	51.9
Equity ratio based on market value(%)	38.1	33.3	29.0
Ratio of interest-bearing debt to cash flow(years)	3.0	2.5	2.6
Interest coverage ratio(X)	67.5	75.1	77.4

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

With regard to the outlook for the Japanese economy in the future, the situation in Ukraine and other factors remain uncertain, and it is expected that the high price of raw materials and energy will continue to remain to some extent, although they have passed their peaks.

In the food industry, demand for home-cooked meals has remained stable, and demand for dining out is expected to recover as a result of downgrading the legal status of COVID-19 to Class 5 under the Infectious Diseases Act and the impact of inbound tourism. On the other hand, the market is expected to change as consumer sentiment declines due to rising prices of various products, and as the selection of products becomes stricter when purchasing. In addition, the dairy industry continues to face the challenge of disposing of excess inventory of powdered skim milk due to the easing of demand and supply, but raw milk production is expected to decline for the second consecutive year, and the Group assumes that demand and supply are in an uncertain situation that may fluctuate between easing and tightening depending on dairy consumption trends.

The Group has been working on the MEGMILK SNOW BRAND Group Long-term Vision 2026 (FY2017 to FY2026), but due to significant changes in the external environment, the company has decided to review the Long-Term Vision 2026 and newly formulated the MEGMILK SNOW BRAND Group Mid-term Management Plan 2025 (hereinafter "Mid-Term 2025").

In FY2023, the first year of the Plan, the Group will work on the three pillars of the business strategy based on the 2025 Medium-Term Plan: "Creating new seeds for growth," "Expanding volume by utilizing our production bases" and "Strengthening and supporting domestic dairy production bases."

As a result of the foregoing, the Group forecasts consolidated net sales of ¥616,000 million (up 5.4% YoY), operating profit of ¥14,000 million (up 7.2% YoY), ordinary profit of ¥15,000 million (up 3.6% YoY) and profit attributable to owners of parent of ¥9,500 million (up 4.1% YoY) for the fiscal year ending March 31, 2024.

By segment, full-year sales forecast is ¥264,500 million for Dairy Products (up 4.9% YoY), ¥256,000 million for Beverages & Desserts (up 6.2% YoY), ¥55,500 million for Foodstuffs and Seed (up 3.8% YoY), and ¥40,000 million for Other (up 6.2% YoY).

(4) Basic Policy on Profit Distribution and Cash Dividends for the Fiscal Year Ended March 31, 2023 and the Fiscal Year Ending March 31, 2024

The Company's basic profit distribution policy is to maintain financial soundness through profit generation, improve capital efficiency through investments in cash-generating infrastructure and growth, and enhance returns to shareholders.

With regard to dividends, taking into comprehensive consideration the Group's consolidated business results and financial condition, the Group has endeavored to maintain a stable dividend, and based on the fact that the equity ratio was more than 50% in the fiscal year ended March 31, 2022, the Group has enhanced shareholder returns and raised the target consolidated dividend payout ratio to a level of more than 30%.

Under this dividend policy, the Company has decided to pay a dividend of ¥60 per share for the fiscal year under review. The payment of dividends from surplus will commence on June 8, 2023.

In addition, based on the above basic policy, the Group plans to pay a dividend of ¥60 per share in the next fiscal year.

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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	19,991	20,351
Notes and accounts receivable-trade	72,248	80,208
Contract assets	49	49
Merchandise and finished goods	47,408	40,900
Work in process	890	899
Raw materials and supplies	13,851	16,013
Accounts receivable-other	3,836	4,139
Other	2,172	1,940
Allowance for doubtful accounts	(309)	(339)
Total current assets	160,139	164,163
Non-current assets		
Property, plant and equipment		
Buildings and structures	115,805	125,067
Accumulated depreciation	(59,382)	(62,510)
Accumulated impairment loss	(1,309)	(1,592)
Building and structures, net	55,113	60,964
Machinery, equipment and vehicles	208,751	216,637
Accumulated depreciation	(146,560)	(155,020)
Accumulated impairment loss	(3,217)	(3,218)
Machinery, equipment and vehicles, net	58,973	58,398
Tools, furniture and fixtures	19,904	20,701
Accumulated depreciation	(15,561)	(16,099)
Accumulated impairment loss	(248)	(594)
Tools, furniture and fixtures, net	4,094	4,008
Land	49,426	48,785
Lease assets	8,729	8,034
Accumulated depreciation	(4,610)	(4,491)
Accumulated impairment loss	(249)	(241)
Lease assets, net	3,868	3,302
Construction in progress	7,416	4,643
Total property, plant and equipment	178,892	180,101
Intangible assets		
Lease assets	172	93
Software	1,781	1,892
Right of using facilities	543	490
Goodwill	582	516
Other	213	195
Total intangible assets	3,291	3,188
Investments and other assets		
Investment securities	48,107	50,442
Long-term prepaid expenses	224	296
Nets defined benefit asset	4,152	4,801
Deferred tax assets	2,936	3,112
Other	4,337	4,189
Allowance for doubtful accounts	(193)	(166)
Total investments and other assets	59,566	62,676
Total non-current assets	241,751	245,966
Total assets	401,890	410,130

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	53,447	58,749
Electronically recorded obligations-operating	5,277	5,549
Short-term loans payable	17,011	10,200
Current portion of long-term loans payable	958	7,629
Lease obligations	830	820
Accounts payable-other	7,569	7,789
Income taxes payable	2,227	1,756
Accrued expenses	2,947	3,028
Contract liabilities	466	29
Deposits received	686	607
Provision for bonuses	4,876	4,894
Other	16,835	15,848
Total current liabilities	113,134	116,904
Non-current liabilities		
Bonds payable	10,000	15,000
Long-term loans payable	39,378	32,178
Long-term deposits received	5,014	4,888
Lease obligations	4,051	4,055
Deferred tax liabilities	6,607	7,317
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for director's retirement benefits	14	6
Nets defined benefit liabilities	8,826	8,702
Asset retirement obligations	1,250	1,207
Other	266	153
Total non-current liabilities	79,226	77,325
Total liabilities	192,361	194,230
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,027	17,027
Retained earnings	147,231	151,908
Treasury stock	(5,347)	(5,327)
Total shareholders' equity	178,911	183,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,976	19,924
Deferred gains or losses on hedges	90	23
Revaluation reserve for land	8,571	8,571
Foreign currency translation adjustment	326	675
Remeasurements of defined benefit plans	(99)	76
Total accumulated other comprehensive income	27,866	29,270
Non-controlling interests	2,750	3,020
Total net assets	209,528	215,899
Total liabilities and net assets	401,890	410,130

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

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	558,403	584,308
Cost of sales	468,961	497,117
Gross profit	89,441	87,191
Selling, general and administrative expenses		
Selling expenses	53,245	55,363
General and administrative expenses	18,136	18,772
Total selling, general and administrative expenses	71,382	74,136
Operating profit	18,059	13,054
Non-operating income		
Interest income	3	8
Dividend income	765	1,005
Equity in earnings of affiliates	1,015	559
Other	1,203	893
Total non-operating income	2,987	2,467
Non-operating expenses		
Interest expenses	388	361
Expenses for measures to adjust skim milk powder inventories	—	213
Other	671	467
Total non-operating expenses	1,060	1,041
Ordinary profit	19,987	14,480
Extraordinary income		
Gain on sales of non-current assets	3	37
Gain on sales of investment securities	2	947
Compensation income	—	2,242
Other	0	95
Total extraordinary income	6	3,322
Extraordinary loss		
Loss on sales of non-current assets	28	1
Loss on retirement of non-current assets	1,865	1,022
Impairment loss	350	1,506
Loss on valuation of investment securities	524	—
Fire loss	—	2,239
Other	0	37
Total extraordinary loss	2,768	4,809
Profit before income taxes	17,226	12,993
Income taxes		
Current	4,487	3,578
Deferred	511	234
Total income taxes	4,998	3,812
Profit	12,227	9,180
Profit attributable to non-controlling interests	159	50
Profit attributable to owners of parent	12,068	9,129

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit	12,227	9,180
Other comprehensive income		
Valuation difference on available-for-sale securities	2,146	1,105
Deferred gains or losses on hedges	94	(67)
Foreign currency translation adjustment	411	373
Remeasurements of defined benefit plans	328	104
Share of other comprehensive income of entities accounted for using the equity method	(87)	64
Total other comprehensive income	2,893	1,580
Comprehensive income	15,120	10,761
Comprehensive income attributable to owners of parent	14,912	10,686
Comprehensive income attributable to non- controlling interests	208	74

(3) Consolidated Statements of Changes in Net Assets

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

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of term	20,000	17,027	147,231	(5,347)	178,911
Changes during term					
Cash dividends			(4,061)		(4,061)
Profit attributable to owners of parent			9,129		9,129
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		0		24	24
Decrease in retained earnings due to increase in consolidated subsidiaries			(33)		(33)
Decrease in retained earnings due to decrease in entities accounted for using the equity method			(358)		(358)
Net changes other than shareholders' equity					
Total changes during term	—	0	4,677	20	4,697
Balance at end of term	20,000	17,027	151,908	(5,327)	183,609

(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	18,976	90	8,571	326	(99)	27,866	2,750	209,528
Changes during term								
Cash dividends								(4,061)
Profit attributable to owners of parent								9,129
Purchase of treasury stock								(3)
Disposal of treasury stock								24
Decrease in retained earnings due to increase in consolidated subsidiaries								(33)
Decrease in retained earnings due to decrease in entities accounted for using the equity method								(358)
Net changes other than shareholders' equity	947	(67)	—	348	175	1,404	269	1,673
Total changes during term	947	(67)	—	348	175	1,404	269	6,371
Balance at end of term	19,924	23	8,571	675	76	29,270	3,020	215,899

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	17,226	12,993
Depreciation and amortization	16,957	17,190
Impairment loss	350	1,506
Equity in (earnings) losses of affiliates	(1,015)	(559)
Amortization of goodwill	100	110
Increase (decrease) in allowance for doubtful accounts	(109)	(27)
Increase (decrease) in provision for bonuses	(419)	15
Decrease (increase) in nets defined benefit asset	(751)	(823)
Increase (decrease) in nets defined benefit liability	344	(357)
Loss (gain) on sales and retirement of non-current assets	1,889	987
Interest and dividend income received	(769)	(1,014)
Interest expenses	388	361
Decrease (increase) in accounts receivable-other	3,121	163
Decrease (increase) in notes and accounts receivable-trade	(479)	(7,531)
Decrease (increase) in inventories	(2,080)	4,571
Increase (decrease) in notes and accounts payable-trade	(1,125)	5,435
Loss (gain) on sales of investment securities	828	(946)
Compensation income	828	(2,242)
Other	828	(1,925)
Sub total	34,455	27,906
Interest and dividend income	1,125	1,169
Proceeds from compensation	—	2,302
Interest expenses paid	(391)	(346)
Income taxes paid	(5,768)	(4,225)
Net cash provided by (used in) operating activities	29,421	26,807

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from investing activities		
Payments of loans receivable	(3)	(7)
Collection of loans receivable	72	9
Purchase of property, plant and equipment and intangible assets	(19,971)	(19,770)
Proceeds from sales of property, plant and equipment and intangible assets	17	77
Purchase of investment securities	(423)	(1,265)
Proceeds from sales of investment securities	27	1,182
Other	75	151
Net cash provided by (used in) investing activities	(20,206)	(19,624)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	602	(6,840)
Proceeds from long-term loans payable	8,290	430
Repayment of long-term loans payable	(15,623)	(958)
Proceeds from issuance of bonds	—	4,968
Purchase of treasury stock	(5)	(3)
Cash dividends paid	(2,705)	(4,056)
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	(741)	(823)
Net cash provided by (used in) financing activities	(11,262)	(7,286)
Effect of exchange rate on cash and cash equivalents	197	135
Net increase (decrease) in cash and cash equivalents	(1,849)	32
Cash and cash equivalents at beginning of period	21,829	19,979
Increase in cash and cash equivalents from newlyconsolidated subsidiaries	—	326
Cash and cash equivalents at end of period	19,979	20,338

(5) Notes to the Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

Not applicable.

(Additional Information)

Due to the fire that occurred on June 30, 2022 at the Ami Distribution Center of SBS Flec Co., Ltd., an equity-method affiliate, in the fiscal year ended March 31, 2023, the Company recorded a loss of ¥2,239 million on its inventory as fire loss under extraordinary loss, and also recorded ¥2,242 million yen in compensation received for the said loss as compensation income under extraordinary income.

For the nine months ended December 31, 2022, the amount of loss on non-current assets incurred by SBS Flec Co. Ltd. was included in equity in losses of affiliates. However, in the fourth quarter of the fiscal year ending March 31, 2023, insurance income was received by SBS Flec as a result of the receipt of insurance proceeds for the insured non-current assets that were damaged. As a result, the impact of the series of events related to the fire on our consolidated financial statements was immaterial.

In addition to the above, there are other areas where negotiations are still ongoing, and depending on the situation, may have an impact on the consolidated financial statements for the next fiscal year.

(Change in presentation)

(Consolidated statements of income)

In the fiscal year ended March 31, 2022, "Contribution" and "Special milk formula supply business expenses", which were separately presented in "Non-operating expenses", are included in "Other" under "Non-operating expenses" in the fiscal year ended March 31, 2023 because their amounts have become immaterial. To reflect these changes in presentation, the consolidated statements of income for the fiscal year ended March 31, 2022 have been reclassified.

As a result, "Contribution" of ¥141 million yen, "Special milk supply business expenses" of ¥120 million, and "Other" of ¥409 million, which were included in "Non-operating expenses" in the consolidated statements of income for the fiscal year ended March 31, 2022, have been reclassified as "Other" of ¥671 million.

(Consolidated statements of cash flows)

"Loss (gain) on sales of investment securities", which was included in "Other" under "Cash flow from operating activities" in the fiscal year ended March 31, 2022, is separately presented under "Cash flows from operating activities" in the fiscal year ended March 31, 2023, due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified.

As a result, "Other" of ¥828 million presented under "Cash flows from operating activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2022, has been reclassified as "Loss (gain) on sales of investment securities" of minus ¥2 million and "Other" of ¥830 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, 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

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	252,070	241,113	53,474	546,659	37,649	584,308	—	584,308
Sales to outside customers	252,070	241,113	53,474	546,659	37,649	584,308	—	584,308
Inter-segment sales and transfers	14,899	95	1,403	16,399	13,414	29,813	(29,813)	—
Total	266,970	241,208	54,878	563,058	51,063	614,121	(29,813)	584,308
Segment profit	9,720	1,629	219	11,568	1,476	13,044	10	13,054
Segment assets	199,380	149,018	33,953	382,352	39,153	421,506	(11,376)	410,130
Other items								
Depreciation/ amortization (note 5)	8,630	6,768	788	16,187	1,157	17,345	(154)	17,190
Amortization of goodwill	110	—	—	110	—	110	—	110
Impairment loss	9	—	1,328	1,338	15	1,353	152	1,506
Increase in PP&E and intangible assets (note 6)	14,252	5,190	540	19,983	603	20,586	(145)	20,441

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, 2022	Year ended March 31, 2023
Intersegment transactions elimination	(26,829)	(29,813)
Total	(26,829)	(29,813)

Segment profit (Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Intersegment transactions elimination	83	10
Total	83	10

Segment assets (Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Intersegment transactions elimination and other factors	(22,958)	(22,685)
Corporate assets*	12,076	11,309
Total	(10,882)	(11,376)

*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, 2022	Year ended March 31, 2023
Net assets per share	3,061.75 yen	3,151.74 yen
Profit per share - basic	178.70 yen	135.18 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, 2022	As of March 31, 2023
Total for net assets (millions of yen)	209,528	215,899
Amounts deducted from the total for net assets (millions of yen)	2,750	3,020
(of which, Non-controlling interests) (millions of yen)	(2,750)	(3,020)
Net assets as of fiscal year-end pertaining to common stock (millions of yen)	206,777	212,879
Number of common stock as of fiscal year-end used to calculate net assets per share (shares)	67,535,780	67,543,435

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

Item	Year ended March 31, 2022	Year ended March 31, 2023
Profit attributable to owners of parent (millions of yen)	12,068	9,129
Amount not attributable to owners of common stock (millions of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (millions of yen)	12,068	9,129
Average number of shares during the year (shares)	67,534,284	67,541,060

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, 2022 and 2023 was 152 thousand shares and 142 thousand shares, respectively. The average number of shares during the fiscal years ended March 31, 2022 and 2023 was 154 thousand shares and 145 thousand shares, respectively.

(Key Subsequent Events)

Not applicable.