

**Consolidated Financial Results for the Three Months Ended June 30, 2022**  
(Prepared pursuant to Japanese GAAP)

August 10, 2022

Company name: MEGMILK SNOW BRAND Co., Ltd.  
 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, 2023**  
(April 1, 2022 – June 30, 2022)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Three months ended June 30, 2022	141,344	(1.0)	3,980	(39.0)	4,668	(35.5)	1,343	(72.0)
Three months ended June 30, 2021	142,820	—	6,523	29.8	7,242	32.3	4,800	51.1

Note: Comprehensive income: Three months ended June 30, 2022 : 482 million yen (-88.1%)  
 Three months ended June 30, 2021 : 4,059 million yen (9.1%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Three months ended June 30, 2022	19.90	—
Three months ended June 30, 2021	71.08	—

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 first quarter of the fiscal year ending March 31, 2022. As a result, the Company has omitted year-on-year change in net sales for the first quarter of the previous fiscal year ending March 31, 2021, as this was prior to application of the above accounting standard. Assuming, however, that the above accounting standard, etc. had been applied effective from the first quarter of the fiscal year ended March 31, 2021, the year-on year change would be 2.1%.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
June 30, 2022	397,432	205,599	51.0	2,999.62
March 31, 2022	401,890	209,528	51.5	3,061.75

For reference:

Equity: June 30, 2022: 202,580 million yen  
 March 31, 2022: 206,777 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, 2022	yen —	yen —	yen —	yen 60.00	yen 60.00
Year ending March 31, 2023 (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, 2023 (April 1, 2022 – March 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Second quarter-end (Cumulative)	288,000	0.4	7,000	(42.7)	6,500	(51.0)	2,200	(74.3)	32.58
Full Year	575,000	3.0	14,000	(22.5)	15,500	(22.5)	9,300	(22.9)	137.71

Note: Revisions from the latest release of earnings forecasts: Yes

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

2) Treasury stock as of period-end

June 30, 2022	3,216,450 shares
March 31, 2022	3,216,075 shares

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

Three months ended June 30, 2022	67,535,607 shares
Three months ended June 30, 2021	67,532,559 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)

Supplementary Information for the Three Months Ended June 30, 2022

## 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, 2022.

### (1) Overview of Operating Results

In the three months ended June 30, 2022, although the Japanese economy is exhibiting a recovery, the future outlook remains uncertain due to factors including the situation in Ukraine becoming drawn out, along with other factors.

In the food industry, price increases have been announced for various products, including foods, caused by soaring global raw materials and energy prices. As a result, this has impacted consumers' sentiment towards spending. In addition, although there are signs of a recovery from the COVID-19 pandemic, demand for dining out is still in the process of recovering.

In this business environment, the MEGMILK SNOW BRAND Group pursued initiatives to "Establish earnings bases in four business sectors (Dairy Products; Beverages & Desserts; Nutrition; and Feedstuffs & Seed)" in accordance with the Group Medium-term Management Plan 2022. In the three months ended June 30, 2022, the Group undertook: (1) strategic expansion and further product mix improvement of yogurt, cheese, and other mainstay products, centered on functionality; (2) simultaneous pursuit of scale expansion and profit generation through continuation of marketing investment in the nutrition business field; (3) strategic expansion and development of an earnings base in the feedstuffs and seed business area; and (4) bolstering of the Group's overall strengths by making full use of the Group's management resources and by improving the productivity of the value chain.

Amid the spread of COVID-19, the Group also took steps to prevent COVID-19 infections among Group employees and endeavored to provide a stable supply of safe and reliable products to customers.

As a result, in the three months ended June 30, 2022, consolidated net sales were ¥141,344 million (down 1.0% YoY), operating profit was ¥3,980 million (down 39.0%), ordinary profit was ¥4,668 million (down 35.5%), and profit attributable to owners of parent was ¥1,343 million (down 72.0%).

While not constituting a reclassification of a specified subsidiary, during the three months ended June 30, 2022, the importance of Belle Neige Direct Co., Ltd. increased, and therefore it has been included in the scope of consolidation.

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.

Operating results by business segment for the three months ended June 30, 2022, 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 ¥58,202 million (up 0.0% YoY), and operating profit was ¥2,830 million (down 20.3%).

##### (Net sales)

Sales of butter increased year on year due to proactive efforts to increase sales, including upgrading the production system for household butter mainstay products. Sales of margarine declined year on year due to the dip in the overall market and the impact of price revisions.

In cheese, despite strong sales of Sakeru Cheese, sales of sliced cheese, 6P Cheese and other processed cheeses declined year on year due to the decline in consumer sentiment amid the environment of price increases on foods and other daily necessities. As a result, overall sales of cheeses declined year on year.

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

(Operating profit)

Operating profit decreased year on year due to factors including increased raw materials costs, higher operating expenses, and a decline in sales volume.

## 2) Beverages & Desserts

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

Net sales were ¥60,348 million (down 4.8% YoY), and operating profit was ¥497 million (down 72.2%).

(Net sales)

With regards to sales of beverages (both milk-based and other beverages), sales of MBP Drink, the first beverage type of its kind in Japan as a food with functional claims for increasing bone density, were strong, but sales in this segment declined year on year, especially for milk, due to factors including the decline in consumer sentiment amid the environment of price increases for food and other daily necessities.

In yogurt sales, sales were strong of products including Makiba no Asa Yogurt and Nachure Megumi plain yogurt, but overall sales declined year on year due to factors including the settling down of sales of functional yogurt, which had increased during the previous fiscal year as a result of TV exposure.

Dessert sales increased year on year, due to factors including the strong sales of both the new product Snow Brand Coffee Pudding and the classic CREAM SWEETS series.

(Operating profit)

Operating profit decreased due to factors including increased raw materials costs, higher operating expenses, and a decline in sales volume.

## 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 ¥13,853 million (up 10.7% YoY), and operating profit was ¥422 million (down 49.9%).

(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 factors including the decline in gross profit resulting from the increase in raw materials costs.

## 4) Other

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

Net sales were ¥8,940 million (up 2.9% YoY), and operating profit was ¥205 million (down 37.1%).

## (2) Analysis of Financial Condition

## 1) Assets, liabilities, and net assets

(Millions of yen)

Category	End of March 2022	End of June 2022	Change	Primary reason for change
Assets	401,890	397,432	(4,457)	Cash and deposits (6,554) Investment securities (2,212) Notes and accounts receivable-trade, and contract assets +3,596
Liabilities	192,361	191,832	(529)	Provision for bonuses (2,322) Income taxes payable (1,404) Notes and accounts payable-trade +3,802
Net Assets	209,528	205,599	(3,928)	Retained earnings (3,108)

## 2) Cash flows

(Millions of yen)

Category	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	Primary reason for change
Cash flows from operating activities	8,487	2,186	(6,300)	Profit before income taxes (4,801) Decrease (increase) in accounts receivable-other (3,497) Increase (decrease) in notes and accounts payable-trade +1,999
Cash flows from investing activities	(5,116)	(5,176)	(59)	Purchase of property plant and equipment and intangible assets +531 Purchase of investment securities (488)
Cash flows from financing activities	(3,777)	(4,073)	(295)	Cash dividends paid (1,316) Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation +1,076
Cash and cash equivalents at end of period	21,550	13,423	(8,126)	—

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

Revisions have been made to the forecast of consolidated results disclosed in the Summary of Financial Results on May 13, 2022. For details, please refer to the Notice of Revision of Forecast of FY2022 Consolidated Results, disclosed today.

**2. Quarterly Consolidated Financial Statements and Key Notes**  
**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,991	13,436
Notes and accounts receivable-trade, and contract assets	72,297	75,893
Merchandise and finished goods	47,408	47,811
Work in process	890	1,083
Raw materials and supplies	13,851	14,954
Other	6,009	6,096
Allowance for doubtful accounts	(309)	(344)
Total current assets	160,139	158,931
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	55,113	54,553
Machinery, equipment and vehicles, net	58,973	57,456
Land	49,426	49,439
Other, net	15,379	16,266
Total property, plant and equipment	178,892	177,715
Intangible assets		
Goodwill	582	614
Other	2,709	2,713
Total intangible assets	3,291	3,327
Investments and other assets		
Investment securities	48,107	45,895
Deferred tax assets	2,936	2,876
Other	8,715	8,875
Allowance for doubtful accounts	(193)	(188)
Total investments and other assets	59,566	57,458
Total non-current assets	241,751	238,501
<b>Total assets</b>	<b>401,890</b>	<b>397,432</b>

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	53,447	57,249
Electronically recorded obligations-operating	5,277	5,928
Short-term loans payable	17,969	18,306
Income taxes payable	2,227	823
Provision for bonuses	4,876	2,553
Other	29,336	28,744
<b>Total current liabilities</b>	<b>113,134</b>	<b>113,606</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	39,378	39,167
Deferred tax liabilities	6,607	5,877
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for director's retirement benefits	14	14
Net defined benefit liabilities	8,826	8,965
Asset retirement obligations	1,250	1,253
Other	9,333	9,131
<b>Total non-current liabilities</b>	<b>79,226</b>	<b>78,225</b>
<b>Total liabilities</b>	<b>192,361</b>	<b>191,832</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,000	20,000
Capital surplus	17,027	17,027
Retained earnings	147,231	144,122
Treasury stock	(5,347)	(5,348)
<b>Total shareholders' equity</b>	<b>178,911</b>	<b>175,802</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,976	17,366
Deferred gains or losses on hedges	90	145
Revaluation reserve for land	8,571	8,571
Foreign currency translation adjustment	326	764
Remeasurements of defined benefit plans	(99)	(69)
<b>Total accumulated other comprehensive income</b>	<b>27,866</b>	<b>26,778</b>
<b>Non-controlling interests</b>	<b>2,750</b>	<b>3,019</b>
<b>Total net assets</b>	<b>209,528</b>	<b>205,599</b>
<b>Total liabilities and net assets</b>	<b>401,890</b>	<b>397,432</b>



(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, 2021	Three months ended June 30, 2022
<b>Net sales</b>	142,820	141,344
Cost of sales	118,072	118,381
Gross profit	24,747	22,963
Selling, general and administrative expenses	18,223	18,983
<b>Operating profit</b>	6,523	3,980
Non-operating income		
Interest income	1	0
Dividend income	313	422
Equity in earnings of affiliates	357	180
Foreign exchange gains	—	99
Other	247	216
Total non-operating income	919	918
Non-operating expenses		
Interest expenses	102	84
Other	99	145
Total non-operating expenses	201	230
<b>Ordinary profit</b>	7,242	4,668
Extraordinary income		
Gain on sales of non-current assets	0	1
National subsidies	—	25
Other	—	1
Total extraordinary income	0	28
Extraordinary loss		
Loss on sales of non-current assets	23	0
Loss on retirement of non-current assets	246	300
Impairment loss	93	53
Fire loss	—	2,239
Other	—	25
Total extraordinary loss	362	2,618
<b>Profit before income taxes</b>	6,880	2,078
Income taxes	2,031	683
Profit	4,848	1,395
Profit attributable to non-controlling interests	48	51
<b>Profit attributable to owners of parent</b>	4,800	1,343

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
<b>Profit</b>	4,848	1,395
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(1,168)	(1,470)
Deferred gains or losses on hedges	(17)	54
Foreign currency translation adjustment	329	465
Remeasurements of defined benefit plans	94	39
Share of other comprehensive income of entities accounted for using the equity method	(27)	(1)
Total other comprehensive income	(789)	(912)
<b>Comprehensive income</b>	4,059	482
Comprehensive income attributable to owners of parent	3,987	408
Comprehensive income attributable to non- controlling interests	72	74

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,880	2,078
Depreciation and amortization	4,265	4,244
Impairment loss	93	53
Equity in (earnings) losses of affiliates	(357)	(180)
Amortization of goodwill	24	25
Increase (decrease) in allowance for doubtful accounts	(12)	0
Increase (decrease) in provision for bonuses	(2,484)	(2,326)
Decrease (increase) in net defined benefit asset	(185)	(201)
Increase (decrease) in net defined benefit liability	202	91
Loss (gain) on sales and retirement of non-current assets	268	298
Interest and dividend income received	(314)	(422)
Interest expenses	102	84
Decrease (increase) in accounts receivable-other	4,292	794
Decrease (increase) in notes and accounts receivable-trade	(3,846)	(3,164)
Decrease (increase) in inventories	(1,745)	(1,427)
Increase (decrease) in notes and accounts payable-trade	2,286	4,285
Other	1,905	(515)
<b>Sub total</b>	<b>11,374</b>	<b>3,718</b>
Interest and dividend income	387	479
Interest expenses paid	(111)	(89)
Income taxes paid	(3,163)	(1,921)
Net cash provided by (used in) operating activities	8,487	2,186

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
<b>Cash flows from investing activities</b>		
Payments of loans receivable	–	(1)
Collection of loans receivable	22	1
Purchase of property, plant and equipment and intangible assets	(5,264)	(4,732)
Proceeds from sales of property, plant and equipment and intangible assets	1	17
Purchase of investment securities	(4)	(492)
Proceeds from sales of investment securities	0	–
Other	127	31
Net cash provided by (used in) investing activities	(5,116)	(5,176)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	358	312
Proceeds from long-term loans payable	20	–
Repayment of long-term loans payable	(224)	(216)
Purchase of treasury stock	(1)	(0)
Cash dividends paid	(2,658)	(3,975)
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	(192)	(190)
Net cash provided by (used in) financing activities	(3,777)	(4,073)
Effect of exchange rate on cash and cash equivalents	127	179
Net increase (decrease) in cash and cash equivalents	(279)	(6,882)
Cash and cash equivalents at beginning of period	21,829	19,979
Increase in cash and cash equivalents from newly consolidated subsidiaries	–	326
Cash and cash equivalents at end of period	21,550	13,423

**(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, 2021 (April 1 to June 30, 2021)

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	58,201	63,416	12,514	134,132	8,687	142,820	—	142,820
Sales to outside customers	58,201	63,416	12,514	134,132	8,687	142,820	—	142,820
Inter-segment sales and transfers	3,156	25	219	3,401	3,089	6,491	(6,491)	—
<b>Total</b>	<b>61,357</b>	<b>63,442</b>	<b>12,734</b>	<b>137,534</b>	<b>11,777</b>	<b>149,311</b>	<b>(6,491)</b>	<b>142,820</b>
<b>Segment profit</b>	<b>3,551</b>	<b>1,792</b>	<b>843</b>	<b>6,187</b>	<b>327</b>	<b>6,514</b>	<b>9</b>	<b>6,523</b>

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 9 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, 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)	—
<b>Total</b>	<b>61,858</b>	<b>60,376</b>	<b>14,160</b>	<b>136,395</b>	<b>12,119</b>	<b>148,515</b>	<b>(7,170)</b>	<b>141,344</b>
<b>Segment profit</b>	<b>2,830</b>	<b>497</b>	<b>422</b>	<b>3,750</b>	<b>205</b>	<b>3,956</b>	<b>24</b>	<b>3,980</b>

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

(Revenue Recognition)

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

(Significant Subsequent Events)

Due to the fire that occurred on June 30, 2022 at the Ami Distribution Center of SBS Flec Co., Ltd., an equity-method affiliate, a fire loss of 2,239 million yen was recorded under extraordinary loss in the three months ended June 30, 2022, based on a reasonable estimate of the amount of loss on inventory and other items.

In addition, in the six months ending September 30, 2022, 1,088 million yen is expected to be recorded as equity in losses of affiliates for the amount of damage to buildings and other physical assets and stored goods that occurred at SBS Flec Co., Ltd. This amount is an estimate at this point and is subject to change.