



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

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February 9, 2024

Managing Executive Officer

**Seiki Todaka**

## Summary of Results

### Increased Net Sales and Profits

Net Sales	<b>460.4</b> billion yen	YoY change <b>20.1</b> billion yen / <b>4.6</b> %
Operating Profit	<b>16.3</b> billion yen	YoY change <b>5.2</b> billion yen / <b>46.9</b> %
Ordinary Profit	<b>17.7</b> billion yen	YoY change <b>6.7</b> billion yen / <b>61.4</b> %
Profit *	<b>11.3</b> billion yen	YoY change <b>5.4</b> billion yen / <b>92.9</b> %

\* Profit attributable to owners of parent

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I would like to begin with a summary of results for the first nine months.

Net sales were 460.4 billion yen, up 4.6% year on year.

Operating profit was 16.3 billion yen, a 46.9% increase year on year.

Progress against the full-year operating profit forecast of 18.2 billion yen was around 90%.

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

### Measures for Cost Increases

- Sales prices were maintained following the price revisions in the first half.
- Revised prices for butter and fresh cream products in response to the revision of milk prices in December.

### Measures for Volume Expansion, Profit Growth

- Strengthened promotions to limit reductions in volume following price revisions. Stimulated demand by suggesting opportunities and ways to enjoy products.
- Created new demand by proposing value through new products.

Moving on to an evaluation of two items we are focusing on as a priority this fiscal year. The first is measures for cost increases.

With regard to the price revisions implemented in the first half, the revised prices have been maintained.

In December, we revised product prices in line with the revised price of milk used in butter and fresh cream products.

The second is volume expansion for profit growth.

We have focused on promotions, such as suggesting opportunities and ways to enjoy products, to bolster demand following price revisions.

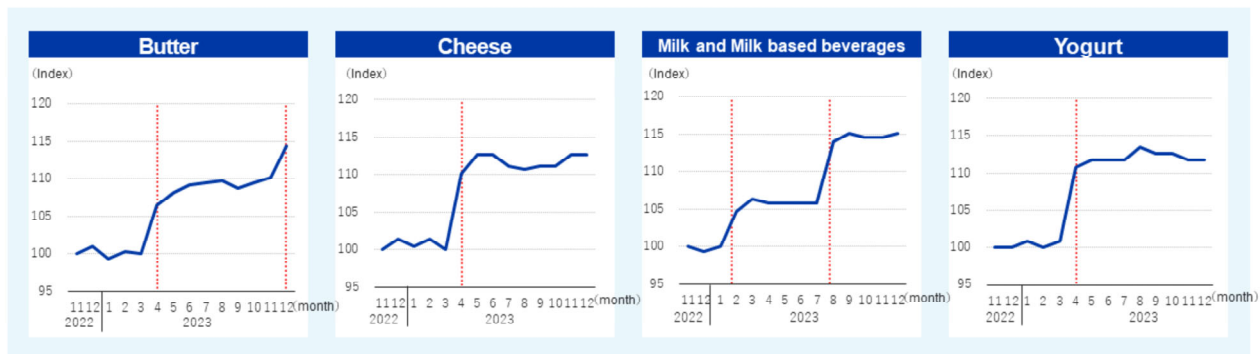
We have also worked to create demand by making new value proposals through new products.

## Results of Initiatives in the First Nine Months 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 December 2023

- (1) Butter price revisions made in December are also steadily being reflected in the market.
- (2) Maintained revised unit sales prices for cheese, milk and yogurt products.

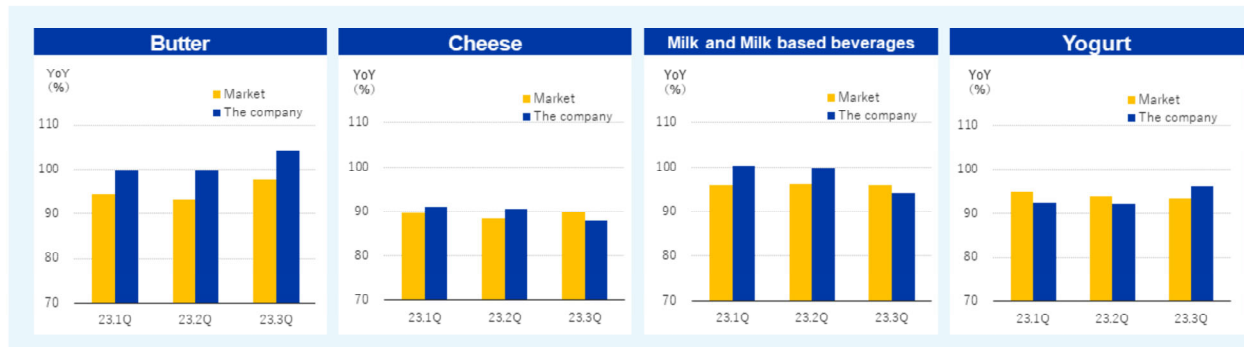
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Here are the unit sales prices of our products based on market data.

We revised prices for butter products in December.

The data for the other product categories shows that we have managed to maintain the prices we have revised so far.

## Consumer Products: Year-on-Year Volume



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

- (1) Butter sales volume is higher than the level a year earlier.
- (2) Sales volumes for cheese and milk products (milk+milk-based beverages) in the third quarter fell compared with the high levels a year earlier.
- (3) In the yogurt category, family-type products performed well but functional yogurts are still on the recovery path. Overall, sales volume improved.

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Here, you can see sales volume trends based on market data in response to the unit sales price data.

Firstly, sales of consumer products in the butter category surpassed the level a year earlier even after the April price revisions.

We intend to maintain this trend even after the further price revisions in December.

Looking at the yogurt category on the right, while sales volume in the market overall was down year on year, family-type yogurt such as Makiba no Asa and Nature Megumi performed comparatively strongly.

While functional-type yogurt is still on the recovery path, overall sales volume improved, and third-quarter sales volume was higher than the market average.

However, sales in the cheese and milk product categories were strong following the changes in product volume and price revisions in the autumn of 2022, and third-quarter sales a year later fell short of this high bar.

We will continue to focus on creating demand to ensure that the measures implemented so far firmly take hold in the market.

## Results by segment in the First Nine Months of the Year

(billion yen)

	FY2022 3Q		FY2023 3Q		% Change YoY	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Products	187.4	8.1	194.8	7.9	3.9%	-1.8%
Beverages and Desserts	183.5	1.2	196.3	5.5	7.0%	356.1%
Feedstuffs and Seed	41.0	0.3	39.3	0.4	-4.2%	33.6%
Other	28.2	1.4	29.9	2.2	6.0%	60.5%
Total	440.3	11.0	460.4	16.3	4.6%	46.9%

- Sales of in the Dairy Products and Beverages and Desserts segments increased, partly due to the effect of price revisions.
- Sales in the Feedstuffs and Seed segment decreased mainly due to lowered blended feed prices.

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Next, I would like to explain results by segment.

This shows our sales results.

The Dairy Products and Beverages and Desserts segments continued to report higher sales, due in part to the effect of price revisions.

I will explain details by category later.

Sales in the Feedstuffs and Seed segment decreased, reflecting the impact of lower blended feed prices.

In the Other segment, net sales at a distribution subsidiary rose.

## Factors Affecting Changes in Operating Profit



(Billion yen)

FY2022 3Q	FY2023 3Q	Change	Changes in segments			
11.0	16.3	5.2	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			-0.1	4.3	0.1	0.9
<b>Marginal profit Subtotal</b>		<b>9.6</b>	<b>1.9</b>	<b>6.4</b>	<b>0.1</b>	<b>1.2</b>
Sales unit price	27.6		10.2	17.6	-0.2	0
Sales volume	-2.0		-2.0	-1.0	-0.2	1.2
Product composition	0.3		0.3	0	0	0
Raw materials costs	-16.5		-7.0	-9.9	0.4	0
Operating costs	0.2		0.4	-0.3	0.1	0
<b>Fixed costs and others Subtotal</b>		<b>-4.4</b>	<b>-2.0</b>	<b>-2.1</b>	<b>0</b>	<b>-0.3</b>
Advertising and promotional costs	-1.4		-0.3	-1.1	0	0
Fixed costs	-3.0		-1.7	-1.0	0	-0.3

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I will now explain key factors affecting changes in operating profit.

Firstly, the positive impact of the difference in sales unit prices was 27.6 billion yen. However, decline in sales volume had a negative impact of 2 billion yen. The profit impacts of sales unit prices and sales volume on profit are more or less according to plan, with some adjustment between segments.

Next, raw material costs had a negative impact of 16.5 billion yen. If this trend continues, we expect the full-year impact to be around the forecast amount. Operating costs are having less of an impact, giving a slight boost to operating profit for the first nine months.

Finally, fixed costs had a negative impact of 3 billion yen. Since fixed costs had a negative impact of 1.4 billion yen in the first half, expenditure increased in the third quarter; however, this impact is mostly in line with the forecast given that most costs were expected to be incurred in the second half to begin with.

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



(Billion yen)

	FY2022 3Q	FY2023 3Q	Change	% Change YoY
Butter	19.5	20.5	0.9	5.1%
Margarine	6.2	6.4	0.2	4.1%
Cheese	43.9	45.8	1.9	4.3%
Other	21.2	20.9	-0.2	-1.4%
Subsidiaries and other	96.3	100.8	4.5	4.7%
<b>Total</b>	<b>187.4</b>	<b>194.8</b>	<b>7.3</b>	<b>3.9%</b>

- Butter: Maintained pace of sales growth.
- Margarine: Conducted campaign offering extra volume, etc.
- Cheese: In the processed cheese category, the effect of changes in product volume ran its course, while in the natural cheese category, Sakeru Cheese sold well.

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I would now like to describe the situation by segment.

Starting with Butter, we maintained sales growth of around 5%.  
We maintained a pace of growth that exceeds the market average.  
I see this as an indication of our competitiveness.

In the Margarine category, sales increased, reflecting the effect of a campaign offering extra volume for Neo Soft, in addition to price revisions.

In the consumer processed cheese category, we implemented cost measures and made changes to product volume in September last fiscal year, demonstrating our competitive edge in the market; however, this was a year ago.  
We will put effort into creating demand through promotion campaigns and new products to ensure that we can maintain the strong sales seen in the past.  
Meanwhile, the natural cheese category shows improvement in sales, driven by Sakeru Cheese.  
Thanks to products in this category, total cheese sales increased.

Sales of subsidiaries and other increased, with increased people flows and nice summer weather working in the favor of a distribution subsidiary.



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



(Billion yen)

	FY2022 3Q	FY2023 3Q	Change	% Change YoY
Functional food products	6.7	6.8	0.0	1.1%
Powdered milk and other	8.2	8.2	0.0	0.1%
Total	14.9	15.0	0.0	0.6%

- Functional foods: Sales increased, despite slow growth in online sales of health food due to the increased movement of people.
- Powdered milk including infant formula: Domestic sales increased, reflecting the effect of price revisions. Overseas sales fell mainly due to falling birth rates and fierce competition.

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Next is the Nutrition Business, which is part of the Dairy products segment.

In the functional foods category, we use subscription-based online sales channels including Mainichi Hone Care MBP®; however, this fiscal year, there has been slow growth in online sales of functional food overall due mainly to the recovery of people flows.

We will continue to focus on strengthening sales channels, including opening more online stores in mall-type online sales channels, and increase sales volume.

In the category of powdered milk including infant formula, domestic sales increased, partly due to the effect of price revisions.

However, overseas sales fell, largely due to falling birth rates and fierce competition. We are in the process of taking measures including launching Japan-made products in overseas markets.

## Beverages and Desserts Sales Results

(Billion yen)

	FY2022 3Q	FY2023 3Q	Change	% Change YoY
Milk and milk-based beverages	54.0	59.9	5.8	10.8%
Other beverages	22.5	23.0	0.5	2.4%
Yogurt	36.1	38.3	2.1	6.1%
Desserts and fresh cream	17.3	19.3	1.9	11.4%
Other	2.6	3.0	0.4	15.4%
Subsidiaries and other	50.7	52.5	1.8	3.6%
<b>Total</b>	<b>183.5</b>	<b>196.3</b>	<b>12.8</b>	<b>7.0%</b>

- Milk and milk-based beverages: Sales of Mainichi Honebuto and MBP Drink were strong.
- Other beverages: Snow Brand Coffee, including small-type products, continued to perform solidly.
- Yogurt: Sales of family-type yogurt remained firm. Sales of yogurt with function claims are still on the recovery path.

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Moving on, I will now explain performance in the Beverages and Desserts segment.

Sales in every category grew, reflecting the price revisions we have made since last fiscal year.

In the milk and milk-based beverages category, sales of Mainichi Honebuto and MBP Drink remained strong.

Meanwhile, in the other beverages category, the mainstay Snow Brand Coffee brand, including mini products, performed solidly.

In the yogurt category, family-type yogurts such as Makiba no Asa and Nature Megumi garnered customer support despite the lull in the market as a whole.

However, yogurt with function claims such as Gasseri Strain yogurt is still on the recovery path, and we will continue to focus on expanding sales going forward.

The desserts and fresh cream category showed high growth, with strong sales of the Cream Sweets series.

## Feedstuffs and Seed Products Sales Results



(Billion yen)

	FY2022 3Q	FY2023 3Q	Change	% Change YoY
Feedstuffs	33.1	31.4	-1.7	-5.3%
Seed products	7.9	7.9	0.0	0.3%
Total	41.0	39.3	-1.7	-4.2%

- Feedstuffs: Sales declined, reflecting blended feed prices that are now past their peak and limits on milk production.
- Seed: Sales of corn, wheat and other crop seeds for feed increased.

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Next let's take a look at the Feedstuffs and Seed segment.

In the feedstuffs business, blended feed prices remain at a high level but have been past their peak since the July-September quarter.

Due to this and other factors such as limits on milk production, demand for feedstuffs declined and sales fell.

In the Seed business, sales of forage grass seeds decreased due to late sowing as a result of low temperatures and heavy rainfall last spring, but sales of corn and wheat seeds increased amid the demand for greater use of self-supplied feed, resulting in sales mostly unchanged year on year.

**Forecast of Consolidated Financial Results FY2023 Full Year**  
(Unchanged from forecast disclosed on November 10, 2023)



**Full Year Forecast**

(Billion yen)

	Full year Results of FY2022	Full year forecast FY2023	Change	% Change YoY
Net Sales	584.3	616.0	31.6	5.4%
Operating profit	13.0	18.2	5.1	39.4%
Ordinary Profit	14.4	19.5	5.0	34.7%
Profit *	9.1	12.2	3.0	33.6%

\* Profit attributable to owners of parent

**Dividends**

Ordinary dividend	60yen
Consolidated payout ratio	33.2%

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Next, here you can see our full-year consolidated financial results forecast. Our sales forecast and profit forecasts are unchanged from the figures disclosed on November 10 last year.

Our dividend forecast is also unchanged at 60 yen per share. We expect a dividend payout ratio of 33.2%.

**Full-year Financial Results Forecast by Segment**  
(Changes from forecast disclosed on November 10, 2023)



(Billion yen)

	Full year Results of FY2022		FY2023 revised forecast		Change (YonY)		Difference from previous(November 10) forecast	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Products	252.0	9.7	263.7	9.8	4.6%	0.8%	-0.8	-0.8
Beverages and Desserts	241.1	1.6	257.8	5.8	6.9%	256.0%	-0.2	0.5
Feedstuffs and Seed	53.4	0.2	53.5	0.0	0.0%	-81.8%	0.0	0.0
Other	37.6	1.4	41.0	2.5	8.9%	72.3%	1.0	0.3
Total	584.3	13.0	616.0	18.2	5.4%	39.4%	0.0	0.0

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Next, this is a breakdown of our financial results forecast by segment.

In view of the financial results for the first nine months, we revised out sales and operating profit forecasts by segment.

A breakdown of our forecast is as shown in the rows on the right side of the table.

Next, I will explain the factors affecting the change in operating profit.

**Forecast of Factors Affecting Changes in Consolidated Operating Profit**  
(Changes from forecast disclosed on November 10, 2023)



(Billion yen)

FY2022	FY2023	Change	Changes in segments			
13.0	18.2	5.1	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			0.0	4.1	-0.1	1.0
<b>Marginal profit Subtotal</b>	<b>11.4</b>		<b>2.8</b>	<b>7.3</b>	<b>-0.2</b>	<b>1.5</b>
Sales unit price	35.0		14.3	21.5	-0.9	0.1
Sales volume	-2.2		-2.3	-1.2	-0.2	1.5
Product composition	0.5		0.5	0	0	0
Raw materials costs	-21.9		-10.1	-12.7	0.9	0
Operating costs	0		0.4	-0.3	0	-0.1
<b>Fixed costs and others Subtotal</b>	<b>-6.3</b>		<b>-2.8</b>	<b>-3.2</b>	<b>0.1</b>	<b>-0.5</b>
Advertising and promotional costs	-2.2		-0.5	-1.7	0	0
Fixed costs	-4.1		-2.3	-1.5	0.1	-0.5

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## Forecast of Factors Affecting Changes in Consolidated Operating Profit

(Difference from initial forecast)



(Billion yen)

	Previous full-year forecast of FY2023 (November10)	Full-year forecast (After revision)	Difference due to revision	Factors behind difference from forecast
<b>Marginal profit Subtotal</b>	<b>11.9</b>	<b>11.4</b>	<b>-0.5</b>	
Sales unit price	34.7	35.0	0.3	Dairy Product -0.5, Beverage and Dessert +0.9
Sales volume	-2.0	-2.2	-0.2	Dairy Product -0.4, Beverage and Dessert +0.2
Product composition	0.7	0.5	-0.2	Dairy Product -0.2
Raw materials costs	-21.5	-21.9	-0.4	Beverage and Dessert -0.4
Operating costs	0	0	0	
<b>Fixed costs and others Subtotal</b>	<b>-6.8</b>	<b>-6.3</b>	<b>0.5</b>	
Advertising and promotional costs	-2.4	-2.2	0.2	Dairy Product +0.2
Fixed costs	-4.4	-4.1	0.3	

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In this table, we have shown the factors affecting the change in operating profit and details of the latest revisions.

Each of the items has been revised in light of trends in the first nine months and there is no major change in our perception of the business environment or our performance.

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



FY2022				FY2023					FY2024
Apr.	Sep.	Nov.	Feb.	Apr.	Jul.	Aug.	Oct.	Dec.	Apr.
<b>Major Product Lines</b> <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>	<ul style="list-style-type: none"> <li>● Fruit Juice</li> <li>● Vegetable Juice</li> </ul>
<b>Revision Rate</b> approx. 3-20%	● Price : approx. 5-15% ● Volume : approx. 5-6%	approx. 4-13%	approx. 4-26%	approx. 3-19%	approx. 5-14%	approx. 4-17%	approx. 8%	approx. 2-7%	approx. 5-12%
<b>Key Factors</b> 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	Sharply rising raw material prices

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Based on this sheet, I would like to make two points with regard to our future initiatives.

The first regards price revisions, etc.

We are currently in the middle of preparing the plan for next fiscal year and some degree of increase in raw material costs and other costs is still anticipated.

We have taken steps to address much of this through the price revisions made to date.

Against this backdrop, there has been a marked increase in raw material prices for juice and vegetable beverages in particular recently and so today we announced price revisions effective from April 1 shipments.



## Initiatives for New Growth Phase



### Entry into the Plant-based Food (PBF) Market



### Creation of Demand by Suggesting Opportunities and Ways to Enjoy Products



### Stimulation of Demand through Promotions

#### Key promotions going forward



Sakeru Cheese



6P Cheese



Nyu-San-Kin Helve(e) (*Lactobacillus helveticus* SBT2171) Yogurt



Prune Fe Ypgurt

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Next, I will explain our initiatives for the new growth phase.

On January 26, we held a new product launch event, revealing our entry to the plant-based food market and details of new plant-based food products.

Going forward, we will market plant-based food products under the Plant Label brand.

We will also put effort into stimulating demand in our existing businesses, proposing new products and suggesting new ways and opportunities for enjoying them.

While the business environment will remain challenging, we intend to realize the measures set out in the Group Medium-term Management Plan one by one, and translate them into growth.

# Make the Future with Milk



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(Billion yen)

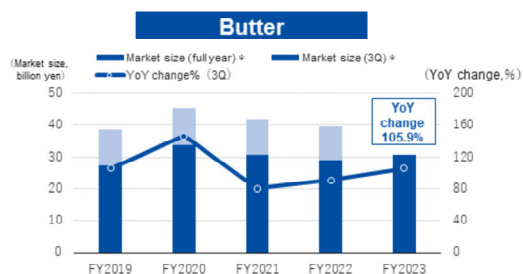
	Progress in FY2023		Progress rate (%)	Group Medium-term Management Plan 2025 Target
	First nine months of FY2022	First nine months of FY2023		
Sales of substitute foods	—	—	0	6.0
Sales of function-added foods	41.8	43.9	62.8	70.0
Composition of overseas operating profit (%)	3.8	0.3	3.8	8.5
Sales of cheese products	51.7	54.2	67.9	80.0
Sales of market milk	132.7	143.7	71.9	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.

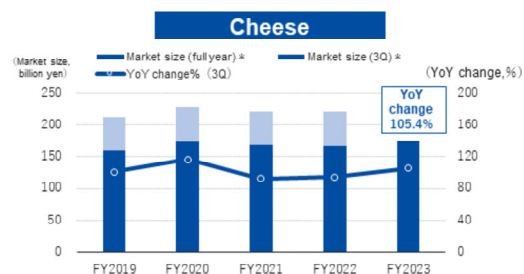
# Data: Market Trends of the nationwide Consumer Products



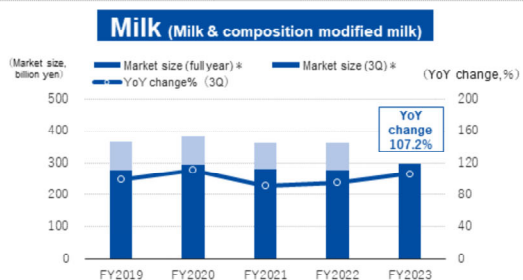
Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2023 to December 2023



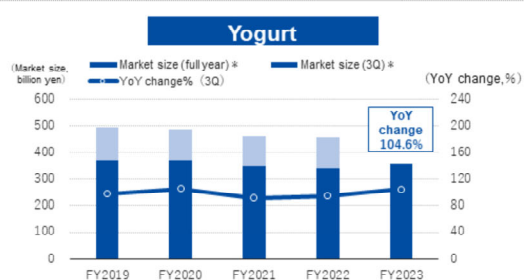
\* weighted estimate sales



\* weighted estimate sales



\* weighted estimate sales



\* weighted estimate sales

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## References

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



## Market share (of household consumption)

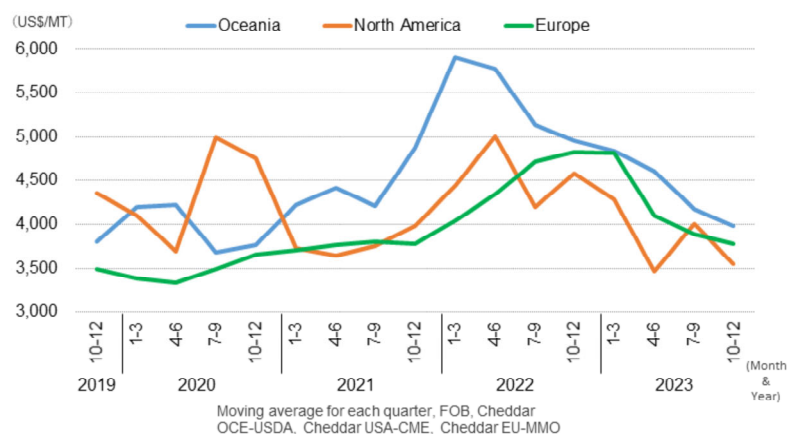
Megmilk Snow Brand's share of the nationwide consumer market on an estimated total sales basis for the first three months of the fiscal year ending March 31, 2024  
(April 2023 to December 2023)

### Retail store POS data

Butter	49.4%
Margarine	51.9%
Cheese	26.5%
Milk (Milk & composition modified milk)	4.9%
Milk beverage	13.9%
Yogurt	11.6%
Dessert (Chilled Products)	16.8%

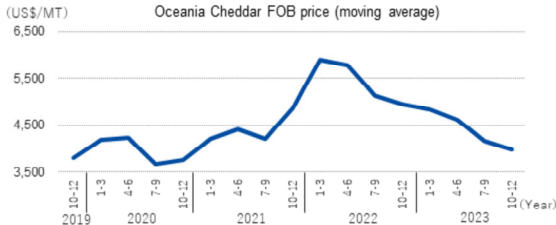
Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey)  
for cumulative total sales.

## 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**

