

Analysis of Operating Results

Status of Operations

In accordance with the Megmilk Snow Brand Group Medium-term Management Plan 2022, the Group moved forward with initiatives to establish earnings bases in the four business segments of Dairy Products, Beverages and Desserts, Nutrition, and Feedstuffs and Seed Products. In particular, we pursued this via strategic expansion of mainstay products focusing on functional yogurt, as well as other yogurt and cheese products. Another key component of the effort was improving the product portfolio, both with the scale expansion and earnings acquisition 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.

As a result, for the fiscal year under review, consolidated net sales were 558.4 billion yen, operating profit was down 8.7% to 18.0 billion yen, ordinary profit was down 7.7% to 19.9 billion yen, and profit attributable to owners of parent was down 19.1% to 12.0 billion yen.

Net Sales

(1) Dairy Products Segment

(Dairy Products Business Sector and Nutrition Business Sector)

Butter sales increased year on year due to continued efforts to ensure a stable supply. Sales of margarine were lower

year on year due to a drop in domestic food demand resulting from the prolonged spread of COVID-19 and revised prices. In the cheese category, sales of Sakeru Cheese remained strong, but sales of processed cheese declined due to a drop in domestic food demand resulting from the prolonged spread of COVID-19, resulting in a year-on-year decrease. Functional foods continued to show growth due to continued strong sales in our subscription mail-order business, aggressive marketing investments, and growing health consciousness.

As a result, net sales for this segment totaled 236.9 billion yen.

(2) Beverage and Dessert Segment

With regard to beverages, new products such as MBP Drink, Japan's first beverage-type food with a function claim for increasing bone density, contributed to increased sales. However, overall beverage sales were down year on year due to lower sales during the demand season brought about by the summer temperature drop and lengthy rainy season, as well as a drop in domestic food demand resulting from the prolonged spread of COVID-19. At the end of March 2022, we launched a renewal of Oishii Megmilk Snow Brand Milk to aim for increased sales. With regard to yogurt, while our plain yogurt and hard yogurt improved year on year, with plain yogurt improving on the back of an increased volume campaign implemented in the first half of the year, overall yogurt sales declined year on year due to a drop in domestic food demand resulting from the prolonged spread of COVID-19 and growth growing in the functional yogurt market. Through efforts to bolster our product lineup, such as by launching new products as well as expanding existing products, dessert

performance in the segment was favorable.

As a result, net sales for this segment totaled 239.7 billion yen.

(3) Feedstuffs and Seed Segment

Overall sales in this segment increased year on year due to higher sales prices for blended feed, resulting in net sales of 46.8 billion yen.

In addition to the above results, the Other segment, which includes real estate rental and joint distribution center services, contributed 34.8 billion yen, bringing total consolidated net sales to 558.4 billion yen.

*The comments comparing the results with the previous year are based on the figures calculated assuming the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) had been applied.

Operating Profit

Operating profit was 18.0 billion yen (down 8.7% year on year) due to higher raw materials costs and higher operating costs, such as energy costs at plants.

Analysis of Financial Status

Assets

Total assets at the end of FY2021 were up 3.2 billion yen compared to the end of FY2020, to 401.8 billion yen. This was primarily due to an increase in non-current assets resulting from the completion of a new butter building at the Isobunnai Plant, as well as an increase in the value of investment securities due to a rise in their market value.

Liabilities and Net Assets

Liabilities at the end of FY2021 stood at 192.3 billion yen, a decrease of 8.0 billion yen compared to the end of FY2020. This was primarily due to a decrease in current portion of long-term loans payable.

Net assets increased 11.2 billion yen to 209.5 billion yen. This was primarily due to an increase in retained earnings.

Cash Flow Analysis

Cash Flows from Operating Activities

Income came to 29.4 billion yen. This represents an increase of 2.8 billion yen compared to FY2020. While profit before income taxes decreased, cash flows from operating activities increased due to the YoY change in Accounts Receivable-Other and other factors.

Cash Flows from Investing Activities

Payments came to 20.2 billion yen. This represents a 6.8 billion yen decrease compared to FY2020. This is primarily due to the large amount of expenditures related to the new building for butter production at the Isobunnai Plant in FY2020.

Cash Flows from Financing Activities

Payments came to 11.2 billion yen. This was primarily due to long-term loans payable.

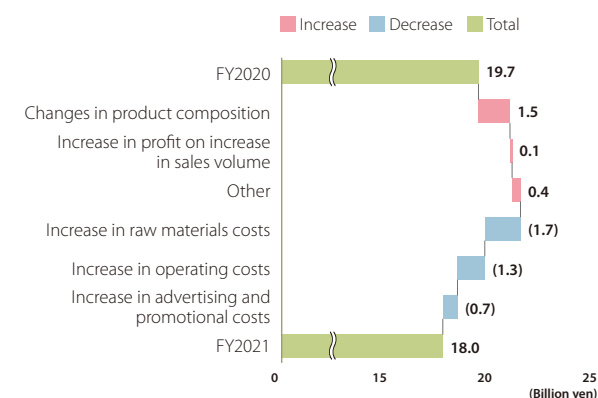
Consolidated Net Sales and Operating Profit by Segment

(Unit: billion yen)

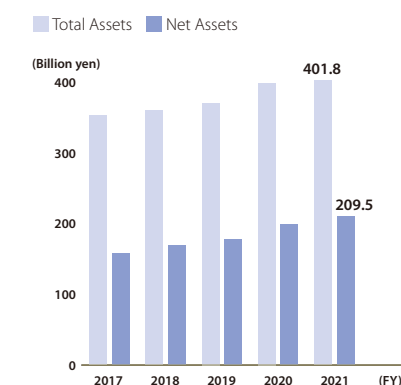
	FY2020	FY2021	Change
Net sales	554.5	558.4	3.8
Dairy products	230.6	236.9	6.2
Beverage and dessert	248.6	239.7	(8.9)
Feedstuffs and seed	41.0	46.8	5.8
Other	34.1	34.8	0.7
<Reference> Net Sales in Nutrition Business (Reported under Dairy Products Segment)			
Nutrition	16.7	17.7	0.9
Operating profit	19.7	18.0	(1.7)
Dairy products	13.6	12.5	(1.1)
Beverage and dessert	4.1	3.6	(0.5)
Feedstuffs and seed	1.1	0.6	(0.4)
Other	1.0	1.1	0

*The figures in the table assume what the figures would be if the "Accounting Standard for Revenue Recognition" and other standards had been applied in FY2020.

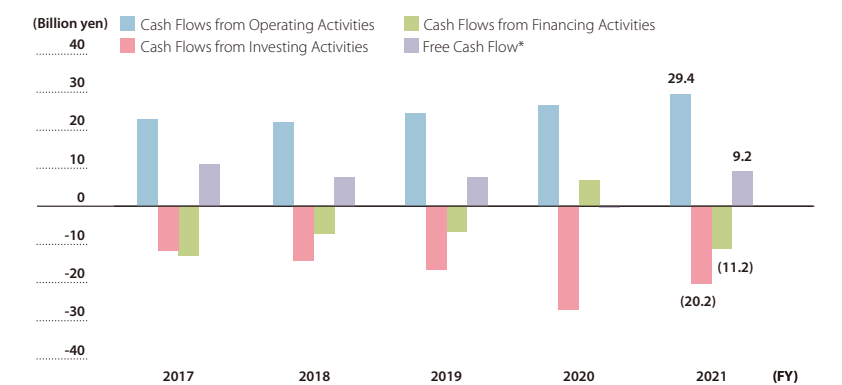
Causes of Net Changes in Consolidated Operating Profit



Total Assets / Net Assets



Cash Flow



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

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)			(Millions of yen)		
	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)		Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	21,840	19,991	Notes and accounts payable–trade	55,002	53,447
Notes and accounts receivable–trade	71,710	72,248	Electronically recorded obligations–operating	4,784	5,277
Contract assets	—	49	Short-term loans payable	16,409	17,011
Merchandise and finished goods	43,881	47,408	Current portion of long-term loans payable	15,623	958
Work in process	1,114	890	Lease obligations	793	830
Raw materials and supplies	14,931	13,851	Accounts payable–other	12,334	7,569
Accounts receivable–other	6,957	3,836	Income taxes payable	3,521	2,227
Other	1,657	2,172	Accrued expenses	8,019	2,947
Allowance for doubtful accounts	(377)	(309)	Contract liabilities	—	466
Total current assets	161,716	160,139	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 assets			Non-current liabilities		
Property, plant and equipment			Bonds payable	10,000	10,000
Buildings and structures	55,547	55,113	Long-term loans payable	32,046	39,378
Machinery, equipment and vehicles	60,434	58,973	Long-term deposits received	5,018	5,014
Tools, furniture and fixtures	4,309	4,094	Lease obligations	4,502	4,051
Land	47,774	49,426	Deferred tax liabilities	5,149	6,607
Lease assets	4,230	3,868	Deferred tax liabilities for land revaluation	3,815	3,815
Construction in progress	4,981	7,416	Provision for directors' retirement benefits	20	14
Total property, plant and equipment	177,277	178,892	Provision for gift token exchange	68	—
			Net 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
Intangible assets			Net assets		
Lease assets	184	172	Shareholders' equity		
Software	1,859	1,781	Capital stock	20,000	20,000
Right of using facilities	608	543	Capital surplus	17,607	17,027
Goodwill	645	582	Retained earnings	137,941	147,231
Other	215	213	Treasury stock	(5,355)	(5,347)
Total intangible assets	3,512	3,291	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
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			

Consolidated Statements of Income

(Millions of yen)		
	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to 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
Income taxes - 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)		
	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to 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
(Breakdown)		
Comprehensive income attributable to owners of parent	23,202	14,912
Comprehensive income attributable to non-controlling interests	62	208

Consolidated Statements of Cash Flows

(Millions of yen)		
	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to 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 net defined benefit asset	(582)	(751)
Increase (decrease) in net 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 receivable–other	(745)	(769)
Interest expenses	410	388
Decrease (increase) in accounts receivable	(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
Subtotal	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
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

Corporate and Investor Information (As of March 31, 2022)

Megmilk Snow Brand Corporate Overview

Corporate name	MEGMILK SNOW BRAND Co., Ltd.	Established	October 1, 2009
		Capital	20 billion yen
Business	Production and sales of milk, dairy products, beverages, and other foods	Fiscal year closing date	March 31
		No. of employees (consolidated)	5,665
Registered head office	1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido	Stock exchange listing	Tokyo Stock Exchange, Sapporo Securities Exchange
		Securities code	2270
Head office	5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo	Shareholder ledger trustee	Mizuho Trust & Banking Co., Ltd.



External Ratings

Rating and Investment Information, Inc. (R&I)
(Issuer credit rating announced September 2021)

A-

Platinum Kurumin

Megmilk Snow Brand has been certified by the Minister of Health, Labour and Welfare as an excellent "Childrearing Support Company" under the Act on Advancement of Measures to Support Raising Next-Generation Children.



Sompo Sustainability Index

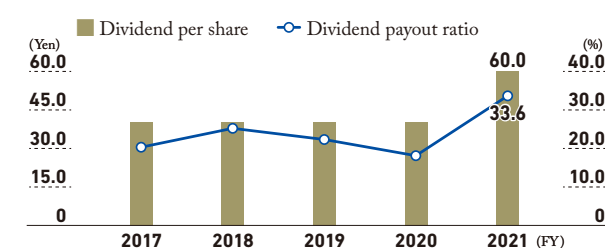
An environmental, social, and corporate governance (ESG) index designed by Sompo Asset Management Co., Ltd. Megmilk Snow Brand has been selected for inclusion on the Sompo Sustainability Index for 11 consecutive years, ever since it was first instituted in 2012.



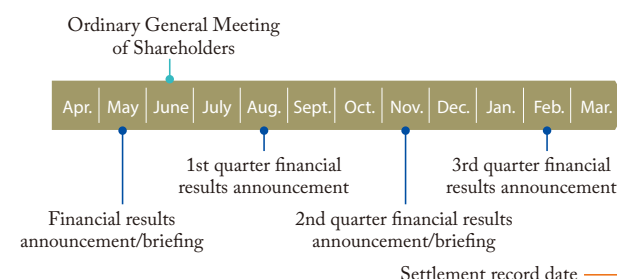
IR Activity Results

	2019	2020	2021
Financial results briefings for investors/analysts	2	4	4
Small meetings	11	8	7
Those attended by the president	2	2	1
Individual meetings	96	62	55
Individual investors' briefings	6	0	0

Shareholder Returns



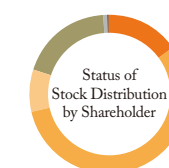
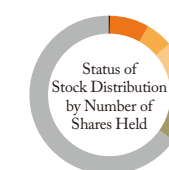
IR Calendar



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	44,089

Status of Stock Distribution



100 shares or less	290 thousand shares	0.42%
100 to 999 shares	5,402 thousand shares	7.98%
1,000 to 9,999 shares	3,806 thousand shares	5.62%
10,000 to 99,999 shares	5,186 thousand shares	7.66%
100,000 to 499,999 shares	8,861 thousand shares	13.09%
500,000 shares or more	44,140 thousand shares	65.24%
Individuals	10,292 thousand shares	15.20%
Financial institutions	38,164 thousand shares	56.40%
Other domestic companies	5,694 thousand shares	8.41%
Foreign entities	12,946 thousand shares	19.12%
Securities companies	552 thousand shares	0.81%
Other	37 thousand shares	0.05%

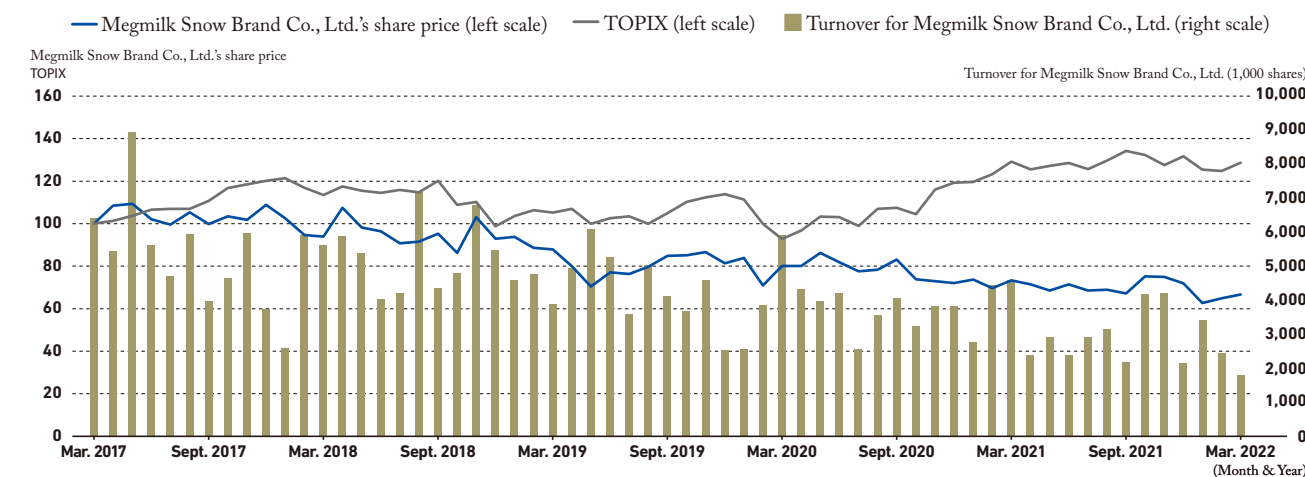
(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although the Company holds 3,063,875 shares of treasury stock, the Company is excluded from the above list.

Major Shareholders (Top 10)

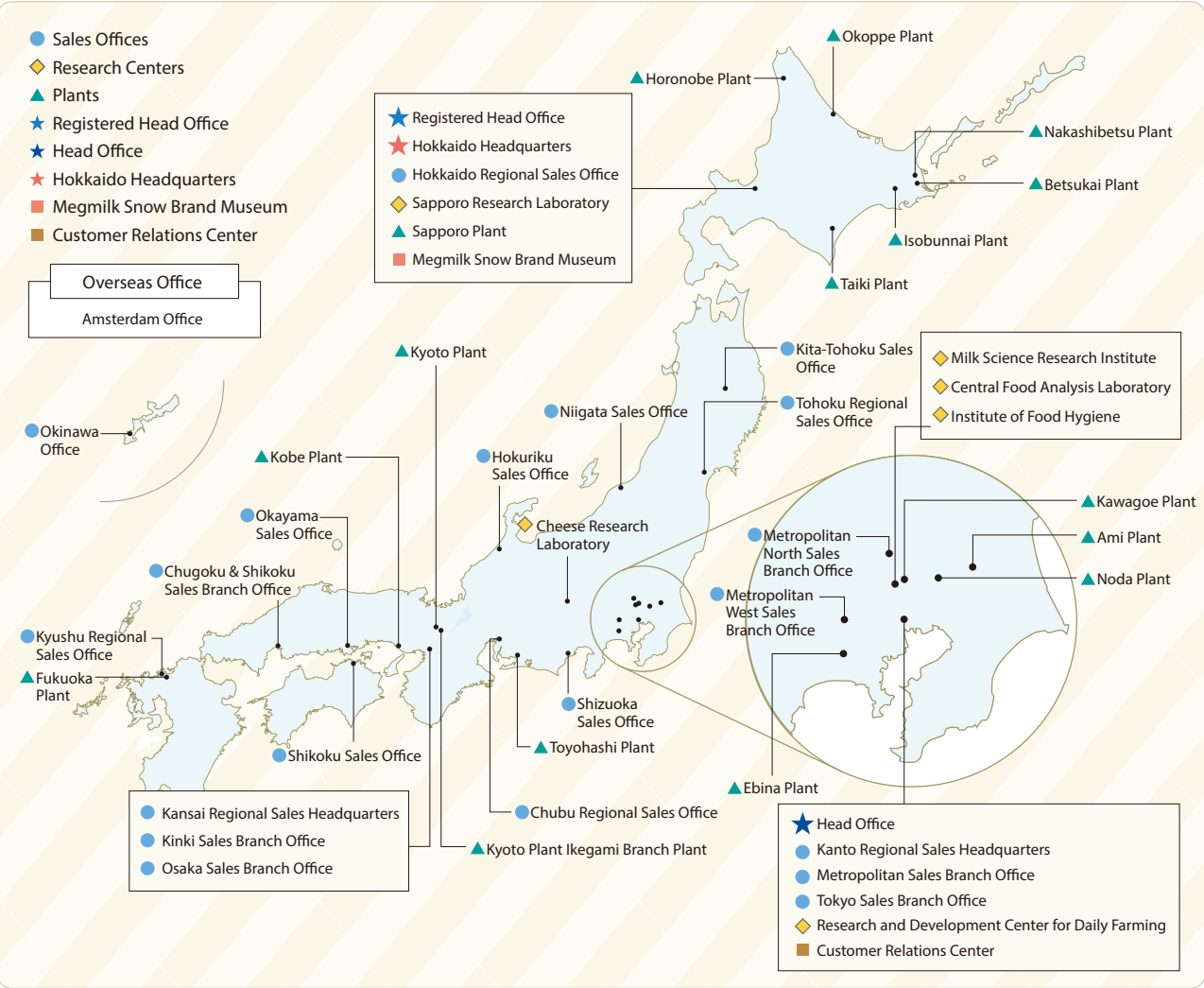
Shareholder Name	Shares Held (1,000 shares)	Investment Ratio (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237	13.64
The Master Trust Bank of Japan, Ltd. (Trust account)	7,042	10.40
The Norinchukin Bank	6,728	9.93
Custody Bank of Japan, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	3,703	5.47
Custody Bank of Japan, Ltd. (Trust Account)	3,146	4.64
STATE STREET BANK AND TRUST COMPANY 505001	1,977	2.92
Megmilk Snow Brand Employee Shareholding Association	1,229	1.81
MUFG Bank, Ltd.	1,083	1.60
HOKUREN Group	1,074	1.58
National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN)	1,008	1.48

(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although the Company holds 3,063,875 shares of treasury stock, the Company is excluded from the above list.

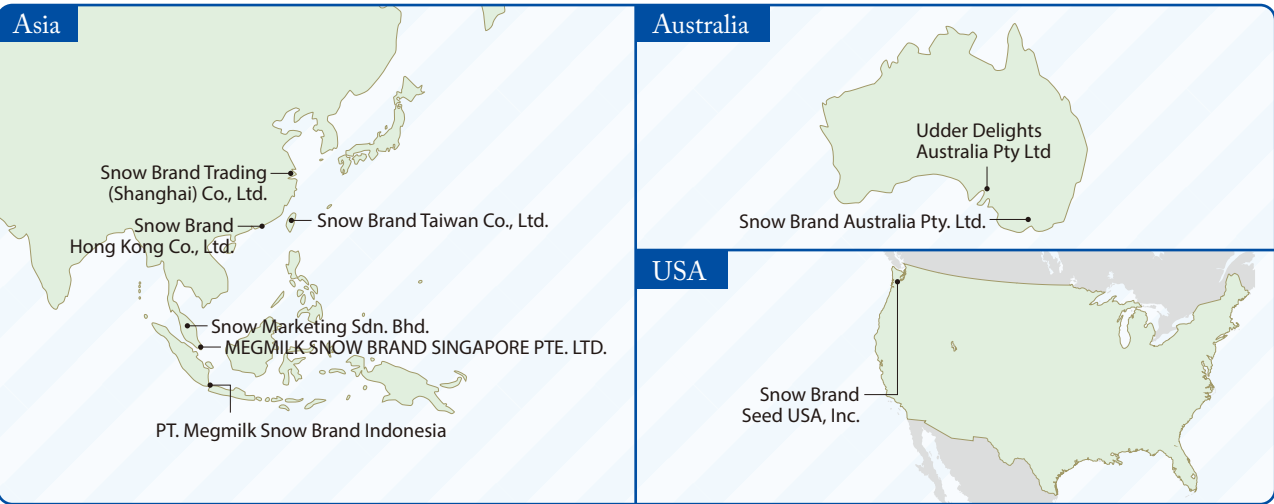
Trends in Share Price and Turnover



Megmilk Snow Brand List of Offices



Megmilk Snow Brand Overseas Group Companies



Information Disclosure System

Financial-related Information



Integrated Report

Megmilk Snow Brand Report 2022 (Integrated Report)

The Company consolidates information vital to the Megmilk Snow Brand Group, and conveys its value creation story for sustainable growth.



Non-Financial-related Information



Website

Investors

- Financial Results
- Financial Results Supplementary Materials
- FACT SHEET



Website

Sustainability

- Message from the President
- Sustainability Promotion System
- Material Issues
- ESG Data



Editorial Policy

The Megmilk Snow Brand Group has issued this Megmilk Snow Brand Report to share the Group's approach and initiatives to achieve medium- and long-term sustainable growth in the hope that a broad range of readers, including shareholders and investors, will gain a better understanding of the Group. Please note that the latest financial and non-financial related information, including information that this report could not accommodate, is available at the Megmilk Snow Brand corporate website.

1. We Reflect External Opinions in This Report.

The views and requests of the Corporate Ethics Committee have been reflected.

2. Terminology for Managerial Positions

Megmilk Snow Brand Co., Ltd. refers to administrative positions as managerial positions. In this report, "managerial position" is used to standardize the terminology.

Disclaimer

Earnings forecasts and other statements concerning the future in this report are projections made by Megmilk Snow Brand Group based on information available at the time of writing and are not intended as a guarantee that Megmilk Snow Brand Group will achieve these forecasts. Actual business results may differ from the forecasts in this report depending on changes in business conditions and other factors.

Caution

This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Period Reported

FY2021 (April 1, 2021 to March 31, 2022)
Information from other periods is included as necessary.

Report Boundary

The information contained in this report refers to the Megmilk Snow Brand Group (Megmilk Snow Brand Co., Ltd. and its Group companies). However, this report is not a comprehensive indication of all information relevant to applicable companies.

Referenced Guidelines

- International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)
- GRI Standards
- ISO 26000: Guidelines on Social Responsibility
- Guidance for Collaborative Value Creation by Ministry of Economy, Trade and Industry

Publication Period

This issue: November 2022
Next issue: Autumn 2023 (planned) (This report is published annually.)

Inquiries

Megmilk Snow Brand Sustainability Promotion Department
5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo
Tel. +81-3-3226-2064 Fax. +81-3-3226-2163

