

November 9, 2020

Megmilk Snow Brand Co., Ltd.
Keiji Nishio, Representative Director and President

Review of Consolidated Financial Results for Six Months Ended September 30, 2020

The Japanese economy continues to face difficult conditions due to the impact of COVID-19. At the same time, we are seeing a trend towards partial recovery as the nation works towards the prevention of infection while encouraging social and economic activities.

The food industry continues to be significantly impacted by COVID-19. Retail businesses have achieved mild sales growth thanks to increased in-home consumption driven by stay-at-home orders. On the other hand, movement towards recovery in the food and beverage industry has been sluggish overall despite various measures by the government.

Amid these conditions, our Group implemented the policies of our new Medium-term Management Plan 2022 to advance initiatives aimed at establishing a profit platform in four business sectors (Dairy Products Business, Beverages and Desserts Business, Nutrition Business, and Feedstuffs and Seed Products Business).

These initiatives include:

- (1) Further product mix improvements to promote the strategic expansion of mainstay products such as functional yogurt and cheese.
- (2) Continued marketing investments in the Nutrition Business aimed at expanding business scope and securing profit,
- (3) Strategic expansion and profit platform development for the Seed Products Business, and
- (4) Strengthening Group core competency by expanding the use of Group management resources and our value chain.

We also focused on preventing the spread of COVID-19 to employees and ensuring employee safety and peace of mind while working to provide a stable supply of products to our customers. Additionally, amid significant declines in demand for milk due to the suspension of school lunch programs and the drop in dining industry demand, we focused on processing fresh milk into other products as part of demand-supply adjustments aimed at avoiding fresh raw milk waste.

As a result of the above, consolidated financial earnings for the consolidated first half were net sales of 314.0 billion yen (up 0.8% YoY), operating profit of 11.0 billion yen (up 4.2% YoY), ordinary profit of 11.9 billion yen (up 2.1% YoY), and profit attributable to owners of parent of 7.1 billion yen (down 6.6% YoY).

Beginning this fiscal year, our Group launched the Group Medium-term Management Plan 2022 as Stage II of our Group Long-term Vision 2026. During the second half, we will advance initiatives to establish a Group profit foundation and the full-scale start of production structure innovations as we aim to achieve our management goals for the fiscal year ending March 31, 2021.

At the same time, we will aim for the achievement of a “Future Creation Company with Milk”, our goal for Long-term Vision 2026, by working towards the SDGs and other social issues we have identified as core CSR issues for the Megmilk Snow Brand Group.

We thank you for your continued support.