

**The First Nine Months of the Fiscal  
Year Ending March 2022**

# **Financial Results**

**February 9, 2022**

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Representative Director and Executive Vice President  
in charge of Accounting & Finance

**Hideki Motoi**

The Accounting Standard for Revenue Recognition began to be applied at the beginning of the first quarter of fiscal year ending March 31, 2022.

The previous fiscal year's figures included in these materials have been calculated assuming the application of the new accounting standard.

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FYE3/2022 3Q**

**Consolidated Operating Results for FYE3/2022 3Q  
by segment**

**Full-year Earnings Forecast**

**Toward the next fiscal year**

## Operating results for FYE3/2022 3Q

**Net sales**

**427.6** billion yen **Increased revenue**

- In the October-December period, although in-home demand for household products slowed down due to the end of the state of emergency, sales increased in the first nine months.
- Despite a recovery trend in the commercial business, it has not recovered to the level before the COVID-19 pandemic.

**Operating profit**

**16.4** billion yen **Decreased profit**

- Significantly affected by soaring raw material and operations costs from 2Q onward

## Full-year forecast

- Sales of major products in 3Q and beyond are expected to fall below the initial forecast.
- Raw material costs are expected to continue to rise in 4Q and beyond.
- Downward revision of full-year operating results forecasts (net sales, operating profit)

# Overview of Results for the First Nine Months of the Fiscal Year Ending March 2022

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## Cumulative quarterly results

(Billion yen, rounded down to the nearest tenth of a billion yen)

	Cumulative results for the first nine months of FYE3/ 2021	Cumulative results for the first nine months of FYE3/ 2022	Change	% Change YoY
<b>Net Sales</b>	424.4	<b>427.6</b>	3.1	0.7%
<b>Operating profit</b>	16.9	<b>16.4</b>	(0.5)	(3.0)%
<b>Ordinary Profit</b>	18.4	<b>18.1</b>	(0.3)	(1.8)%
<b>Profit*</b>	11.5	<b>11.5</b>	(0.0)	(0.3)%

\* Profit attributable to owners of parent

**Net sales did not grow in the October-December period and operating profit was down.**



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	FYE3/2021		FYE3/2022		% Change YoY	
	H1	Oct-Dec	H1	Oct-Dec	H1	Oct-Dec
<b>Net Sales</b>	282.9	141.5	286.9	<b>140.7</b>	101.4%	<b>99.5%</b>
<b>Operating profit</b>	11.0	5.8	12.2	<b>4.2</b>	110.1%	<b>72.1%</b>

# Overview of Results for the First Nine Months of the Fiscal Year Ending March 2022

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## Results by segment

(Billion yen, rounded down to the nearest tenth of a billion yen)

	Cumulative results for the first nine months of FYE3/ 2021		Cumulative results for the first nine months of FYE3/ 2022		% Change YoY	
			Sales	Operating Profit	Sales	Operating Profit
Dairy Product	175.4	11.2	179.8	10.2	2.5%	(8.7)%
Beverage and Dessert	191.7	3.7	185.0	3.9	(3.5)%	5.0%
Feedstuffs and Seed	31.0	1.1	36.1	1.1	16.6%	(1.6)%
Other	26.3	1.0	26.5	1.0	0.8%	(1.1)%
<b>Total</b>	<b>424.4</b>	<b>16.9</b>	<b>427.6</b>	<b>16.4</b>	<b>0.7%</b>	<b>(3.0)%</b>



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- Net sales of consumer dairy products declined, but net sales of commercial products recovered gradually.
- In Beverage and Dessert, net sales decreased mainly in beverages, which is the same trend as 1 H, but profit increased due to the contribution from MBP drinks.

# Factors Affecting Changes in Consolidated Operating Profit

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(Billion yen, rounded down to the nearest tenth of a billion yen )

FYE3/2021 3Q	FYE3/2022 3Q	change
16.9	16.4	(0.5)

<b>Marginal profit Subtotal</b>	<b>0.6</b>
Sales unit price	0.1
Sales volume	0.5
Product composition	1.2
Raw materials costs	(1.1)
Operating costs	(0.6)
Other	0.5
<b>Fixed costs and others Subtotal</b>	<b>(1.1)</b>
Advertising and promotional costs	(0.9)
<b>Fixed costs</b>	<b>(0.2)</b>

Changes in segments			
Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
(0.9)	0.1	(0.0)	(0.0)
(0.5)	0.5	0.3	0.0
(0.1)	(0.1)	0.3	0.0
0.3	0.0	0.0	0.0
0.0	1.2	0.0	0.0
(0.7)	(0.4)	0.0	0.0
(0.3)	(0.3)	0.0	0.0
0.3	0.1	0.0	0.0
(0.4)	(0.4)	(0.3)	0.0
(0.1)	(0.8)	0.0	0.0
(0.3)	0.4	(0.3)	0.0

Assumed exchange rates for FYE3/2022 3Q : US\$1 = 106 yen

Exchange rate sensitivity (on operating profit basis) : appreciation of 1 yen = + 160 million yen

# Breakdown of Factors Affecting Changes in Consolidated Operating Profit

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## Factors Affecting Changes for the Oct. - Dec. period

(Billion yen, rounded down to the nearest tenth of a billion yen)

	H1	Oct.-Dec.	Major Factors Affecting Changes for the Oct. - Dec. period
Sales unit price	0.3	(0.2)	Beverage and Dessert (0.1)
Sales volume	0.5	0.0	Beverage and Dessert (0.2)
Product composition	1.1	0.1	
Raw materials costs	(0.6)	(0.5)	Dairy Product (0.4), Beverage and Dessert (0.1)
Operating costs	(0.1)	(0.5)	Energy (0.4), Logistics (0.1)
Other	0.4	0.1	
Advertising and promotional costs	(0.8)	(0.1)	
Fixed costs	0.3	(0.5)	Depreciation and amortization (0.4), Fixed costs (0.2)
<b>Total</b>	<b>1.1</b>	<b>(1.6)</b>	



**Increase in raw material costs (dairy products) and operating costs (energy)**

## Dairy Products Sales Results

(including the Nutrition segment)

(Billion yen, rounded down to the nearest tenth of a billion yen)

	FYE3/2021 3Q	FYE3/2022 3Q	Change	% Change YoY
<b>Butter</b>	16.7	<b>17.1</b>	0.3	2.0%
<b>Margarine</b>	7.0	<b>6.2</b>	(0.8)	(11.4)%
<b>Cheese</b>	43.9	<b>42.8</b>	(1.0)	(2.5)%
<b>Other</b>	17.6	<b>19.9</b>	2.2	12.9%
<b>Subsidiaries and other</b>	90.0	<b>93.7</b>	3.7	4.1%
<b>Total</b>	175.4	<b>179.8</b>	4.4	2.5%



POINT

- Net sales of margarines declined due to price revisions from October.
- Net sales of consumer cheese decreased due to the impact of a reactionary decline in in-home demand in the first half of the previous fiscal year.



## Nutrition Sales Results

(as a part of the Dairy Products segment)

(Billion yen, rounded down to the nearest tenth of a billion yen)

	FYE3/2021 3Q	FYE3/2022 3Q	Change	% Change YoY
Functional food products	4.5	5.0	0.5	12.2%
Powdered milk and other	8.2	8.3	0.1	1.3%
Total	12.7	13.4	0.6	5.1%



POINT

Food with functional claims: Brisk sales continued mainly for Mainichi Hone Care MBP®.

## Beverage and Dessert Sales Results

(Billion yen, rounded down to the nearest tenth of a billion yen)

	FYE3/2021 3Q	FYE3/2022 3Q	Change	% Change YoY
Milk and milk-based beverages	57.6	55.6	(1.9)	(3.4)%
Other beverages	24.3	23.0	(1.3)	(5.5)%
Yogurt	36.7	36.8	0.1	0.4%
Desserts and fresh cream	16.0	16.4	0.3	2.3%
Other	2.3	2.5	0.2	9.1%
Subsidiaries and other	54.5	50.4	(4.1)	(7.6)%
<b>Total</b>	<b>191.7</b>	<b>185.0</b>	<b>(6.6)</b>	<b>(3.5)%</b>



POINT

- In beverages, net sales of MBP drinks were strong, while those of others, mainly milk, declined, remaining unchanged from H1.
- While the market for yogurt is stagnant, net sales of yogurt increased in the first nine months of the fiscal year, but declined in the October-December period amid a sluggish market.

## Feedstuffs and Seed Products Sales Results

(億円)

	FYE3/2021 3Q	FYE3/2022 3Q	Change	% Change YoY
Feedstuffs	23.7	28.6	4.8	20.5%
Seed products	7.2	7.5	0.2	4.1%
Total	31.0	36.1	5.1	16.6%



POINT

**Feedstuffs: Sales grew after selling prices rose following soaring raw material prices.**

# Forecast of Consolidated Operating Results – FYE3/2022 full-year – Downward revision

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## Full-year forecast

(Billion yen, rounded down to the nearest tenth of a billion yen)

	FYE3/2021	Initial forecast for FYE3/2022	Revised forecast for FYE3/2022	Difference	Change	%Change YoY
<b>Net Sales</b>	554.5	570.0	<b>560.0</b>	(10.0)	5.4	1.0%
<b>Operating profit</b>	19.7	20.5	<b>18.5</b>	(2.0)	(1.2)	(6.5)%
<b>Ordinary Profit</b>	21.6	21.5	<b>20.0</b>	(1.5)	(1.6)	(7.7)%
<b>Profit*</b>	14.9	12.5	<b>12.5</b>	0.0	(2.4)	(16.2)%

\* Profit attributable to owners of parent



POINT

- Breakdown of the difference from the initial forecast for net sales: Dairy products (4.0) billion yen, Beverage and Dessert (6.0) billion yen
- Breakdown of the difference from the initial forecast for operating profit; Dairy products (0.9) billion yen, Beverage and Dessert (0.9) billion yen

# Factors Affecting Changes in Full-year Operating Profit Forecast

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## Forecast of Factors Affecting Changes for Full-year

(Billion yen, rounded down to the nearest tenth of a billion yen)

	H1	Oct.-Dec.	Jan.-Mar. (Forecast)	Full-year forecast (after revised)	Factors Affecting Change from the Previous Forecast	Previous forecast
Sales unit price	0.3	(0.2)	(0.1)	0.0	Dairy Product (0.5), Beverage and Dessert (0.2)	0.8
Sales volume	0.5	0.0	0.2	0.7	Dairy Product (1.2), Beverage and Dessert (0.7)	2.5
Product composition	1.1	0.1	0.3	1.5	Dairy Product (0.1), Beverage and Dessert (0.2)	1.8
Raw materials costs	(0.6)	(0.5)	(0.6)	(1.7)	Dairy Product (0.1), Beverage and Dessert +0.2	(1.8)
Operating costs	(0.1)	(0.5)	(0.3)	(0.9)	Energy (0.2)	(0.6)
Other	0.4	0.1	0.0	0.5		0.4
Advertising and promotional costs	(0.8)	(0.1)	0.2	(0.7)	Dairy Product +0.7	(1.6)
Fixed costs	0.3	(0.5)	(0.4)	(0.6)		(0.8)
<b>Total</b>	<b>1.1</b>	<b>(1.6)</b>	<b>(0.7)</b>	<b>(1.2)</b>		<b>0.7</b>



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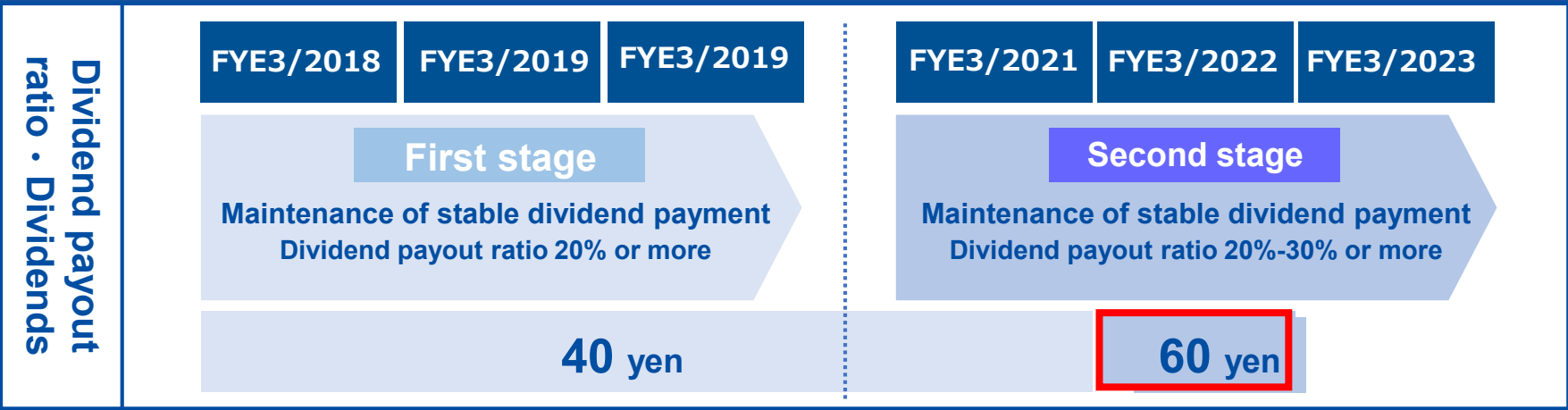
The main reasons for the downward revision of consolidated operating profit are the difference in sales unit prices, (0.8) billion yen from the forecast and the decrease in sales volume (1.8) billion yen from the forecast.


Dividend for the current fiscal year (increase in dividend)

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Dividends

	Dividends for the previous fiscal year	Previous forecast	Revised forecast
Ordinary dividend	40 yen	50 yen	60 yen
Consolidated payout ratio	18.1%	27.0%	More than 30.0%



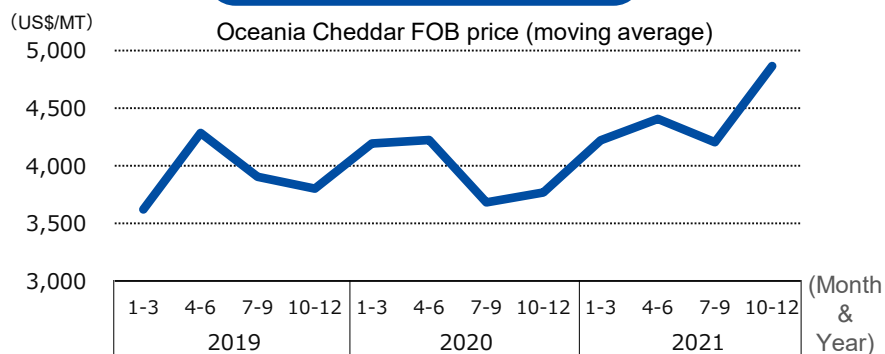


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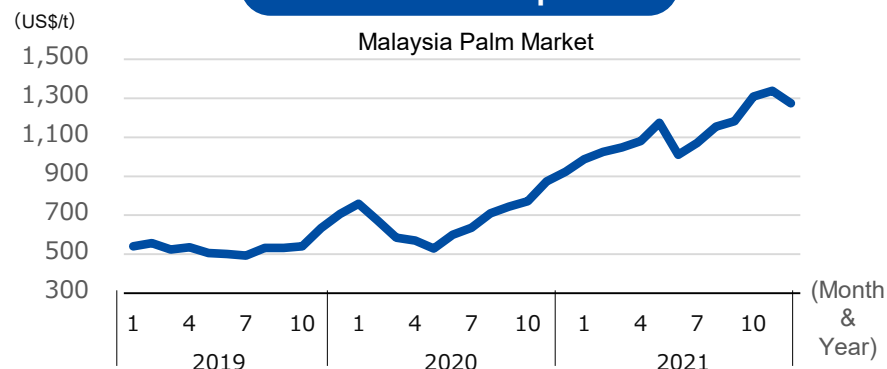
Dividend increased to 60 yen per share (up 20 yen per share) as the equity ratio is expected to exceed 50%.

## Trends of major raw materials

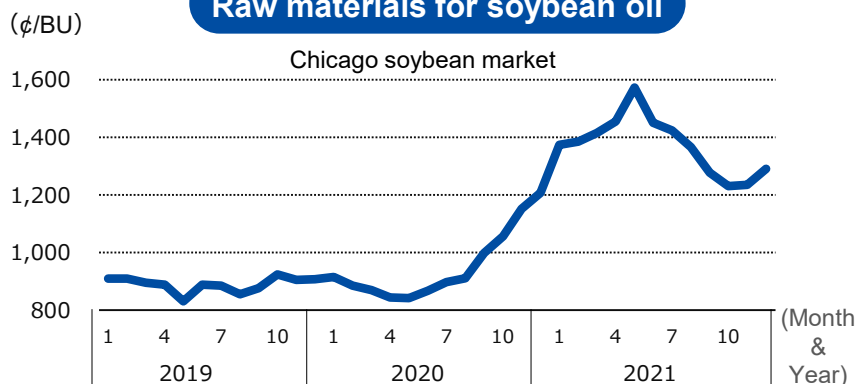
### Imported raw cheese



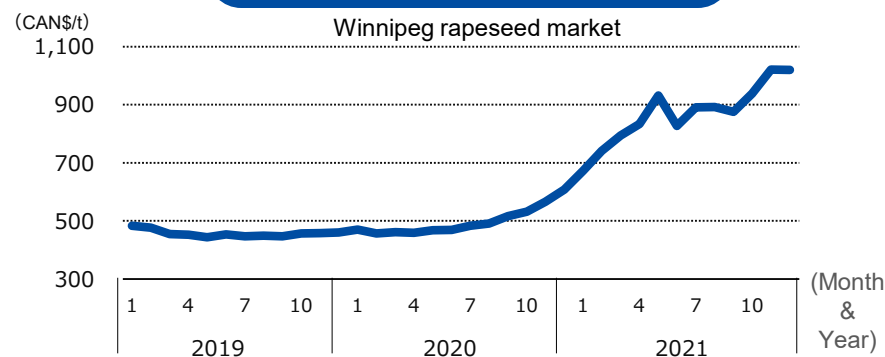
### Raw materials for palm oil



### Raw materials for soybean oil



### Raw materials for rapeseed oil



Prices of major raw materials tend to remain high.

## Responding to cost increases

### ① Price revision for cheese (from April 1, 2022)

Applicable Products	Processed cheese 31 items, natural cheese 4 items, others
revision rate	4.3~10.0%



### ② Changes in the price structure of some beverages and desserts due to the renovation

Applicable Products	Coffee beverages 2 items, juices/vegetables 21 items, Dessert 2 items, others
revision rate	2.1~5.6%



## Improvement in profitability of the Milk business

- ① Enhance product value by changing the name of the product to one that is easily recognizable as delicious.
- ② Create new demand by launching Japan's first capped container milk in personal-type products.

Continue efforts to achieve operating profit by 2026 for the milk business by 2026.





# Make the Future with Milk.



Forward-looking statements such as performance forecasts contained in this document are based on management's expectations and assumptions in light of information currently available and are not the commitment by the Company. Actual results may differ from the forecasts in this document due to change in the business environment and other factors.

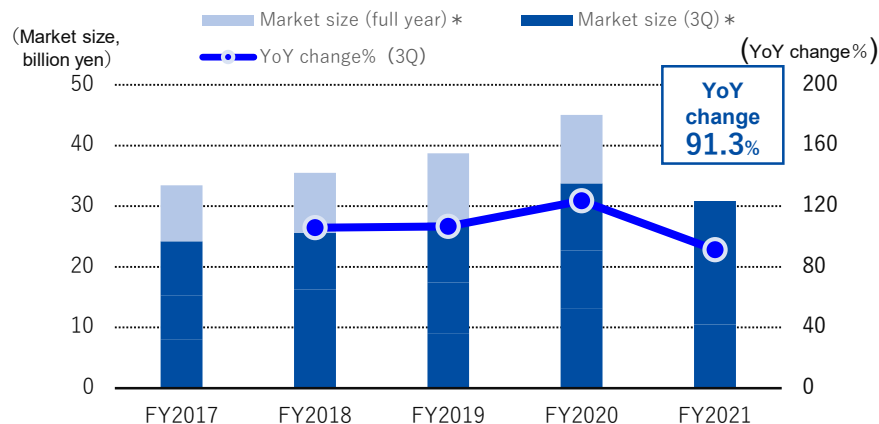
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# Data: Market Trends of the nationwide Consumer Products

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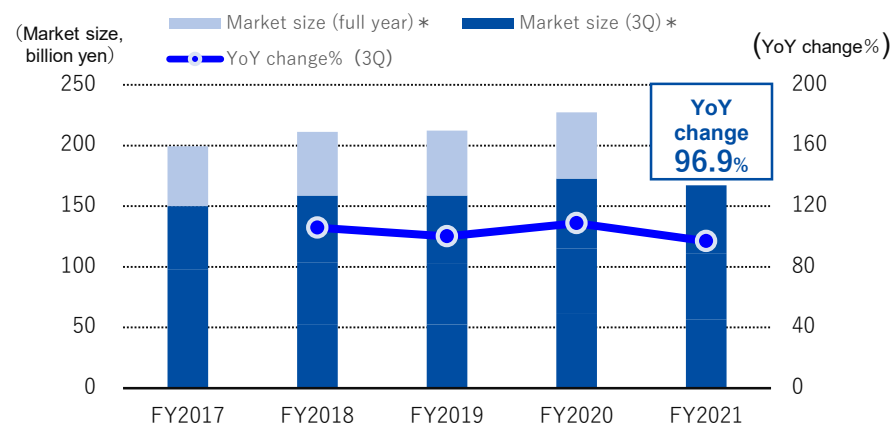
Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2017 to December 2021

## Butter



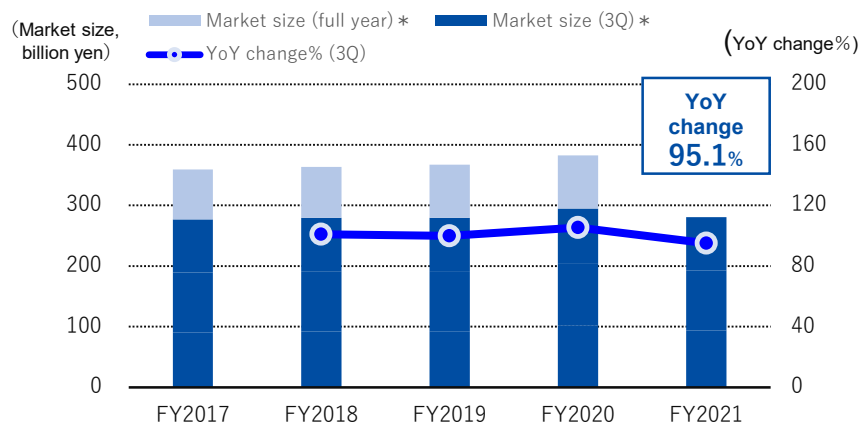
\* weighted estimate sales

## Cheese



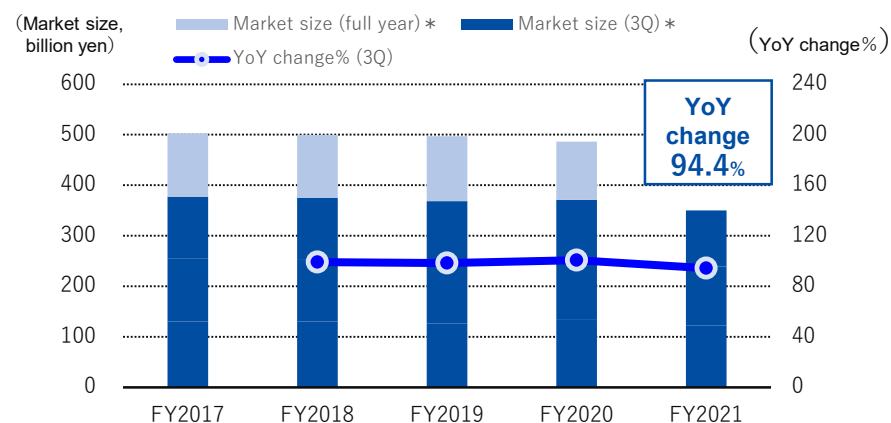
\* weighted estimate sales

## Milk (Milk & composition modified milk)



\* weighted estimate sales

## Yogurt



\* weighted estimate sales

# Data : Megmilk Snow Brand's Market Share / Overseas Cheese Price Trends

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## Market share (of household consumption)

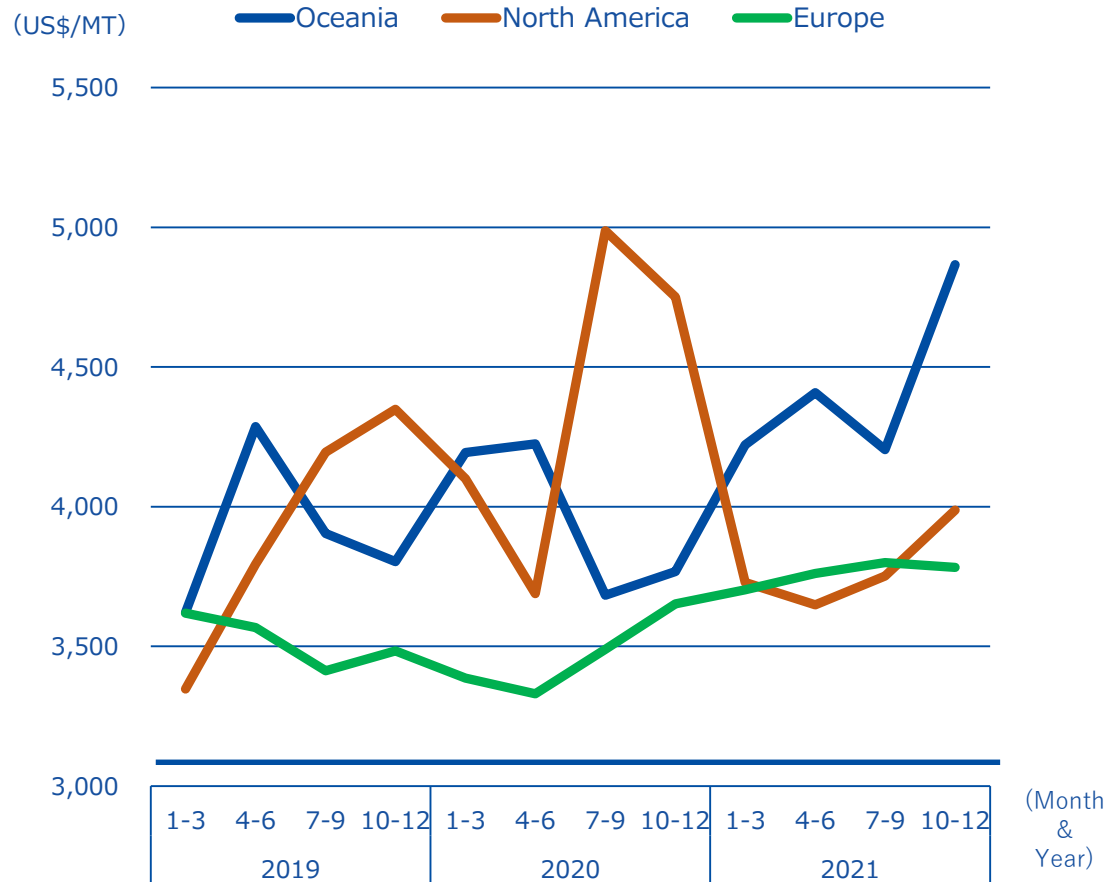
Megmilk Snow Brand's share of the nationwide consumer market on an estimated total sales basis for the first nine months of the fiscal year ending March 31, 2022 (Apr. to Dec. 2021)

### Retail store POS data

<b>Butter</b>	<b>46.0%</b>
<b>Margarine</b>	<b>52.4%</b>
<b>Cheese</b>	<b>25.9%</b>
<b>Milk</b> (Milk & composition modified milk)	<b>5.0%</b>
<b>Milk beverage</b>	<b>14.4%</b>
<b>Yogurt</b>	<b>12.3%</b>
<b>Dessert</b> (Chilled finished Products)	<b>15.5%</b>

Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales.

## Transitions in overseas cheese prices



Moving average for each quarter, FOB, Cheddar  
OCE-USDA, Cheddar USA-CME, Cheddar EU-MMO