



**The First Three Months of the Fiscal  
Year Ending March 2024**

# **Financial Results**

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**August 9, 2023**

**Managing Executive Officer**

**Seiki Todaka**

## Summary of Results

# Increased Net Sales and Profits

|                  |                   |  |
|------------------|-------------------|--|
| Net Sales        | 150.1 billion yen | YoY change<br>8.8 billion yen / 6.3%   |
| Operating Profit | 5.2 billion yen   | YoY change<br>1.2 billion yen / 32.1%  |
| Ordinary Profit  | 5.8 billion yen   | YoY change<br>1.2 billion yen / 26.1%  |
| Profit *         | 3.5 billion yen   | YoY change<br>2.2 billion yen / 167.0% |

\* Profit attributable to owners of parent

## Key Topics

- 1 Revised prices were steadily taking effect.**
- 2 Sales volume remained below forecast.**
- 3 Prices of major raw materials have peaked, but remain high.**
- 4 The impact of energy prices, etc. eased at a pace that was faster than expected.**
- 5 Further price revisions began in August, and the key lies in whether demand will be maintained/increased.**

## Results by segment

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

|                        | FY/2022<br>1Q |                  | FY/2023<br>1Q |                  | % Change YoY |                  |
|------------------------|---------------|------------------|---------------|------------------|--------------|------------------|
|                        | Sales         | Operating Profit | Sales         | Operating Profit | Sales        | Operating Profit |
| Dairy Products         | 58.2          | 2.8              | 61.6          | 2.8              | 5.9%         | 2.3%             |
| Beverages and Desserts | 60.3          | 0.4              | 64.6          | 1.1              | 7.1%         | 126.8%           |
| Feedstuffs and Seed    | 13.8          | 0.4              | 14.1          | 0.5              | 2.3%         | 26.5%            |
| Other                  | 8.9           | 0.2              | 9.7           | 0.6              | 8.8%         | 225.7%           |
| <b>Total</b>           | <b>141.3</b>  | <b>3.9</b>       | <b>150.1</b>  | <b>5.2</b>       | <b>6.3%</b>  | <b>32.1%</b>     |

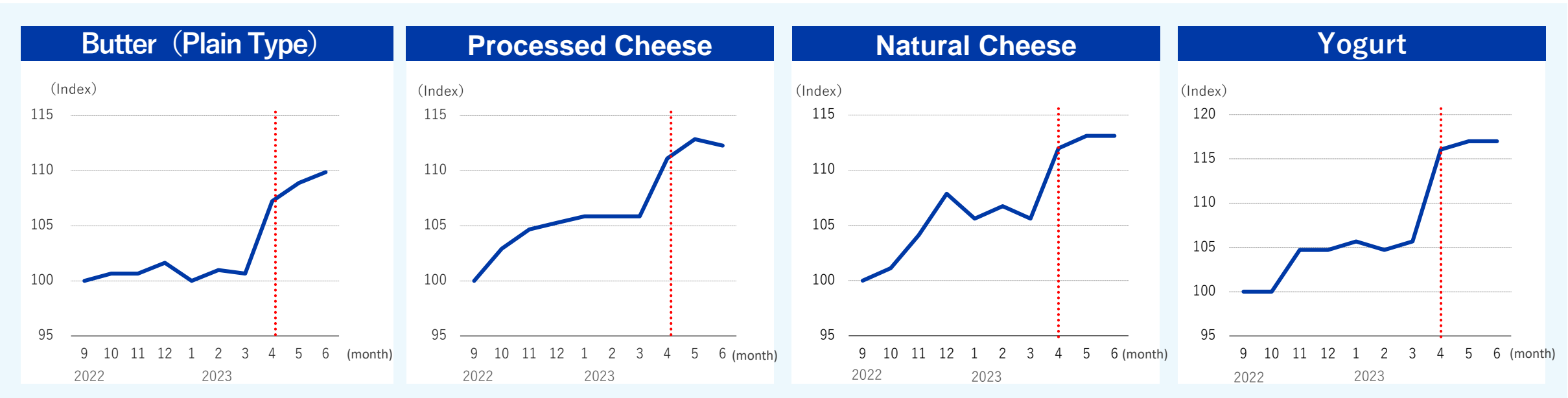
- Prices of dairy products and beverage and dessert, which were revised in April, were taking effect.
- Sales and profit increased in all segments.

# Status of Price Revisions

Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales  
From Sept 2022 to June 2023

## Changes in average selling prices of Megmilk Snow Brand's products

(Index with average selling price in September 2022 set as 100)



● Price revisions of consumer products (butter, cheese, and yogurt), which were conducted in April, are clearly reflected in storefront prices.

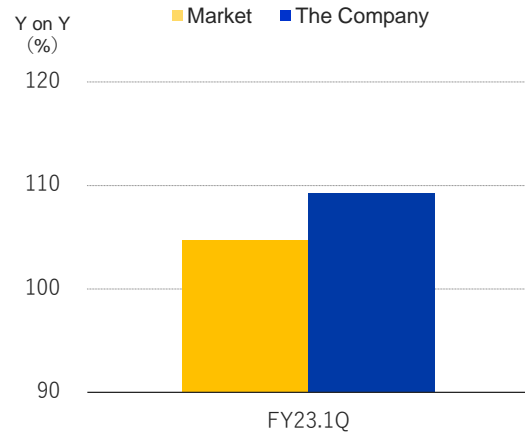
# Market Comparison of Major Categories of Consumer Products

Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2023 to June 2023

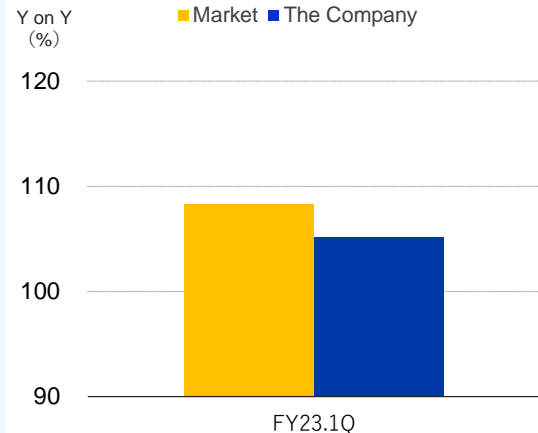
## Year-on-year change in net sales

### Dairy Products

#### Butter

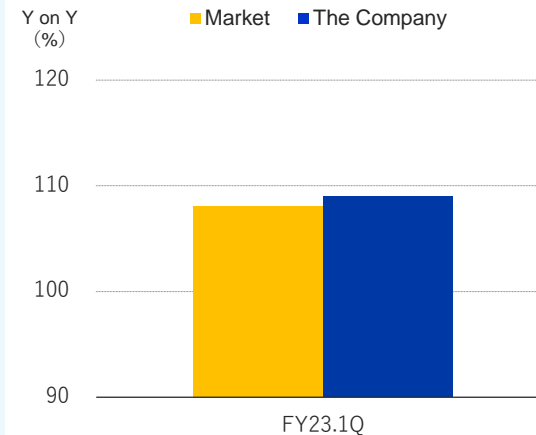


#### Cheese

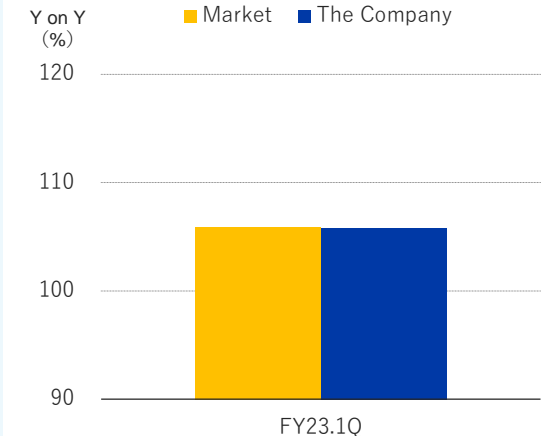


### Beverages and Desserts

#### Milk Based Beverages (excluding school lunches)



#### Yogurt



- Sales of butter were above the market level. As for cheese, sales of natural cheese have room for growth.
- Sales of milk and milk-based beverages were above the market level while those of yogurt were on a par with the market level.

## Factors Affecting Changes in Operating Profit

(Billion yen)

| FY/2022<br>1Q                          | FY/2023<br>1Q | change | Changes in segments |                           |                                 |             |
|--|---------------|--------|---------------------|---------------------------|---------------------------------|-------------|
|  |               |        | Dairy products      | Beverages<br>and desserts | Feedstuffs and<br>seed products | Other       |
| 3.9                                    | 5.2           | 1.2    | 0.0                 | 0.6                       | 0.1                             | 0.4         |
| <b>Marginal profit Subtotal</b>        | <b>2.7</b>    |        | <b>0.7</b>          | <b>1.3</b>                | <b>0.1</b>                      | <b>0.5</b>  |
| Sales unit price                       | 8.9           |        | 3.1                 | 4.7                       | 1.1                             | 0.0         |
| Sales volume                           | -0.4          |        | -0.5                | -0.3                      | -0.1                            | 0.5         |
| Product composition                    | 0.0           |        | 0.1                 | -0.1                      | 0.0                             | 0.0         |
| Raw materials costs                    | -5.4          |        | -1.9                | -2.7                      | -0.9                            | 0.0         |
| Operating costs                        | -0.4          |        | -0.1                | -0.3                      | 0.0                             | 0.0         |
| <b>Fixed costs and others Subtotal</b> | <b>-1.5</b>   |        | <b>-0.7</b>         | <b>-0.7</b>               | <b>0.0</b>                      | <b>-0.1</b> |
| Advertising and promotional costs      | -0.4          |        | -0.1                | -0.3                      | 0.0                             | 0.0         |
| Fixed costs                            | -1.1          |        | -0.6                | -0.4                      | 0.0                             | -0.1        |

## Dairy Products Sales Results (including the Nutrition segment)

(Billion yen)

|                               | FY/2022<br>1Q | FY/2023<br>1Q | Change     | % Change YoY |
|-------------------------------|---------------|---------------|------------|--------------|
| <b>Butter</b>                 | 5.7           | 6.1           | 0.3        | 7.0%         |
| <b>Margarine</b>              | 2.0           | 2.1           | 0.1        | 7.7%         |
| <b>Cheese</b>                 | 13.3          | 14.2          | 0.9        | 7.1%         |
| <b>Other</b>                  | 7.0           | 6.4           | -0.5       | -8.4%        |
| <b>Subsidiaries and other</b> | 30.0          | 32.5          | 2.5        | 8.4%         |
| <b>Total</b>                  | <b>58.2</b>   | <b>61.6</b>   | <b>3.4</b> | <b>5.9%</b>  |

- Butter: Sales remained strong even after the price revision.
- Margarine: Sales were strong, mainly reflecting the campaign offering extra volume.
- Cheese: Sales of processed cheese were strong. Sales of natural cheese were also solid but have room for growth.



## Nutrition Sales Results (as a part of the Dairy Products segment)

(Billion yen)

|                          | FY/2022<br>1Q | FY/2023<br>1Q | Change     | % Change YoY |
|--------------------------|---------------|---------------|------------|--------------|
| Functional food products | 2.2           | 2.1           | -0.0       | -3.5%        |
| Powdered milk and other  | 2.6           | 2.7           | 0.0        | 3.7%         |
| <b>Total</b>             | <b>4.8</b>    | <b>4.8</b>    | <b>0.0</b> | <b>0.4%</b>  |

- Functional foods: The number of new customer acquired decreased due to a decline in the effects of TV and web advertisements, which resulted from the recovery in the movement of people.
- Powdered milk including infant formula: Domestic sales rose, chiefly due to an increase in opportunities to go out and a rise in the percentage of childcare leave taken by men. Overseas sales fell due to the increasingly fierce competition. Total sales were on par with the year-ago level.

## Beverages and Desserts Sales Results

(Billion yen)

|                               | FY/2022<br>1Q | FY/2023<br>1Q | Change     | % Change YoY |
|-------------------------------|---------------|---------------|------------|--------------|
| Milk and milk-based beverages | 18.0          | 19.8          | 1.7        | 9.6%         |
| Other beverages               | 7.4           | 7.4           | 0.0        | 0.0%         |
| Yogurt                        | 12.3          | 12.9          | 0.5        | 4.9%         |
| Desserts and fresh cream      | 5.6           | 6.1           | 0.5        | 9.8%         |
| Other                         | 0.7           | 0.9           | 0.1        | 16.5%        |
| Subsidiaries and other        | 16.1          | 17.4          | 1.2        | 8.0%         |
| <b>Total</b>                  | <b>60.3</b>   | <b>64.6</b>   | <b>4.2</b> | <b>7.1%</b>  |

- Milk and milk-based beverages: Sales of milk were affected by the price revision. Sales of *Mainichi Honebuto* and MBP Drink were strong.
- Other beverages: Sales of Snow Brand Coffee remained strong even after the price revision in February. Sales of fruit and vegetable juices were affected by the market environment.
- Yogurt: Sales of family-type yogurt remained firm. Sales of yogurt with function claims were recovering.

## Feedstuffs and Seed Products Sales Results

(Billion yen)

|                      | FY/2022<br>1Q | FY/2023<br>1Q | Change | % Change YoY |
|----------------------|---------------|---------------|--------|--------------|
| <b>Feedstuffs</b>    | 10.2          | 10.7          | 0.5    | 5.0%         |
| <b>Seed products</b> | 3.5           | 3.3           | -0.1   | -5.5%        |
| <b>Total</b>         | 13.8          | 14.1          | 0.3    | 2.3%         |

- Feedstuffs: Sales increased due to price revisions reflecting the soaring feedstuff price.
- Seeds: Sales decreased, reflecting a decline in sales of forage grass seeds.

# Forecast of Consolidated Financial Results FY2023 Full Year

(No change from the initial forecast)



## Full Year Forecast

(Billion yen)

|                  | Full year Results of FY2022 | Full year forecast of FY2023 | Change | % Change YoY |
|------------------|-----------------------------|------------------------------|--------|--------------|
| Net Sales        | 584.3                       | 616.0                        | 31.6   | 5.4%         |
| Operating profit | 13.0                        | 14.0                         | 0.9    | 7.2%         |
| Ordinary Profit  | 14.4                        | 15.0                         | 0.5    | 3.6%         |
| Profit *         | 9.1                         | 9.5                          | 0.3    | 4.1%         |

\* Profit attributable to owners of parent

## Dividends

|                           |       |
|---------------------------|-------|
| Ordinary dividend         | 60yen |
| Consolidated payout ratio | 42.7% |

# Full-year forecast by segment

(No change from the initial forecast)



(Billion yen)

|                        | Full year Results of FY2022 |                  | Full year forecast of FY2023 |                  | % Change YoY |                  |
|------------------------|-----------------------------|------------------|------------------------------|------------------|--------------|------------------|
|                        | Sales                       | Operating Profit | Sales                        | Operating Profit | Sales        | Operating Profit |
| Dairy Products         | 252.0                       | 9.7              | 264.5                        | 8.8              | 4.9%         | -9.2%            |
| Beverages and Desserts | 241.1                       | 1.6              | 256.0                        | 3.7              | 6.2%         | 129.4%           |
| Feedstuffs and Seed    | 53.4                        | 0.2              | 55.5                         | 0.2              | 3.8%         | 20.5%            |
| Other                  | 37.6                        | 1.4              | 40.0                         | 1.1              | 6.2%         | -22.1%           |
| <b>Total</b>           | <b>584.3</b>                | <b>13.0</b>      | <b>616.0</b>                 | <b>14.0</b>      | <b>5.4%</b>  | <b>7.2%</b>      |

# Forecast of Factors Affecting Changes in Consolidated Operating Profit



(No change from the initial forecast)

(Billion yen)

| FY2022                                 | FY2023      | change     | Changes in segments |                        |                              |             |
|--|-------------|------------|---------------------|------------------------|------------------------------|-------------|
|  |             |            | Dairy products      | Beverages and desserts | Feedstuffs and seed products | Other       |
| <b>13.0</b>                            | <b>14.0</b> | <b>0.9</b> | <b>-0.8</b>         | <b>2.1</b>             | <b>0.0</b>                   | <b>-0.3</b> |
| <b>Marginal profit Subtotal</b>        | <b>7.4</b>  |            | <b>2.1</b>          | <b>4.9</b>             | <b>0.1</b>                   | <b>0.3</b>  |
| Sales unit price                       | 33.3        |            | 13.1                | 17.9                   | 2.2                          | 0.1         |
| Sales volume                           | 0.2         |            | 0.0                 | 0.0                    | 0.0                          | 0.2         |
| Product composition                    | 0.4         |            | 0.1                 | 0.3                    | 0.0                          | 0.0         |
| Raw materials costs                    | -22.6       |            | -9.2                | -11.4                  | -2.0                         | 0.0         |
| Operating costs                        | -3.9        |            | -1.9                | -1.9                   | -0.1                         | 0.0         |
| <b>Fixed costs and others Subtotal</b> | <b>-6.5</b> |            | <b>-2.9</b>         | <b>-2.8</b>            | <b>-0.1</b>                  | <b>-0.6</b> |
| Advertising and promotional costs      | -2.0        |            | -0.7                | -1.3                   | 0.0                          | 0.0         |
| Fixed costs                            | -4.5        |            | -2.2                | -1.5                   | -0.1                         | -0.6        |

FY2023 currency rate assumption: US \$1 = ¥135

Currency sensitivity (nonconsolidated operating profit-based): Yen appreciation of ¥1 = +¥0.17 bn

# Measures in the Current Fiscal Year

## Measures for cost increases

8/1~ Responded to increased cost of raw milk prices for beverages

Beverages and Desserts

Consumer milk, milk beverages, yogurt: 68 products

Commercial

Milk, yogurt: 6 products

Revision rate

Consumer: Prices: Approx. 4 to 18%

Commercial: Prices: Approx. 7 to 11%



Product examples

10/1~ Response to rising prices of imported raw materials

Nutrition

Infant formula : Raising prices of 4 products by approx. 7%

## Measures for volume expansion, demand growth

Taking thorough measures to expand sales of cheese

Suggesting and creating opportunities to enjoy cheese

Stimulating demand for cheese as a snack



Expand sales of function-added foods

Sales expansion of MBP Drink

Sales expansion of value-added yogurt



# Make the Future with Milk



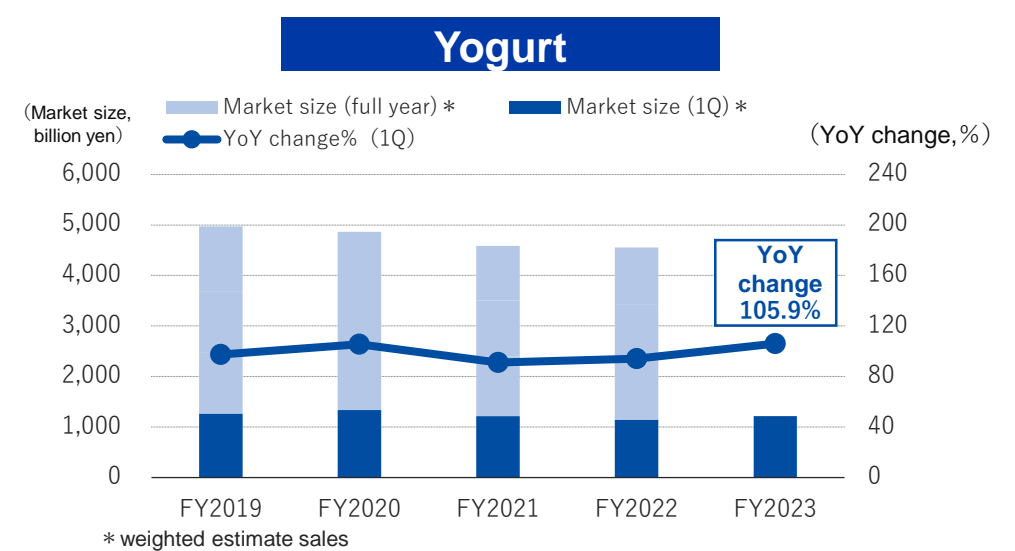
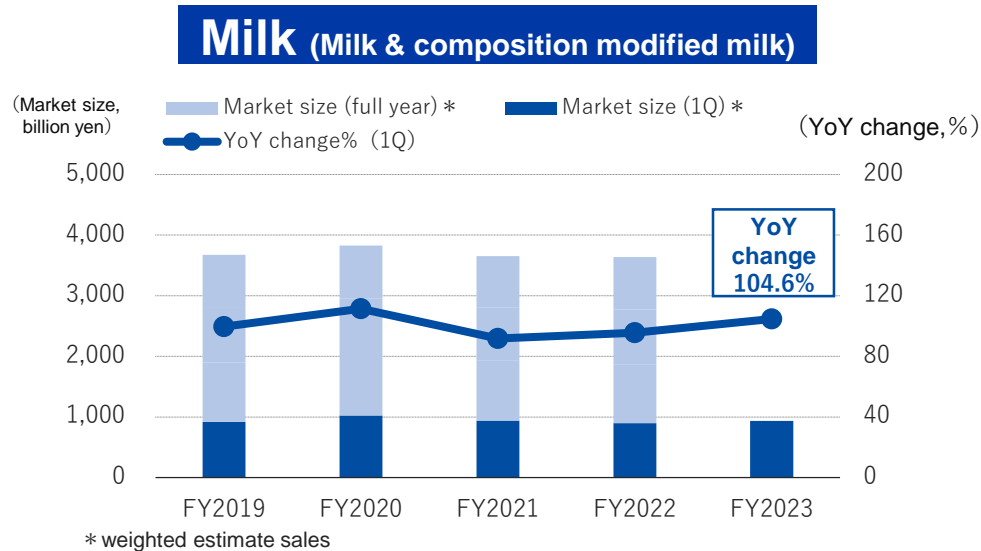
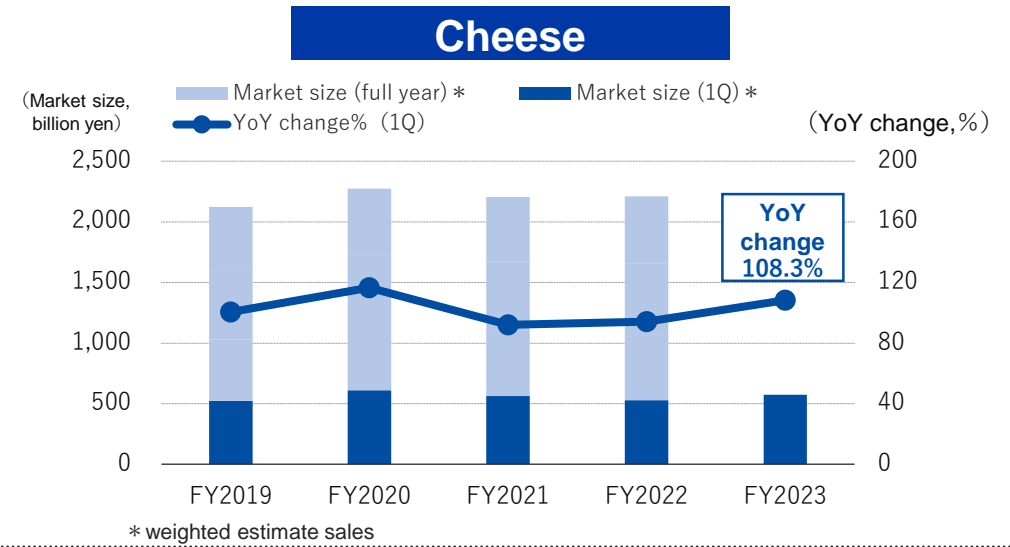
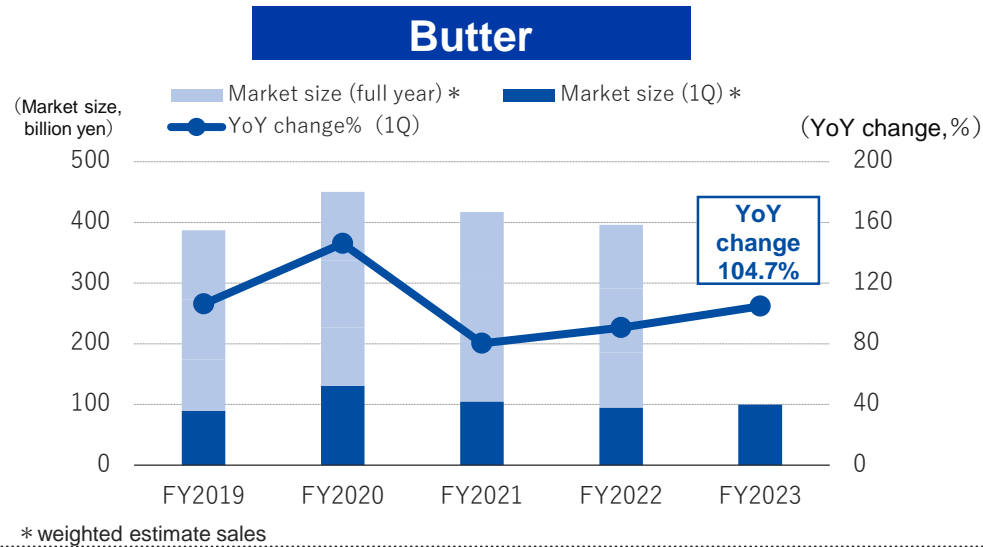
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# Data: Market Trends of the nationwide Consumer Products

Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2023 to June 2023



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

## Market share (of household consumption)

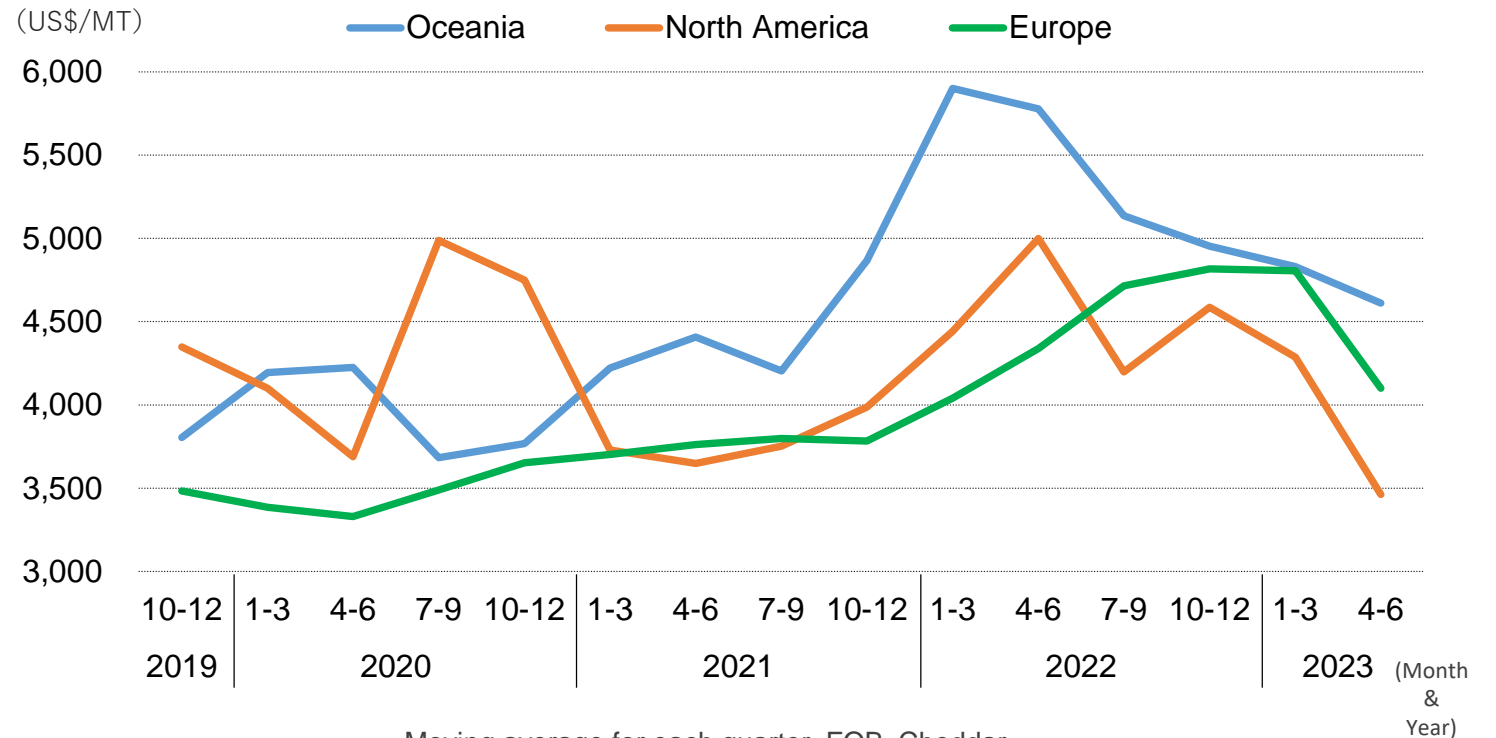
Megmilk Snow Brand's share of the nationwide consumer market on an estimated total sales basis for the first three months of the fiscal year ending March 31, 2024  
( April 2023 to June 2023 )

### Retail store POS data

|  |       |
|--|-------|
| Butter                                     | 48.0% |
| Margarine                                  | 51.8% |
| Cheese                                     | 25.7% |
| Milk<br>(Milk & composition modified milk) | 5.2%  |
| Milk beverage                              | 13.7% |
| Yogurt                                     | 11.5% |
| Dessert<br>(Chilled Products)              | 17.9% |

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

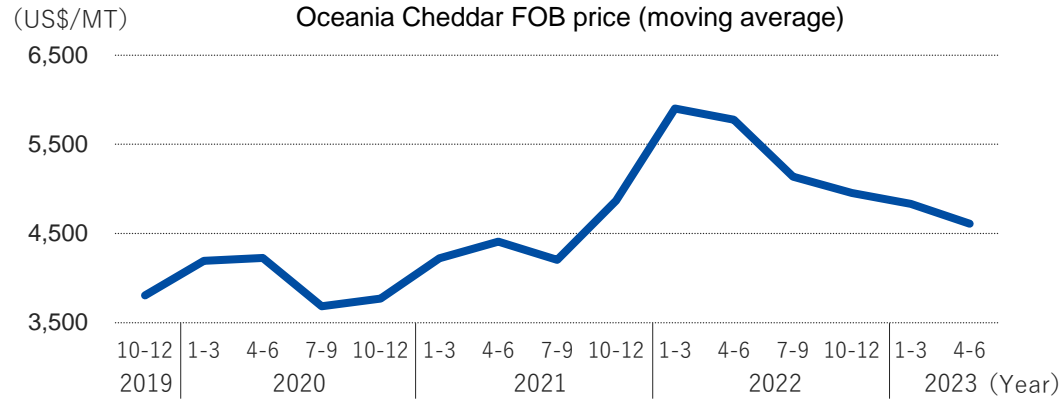
## Transitions in overseas cheese prices



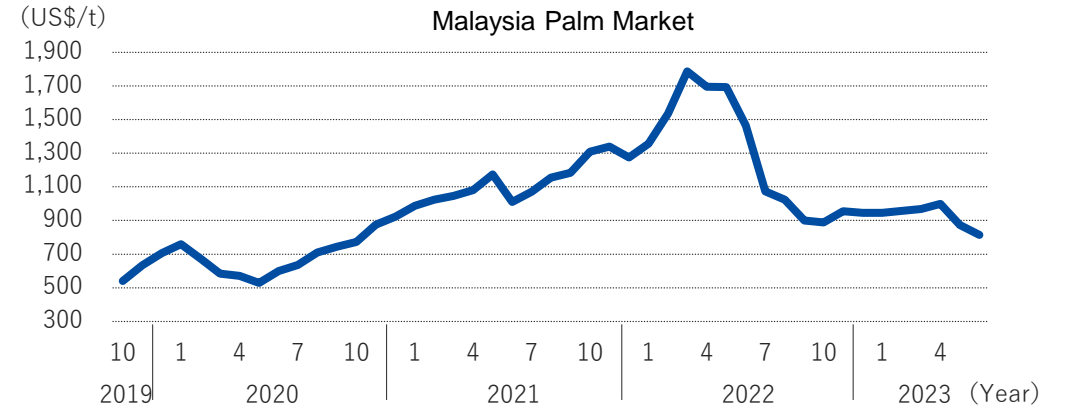
Moving average for each quarter, FOB, Cheddar  
OCE-USDA, Cheddar USA-CME, Cheddar EU-MMO

# Data: Actual and forecast raw material costs

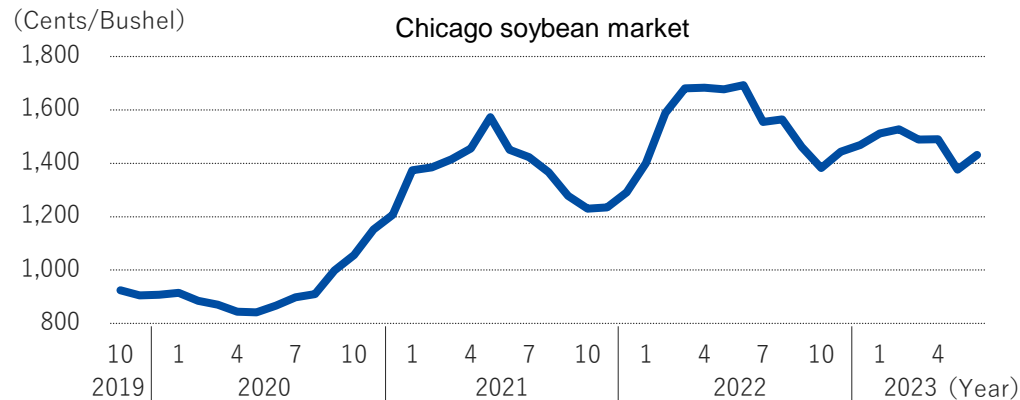
## Imported raw cheese



## Raw materials for palm oil



## Raw materials for soybean oil



## Raw materials for rapeseed oil

