



# The First Half of the Fiscal Year Ending March 2024 (FY2023) Financial Results

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November 10, 2023

Representative Director and President

**Masatoshi Sato**

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## Consolidated Earnings for the First Half of the Fiscal Year Ending March 2024



### Summary of Results

# Increased Net Sales and Profits

Net Sales	305.6 billion yen	YoY change 16.6 billion yen / 5.7 %
Operating Profit	11.2 billion yen	YoY change 3.8 billion yen / 53.0 %
Ordinary Profit	12.2 billion yen	YoY change 5.3 billion yen / 77.8 %
Profit *	7.6 billion yen	YoY change 5.3 billion yen / 234.5 %

\* Profit attributable to owners of parent

## Results of Initiatives in the First Half of the Fiscal Year Ending March 2024



### Status of Measures Aimed at Priority Initiatives in the Current Fiscal Year

#### Measures for Cost Increases

- Responded to raw milk prices and other costs increases through price revisions and other measures. The revisions have steadily taken effect in the market.

#### Measures for Volume Expansion, Profit Growth

- Strengthened promotions to limit reductions in volume in response to price revisions. Worked to stimulate demand.
- Launch products with value appeal to expand profit.

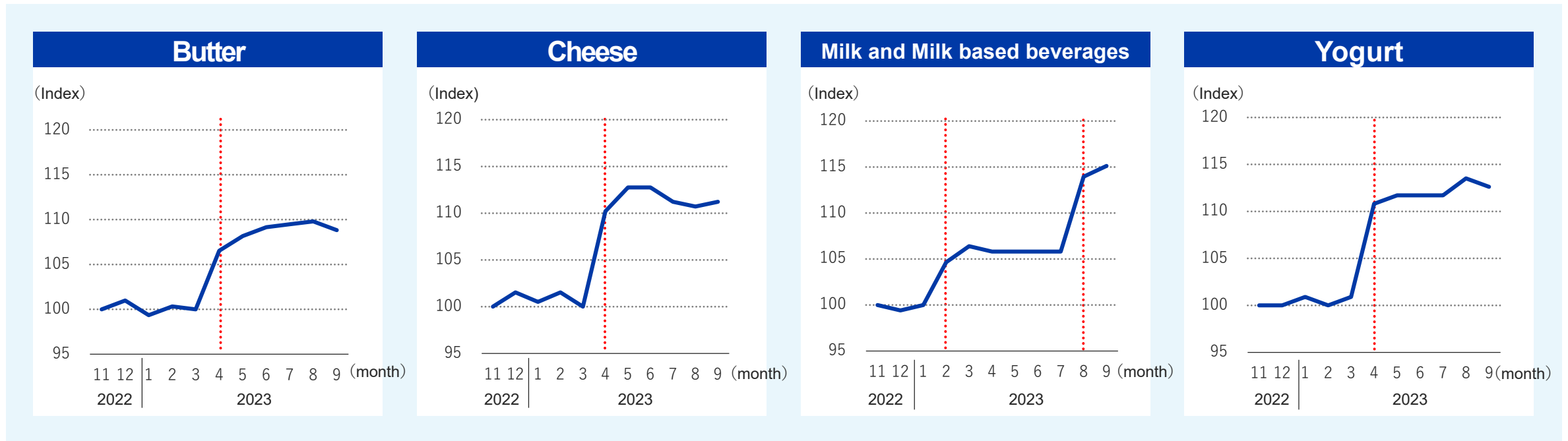
## Implementation Status of Megmilk Snow Brand's Price Revisions

FY2022					FY2023				
	Apr.	Sep.	Nov.	Feb.	Apr.	Jul.	Aug.	Oct.	Dec.
Major Product Lines	<ul style="list-style-type: none"><li>● Processed Cheese</li><li>● Natural Cheese</li><li>● Lard</li></ul>	<ul style="list-style-type: none"><li>● Margarine</li><li>● Processed Cheese</li><li>● Natural Cheese</li><li>● Powdered Milk</li></ul>	<ul style="list-style-type: none"><li>● Milk and milk based beverages</li><li>● Yogurt</li><li>● Dessert</li></ul>	<ul style="list-style-type: none"><li>● Milk based beverages</li><li>● Fruit Juice</li><li>● Vegetable Juice</li><li>● Dessert</li></ul>	<ul style="list-style-type: none"><li>● Butter</li><li>● Processed Cheese</li><li>● Natural Cheese</li><li>● Yogurt</li><li>● Dessert</li></ul>	<ul style="list-style-type: none"><li>● Natural Cheese</li><li>● Powdered Milk</li></ul>	<ul style="list-style-type: none"><li>● Milk and milk based beverages</li><li>● Yogurt</li><li>● Dessert</li></ul>	<ul style="list-style-type: none"><li>● Powdered Milk</li></ul>	<ul style="list-style-type: none"><li>● Butter</li><li>● Cream</li><li>● Milk based beverages</li></ul>
Revision Rate	approx.3-20%	<ul style="list-style-type: none"><li>● Price : approx.5-15%</li><li>● Volume : approx.5-6%</li></ul>	approx.4-13%	approx.4-26%	approx.3-19%	approx.5-14%	approx.4-17%	approx.8%	approx.2-7%
Key Factors	Sharply rising import costs	Soaring costs of imported raw cheese and margarine ingredients	Rising drinking and fermented milk prices	Sharply rising raw material prices	Rising butter, cheese, yogurt and other milk prices	Sharply rising raw material prices	Rising drinking milk prices	Sharply rising raw material prices	Rising butter and fresh cream milk prices

## Results of Initiatives in the First Half of the Year

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

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

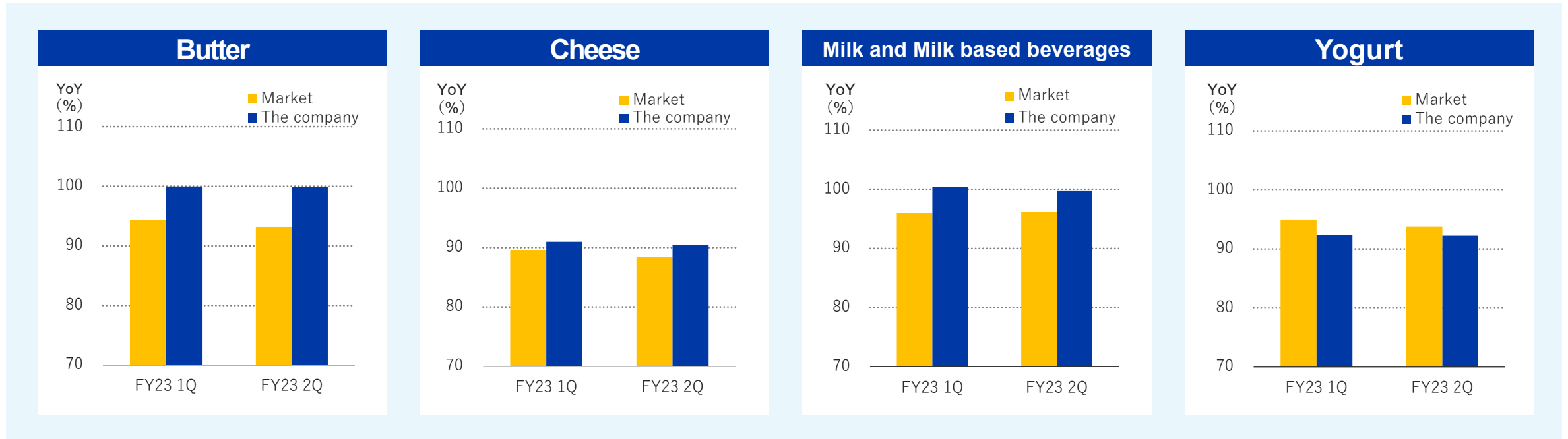


Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from November 2022 to September 2023

- (1) Maintained price revisions of both butter and cheese for household use
- (2) Maintained sales unit prices revised in February and August for milk (milk + milk-based beverages) and in April for Yogurt

## Results of Initiatives in the First Half of the Year

### Consumer Products: Year-on-Year Volume

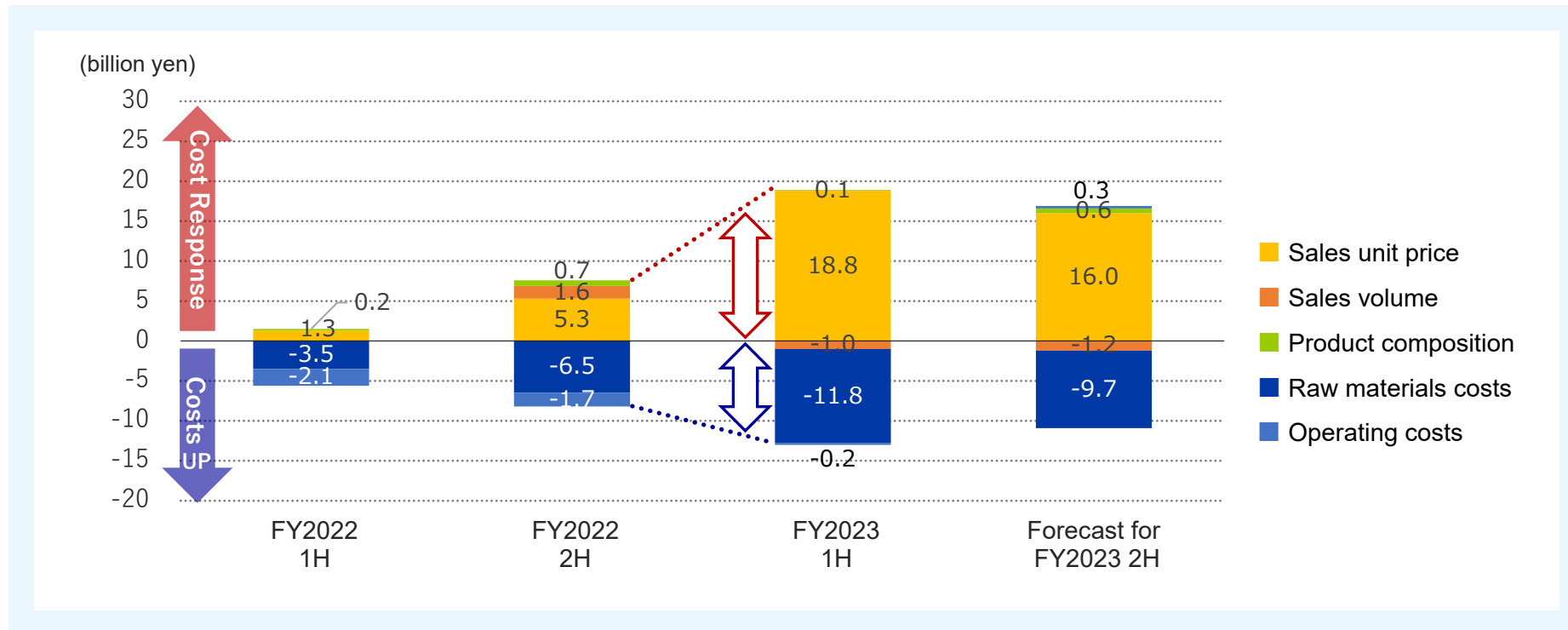


Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2023 to September 2023

- (1) Butter volume remained on par with the previous year, Cheese volume declined but was above market levels
- (2) Milk (milk + milk-based beverages) performed strongly compared with the previous year's market.  
While volume of family-type yogurt remained firm, growth of functional yogurt was sluggish, resulting in lower volume than the market overall.

## Measures for Cost Increases

### Change in Cost Increases and Responses



- In FY2022 price revisions had not caught up with cost increases, but from FY2023 our response measures absorbed the cost increases and changed the structure.

## Results by segment

(billion yen)

	FY2022 1H		FY2023 1H		% Change YoY	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Products	120.1	4.9	126.5	5.0	5.3%	3.1%
Beverages and Desserts	122.4	0.7	132.0	3.6	7.9%	406.2%
Feedstuffs and Seed	27.5	0.8	27.0	0.7	-1.6%	-8.1%
Other	18.9	0.8	20.0	1.6	5.4%	98.3%
Total	289.0	7.3	305.6	11.2	5.7%	53.0%

- Prices in Dairy Products and Beverages and Desserts, which were revised in April, were taking effect. The cost impact was also less than expected.
- Limits on milk production had an effect on Feedstuffs and Seed

## Factors Affecting Changes in Operating Profit

(Billion yen)

FY2022 1H	FY2023 1H	Change	Changes in segments			
7.3	11.2	3.8	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			0.1	2.9	-0	0.8
<b>Marginal profit Subtotal</b>	<b>5.9</b>		<b>1.0</b>	<b>4.0</b>	<b>-0.1</b>	<b>0.9</b>
Sales unit price	18.8		6.6	11.4	0.8	0
Sales volume	-1.0		-1.3	-0.5	-0.2	0.9
Product composition	0.1		0.2	-0.1	0	0
Raw materials costs	-11.8		-4.6	-6.5	-0.7	0
Operating costs	-0.2		0.1	-0.3	0	0
<b>Fixed costs and others Subtotal</b>	<b>-2.1</b>		<b>-0.9</b>	<b>-1.1</b>	<b>0.1</b>	<b>-0.1</b>
Advertising and promotional costs	-0.7		-0.1	-0.6	0	0
Fixed costs	-1.4		-0.8	-0.5	0.1	-0.1

## Forecast of Consolidated Financial Results FY2023 Full Year

(Revised from initial forecast)



### Full Year Forecast

(Billion yen)

	Full year Results of FY2022	Previous full-year forecast of FY2023 (in May)	FY2023 revised full-year forecast	Revision difference
Net Sales	584.3	616.0	616.0	0
Operating profit	13.0	14.0	18.2	4.2
Ordinary Profit	14.4	15.0	19.5	4.5
Profit *	9.1	9.5	12.2	2.7

\* Profit attributable to owners of parent

### Dividends

Ordinary dividend	60yen
Consolidated payout ratio	33.2%

## Full-year forecast by segment (Revised from initial forecast)

(Billion yen)

	Full year Results of FY2022		Previous full-year forecast of FY2023 (in May)		FY2023 revised forecast		Revision difference	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Products	252.0	9.7	264.5	8.8	264.5	10.6	0	1.7
Beverages and Desserts	241.1	1.6	256.0	3.7	258.0	5.3	2.0	1.5
Feedstuffs and Seed	53.4	0.2	55.5	0.2	53.5	0.0	-2.0	-0.2
Other	37.6	1.4	40.0	1.1	40.0	2.2	0	1.0
Total	584.3	13.0	616.0	14.0	616.0	18.2	0	4.2

## Forecast of Factors Affecting Changes in Consolidated Operating Profit

(Revised from initial forecast)

(Billion yen)

FY2022	FY2023	Change	Changes in segments			
13.0	18.2	5.1	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			0.8	3.6	-0.1	0.7
<b>Marginal profit Subtotal</b>	<b>11.9</b>		<b>3.9</b>	<b>6.8</b>	<b>-0.1</b>	<b>1.2</b>
Sales unit price	34.7		14.8	20.6	-0.9	1
Sales volume	-2.0		-1.9	-1.4	0	1.3
Product composition	0.7		0.7	0	0	0
Raw materials costs	-21.5		-10.1	-12.3	0.9	0
Operating costs	0		0.4	-0.1	-0.1	-0.2
<b>Fixed costs and others Subtotal</b>	<b>-6.8</b>		<b>-3.1</b>	<b>-3.2</b>	<b>0</b>	<b>-0.5</b>
Advertising and promotional costs	-2.4		-0.7	-1.7	0	0
Fixed costs	-4.4		-2.4	-1.5	0	-0.5

## Forecast of Factors Affecting Changes in Consolidated Operating Profit

(Difference from initial forecast )

(Billion yen)

	Previous full-year forecast of FY2023 (in May)	Full-year forecast (After revision)	Difference due to revision	Factors behind difference from forecast
<b>Marginal profit Subtotal</b>	<b>7.4</b>	<b>11.9</b>	<b>4.5</b>	
Sales unit price	33.3	<b>34.7</b>	<b>1.4</b>	Dairy Product +1.7, Beverage and Dessert +2.7, Feedstuffs and seed products -3.1
Sales volume	0.2	<b>-2.0</b>	<b>-2.2</b>	Lower volume due to price revisions
Product composition	0.4	<b>0.7</b>	<b>0.3</b>	Dairy Product +0.6, Beverage and Dessert -0.3
Raw materials costs	-22.6	<b>-21.5</b>	<b>1.1</b>	Revision to milk prices in December -0.5, Feedstuffs and seed products +2.9
Operating costs	-3.9	<b>0</b>	<b>3.9</b>	Energy +4.3, Logistics -0.4
<b>Fixed costs and others Subtotal</b>	<b>-6.5</b>	<b>-6.8</b>	<b>-0.3</b>	
Advertising and promotional costs	-2.0	<b>-2.4</b>	<b>-0.4</b>	Beverage and Dessert -0.4
Fixed costs	-4.5	<b>-4.4</b>	<b>0.1</b>	



### 3 Segment-specific Initiatives



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

FY2023

(Billion yen)

	1H Result	1H YoY Change	1H Revision difference	2H Forecast	2H YoY Change	Full-year forecast	Full-year forecast YoY Change
Butter	12.2	105.2%	91.4%	16.4	104.8%	28.6	105.0%
Margarine	4.1	105.7%	106.5%	4.3	100.7%	8.5	103.1%
Cheese	29.0	105.9%	94.8%	32.8	109.2%	61.9	107.6%
Other	13.6	97.1%	104.2%	14.1	98.8%	27.8	97.9%
Subsidiaries and other	67.4	106.9%	103.8%	70.1	103.9%	137.5	105.4%
Total	126.5	105.3%	100.4%	137.9	104.6%	264.5	104.9%

- Butter: Sales remained strong even after the price revision.
- Margarines : Influx of some demand from butter
- Cheese: Effects of price revisions and various promotions



### 3 Segment-specific Initiatives

## Dairy Products Future Initiatives



Sakeru  
Cheese

## Key Measures to Stimulate Demand

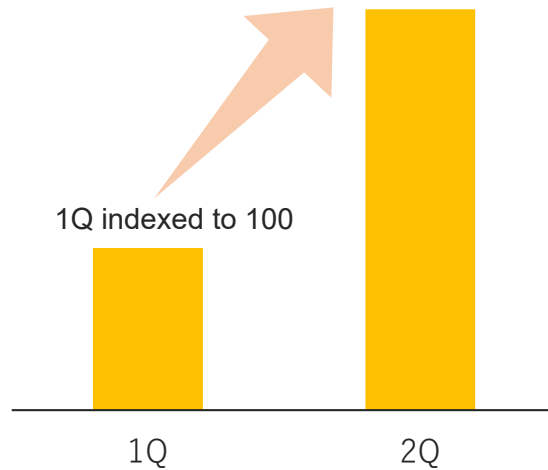
### Utilization of New Production System

The new production system has been in place since July, with sales volume making double-digit increases from 2Q



Double-digit increase

1Q indexed to 100



### Product mix strategy

Tapping into demand for snacks with new flavors

NEW



Sakeru Cheese consommé flavor

### Promotion

Launch of TV commercials





### 3 Segment-specific Initiatives

## Dairy Products : Future Initiatives



Camambert



### Key Measures to Stimulate Demand



Processed Cheese and Others

#### Promotion

##### Launch of web-based commercials



Highlighting the delicious flavor of camambert cheese

##### Highlighting dishes for autumn and winter



Camambert cheese and butter ajillo

#### Promotion

##### Rollout of new concept products

Great for everyday meals! Just pour over to instantly transform a recipe into a cheese-flavored dish!



In-store promotional panel

##### Simulating purchasing desire with campaigns offering extra volume in products



Campaign for sliced cheese with extra volume

##### Launch of TV commercial (6P Cheese)





### 3 Segment-specific Initiatives

## Beverages and Desserts Net Sales



**FY2023**

(Billion yen)

	1H Result	1H YoY Change	1H Revision difference	2H Forecast	2H YoY Change	Full-year forecast	Full-year forecast YoY Change
Milk and milk-based beverages	39.9	112.0%	103.7	39.8	110.7%	79.7	111.3%
Other beverages	16.0	103.7%	99.2	13.8	101.4%	29.8	102.6%
Yogurt	25.9	105.5%	91.8	25.0	107.5%	50.9	106.5%
Desserts and fresh cream	12.6	112.7%	100.8	13.1	108.9%	25.8	110.7%
Other	1.9	117.4%	105.9	1.9	97.2%	3.8	106.2%
Subsidiaries and other	35.5	105.2%	102.5	32.1	101.4%	67.6	103.3%
<b>Total</b>	<b>132.0</b>	<b>107.9%</b>	<b>100.0</b>	<b>125.9</b>	<b>106.1%</b>	<b>258.0</b>	<b>107.0%</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.
- Yogurt: Sales of family-type yogurt remained firm. Sales of yogurt with function claims were recovering.



## Key Measures to Stimulate Demand

### Supporting Bone Health Through the MBP Series Overall

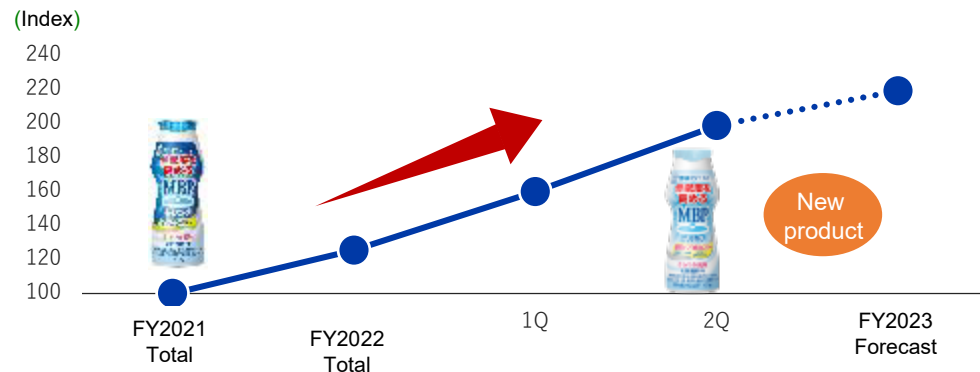
#### Development of MBP Drink products

**New release of reduced sugar and low calorie products to meet customer needs**

- MBP Drink has growth steadily
- We responded to customers looking for reduced sugar varieties

#### Change in Average Sold Per Day for MBP Drink from Megmilk Snow Brand

(Figures with FY2021 indexed to 100)



#### Promotion

**Synergy effects of the product lineup**



We expect synergy effects across the category by promoting understanding of the functions



MBP Drink



Mainichi Hone Care MBP®

#### TVCM



## Functional Yogurt

### Release of new products with additional value



We released new innovative products fortified with protein in addition to our proprietary ingredients such as MBP and Gasser Strain yogurts with health functions.

### Promotion



Launch of a television commercial highlighting the benefits of Gasser Strain Yogurt



New commercials planned for the hay fever season

## Family-type Yogurt

### Promotion

- Further growth by gaining solid fans of family-type yogurt



Highlighting support for students taking entrance exams on packaging



Gaining fans through the distribution of LINE stickers and campaigns to post images playing with the cutout art included in packaging on social media

## Beverages and Desserts : Entry into the Plant-based Food (PBF) Market

### Creation of a new value chain leveraging the knowledge gained from milk



New entry into the market with a focus on green peas

#### Entry into the yogurt and beverage market

Plants to release new products next spring in the Beverages and Desserts sector as the first step

Advance release in the Kanto, Chubu and Kansai regions



**Nature Megumi Plant-based**

Nationwide release



**Megumi Gasseri SP Strain Plant-based**

Nationwide release



**Plant Label Pea Drink**



**Plant Label Oat Drink**

Develop the category as a new pillar



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

**FY2023**

(Billion yen)

	1H Result	1H YoY Change	1H Revision difference	2H Forecast	2H YoY Change	Full-year forecast	Full-year forecast YoY Change
Functional food products	4.5	102.6%	95.8%	4.8	105.3%	9.3	104.0%
Powdered milk and other	5.3	97.9%	91.4%	5.5	103.5%	10.8	100.6%
<b>Total Sales</b>	<b>9.8</b>	<b>100.0%</b>	<b>93.4%</b>	<b>10.3</b>	<b>104.3%</b>	<b>20.2</b>	<b>102.1%</b>

- Functional food products: Secured increase sales primarily through Mainichi Hone Care MBP®  
Increase sales of ingredients overseas.
- Powdered milk and other: Sales declined due to lower births and other factors.



### 3 Segment-specific Initiatives

## Nutrition (as a part of the Dairy Products segment) Future Initiatives



### Expansion of the functional food products business

#### Product Expansion

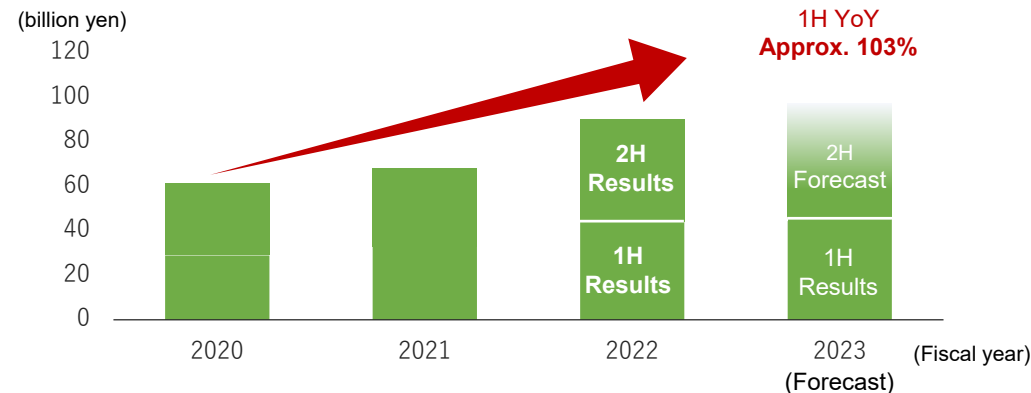
- Launch of products with new functions backed up by evidence
- Plans to enhance the lineup



#### Channel expansion

- In addition to subscription-based sales channels, channel width was expanded with the utilization of mall-type online sales channels

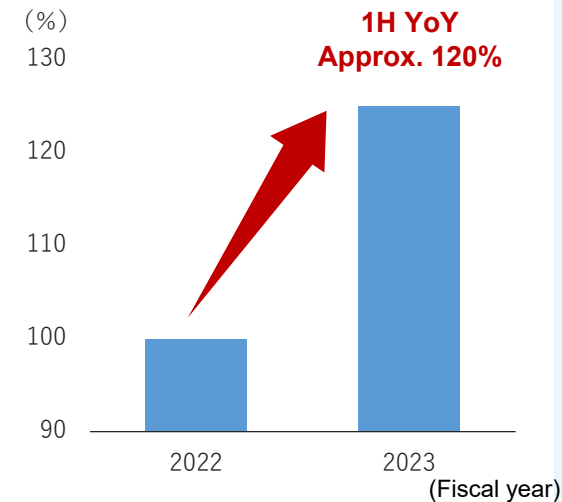
#### Change in Sales of Functional Food Products



### Sales of functional ingredients overseas

- Sales of functional food ingredients expanded in South Korea and North America
- Plans to expand sales in East and Southeast Asia in the future

#### Overseas sales amount for functional food ingredients



- ☑ MBP ingredients obtained "Health Functional Food Ingredient" certification in South Korea



## Feedstuffs and Seed Products Net Sales

FY2023

(Billion yen)

	1H Result	1H YoY Change	1H Revision difference	2H Forecast	2H YoY Change	Full-year forecast	Full-year forecast YoY Change
Feedstuffs	20.9	98.0%	93.8%	23.1	101.4%	44.0	99.8%
Seed products	6.1	99.5%	99.2%	3.2	104.7%	9.4	101.3%
Total Sales	27.0	98.4%	95.0%	26.4	101.8%	53.5	100.0%

### Results in the First Half

- Feedstuffs: Sales declined due to limits on milk production and other factors
- Seed: Increased sales of corn and wheat

### Initiatives in the Second Half

- Feedstuffs: Propose blended fees catering to the management environment of dairy farming production
- Seed: Widespread adoption of crop seeds for self-supplied feed

## Progress of Initiatives Based on an Awareness of Capital Markets

### Responding to requests from the Tokyo Stock Exchange

#### (1) Practicing management based on an awareness of share price and the cost of capital

- Consideration of approaches and initiatives for improved corporate value based on an awareness of the cost of capital
- \*Scheduled for disclosure in May 2024

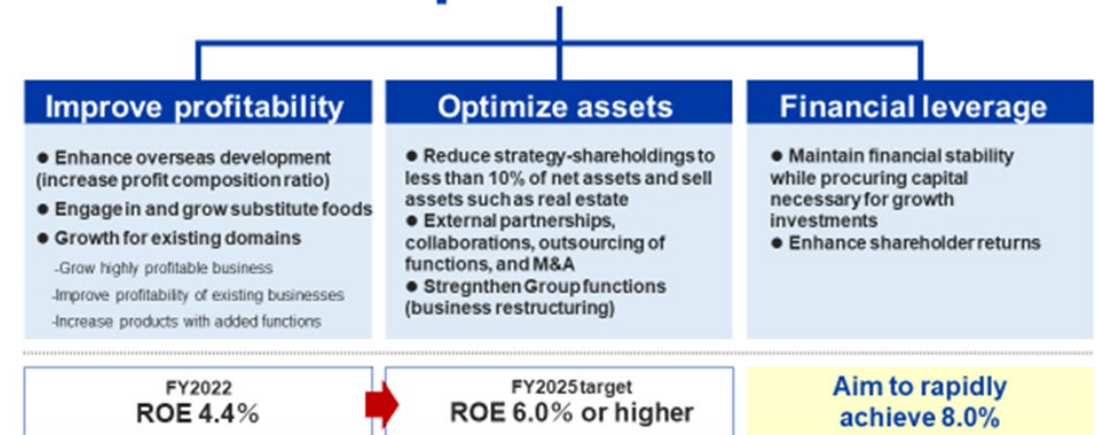
#### (2) Disclosures on the implementation status of dialogue with shareholders and other stakeholders

- The status of dialogue in FY2022 has been disclosed on the Company's IR website (September 7, 2023)
- In the future, information will be disclosed on the website as it becomes available

### Status of improvements to capital efficiency

May 15, 2023 resubmission of disclosure materials

#### Improve ROE



#### Progress on the reduction of strategic shareholdings based on the Group Medium-term Management Plan

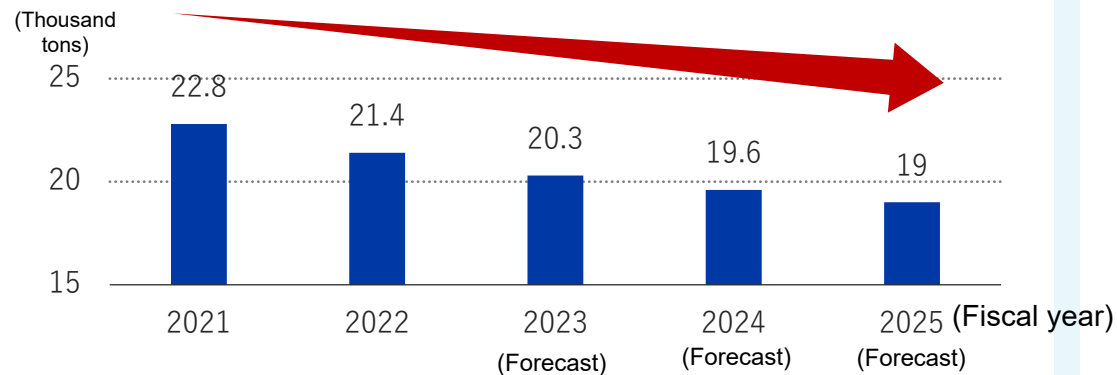
- (1) Formulated response measures on the sale of strategic shareholdings
- (2) Began discussions with individual shareholding counterparts
- (3) Achieved reduction of strategic shareholdings to account for less than 10% of net assets during the term of the Medium-term Management Plan (progress to be disclosed in May 2024)

## Action on Climate Change

### Initiatives based on the TCFD\* Recommendations

In May 2023, the Megmilk Snow Brand Group declared that it would pursue initiatives aimed at achieving carbon neutrality with net zero greenhouse gas emissions by 2050.

\*Task Force on Climate-related Financial Disclosures



FY2023

**Expected to clear the target reduction in CO<sub>2</sub> emissions of 209,000 tons**

### Risk factor

### Main action in FY2022

#### Carbon price

- Converted the boiler system to run on liquid natural gas (LNG) and introduced methane fermentation equipment to reduce CO<sub>2</sub> emissions (Taiki Plant).
- Installed photovoltaic systems to expand the use of renewable energy in three plant. (Installed in Ebina Plant, July 2023)



Launch of biomass energy facility at the Taiki Plant



Solar power generation facility (Ebina Plant)

## Action on Climate Change

Risk factor	Main action in FY2022
Changes in consumer awareness	<ul style="list-style-type: none"> <li>● Changed straws included with products for household use to those containing biomass plastic.</li> <li>● Began providing straws containing biomass plastic with milk for school meals and introduced straw-less cartons (April 2023).</li> </ul>
Increasing Average Temperature	<ul style="list-style-type: none"> <li>● Installed backwash water recovery equipment (Ebina Plant).</li> <li>● Set a new KPI for increasing the area planted with green manure seeds (Snow Brand Seed Co., Ltd.).</li> </ul>
Increase in Frequency and severity of extreme Weather events	<ul style="list-style-type: none"> <li>● Reassessed water risks at manufacturing sites.</li> <li>● Conducted periodic drills to check the operation of emergency generators installed at all seven plants in Hokkaido in preparation for emergencies.</li> </ul>

\* Filter backwash water recovery equipment: Equipment that collects water from a filter after flushing

### Petroleum-derived plastics

FY2023

**Expected reduction of approx.  
54 million bottles  
(approx. 18 tons)  
from the previous year**

Adoption of straw-less milk for school lunches and biomass plastics for straws included with consumer products



### Water usage from May 2023

**Expected reduction of  
26,000m<sup>3</sup> per year  
from the previous year**

Filter backwash water recovery equipment (Ebina Plant)



## Initiatives Contributing to Dairy Farming Production



Contributing to dairy farming production by solving demand and supply issues for milk and dairy products through the development of export routes



### Obtained Halal certification for skim milk produced at the Horonobe Plant

Halal certification was obtained for skim milk (25kg) produced at the Megmilk Snow Brand Horonobe Plant.

(released June 6, 2023)

To expand sales channels for Japanese dairy products and strengthen sales in Asia, we will work on exporting the skim milk as an ingredient used in products for the halal market in Southeast Asian countries.



Halal-certified skim milk and butter produced at the Horonobe Plant in Hokkaido

# 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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## Group Medium-term Management Plan 2025 : Progress on Six Strategic Issues

(Billion yen)

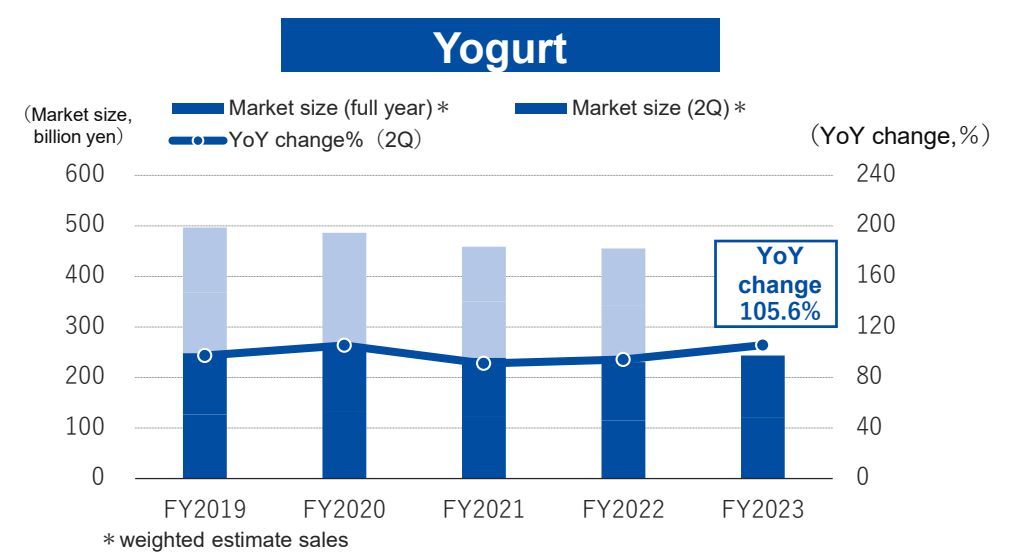
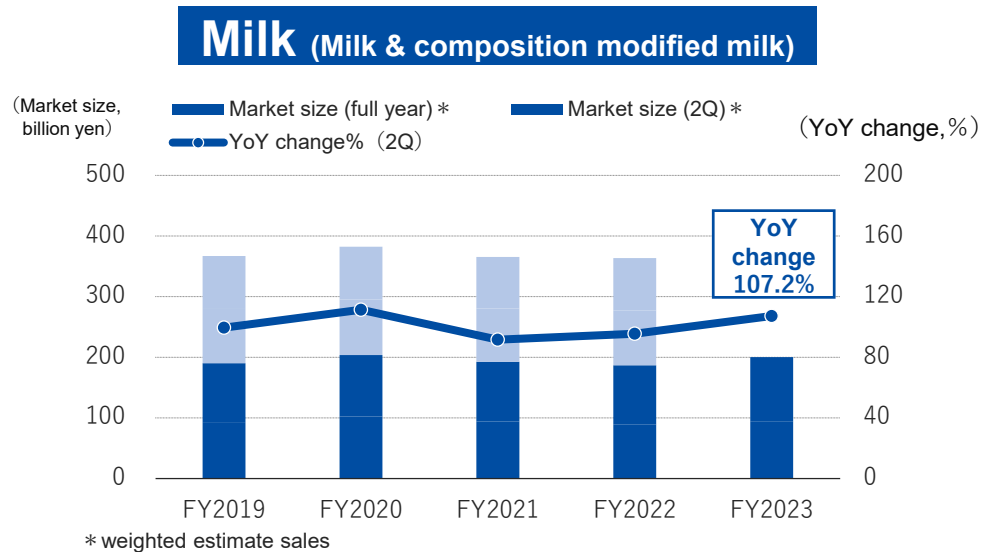
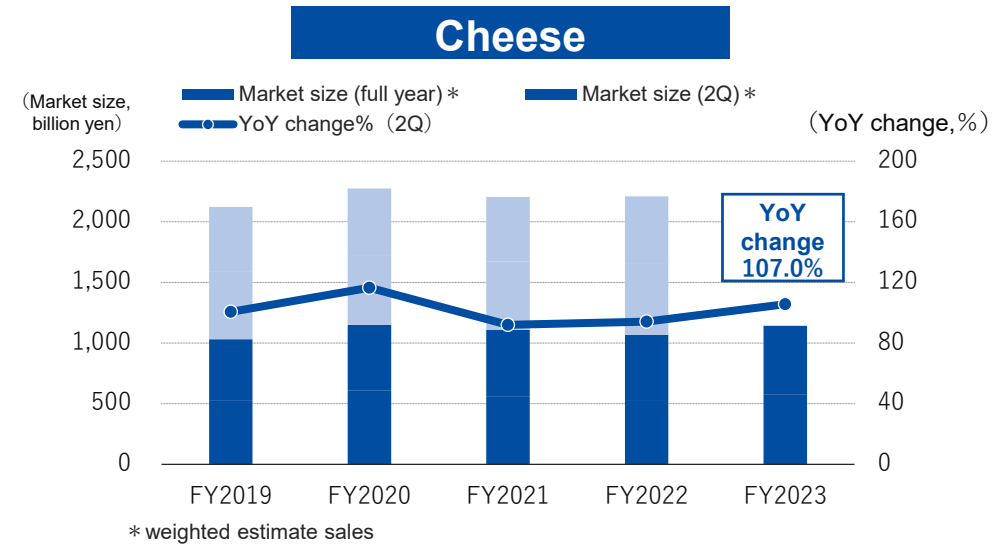
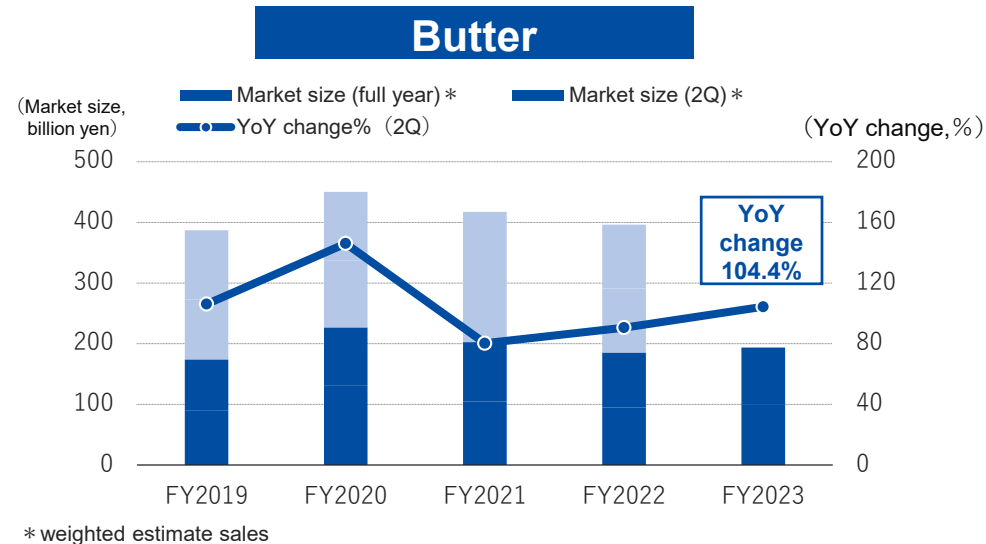
	Progress in FY2023		Progress rate (%)	Group Medium-term Management Plan 2025 Target
	First half of FY2022	First half of FY2023		
Sales of substitute foods	—	—	0	6.0
Sales of function-added foods	28.0	29.3	41.9	70.0
Composition of overseas operating profit (%)	4.2	0.4	4.3	8.5
Sales of cheese products	32.3	34.6	43.3	80.0
Sales of market milk	88.6	96.5	48.3	200.0

Note: Results from the previous year (FY2022) will differ from the figures announced on May 15, 2023 due to revisions to the aggregation method.  
- Sales including some subsidiaries are listed.

- Products with added functions: Growth of the MBP series
- Overseas operating profit: Increased fresh raw milk procurement costs in Australia

# 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 September 2023



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

### Market share (of household consumption)

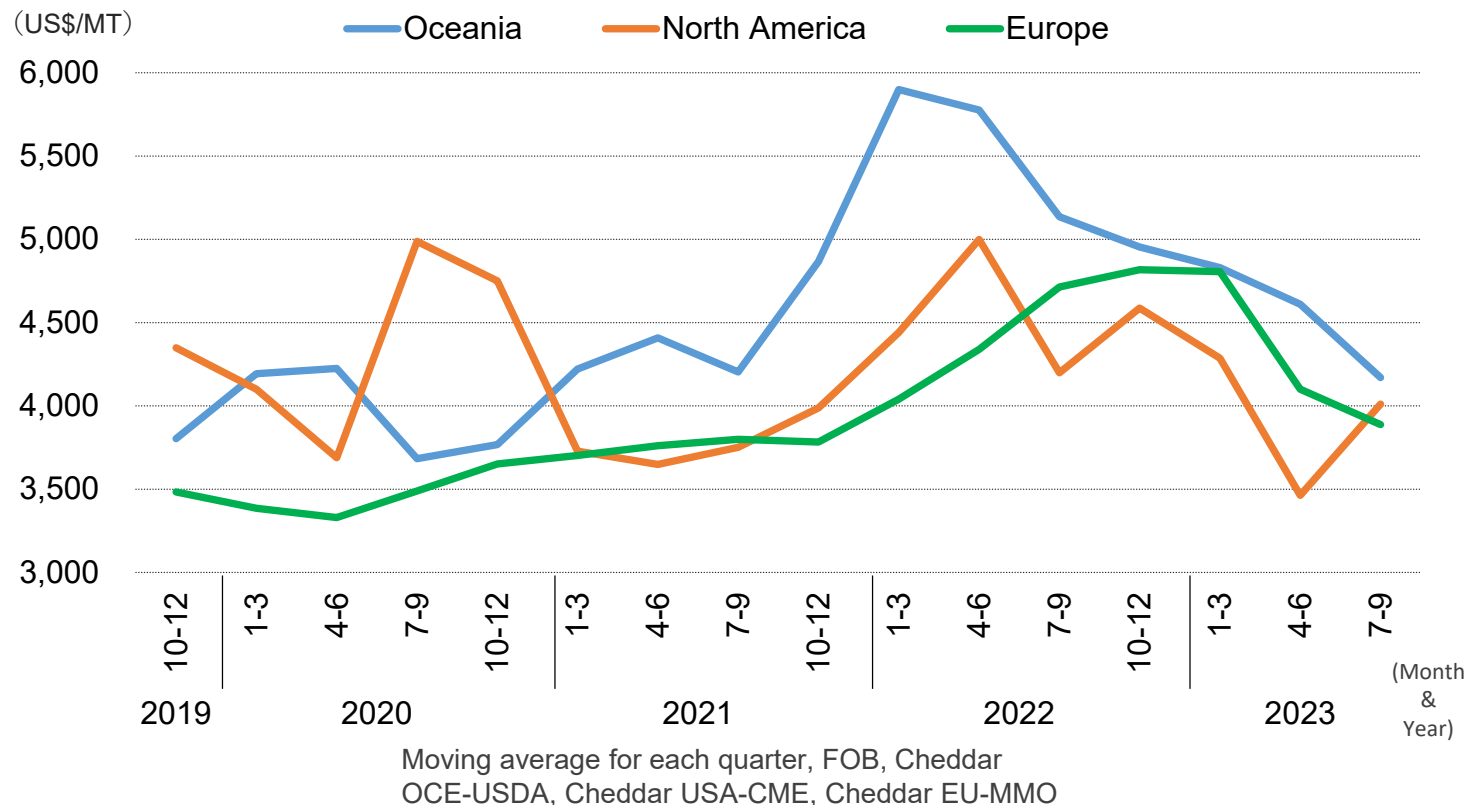
Megmilk Snow Brand's share of the nationwide consumer market on an estimated total sales basis for the first three months of the fiscal year ending March 31, 2024  
( April 2023 to September 2023 )

#### Retail store POS data

Butter	48.5%
Margarine	51.6%
Cheese	26.3%
Milk (Milk & composition modified milk)	5.0%
Milk beverage	13.7%
Yogurt	11.7%
Dessert (Chilled Products)	17.9%

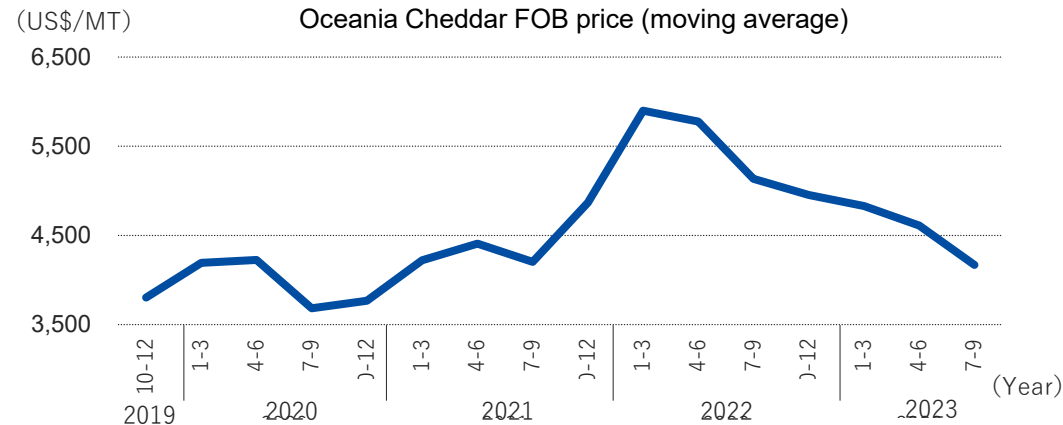
Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales.

### Transitions in overseas cheese prices

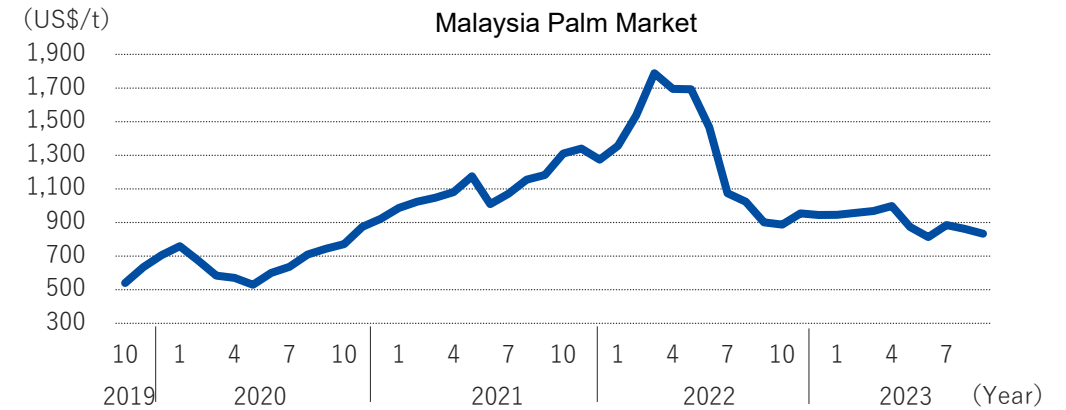


# Data: Actual and forecast raw material costs

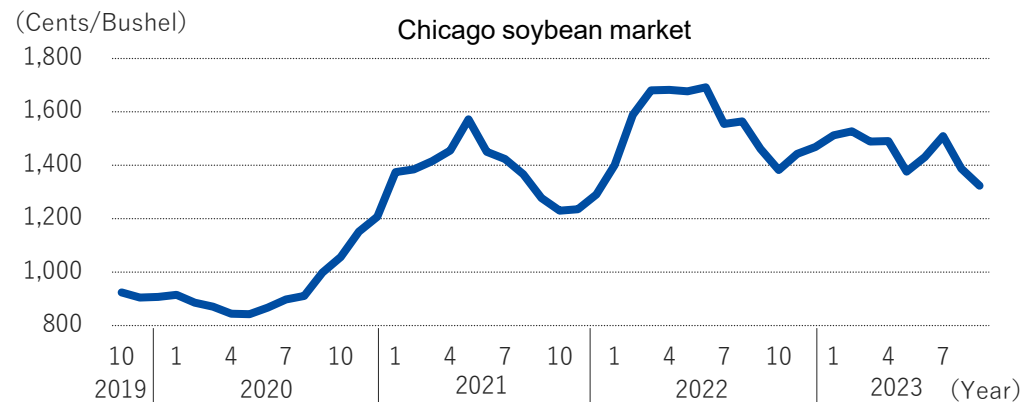
## Imported raw cheese



## Raw materials for palm oil



## Raw materials for soybean oil



## Raw materials for rapeseed oil

