

Consolidated Financial Results for the Three Months Ended June 30, 2023
(Prepared pursuant to Japanese GAAP)

August 9, 2023

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 Stock exchange listing: Tokyo Stock Exchange (Prime Market), Sapporo Securities Exchange
 Stock code: 2270
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(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the First Three Months of the Fiscal Year Ending March 31, 2024
(April 1, 2023 – June 30, 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	%
Three months ended June 30, 2023	150,185	6.3	5,259	32.1	5,887	26.1	3,588	167.0
Three months ended June 30, 2022	141,344	(1.0)	3,980	(39.0)	4,668	(35.5)	1,343	(72.0)

Note: Comprehensive income: Three months ended June 30, 2023 : 9,950 million yen (— %)
 Three months ended June 30, 2022 : 482 million yen (-88.1%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Three months ended June 30, 2023	53.13	—
Three months ended June 30, 2022	19.90	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2023	420,420	221,785	52.0	3,237.43
March 31, 2023	410,130	215,899	51.9	3,151.74

For reference: Equity: June 30, 2023: 218,665 million yen
 March 31, 2023: 212,879 million yen

2. Dividends

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
Year ended March 31, 2023	yen —	yen —	yen —	yen 60.00	yen 60.00
Year ending March 31, 2024	—	—	—	—	—
Year ending March 31, 2024 (forecast)	—	—	—	60.00	60.00

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

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

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

Notes

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

(2) Accounting methods specific to quarterly consolidated financial statements: None

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

- 1) Changes in accordance with amendments to accounting standards, etc.: None
- 2) Changes other than noted in 1) above: None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatement: None

(4) Common stock issued

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

June 30, 2023	70,751,855 shares
March 31, 2023	70,751,855 shares

2) Treasury stock as of period-end

June 30, 2023	3,208,965 shares
March 31, 2023	3,208,420 shares

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

Three months ended June 30, 2023	67,543,141 shares
Three months ended June 30, 2022	67,535,607 shares

***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 for the Three months ended June 30, 2023

1. Operating Results

Forward-looking statements included in the following text are based on the judgments of the Group's management as of June 30, 2023.

(1) Overview of Operating Results

In the three months ended June 30, 2023, the Japanese economy showed gradual recovery with improvements in employment and income levels. With regard to the outlook, it is necessary to pay close attention to the impacts of rising prices and fluctuations in financial and capital markets, etc. amid continuing global monetary tightening.

In the food industry, with the easing of restrictions related to COVID-19, demand for dining out has been recovering, partly due to an increase in inbound demand. On the other hand, continuing global price increases in raw materials and energy have been increasing the prices of various products, including food products, affecting the purchasing behavior of consumers.

Amid this business environment, the MEGMILK SNOW BRAND Group has formulated the Group Mid-term Management Plan 2025 with "Creating new seeds for growth," "Expanding volume by utilizing our production bases" and "Strengthening and supporting domestic dairy production bases" as the three pillars of its business strategy.

In FY2023, the first year of the Plan, we were committed to advancing the Plan, with "responding to cost increases" by enhancing productivity and reviewing cost structures in all value chains and by setting appropriate prices, "maintaining and expanding the top line" in response to changes in the environment, and "planning and implementing initiatives to create new seeds for growth" for overseas markets particularly in Asia, e-commerce businesses, etc. positioned as our key priorities.

As a result, in the three months ended June 30, 2023, consolidated net sales were ¥150,185 million (up 6.3% YoY), operating profit was ¥5,259 million (up 32.1%), ordinary profit was ¥5,887 million (up 26.1%), and profit attributable to owners of parent was ¥3,588 million (up 167.0%).

Operating results by business segment for the three months ended June 30, 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 ¥61,645 million (up 5.9% YoY), and operating profit was ¥2,895 million (up 2.3%).

(Net sales)

Even with a decline in sales volume, sales of butter increased year on year due to price revisions. Sales of margarine increased year on year, boosted by market growth and our strenuous efforts to expand sales.

Regarding cheese, overall segment sales increased year on year, resulting from strong sales of processed cheeses including grated cheese and mini cheese.

In nutrition business, overall segment sales slightly increased year on year due to strong sales of infant formula and other products, although there was a slowdown in sales of functional food products in the subscription-based e-commerce business because of crowds in the city returning to what they were before with the easing of restrictions related to COVID-19.

(Operating profit)

Operating profit increased year on year due to increase in unit selling price resulting from price revisions.

2) Beverages & Desserts

This segment comprises the manufacture and sale of drinking milk, fruit juice beverages, yogurt, desserts, and other products. Net sales were ¥64,646 million (up 7.1% YoY), and operating profit was ¥1,128 million (up 126.8%).

(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® in large package, Clean Ca Iron, Yukijirushi Coffee and other products were strong. As a result, overall sales in this segment increased year on year.

Yogurt sales remained solid even after the price revisions in April, mainly due to the strong sales of family-use products such as Makiba no Asa Yogurt and Nachure Megumi. Amid an increase in the number of products in the market claiming to reduce visceral fat, the sales of "Yogurt containing *Lactobacillus gasseri* SBT2055" lineup remained at the same level as the previous fiscal year, and overall yogurt sales increased year on year.

Dessert sales increased year on year, mainly due to the strong sales of the core CREAM SWEETS series.

(Operating profit)

Operating profit increased year on year due to increases in unit selling prices resulting from price revisions.

3) Feedstuffs & Seed

This segment comprises the manufacture and sale of cattle feed, pasture forage/crop and vegetable seeds, landscaping, and other products. Net sales were ¥14,166 million (up 2.3% YoY), and operating profit was ¥534 million (up 26.5%).

(Net sales)

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

(Operating profit)

Operating profit increased mainly due to an increase in gross profit and a decrease in expenses.

4) Other

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

Net sales were ¥9,726 million (up 8.8% YoY), and operating profit was ¥670 million (up 225.7%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

(Millions of yen)

Category	End of March 2023	End of June 2023	Change	Primary reason for change
Assets	410,130	420,420	10,290	Investment securities +8,918 Notes and accounts receivable-trade, and contract assets +2,390 Merchandise and finished goods +2,098 Cash and deposits (3,687)
Liabilities	194,230	198,634	4,404	Deferred tax liabilities +3,224 Notes and accounts payable-trade +2,106 Provision for bonuses (2,068)
Net Assets	215,899	221,785	5,886	Valuation difference on available-for-sale securities +6,181 Retained earnings (472)

2) Cash flows

(Millions of yen)

Category	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	Primary reason for change
Cash flows from operating activities	2,186	5,222	3,035	Profit before income taxes +3,514 Decrease (increase) in notes and accounts receivable-trade +808 Income taxes paid +440 Decrease (increase) in accounts receivable-other +365 Increase (decrease) in notes and accounts payable-trade (3,095)
Cash flows from investing activities	(5,176)	(4,428)	747	Purchase of investment securities +487 Purchase of property, plant and equipment and intangible assets +239
Cash flows from financing activities	(4,073)	(4,498)	(425)	Net increase (decrease) in short-term loans payable (430)
Cash and cash equivalents at end of period	13,423	16,651	3,227	—

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

There are no revisions to the forecast of consolidated results disclosed in the Summary of Financial Results on May 15, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	20,351	16,663
Notes and accounts receivable-trade, and contract assets	80,257	82,648
Merchandise and finished goods	40,900	42,998
Work in process	899	892
Raw materials and supplies	16,013	16,314
Other	6,080	5,322
Allowance for doubtful accounts	(339)	(345)
Total current assets	164,163	164,494
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	60,964	62,323
Machinery, equipment and vehicles, net	58,398	58,403
Land	48,785	48,794
Other, net	11,953	11,525
Total property, plant and equipment	180,101	181,046
Intangible assets		
Goodwill	516	489
Other	2,671	2,920
Total intangible assets	3,188	3,410
Investments and other assets		
Investment securities	50,442	59,361
Deferred tax assets	3,112	2,826
Other	9,287	9,449
Allowance for doubtful accounts	(166)	(168)
Total investments and other assets	62,676	71,468
Total non-current assets	245,966	255,925
Total assets	410,130	420,420

	(Millions of yen)	
	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	58,749	60,855
Electronically recorded obligations-operating	5,549	4,650
Short-term loans payable	17,830	17,694
Income taxes payable	1,756	1,042
Provision for bonuses	4,894	2,826
Other	28,124	31,114
Total current liabilities	116,904	118,184
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	32,178	31,974
Deferred tax liabilities	7,317	10,542
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for directors' retirement benefits	6	6
Net defined benefit liabilities	8,702	8,832
Asset retirement obligations	1,207	1,215
Other	9,097	9,062
Total non-current liabilities	77,325	80,449
Total liabilities	194,230	198,634
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,027	17,027
Retained earnings	151,908	151,435
Treasury stock	(5,327)	(5,328)
Total shareholders' equity	183,609	183,135
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,924	26,105
Deferred gains or losses on hedges	23	59
Revaluation reserve for land	8,571	8,571
Foreign currency translation adjustment	675	718
Remeasurements of defined benefit plans	76	75
Total accumulated other comprehensive income	29,270	35,530
Non-controlling interests	3,020	3,120
Total net assets	215,899	221,785
Total liabilities and net assets	410,130	420,420

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

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	141,344	150,185
Cost of sales	118,381	124,857
Gross profit	22,963	25,328
Selling, general and administrative expenses	18,983	20,068
Operating profit	3,980	5,259
Non-operating income		
Interest income	0	3
Dividend income	422	472
Equity in earnings of affiliates	180	81
Other	315	325
Total non-operating income	918	883
Non-operating expenses		
Interest expenses	84	85
Loss (gain) on discontinuation of gift token	—	61
Other	145	109
Total non-operating expenses	230	256
Ordinary profit	4,668	5,887
Extraordinary income		
Gain on sales of non-current assets	1	10
Other	26	—
Total extraordinary income	28	10
Extraordinary loss		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	300	259
Impairment loss	53	19
Fire loss	2,239	—
Other	25	25
Total extraordinary loss	2,618	304
Profit before income taxes	2,078	5,593
Income taxes	683	1,925
Profit	1,395	3,668
Profit attributable to non-controlling interests	51	79
Profit attributable to owners of parent	1,343	3,588

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	1,395	3,668
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,470)	6,184
Deferred gains or losses on hedges	54	36
Foreign currency translation adjustment	465	61
Remeasurements of defined benefit plans	39	4
Share of other comprehensive income of entities accounted for using the equity method	(1)	(5)
Total other comprehensive income	(912)	6,282
Comprehensive income	482	9,950
Comprehensive income attributable to owners of parent	408	9,848
Comprehensive income attributable to non-controlling interests	74	102

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,078	5,593
Depreciation and amortization	4,244	4,283
Impairment loss	53	19
Equity in (earnings) losses of affiliates	(180)	(81)
Amortization of goodwill	25	27
Increase (decrease) in allowance for doubtful accounts	0	7
Increase (decrease) in provision for bonuses	(2,326)	(2,068)
Decrease (increase) in net defined benefit asset	(201)	(220)
Increase (decrease) in net defined benefit liability	91	129
Loss (gain) on sales and retirement of non-current assets	298	249
Interest and dividend income received	(422)	(476)
Interest expenses	84	85
Decrease (increase) in accounts receivable-other	794	1,159
Decrease (increase) in notes and accounts receivable-trade	(3,164)	(2,356)
Decrease (increase) in inventories	(1,427)	(2,346)
Increase (decrease) in notes and accounts payable-trade	4,285	1,190
Other	(515)	1,074
Sub total	3,718	6,270
Interest and dividend income	479	528
Interest expenses paid	(89)	(96)
Income taxes paid	(1,921)	(1,480)
Net cash provided by (used in) operating activities	2,186	5,222
Cash flows from investing activities		
Payments of loans receivable	(1)	(4)
Collection of loans receivable	1	7
Purchase of property, plant and equipment and intangible assets	(4,732)	(4,493)
Proceeds from sales of property, plant and equipment and intangible assets	17	17
Purchase of investment securities	(492)	(4)
Other	31	49
Net cash provided by (used in) investing activities	(5,176)	(4,428)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	312	(117)
Repayment of long-term loans payable	(216)	(223)
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(3,975)	(3,974)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(190)	(179)
Net cash provided by (used in) financing activities	(4,073)	(4,498)
Effect of exchange rate on cash and cash equivalents	179	17
Net increase (decrease) in cash and cash equivalents	(6,882)	(3,687)
Cash and cash equivalents at beginning of period	19,979	20,338
Increase in cash and cash equivalents from newly consolidated subsidiaries	326	—
Cash and cash equivalents at end of period	13,423	16,651

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

Not applicable.

(Notes Concerning Significant Changes in Shareholders' Equity (if any))

Not applicable.

(Segment and Other Information)

【Segment information】

I Three months ended June 30, 2022 (April 1 to June 30, 2022)

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

(Millions of yen)

	Reportable segment (note 1)				Other (note 2)	Total	Adjustments (note 3)	Amount recorded on consolidated statements of income (note 4)
	Dairy Products	Beverages and Desserts	Feedstuffs and Seed	Total				
Net sales								
Revenue from contracts with customers	58,202	60,348	13,853	132,403	8,940	141,344	—	141,344
Sales to outside customers	58,202	60,348	13,853	132,403	8,940	141,344	—	141,344
Inter-segment sales and transfers	3,656	28	306	3,991	3,178	7,170	(7,170)	—
Total	61,858	60,376	14,160	136,395	12,119	148,515	(7,170)	141,344
Segment profit	2,830	497	422	3,750	205	3,956	24	3,980

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

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

3. The 24 million yen adjustment for segment profit is for elimination of intersegment transactions.

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

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

(Significant change in amount of goodwill)

Not applicable.

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

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

(Millions of yen)

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

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

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

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

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

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

(Significant change in amount of goodwill)

Not applicable.

(Revenue Recognition)

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