

**The First Three Months of the Fiscal
Year Ending March 2023**

Financial Results

August 10, 2022

Managing Executive Officer
Seiki Todaka

Overview of Results in the First Three Months of the Fiscal Year Ending March 2023

1

Overview of Results in the First Three Months of the Fiscal Year Ending March 2023

Summary of Results

Results in the First Three Months of the Fiscal Year Ending March 2023 :
Decreased revenues and profit

Net Sales

141.3 billion yen

YoY change

-1.4 billion yen / **-1.0** %

Operating Profits

3.9 billion yen

YoY change

-2.5 billion yen / **-39.0** %

(Note) Adopts the Accounting Standard for Revenue Recognition, etc.

Topics

- ① Although the dining industry gradually recovered, revenue from consumer products showed a reactionary fall after eat-at-home demand in the previous year.
- ② Price revisions of beverages and processed cheese were performed this spring.
 - ▶ Though that was generally reflected in storefront prices, the sales volume fell below the plan.
- ③ Raw materials and operating costs soared but remained within the range projected at the beginning of the term.
- ④ An extraordinary loss was generated due to a fire at a warehouse of an affiliated company.

Consolidated Operating Result in the First Three Months of the Fiscal Year Ending March 2023

3

Consolidated Statement of Income

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

	FYE3/2022 1Q	FYE3/2023 1Q	Change	% Change YoY
Net Sales	142.8	141.3	-1.4	-1.0%
Operating profit	6.5	3.9	-2.5	-39.0%
Non-operating profit and loss	0.7	0.6	-0.0	-4.2%
Ordinary Profit	7.2	4.6	-2.5	-35.5%
Extraordinary profit and loss	-0.3	-2.5	-2.2	—
Profit before income taxes	6.8	2.0	-4.8	-69.8%
Profit*	4.8	1.3	-3.4	-72.0%

* Profit attributable to owners of parent

Extraordinary loss: Due to a fire at a warehouse of an affiliated company (-2.2 billion yen)

Consolidated Operating Result in the First Three Months of the Fiscal Year Ending March 2023

4

Results by segment

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

	FYE3/2022 1Q		FYE3/2023 1Q		% Change YoY	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Products	58.2	3.5	58.2	2.8	0.0%	-20.3%
Beverages and Desserts	63.4	1.7	60.3	0.4	-4.8%	-72.2%
Feedstuffs and Seed	12.5	0.8	13.8	0.4	10.7%	-49.9%
Other	8.6	0.3	8.9	0.2	2.9%	-37.1%
Total	142.8	6.5	141.3	3.9	-1.0%	-39.0%

Breakdown of Factors Affecting Changes in Consolidated Operating Profit

5

Factors Affecting Changes in Operating Profit

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

FYE3/2022 1Q	FYE3/2023 1Q	change	Changes in segments			
6.5	3.9	-2.5	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			-0.7	-1.2	-0.4	-0.1
Marginal profit Subtotal	-2.5		-0.5	-1.4	-0.4	-0.1
Sales unit price	0.6		0.4	0.2	0.0	0.0
Sales volume	-0.5		-0.1	-0.5	0.1	0.0
Product composition	0.1		0.1	0.0	0.0	0.0
Raw materials costs	-1.7		-0.6	-0.4	-0.5	-0.1
Operating costs	-1.0		-0.3	-0.7	0.0	0.0
Other	0.0		0.0	0.0	0.0	0.0
Fixed costs and others Subtotal	0.0		-0.2	0.2	0.0	0.0
Advertising and promotional costs	0.0		-0.1	0.1	0.0	0.0
Fixed costs	0.0		-0.1	0.1	0.0	0.0

Consolidated Operating Result in the First Three Months of the Fiscal Year Ending March 2023

6

Dairy Products Sales Results

(including the Nutrition segment)

(Billion yen)

	FYE3/2022 1Q	FYE3/2023 1Q	Change	% Change YoY
Butter	5.3	5.7	0.3	7.0%
Margarine	2.1	2.0	-0.0	-4.2%
Cheese	13.9	13.3	-0.6	-4.5%
Other	6.1	7.0	0.9	15.8%
Subsidiaries and other	30.6	30.0	-0.6	-2.0%
Total	58.2	58.2	0.0	0.0%



POINT

- **Butter:** Sales grew with the recovery of commercial products although net sales of consumer products fell slightly.
- **Margarine :** Sales decreased partially because of the downtrend of the market.
- **Cheese:** Processed cheese struggled due to the effects of price revisions while natural cheese was bullish.

Consolidated Operating Result in the First Three Months of the Fiscal Year Ending March 2023

7

Nutrition Sales Results

(as a part of the Dairy Products segment)

(Billion yen)

	FYE3/2022 1Q	FYE3/2023 1Q	Change	% Change YoY
Functional food products	1.6	2.2	0.5	35.2%
Powdered milk and other	2.6	2.6	-0.0	-2.2%
Total	4.3	4.8	0.5	12.0%



POINT

- **Food with functional claims:** Belle Neige Direct Co., Ltd. a consolidated subsidiary.
- **Powdered milk :** Domestic sales were strong while overseas sales were poor.
Price revisions are scheduled in October due to rising raw materials for infant formula in Japan.

Consolidated Operating Result in the First Three Months of the Fiscal Year Ending March 2023

8

Beverages and Desserts Sales Results

(Billion yen)

	FYE3/2022 1Q	FYE3/2023 1Q	Change	% Change YoY
Milk and milk-based beverages	19.2	18.0	-1.1	-6.2%
Other beverages	7.7	7.4	-0.2	-3.5%
Yogurt	13.2	12.3	-0.9	-6.8%
Desserts and fresh cream	5.3	5.6	0.2	4.0%
Other	0.7	0.7	0.0	6.7%
Subsidiaries and other	17.0	16.1	-0.9	-5.7%
Total	63.4	60.3	-3.0	-4.8%



POINT

- **Milk and milk-based beverages** : Milk struggled due to decreasing eat-at-home demand while MBP Drink was strong.
- **Yogurt** : Slim drink-type yogurt boxes were strong while yogurt with function claims struggled.

Consolidated Operating Result in the First Three Months of the Fiscal Year Ending March 2023

9

Feedstuffs and Seed Products Sales Results

(Billion yen)

	FYE3/2022 1Q	FYE3/2023 1Q	Change	% Change YoY
Feedstuffs	9.2	10.2	1.0	11.1%
Seed products	3.2	3.5	0.3	9.5%
Total	12.5	13.8	1.3	10.7%



POINT

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

Forecast of Consolidated Financial Results FYE3/2023 H1 and Full Year (revised)

10

Full Year Results

(Billion yen, %)

	Initial Forecast of FYE3/2023 H1	Forecast of FYE3/2023 H1 (After revision)	Changes in H1 forecast	Initial forecast of FYE3/2023 full year	Forecast of FYE3/2023 full year (After revision)	Changes in full- year forecast
Net Sales	298.0	288.0	-10.0	585.0	575.0	-10.0
Operating profit	8.0	7.0	-1.0	15.0	14.0	-1.0
Ordinary Profit	8.5	6.5	-2.0	16.5	15.5	-1.0
Profit*	5.5	2.2	-3.3	10.0	9.3	-0.7

* Profit attributable to owners of parent

Dividends

Ordinary dividend	60 yen
Consolidated payout ratio	43.6%

Factors Affecting Changes in Full-year Operating Profit (Revised Forecast)

11

Factors Affecting Changes in Full-year Operating Profit: Changes in Forecast

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

FYE3/2022 full year	FYE3/2023 full year forecast (After revision)	Change
18	14	-4.0

Marginal profit Subtotal	-1.9
Sales unit price	4.1
Sales volume	2.5
Product composition	1.1
Raw materials costs	-7.0
Operating costs	-3.5
Other	1.0
Fixed costs and others Subtotal	-2.2
Advertising and promotional costs	-0.8
Fixed costs	-1.4

Changes in segments			
Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
-2.7	-1.1	-0.1	0.0
-1.4	-0.7	0.1	0.1
2.5	1.5	0.1	0.0
1.5	0.8	0.0	0.2
0.8	0.3	0.0	0.0
-4.6	-2.4	0.0	0.0
-1.6	-1.8	0.0	-0.1
0.0	1.0	0.0	0.0
-1.3	-0.5	-0.2	-0.1
-0.4	-0.4	0.0	0.0
-0.9	-0.1	-0.2	-0.1

Factors Affecting Changes in Full-year Operating Profit (Revised Forecast)

12

Factors Affecting Changes in Full-year Operating Profit: Changes in Forecast

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

	Initial full year forecast	Full year Forecast (revised)	Changes in full-year forecast	Major Factors Affecting Changes in the Initial forecast
Marginal profit Subtotal	1.1	-1.9	-3.0	
Sales unit price	4.5	4.1	-0.4	Dairy Product -0.2, Beverage and Dessert -0.2
Sales volume	5.1	2.5	-2.6	Dairy Product -1.1, Beverage and Dessert -1.5
Product composition	0.6	1.1	0.5	Dairy Product +0.7
Raw materials costs	-6.5	-7.0	-0.5	Beverage and Dessert -0.8 (including approximately -1.0 due to the impacts of raw milk prices)
Operating costs	-2.6	-3.5	-0.9	Energy -0.3, Logistics -0.6
Other	0.0	1.0	1.0	Consideration of response to the raw milk prices +1.0
Fixed costs and others Subtotal	-4.1	-2.2	1.9	
Advertising and promotional costs	-1.1	-0.8	0.3	
Fixed costs	-3.0	-1.4	1.6	
Total	-3.0	-4.0	-1.0	



POINT

The main reasons for the downward revision of consolidated operating profit are the decrease in sales volume (-2.6 billion yen from the forecast), increase in raw materials costs (-0.5 billion yen from the forecast), and increase in operating costs (-0.9 billion yen from the forecast).

Copyright © MEGMILK SNOW BRAND Co., Ltd. All Rights Reserved.

Responding to cost increases

1. Perform margarine price revisions and cheese volume and price revisions (from September 1, 2022)

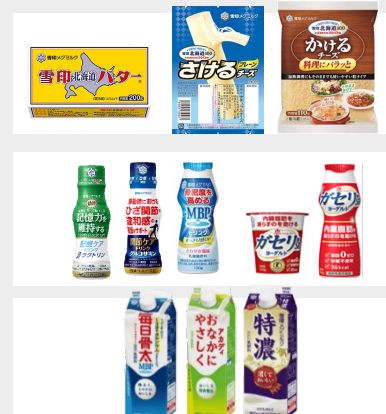
Applicable Products	13 margarine products , 29 processed cheese products
Revision rate	Price: 4.5 to 14.5% Volume: 4.2 to 11.1%



2. Response to rising drinking milk prices

Measures against the top line expansion

1. Generate demand through an emphasis on the value of domestic milk resources
2. Work on re-expansion through the launch of new functional beverage products and promotional campaign for yogurt
3. Expand sales through activities linked to the promotion of existing products



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.

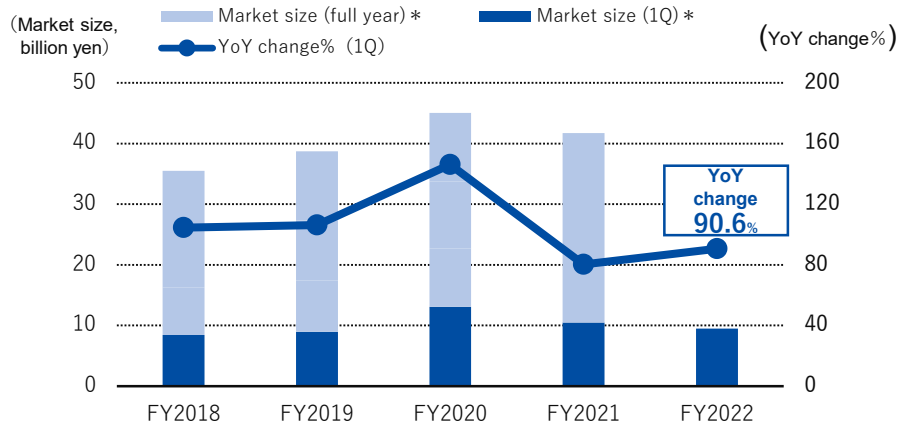
This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Data: Market Trends of the nationwide Consumer Products

15

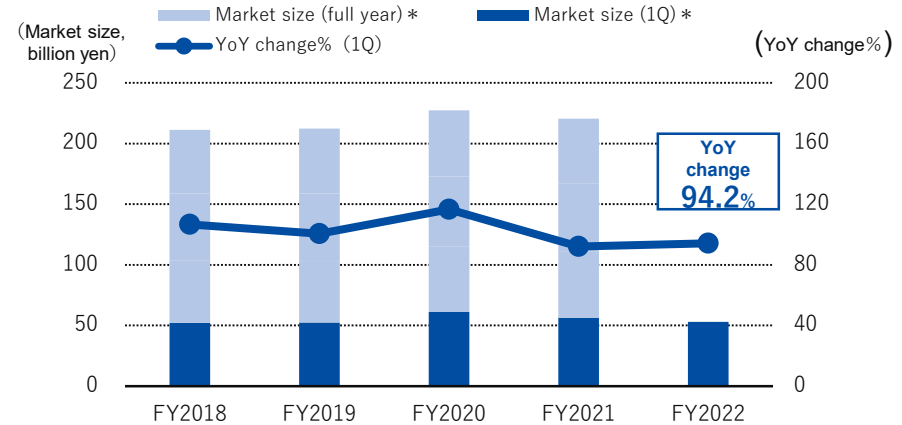
Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2018 to June 2022

Butter



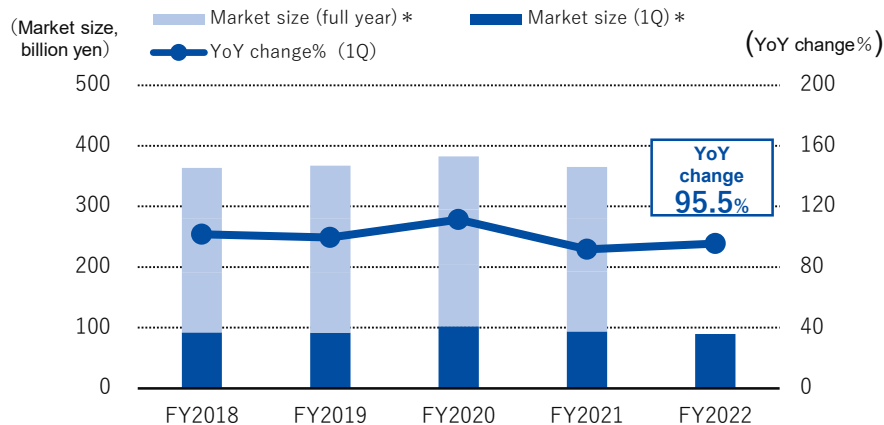
* weighted estimate sales

Cheese



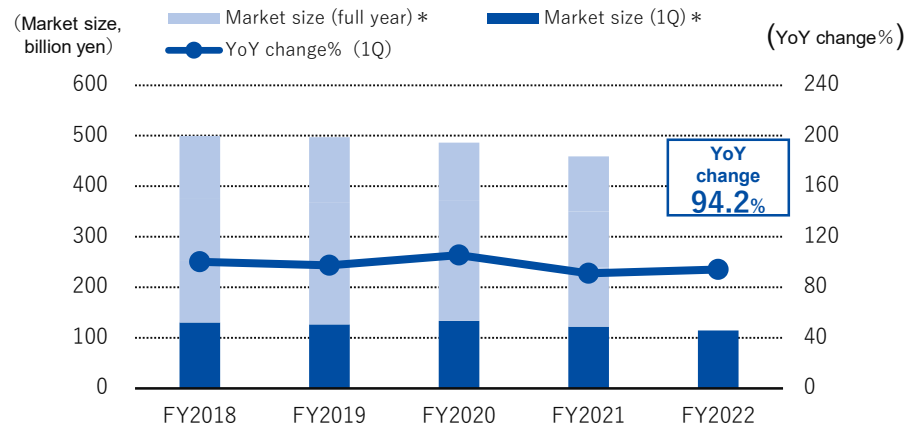
* weighted estimate sales

Milk (Milk & composition modified milk)



* weighted estimate sales

Yogurt



* weighted estimate sales

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

16

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, 2023 (Apr. to Jun. 2022)

Retail store POS data

Butter **47.0%**

Margarine **52.2%**

Cheese **25.7%**

Milk
(Milk & composition modified milk) **4.8%**

Milk beverage **13.5%**

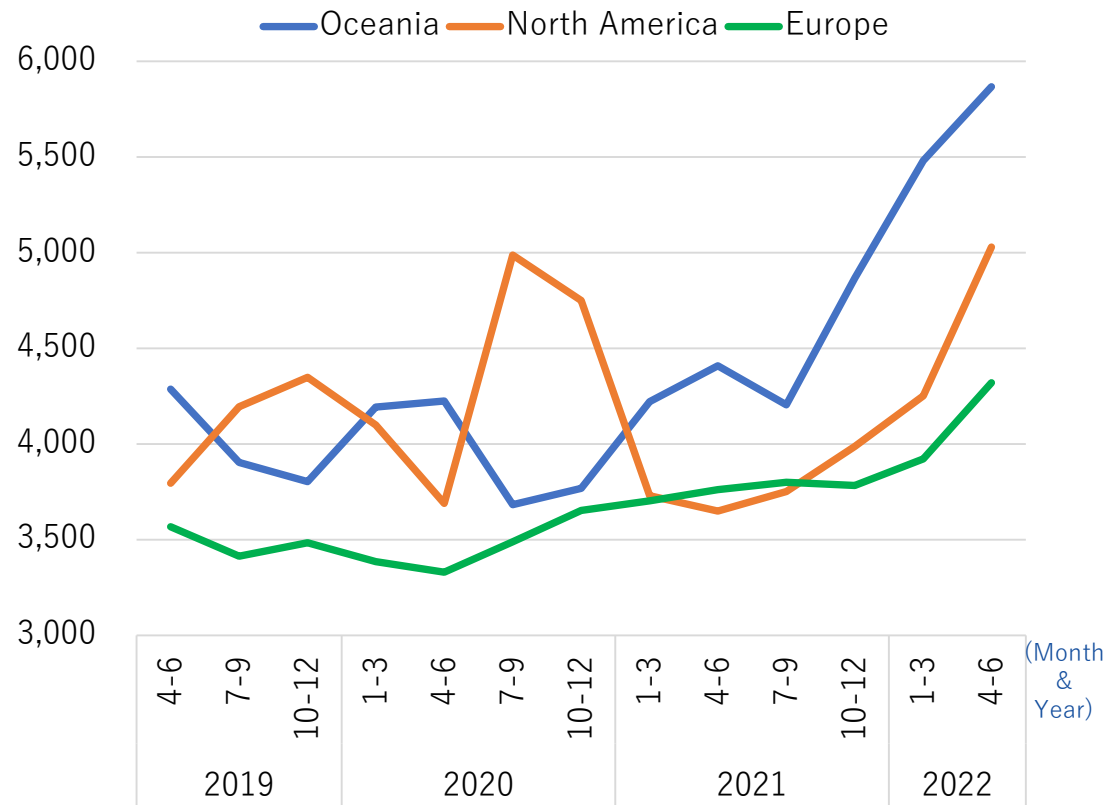
Yogurt **11.6%**

Dessert
(Chilled Products) **16.6%**

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

Transitions in overseas cheese prices

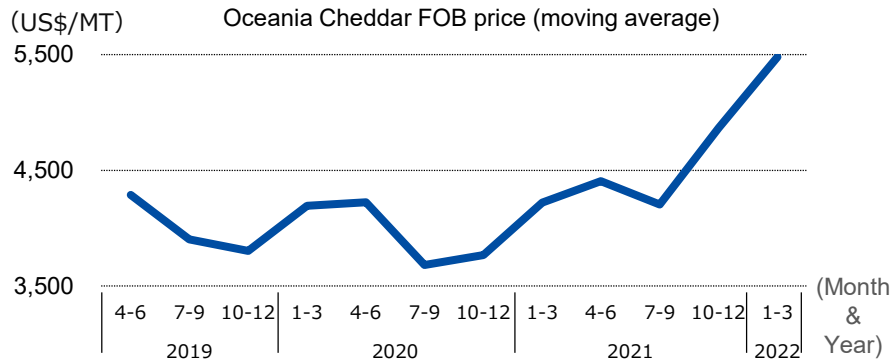
(US\$/MT)



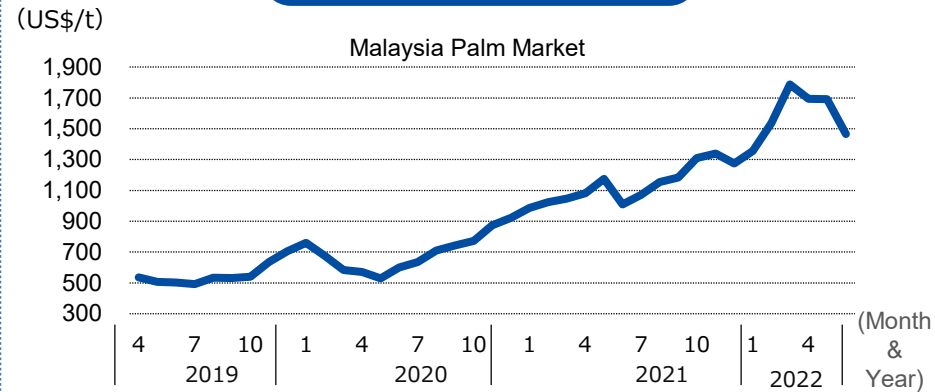
Moving average for each quarter, FOB, Cheddar
OCE-USA, Cheddar USA-CME, Cheddar EU-MMO

Trends of major raw materials

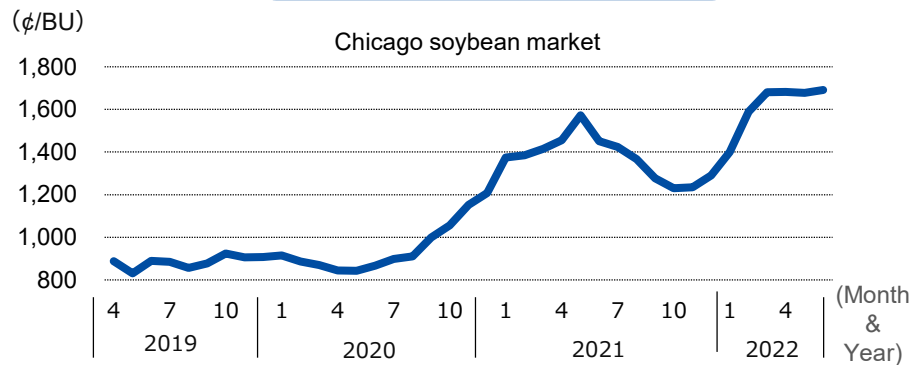
Imported raw cheese



Raw materials for palm oil



Raw materials for soybean oil



Raw materials for rapeseed oil

