

**Consolidated Financial Results for the Nine Months Ended December 31, 2022**  
(Prepared pursuant to Japanese GAAP)

February 10, 2023

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 Nine Months of the Fiscal Year Ending March 31, 2023**  
(April 1, 2022 – December 31, 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	%
Nine months ended December 31, 2022	440,302	3.0	11,095	(32.5)	11,011	(39.2)	5,908	(48.6)
Nine months ended December 31, 2021	427,651	—	16,439	(3.0)	18,111	(1.8)	11,501	(0.3)

Note: Comprehensive income: Nine months ended December 31, 2022 : 7,127 million yen (-38.6%)  
 Nine months ended December 31, 2021 : 11,612 million yen (-24.1%)

	Profit per share – basic	Profit per share – diluted
	yen	yen
Nine months ended December 31, 2022	87.48	—
Nine months ended December 31, 2021	170.31	—

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 ended March 31, 2022. As a result, the Company has omitted year-on-year change in net sales for the third quarter of the previous fiscal year ended 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 0.7%.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	millions of yen	millions of yen	%	yen
December 31, 2022	418,413	212,267	50.0	3,096.22
March 31, 2022	401,890	209,528	51.5	3,061.75

For reference:

Equity: December 31, 2022: 209,130 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
Full Year	580,000	3.9	11,000	(39.1)	12,500	(37.5)	8,500	(29.6)	125.84

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)

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

2) Treasury stock as of period-end

December 31, 2022	3,207,807 shares
March 31, 2022	3,216,075 shares

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

Nine months ended December 31, 2022	67,540,283 shares
Nine months ended December 31, 2021	67,533,806 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 Nine months ended December 31, 2022

## 1. Operating Results

Forward-looking statements included in the following text are based on the judgments of the Group's management as of December 31, 2022.

### (1) Overview of Operating Results

In the nine months ended December 31, 2022, although the Japanese economy is exhibiting a modest recovery in consumer spending, the future outlook remains uncertain due to factors including the situation in Ukraine becoming drawn out, an increase in global energy costs among others, and the depreciation of the yen.

In the food industry, prices have been continuing to increase for various products, including foods, caused by soaring global raw materials and energy prices, and this has impacted sentiment towards spending. In addition, although there has been some 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; Beverage & Dessert; Nutrition; and Feedstuffs & Seed)" in accordance with the Group Medium-term Management Plan 2022. In the nine months ended December 31, 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 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 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 nine months ended December 31, 2022, consolidated net sales were ¥440,302 million (up 3.0% YoY), operating profit was ¥11,095 million (down 32.5%), ordinary profit was ¥11,011 million (down 39.2%), and profit attributable to owners of parent was ¥5,908 million (down 48.6%).

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 nine months ended December 31, 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 food products, Powdered milk, etc.), and other products. Net sales were ¥187,444 million (up 4.2% YoY), and operating profit was ¥8,111 million (down 21.0%).

##### (Net sales)

Sales of butter increased year on year due to proactive efforts to expand sales of household butter mainstay products and an increase in sales of commercial-use butter accompanying the recovery in demand for dining out.

Sales of margarine declined year on year due to the dip in the overall market and the impact of price revisions.

In cheese, sales of natural cheeses such as mainstay products Sakeru Cheese and Hokkaido Camembert Cheese were brisk as a result of strengthening sales promotions.

Processed cheese sales were also solid, led by sliced cheese and 6P Cheese.

As a result, sales of cheese overall increased 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 due to factors including increased raw materials costs, higher operating expenses, and an increase in fixed expenses.

## 2) Beverages & Desserts

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

Net sales were ¥183,536 million (down 0.8% YoY) and operating profit was ¥1,210 million (down 69.3%).

(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 of Makiba no Asa yogurt and Nachure Megumi plain yogurt were strong. However, 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 the CREAM SWEETS series.

(Operating profit)

Operating profit decreased due to factors including increased raw materials costs and higher operating expenses.

## 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 ¥41,082 million (up 13.5% YoY), and operating profit was ¥363 million (down 67.2%).

(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 ¥28,239 million (up 6.4% YoY), and operating profit was ¥1,401 million (up 30.9%).

(2) Analysis of Financial Condition

1) Assets, liabilities, and net assets

(Millions of yen)

Category	End of March 2022	End of December 2022	Change	Primary reason for change
Assets	401,890	418,413	16,523	Notes and accounts receivable-trade, and contract assets +19,378 Buildings and structures, net +4,165 Merchandise and finished goods (4,875) Cash and deposits (4,766)
Liabilities	192,361	206,146	13,784	Notes and accounts payable-trade +8,339 Bonds payable +5,000 Short-term loans payable +2,351 Long-term loans payable (5,478)
Net Assets	209,528	212,267	2,738	Retained earnings (1,455) Foreign currency translation adjustment +662

2) Cash flows

(Millions of yen)

Category	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	Primary reason for change
Cash flows from operating activities	21,565	10,161	(11,404)	Profit before income taxes (7,541) Decrease (increase) in notes and accounts receivable-trade (5,948) Decrease (increase) in accounts receivable-other (3,449) Increase (decrease) in notes and accounts payable-trade +4,107
Cash flows from investing activities	(15,884)	(13,186)	2,698	Purchase of property, plant and equipment and intangible assets +2,413 Proceeds from sales of investment securities +1,135
Cash flows from financing activities	(19,029)	(2,336)	16,693	Repayment of long-term loans payable +15,001 Proceeds from issuance of bonds +4,971 Net increase (decrease) in short-term loans payable (3,224)
Cash and cash equivalents at end of period	8,604	15,211	6,607	—

(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 August 10, 2022. For details, please refer to the Notice of Revisions to FY2022 Consolidated Earnings Forecasts, 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 December 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,991	15,224
Notes and accounts receivable-trade, and contract assets	72,297	91,675
Merchandise and finished goods	47,408	42,533
Work in process	890	1,334
Raw materials and supplies	13,851	16,225
Other	6,009	6,450
Allowance for doubtful accounts	(309)	(369)
Total current assets	160,139	173,074
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	55,113	59,279
Machinery, equipment and vehicles, net	58,973	58,687
Land	49,426	49,504
Other, net	15,379	14,596
Total property, plant and equipment	178,892	182,067
Intangible assets		
Goodwill	582	571
Other	2,709	2,643
Total intangible assets	3,291	3,214
Investments and other assets		
Investment securities	48,107	47,836
Deferred tax assets	2,936	2,981
Other	8,715	9,429
Allowance for doubtful accounts	(193)	(190)
Total investments and other assets	59,566	60,056
Total non-current assets	241,751	245,339
<b>Total assets</b>	<b>401,890</b>	<b>418,413</b>

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	53,447	61,786
Electronically recorded obligations-operating	5,277	6,202
Short-term loans payable	17,969	20,320
Income taxes payable	2,227	908
Provision for bonuses	4,876	2,606
Other	29,336	35,169
<b>Total current liabilities</b>	<b>113,134</b>	<b>126,994</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	15,000
Long-term loans payable	39,378	33,900
Deferred tax liabilities	6,607	6,930
Deferred tax liabilities for land revaluation	3,815	3,815
Provision for director's retirement benefits	14	14
Net defined benefit liabilities	8,826	9,155
Asset retirement obligations	1,250	1,205
Other	9,333	9,129
<b>Total non-current liabilities</b>	<b>79,226</b>	<b>79,152</b>
<b>Total liabilities</b>	<b>192,361</b>	<b>206,146</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	148,686
Treasury stock	(5,347)	(5,326)
<b>Total shareholders' equity</b>	<b>178,911</b>	<b>180,388</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,976	19,153
Deferred gains or losses on hedges	90	25
Revaluation reserve for land	8,571	8,571
Foreign currency translation adjustment	326	988
Remeasurements of defined benefit plans	(99)	4
<b>Total accumulated other comprehensive income</b>	<b>27,866</b>	<b>28,742</b>
<b>Non-controlling interests</b>	<b>2,750</b>	<b>3,136</b>
<b>Total net assets</b>	<b>209,528</b>	<b>212,267</b>
<b>Total liabilities and net assets</b>	<b>401,890</b>	<b>418,413</b>



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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<b>Net sales</b>	427,651	440,302
Cost of sales	357,686	373,285
Gross profit	69,965	67,017
Selling, general and administrative expenses	53,525	55,922
<b>Operating profit</b>	16,439	11,095
Non-operating income		
Interest income	2	3
Dividend income	712	925
Equity in earnings of affiliates	903	—
Other	748	663
<b>Total non-operating income</b>	2,367	1,591
Non-operating expenses		
Interest expenses	304	256
Equity in losses of affiliates	—	994
Other	391	424
<b>Total non-operating expenses</b>	695	1,675
<b>Ordinary profit</b>	18,111	11,011
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of investment securities	—	938
Other	—	42
<b>Total extraordinary income</b>	2	982
Extraordinary loss		
Loss on sales of non-current assets	24	0
Loss on retirement of non-current assets	1,401	741
Impairment loss	242	86
Fire loss	—	2,239
Other	15	36
<b>Total extraordinary loss</b>	1,683	3,104
<b>Profit before income taxes</b>	16,431	8,889
Income taxes	4,783	2,864
Profit	11,647	6,024
Profit attributable to non-controlling interests	146	116
<b>Profit attributable to owners of parent</b>	11,501	5,908

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<b>Profit</b>	11,647	6,024
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(561)	320
Deferred gains or losses on hedges	30	(65)
Foreign currency translation adjustment	226	736
Remeasurements of defined benefit plans	283	117
Share of other comprehensive income of entities accounted for using the equity method	(13)	(5)
Total other comprehensive income	(35)	1,103
<b>Comprehensive income</b>	11,612	7,127
Comprehensive income attributable to owners of parent	11,432	6,937
Comprehensive income attributable to non- controlling interests	179	190

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	16,431	8,889
Depreciation and amortization	12,864	12,880
Impairment loss	242	86
Equity in (earnings) losses of affiliates	(903)	994
Amortization of goodwill	74	82
Increase (decrease) in allowance for doubtful accounts	(27)	26
Increase (decrease) in provision for bonuses	(2,448)	(2,274)
Decrease (increase) in net defined benefit asset	(565)	(618)
Increase (decrease) in net defined benefit liability	563	348
Loss (gain) on sales and retirement of non-current assets	1,422	739
Interest and dividend income received	(715)	(928)
Interest expenses	304	256
Decrease (increase) in accounts receivable-other	3,786	336
Decrease (increase) in notes and accounts receivable-trade	(12,867)	(18,815)
Decrease (increase) in inventories	400	2,461
Increase (decrease) in notes and accounts payable-trade	4,924	9,031
Other	3,415	35
<b>Sub total</b>	<b>26,903</b>	<b>13,531</b>
Interest and dividend income	789	986
Interest expenses paid	(315)	(255)
Income taxes paid	(5,811)	(4,100)
Net cash provided by (used in) operating activities	21,565	10,161

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
<b>Cash flows from investing activities</b>		
Payments of loans receivable	(2)	(4)
Collection of loans receivable	46	5
Purchase of property, plant and equipment and intangible assets	(15,607)	(13,193)
Proceeds from sales of property, plant and equipment and intangible assets	12	25
Purchase of investment securities	(420)	(1,262)
Proceeds from sales of investment securities	25	1,160
Other	61	82
Net cash provided by (used in) investing activities	(15,884)	(13,186)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	600	(2,623)
Proceeds from long-term loans payable	290	—
Repayment of long-term loans payable	(15,535)	(533)
Proceeds from issuance of bonds	—	4,971
Purchase of treasury stock	(4)	(2)
Cash dividends paid	(2,704)	(4,055)
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	(595)	(89)
Net cash provided by (used in) financing activities	(19,029)	(2,336)
Effect of exchange rate on cash and cash equivalents	123	265
Net increase (decrease) in cash and cash equivalents	(13,225)	(5,095)
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	8,604	15,211

**(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 Nine months ended December 31, 2021 (April 1 to December 31, 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	179,898	185,030	36,190	401,119	26,532	427,651	—	427,651
Sales to outside customers	179,898	185,030	36,190	401,119	26,532	427,651	—	427,651
Inter-segment sales and transfers	9,792	96	726	10,615	9,442	20,057	(20,057)	—
Total	189,691	185,126	36,916	411,734	35,975	447,709	(20,057)	427,651
Segment profit	10,263	3,935	1,106	15,306	1,070	16,376	62	16,439

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 62 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 Nine months ended December 31, 2022 (April 1 to December 31, 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	187,444	183,536	41,082	412,063	28,239	440,302	—	440,302
Sales to outside customers	187,444	183,536	41,082	412,063	28,239	440,302	—	440,302
Inter-segment sales and transfers	10,911	82	1,027	12,021	10,122	22,143	(22,143)	—
Total	198,356	183,618	42,110	424,085	38,361	462,446	(22,143)	440,302
Segment profit	8,111	1,210	363	9,685	1,401	11,086	8	11,095

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 8 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 Logistics Center of SBS Flec Co., Ltd., an equity-method affiliate, a fire loss was recorded under extraordinary loss in the nine months ended December 31, 2022 based on a reasonable estimate of the amount of loss on inventory and other goods stored at the Ami Logistics Center.

A ¥1,548 million loss from damage to buildings and other non-current assets expected to be recorded at SBS Fleck Co., Ltd. is included under equity in losses of affiliates in the nine months ended December 30, 2022. However, the Group expects a ¥1,527 million reduction of equity in losses of affiliates as a result of an insurance payout which it expects to receive in the fourth quarter of the fiscal year ending March 2023 for the aforementioned damage to buildings and other non-current assets covered by insurance.

The above values were calculated based on information available at the time of writing, and are subject to change.