

# Operating Results and Financial Analysis (Fiscal 2022)

## Analysis of Operating Results

### Status of Operations

The Company pursued strategic expansion of mainstay products focusing on functional yogurt, as well as other yogurt and cheese products. Another key component was improving the product portfolio, both by expanding scale and securing earnings obtained from continued marketing investment in the Nutrition Business Sector, as well as strategic expansion and maintenance of a foundation for earnings in the Feedstuffs and Seed Products Business Sector. In addition, we endeavored to fortify the Group's comprehensive strengths by optimizing the use of Group management resources and enhancing productivity in the value chain.

Although net sales increased over the previous year, despite making price revisions and changes in capacity, the Company was unable to absorb all of the cost increases. These increases were due to factors such as the soaring costs of raw materials and energy caused by exchange rate fluctuation and the situation in Ukraine.

Net sales increased to 584.3 billion yen (up 4.6% year on year), mainly due to higher sales in the Dairy Products Segment, Beverage and Dessert Segment, and Feedstuffs and Seeds Segment. Operating profit was 13.0 billion yen (down 27.7% year on year), mainly due to increased raw material costs and operating costs, despite our price revisions in the Dairy Products Segment and the Beverage and Dessert Segment. Profit attributable to owners of the parent amounted to 9.1 billion yen (down 24.3% year on year), mainly due to an increase in impairment loss from the previous fiscal year, despite an increase in gains on sales of investment securities from the previous fiscal year.

### Consolidated Net Sales and Operating Profit by Segment

	FY2021	FY2022	Change
<b>Net sales</b>	558.4	<b>584.3</b>	25.9
Dairy products	236.9	<b>252.0</b>	15.1
Beverage and dessert	239.7	<b>241.1</b>	13.0
Feedstuffs and seed	46.8	<b>53.4</b>	66.0
Other	34.8	<b>37.6</b>	27.0
<small>&lt;Reference&gt; Net Sales in Nutrition Business (Reported under Dairy Products Segment)</small>			
Nutrition	17.7	<b>19.7</b>	2.0
<b>Operating profit</b>	18.0	<b>13.0</b>	(5.0)
Dairy products	12.5	<b>9.7</b>	(2.8)
Beverage and dessert	3.6	<b>1.6</b>	(1.9)
Feedstuffs and seed	0.6	<b>0.2</b>	(0.4)
Other	1.1	<b>1.4</b>	0.3

## Net Sales

### Dairy Products Segment

(Dairy Products Business and Nutrition Business Sector)

Butter sales increased from the previous year due to efforts to expand sales for household use by improving the manufacturing system mainly at Isobunnai Plant and Ami Plant. Sales of butter for commercial use increased from the previous year due to a recovery in demand from the dining industry and hotels.

As for cheese, sales of mainstay Sakeru Cheese were strong, and measures to stimulate demand, such as the airing of TV commercials for 6P Cheese and increased volume of Sliced Cheese, resulted in an increase in market share. With regard to new cheese products, we launched Snow Brand Hokkaido 100 Kakeru Cheese, which is made from 100% fresh milk produced in Hokkaido, can be used in a wide range of dishes, and has a substantial texture unique to grain-style cheese.

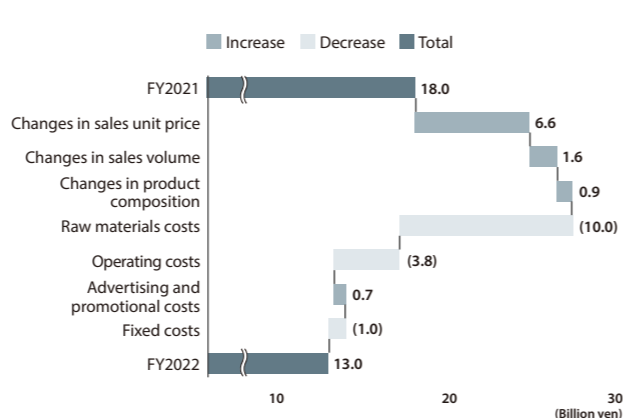
### Beverage and Dessert Segment

(Beverages and Desserts Business)

With regard to beverages, sales of milk were below the previous year's level, partly due to a rebound from the household demand in the first half of the previous year and partly due to price revisions in the second half of the year. Furthermore, sales of vegetable juices struggled throughout the year due to the decline in health consciousness, which had been temporarily heightened due to the impact of COVID-19. This resulted in a year-on-year decline in overall beverage sales.

Amidst this, there was significant expansion compared to the past year in sales of MBP Drink, which we launched with active promotional campaigns such as TV commercials. As for Snow Brand Coffee, through the promotion of the 60th anniversary of its launch, new products such as small-sized products and diluted types were actively launched, leading

### Causes of Net Changes in Consolidated Operating Profit



to a boost of the entire Snow Brand Coffee lineup.

As for yogurt, sales of family-use products such as Makiba no Asa and Nachure Megumi were strong throughout the year. However, overall sales declined from the previous year, mainly due to a rebound against the strong growth of Megumi Gasser SP Strain Yogurt caused by the significant attention it received on TV in the previous year.

Dessert performance in the segment was favorable thanks to efforts to bolster our product lineup, such as by launching new products as well as expanding existing products.

### Feedstuffs and Seed Segment

Overall sales in this segment increased year on year due to higher sales prices for blended feed.

In the seed products business, grass seed sales exceeded the previous year's level partly due to the program for direct payment grants for rice paddy utilization by the Ministry of Agriculture, Forestry and Fisheries.

### Operating Profit

Although we responded to the increased costs of raw materials and energy by revising prices, changing capacities, and other efforts, we were unable to absorb all of these costs in fiscal 2022, resulting in a decline in profit.

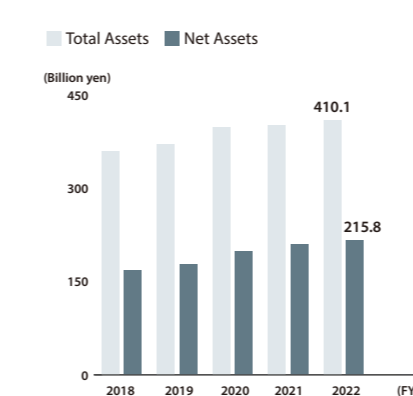
## Analysis of Financial Status

### Assets

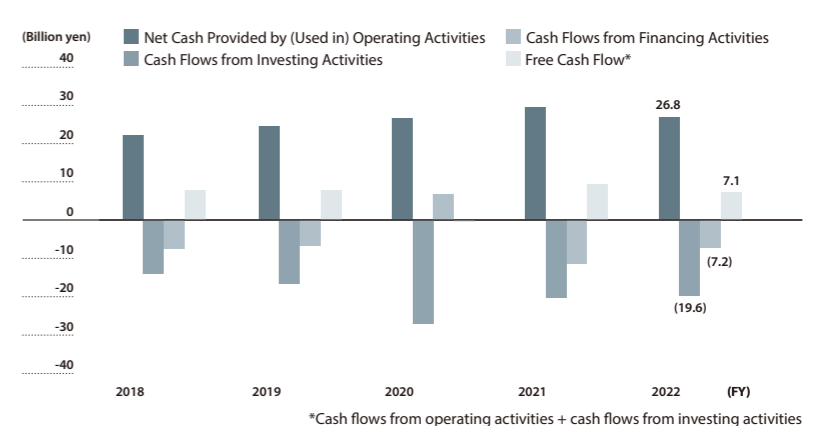
Total assets at the end of fiscal 2022 were up 8.2 billion yen compared to the end of fiscal 2021, to 410.1 billion yen.

The main factors were our buildings and structures as well as the increase in accounts receivable.

### Total Assets / Net Assets



### Cash Flow



## Liabilities and Net Assets

Liabilities at the end of fiscal 2022 stood at 194.2 billion yen, a decrease of 1.8 billion yen compared to the end of fiscal 2021.

This was mainly due to an increase in corporate bonds resulting from the issuance of green bonds.

Net assets increased 6.3 billion yen to 215.8 billion yen. This was mainly due to an increase in retained earnings.

## Cash Flow Analysis

### Net Cash Provided by (Used in) Operating Activities

Income came to 26.8 billion yen. This represents an decrease of 2.6 billion yen compared to fiscal 2021. This was mainly due to a decrease in profit before income taxes.

### Net Cash Provided by (Used in) Investing Activities

Payments came to 19.6 billion yen. This represents a 500 million yen decrease compared to fiscal 2021. This was mainly due to an increase in proceeds from sales of investment securities.

### Net Cash Provided by (Used in) Financing Activities

Payments came to 7.2 billion yen. This represents a 3.9 billion yen decrease compared to fiscal 2021. This was mainly due to a decrease in repayment of long-term loans payable.

## A Decade of Data\*1

	Unit	FY2013	FY2014	FY2015
<b>Fiscal year</b>				
Net sales*2	Million yen	544,907	549,816	578,328
Operating profit	Million yen	11,241	9,381	14,004
Profit attributable to owners of parent	Million yen	2,569	3,931	15,047
Earnings per share (EPS)	Yen	37.88	57.95	221.81
Capital expenditures	Million yen	32,732	17,593	15,090
Depreciation and amortization	Million yen	13,573	14,558	14,081
R&D costs	Million yen	3,804	3,780	3,846
Net cash provided by (used in) operating activities	Million yen	15,266	11,241	26,433
Cash flows from investing activities	Million yen	(35,724)	(27,617)	4,567
Net cash provided by (used in) financing activities	Million yen	20,047	14,854	(25,332)
Free cash flow*3	Million yen	(20,458)	(16,376)	31,001
<b>End of fiscal year</b>				
Total assets	Million yen	334,775	345,597	344,194
Cash and cash equivalents	Million yen	10,570	9,188	14,797
Interest-bearing debt	Million yen	95,605	113,662	94,274
Net assets	Million yen	116,453	122,209	132,401
Book value per share (BPS)	Yen	1,684.89	1,767.71	1,917.33
Dividend per share	Yen	30	30	30
<b>Other indicators, etc.</b>				
Equity ratio	%	34.1	34.7	37.8
Return on equity (ROE)	%	2.2	3.4	12.0
Dividend payout ratio	%	79.2	51.8	13.5
Price earnings ratio (PER)	Ratio	35.5	24.9	12.8
Price-to-book ratio (PBR)	Ratio	0.8	0.8	1.5
Interest coverage ratio	Ratio	17.3	12.0	28.7
D/E ratio	Ratio	0.8	0.9	0.7
Net interest-bearing debt / EBITDA ratio	Ratio	3.4	4.3	2.8
Strategic shareholdings*4	Million yen	19,795	23,151	21,101
Number of stocks held	Shares	100	95	93
<b>Non-financial data</b>				
Number of employees (consolidated)		4,917	4,875	4,823
Number of employees (non-consolidated)		3,130	3,090	3,009
Rate of women in management positions (non-consolidated)	%	-	-	2.7
Percentage of male employees taking childcare leave (non-consolidated)	%	-	-	-
<b>CO2 emissions</b>				
Scope 1 *5	Thousand tons-CO2	-	-	-
Scope 2 *5	Thousand tons-CO2	-	-	-
Scope 3 (non-consolidated)	Thousand tons-CO2	-	-	-

\*1 Figures in millions of yen are rounded down to the nearest million yen, and other figures are rounded to the indicated digit.

\*2 After applying Accounting Standard for Revenue Recognition, etc. from fiscal 2021

\*3 Cash flows from operating activities + cash flows from investing activities

\*4 Including deemed holdings

\*5 Aggregate of eight Group companies from fiscal 2021 (Megmilk Snow Brand; Ibaraku Co., Ltd.; Kohnan Oils and Fats Mfg Co., Ltd.; Chokuhan Haisou Co., Ltd.; Michinoku Milk Co., Ltd.; Michinoku Milk Co., Ltd.; Snow Brand Seed Co., Ltd.; Bean Stalk Snow Co., Ltd.). Figures before fiscal 2020 are non-consolidated figures.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	587,935	596,158	603,378	613,405	615,186	558,403	584,308
	18,753	19,363	17,230	17,998	19,780	18,059	13,054
	12,988	13,386	10,754	12,165	14,913	12,068	9,129
	191.48	197.36	158.64	179.71	220.64	178.70	135.18
	14,680	15,915	14,448	24,388	26,651	18,798	19,582
	15,140	15,157	15,901	16,157	15,917	16,957	17,190
	3,942	4,330	4,382	4,297	4,255	4,348	4,548
	29,934	22,817	21,938	24,322	26,567	29,421	26,807
	(14,408)	(11,799)	(14,248)	(16,629)	(27,076)	(20,206)	(19,624)
	(14,376)	(12,904)	(7,396)	(6,651)	6,771	(11,262)	(7,286)
	15,526	11,017	7,690	7,693	(508)	9,215	7,183
	341,507	351,240	359,445	370,434	398,650	401,890	410,130
	15,940	14,076	14,303	15,524	21,829	19,979	20,338
	83,588	75,051	71,704	69,393	79,374	72,230	69,885
	145,485	157,338	168,782	178,094	198,255	209,528	215,899
	2,110.80	2,286.11	2,456.35	2,586.86	2,890.65	3,061.75	3,151.74
	40	40	40	40	40	60	60
	41.9	44.1	46.3	47.3	49.0	51.5	51.9
	9.5	9.0	6.7	7.1	8.1	6.0	4.4
	20.9	20.3	25.2	22.3	18.1	33.6	44.4
	16.0	14.6	17.0	13.7	10.2	11.1	13.0
	1.5	1.3	1.1	0.9	0.8	0.6	0.6
	42.8	42.2	49.3	62.6	67.5	75.1	77.4
	0.6	0.5	0.4	0.4	0.4	0.3	0.3
	2.0	1.8	1.7	1.6	1.6	1.5	1.6
	23,619	23,906	29,354	28,749	38,900	42,293	42,647
	89	81	80	76	73	71	67
	4,887	5,009	5,105	5,367	5,669	5,665	5,715
	3,033	3,132	3,142	3,144	3,161	3,134	3,118
	3.2	3.5	3.8	4.6	5.0	6.1	7.2
	-	-	-	-	51.2	83.7	95.6
	-	122	121	115	115	146	140
	-	116	113	114	109	126	115
	-	-	1,902	1,921	2,364	2,247	2,316

About the Megmilk Snow Brand Group

Message from the President

Value Creation by the Megmilk Snow Brand Group

Foundation and Sustainability to Support Growth

Corporate Governance

Company Information, Etc.

# Company Information (As of March 31, 2023)

## Megmilk Snow Brand Corporate Overview

Corporate name	MEGMILK SNOW BRAND Co., Ltd.	Established	October 1, 2009	
Business	Production and sales of milk, dairy products, beverages, and other foods	Capital	20.0 billion yen	
Registered head office	1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido	Fiscal year closing date	March 31	
Head office	5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo	No. of employees (consolidated)	5,715	
		Stock exchange listing	Tokyo Stock Exchange, Sapporo Securities Exchange	
		Securities code	2270	
		Shareholder ledger trustee	Mizuho Trust & Banking Co., Ltd.	

## External Ratings

### Rating and Investment Information, Inc. (R&I)

(Issuer credit rating announced September 2023)

**A-**

### Platinum Kurumin

Certified by the Minister of Health, Labour and Welfare as an excellent "Childrearing Support Company."



### Sompo Sustainability Index

An ESG index designed by Sompo Asset Management Co., Ltd. Megmilk Snow Brand has been continuously selected for inclusion.



### ESG Ratings

MSCI	BBB	2023/2
FTSE Russell	2.6	2023/6

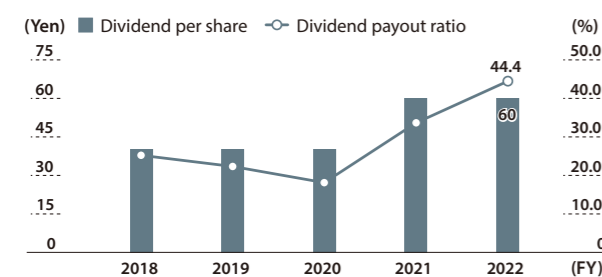
### Good Career Company Award in FY2022 from the Ministry of Health, Labour and Welfare

The Company was highly evaluated for its support of employees' independent career development.

## IR Activity Results

	(Times)		
	FY2020	FY2021	FY2022
Financial results briefings for investors/analysts	4	4	4
Small meetings	8	7	5
Those attended by the president	2	1	2
Individual meetings	62	55	51
Individual investors' briefings	0	0	0

## Shareholder Returns



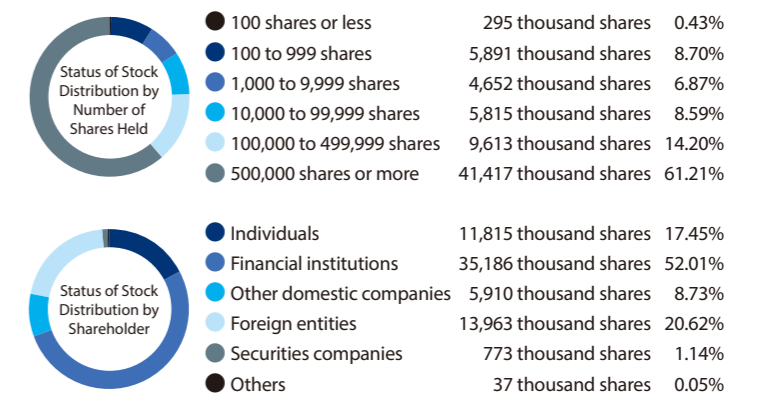
## IR Calendar



## Status of the Company's Stock

Total number of shares	280,000,000 shares
Total number of issued shares	70,751,855 shares
Number of shareholders	47,532

## Status of Stock Distribution



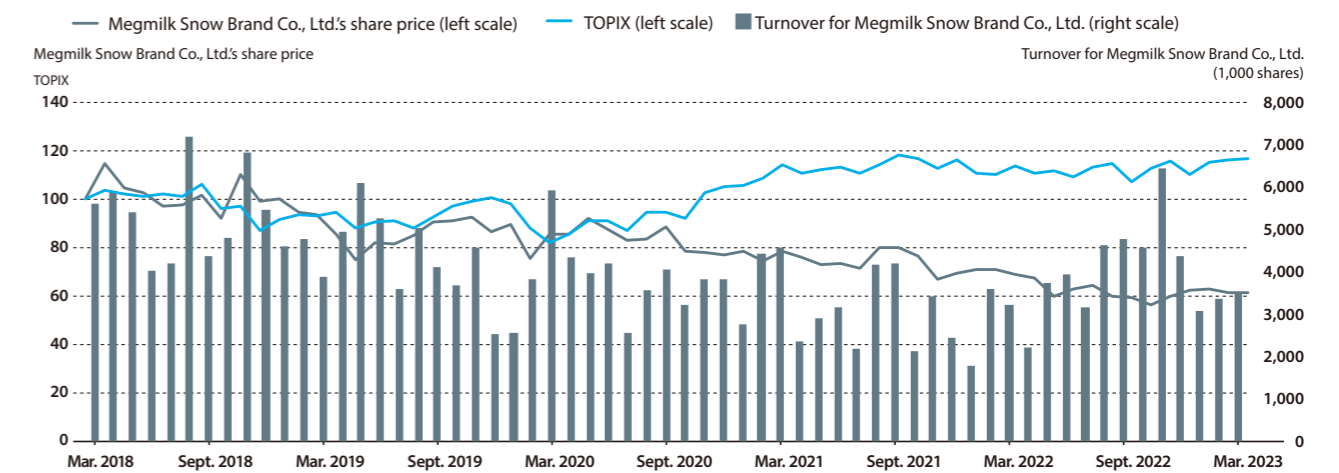
(Notes) 1. Number of shares displayed rounded off to nearest 1,000 shares.  
2. Although the Company holds 3,066,020 shares of treasury stock, the Company is excluded from the above list.

## Major Shareholders (Top 10)

Shareholder Name	Shares Held (1,000 shares)	Investment Ratio (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237	13.64
The Norinchukin Bank	6,728	9.94
The Master Trust Bank of Japan, Ltd. (Trust account)	6,372	9.41
Custody Bank of Japan, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	3,703	5.47
Custody Bank of Japan, Ltd. (Trust Account)	2,718	4.01
STATE STREET BANK AND TRUST COMPANY 505001	2,223	3.28
Megmilk Snow Brand Employee Shareholding Association	1,293	1.91
HOKUREN Group	1,074	1.58
National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN)	1,008	1.48
NIPPON ACCESS, INC.	838	1.23

(Notes) 1. Number of shares displayed rounded off to nearest 1,000 shares.  
2. Although the Company holds 3,066,020 shares of treasury stock, the Company is excluded from the above list.

## Trends in Share Price and Turnover



(Note) Trends for the share price and TOPIX are calculated using March 31, 2018 as 100. (Monthly, Based on the closing price)



# Sustainable Finance Initiatives

As part of our efforts to raise funds incorporating the perspective of the SDGs, we have borrowed through sustainability-linked loans and issued green bonds.

## Third-party Verification of CO2 Emissions

We concluded a sustainability-linked loan agreement\* in March 2022. In light of targets based on the Megmilk Snow Brand Group's material issues, we set the reduction of CO2 emissions as a sustainability performance target. In order to increase the credibility of our CO2 emissions figures, we started third-party verification of CO2 emitted in FY2021.



\*Loans that link the borrower's sustainability target (sustainability performance target) to the terms and conditions of the loan based on the borrower's management strategy.

## Green Bond Reporting

In order to finance measures that contribute to "reducing environmental load," one of our material issues, we established a Green Bond Framework in October and identified Eligible Criteria.<sup>\*1</sup> In December, we issued the Megmilk Snow Brand Group's first green bonds, using the funds for five Eligible Projects that meet the Eligible Criteria. The following is a summary of the status of funds allocation and impact reporting for the Eligible Projects selected for the use of the funds.

### Eligible Criteria/ Summary of Eligible Projects/ Impact Reporting (Fiscal 2022)

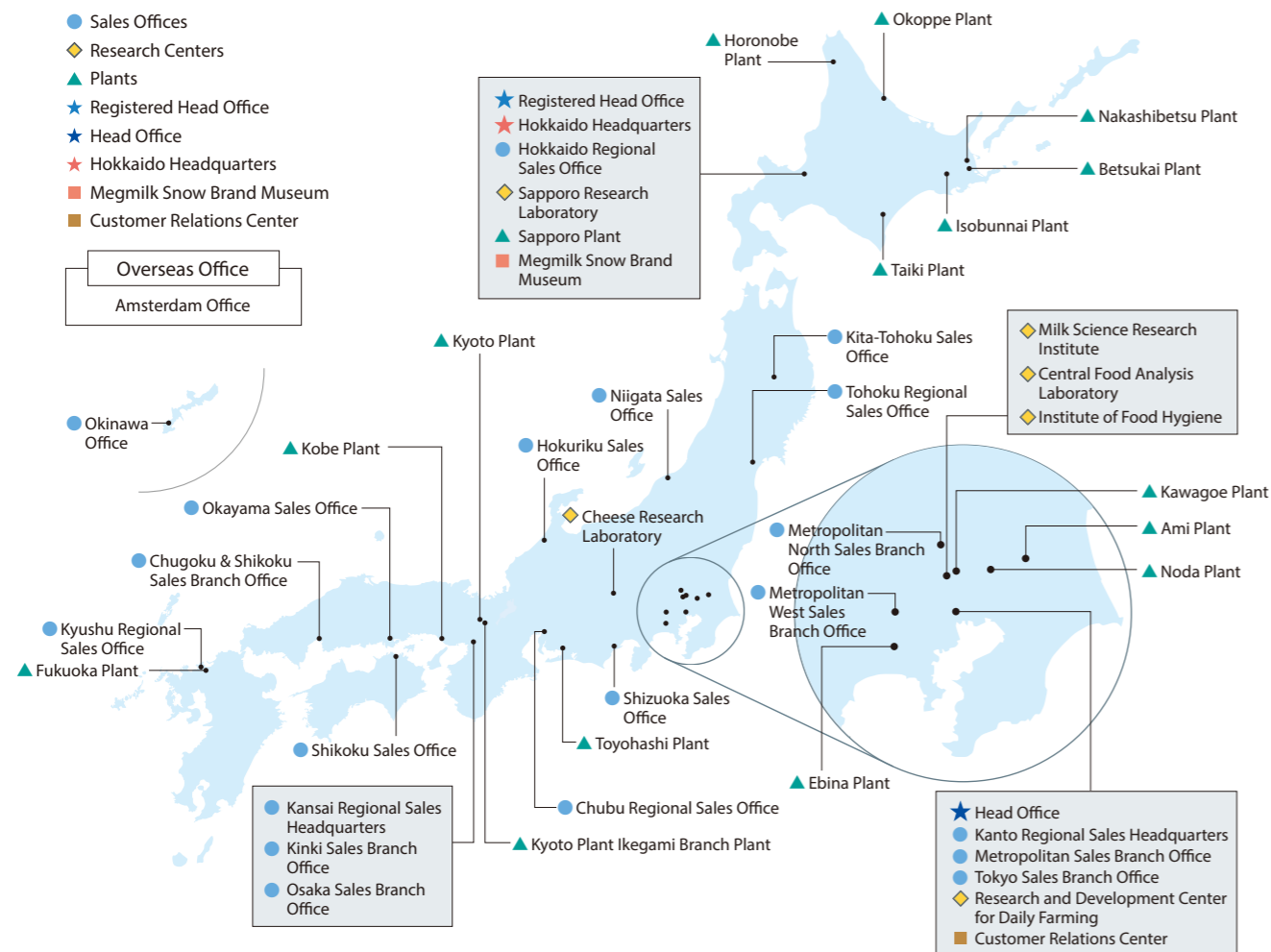
Green Bond Principles Eligible Categories and Environmental Objectives	Eligible Criteria	Eligible Projects	Summary and Allocation of Funds	Impact Reporting <sup>*2</sup>
Renewable Energy Environmental objective: Climate change mitigation	Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas	Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas	<ul style="list-style-type: none"> <li>The entire amount of methane gas generated from the methane fermentation process of biomass is effectively utilized as energy for plants</li> <li>Reduction of large amounts of water and CO2 emissions used in methane gas utilization and whey processing</li> </ul> [Taiki Plant] Allocated amount: —	— <sup>*3</sup>
		Wastewater treatment facility expansion and renewal	<ul style="list-style-type: none"> <li>Upgraded wastewater treatment facilities to reduce excess sludge</li> </ul> [Taiki Plant] Allocated amount: 2.04 billion yen (100% refinancing ratio) [Isobunnai Plant] Allocated amount: 1.34 billion yen (100% refinancing ratio)	[Taiki Plant] Sludge reduction: 318 tons (reduction rate: 23%) [Isobunnai Plant] Sludge reduction: 492 tons (reduction rate: 80%)
Pollution Prevention and Control Environmental objective: Pollution prevention and control	Investment in wastewater treatment facilities that contribute to waste (sludge) reduction	Introduction of sludge volume reduction equipment	<ul style="list-style-type: none"> <li>Installed equipment to reduce the volume of sludge by autolysis</li> </ul> [Noda Plant] Allocated amount: 280 million yen (100% refinancing ratio)	Sludge reduction: 132 tons (reduction rate: 21%)
		Introduction of sludge drying equipment	<ul style="list-style-type: none"> <li>Introduced a dryer that can dry sludge with less energy</li> <li>Dried sludge is sold as fertilizer</li> </ul> [Taiki Plant] Allocated amount: —	— <sup>*3</sup>

\*1 Criteria to be eligible as a project that contributes to solving environmental problems such as global warming (green project).

\*2 Calculated by comparing emissions in fiscal 2022 with those in the previous year of facility installation/renewal (the same applies to the reduction rate).

\*3 Impact reporting is not available because the facility is scheduled to start operation in fiscal 2023.

## Megmilk Snow Brand List of Offices



## Megmilk Snow Brand Overseas Group Companies



## Head Offices of Domestic Group Companies

Ibaraku Co., Ltd.	Mito City, Ibaraki
SI System Corporation	Shinjuku-ku, Tokyo
Greenservice Co., Ltd.	Hachioji City, Tokyo
Cresco Corporation	Kita-ku, Tokyo
Kohnan Oils and Fats Mfg. Co., Ltd.	Kobe City, Hyogo
Chesco Ltd.	Shinjuku-ku, Tokyo
Chokuhan Haisou Co., Ltd.	Shibuya-ku, Tokyo
Nichiraku Machinery Co., Ltd.	Saitama City, Saitama
Belle Neige Direct Co., LTD.	Chiyoda-ku, Tokyo
Michinoku Milk Co., Ltd.	Osaki City, Miyagi
Mitsuwa Distribution Industry Co., Ltd.	Saitama City, Saitama
Yatsugatake Milk Industry Co., Ltd.	Chino City, Nagano
Snow Brand Kodomo-no-Kuni Ranch	Yokohama City, Kanagawa
Snow Brand Seed Co., Ltd.	Sapporo City, Hokkaido
Snow Brand Parlor Co., Ltd.	Sapporo City, Hokkaido
Bean Stalk Snow Co., Ltd.	Shinjuku-ku, Tokyo
MEGMILK SNOW BRAND Business Solution Co., Ltd.	Chiyoda-ku, Tokyo