



**MEGMILK
SNOW BRAND**

**The First Half of the Fiscal Year
Ending March 2023**

Financial Results

November 10, 2022

Representative Director and President

Masatoshi Sato

The Accounting Standard for Revenue Recognition began to be applied from the the Fiscal Year Ending March 2022 .

»» **Consolidated Earnings for the First Half of the Fiscal Year Ending March 2023**

»» **Full-Year Forecast for the Fiscal Year Ending March 2023**

»» **Segment-specific Initiatives**

»» **Megmilk Snow Brand Group Sustainability Management**

Summary of Results

Results for the First Half of the Fiscal Year Ending March 2023 |

Net sales increased, profit decreased

Net Sales

289.0 billion yen

YoY change

2.1 billion yen / **0.8%**

Vs. Forecast

10 billion yen / **0.4%**

Operating Profits

7.3 billion yen

YoY change

-4.8 billion yen / **-39.8%**

Vs. Forecast

3 billion yen / **5.0%**

(Note) We apply the Accounting Standard for Revenue Recognition.

Forecasts represent revised forecast as of 1Q

- Although net sales decreased in 1Q, sales increased in 2Q, resulting in an overall increase in first half sales.
- Operating profit fell significantly due to the impact of rising raw material and operating costs.
- Compared to forecasts, operating profit exceeded the forecast amount (7 billion yen). Sales are increasing monthly, enabling us to reach our forecast (288.0 billion yen) amount.

Evaluation of price revisions



Implemented first half price revisions as planned, reflected in storefront prices

Evaluation of sales volume growth



Sales volume for butter, natural cheese, and yogurt, products we targeted for growth this fiscal year, are on gradual growth trend

Consolidated Earnings for the First Half of the Fiscal Year Ending March 2023

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Consolidated Statement of Income

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

	FYE3/2022 2Q	FYE3/2023 2Q	Change	% Change YoY
Net Sales	286.9	289.0	2.1	0.8%
Operating profit	12.2	7.3	-4.8	-39.8%
Non-operating profit and loss	1.0	-0.4	-15	—
Ordinary Profit	13.2	6.8	-6.3	-48.2%
Extraordinary profit and loss	-0.9	-2.8	-19	—
Profit before income taxes	12.3	4.0	-8.3	-67.5%
Profit*	8.5	2.3	-6.2	-73.2%

* Profit attributable to owners of parent

Impact of fire. Non-operating losses of 1.5 billion yen. Extraordinary losses of 2.2 billion yen

*Project being able to cover these via damage claims.

Consolidated Earnings for the First Half of the Fiscal Year Ending March 2023

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Results by segment

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

	FYE3/2022 2Q		FYE3/2023 2Q		% Change YoY	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Products	117.8	6.3	120.1	4.9	2.0%	-21.8%
Beverages and Desserts	126.3	3.4	122.4	0.7	-3.1%	-79.1%
Feedstuffs and Seed	24.7	1.4	27.5	0.8	11.3%	-43.3%
Other	18.0	0.8	18.9	0.8	5.4%	-6.7%
Total	286.9	12.2	289.0	7.3	0.8%	-39.8%

Breakdown of Factors Affecting Changes in Consolidated Operating Profit

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Factors Affecting Changes in Operating Profit

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

FYE3/2022 2Q	FYE3/2023 2Q	change	Changes in segments			
12.2	7.3	-4.8	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			-1.3	-2.7	-0.6	-0.0
Marginal profit Subtotal	-3.9		-0.3	-2.8	-0.7	0.1
Sales unit price	1.3		0.9	0.3	0.0	0.1
Sales volume	0.0		0.2	-0.4	0.0	0.2
Product composition	0.2		0.2	0.0	0.0	0.0
Raw materials costs	-3.5		-1.2	-1.4	-0.6	-0.2
Operating costs	-2.1		-0.6	-1.3	-0.1	0.0
Other	0.2		0.2	0.0	0.0	0.0
Fixed costs and others Subtotal	-0.9		-0.1	0.1	0.1	-0.1
Advertising and promotional costs	0.0		-0.2	0.2	0.0	0.0
Fixed costs	-0.9		-0.8	-0.1	0.1	-0.1

Forecast of Consolidated Financial Results FYE3/2023 Full Year (No changes)

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Full Year Forecast

(Billion yen, %)

	Full year Results of FYE3/ 2022	Full year forecast of FYE3/2023	Change	% Change YoY
Net Sales	558.4	575.0	16.5	3.0
Operating profit	18.0	14.0	-4.0	-22.5
Ordinary Profit	19.9	15.5	-4.4	-22.5
Profit*	12.0	9.3	-2.7	-22.9

* Profit attributable to owners of parent

Dividends

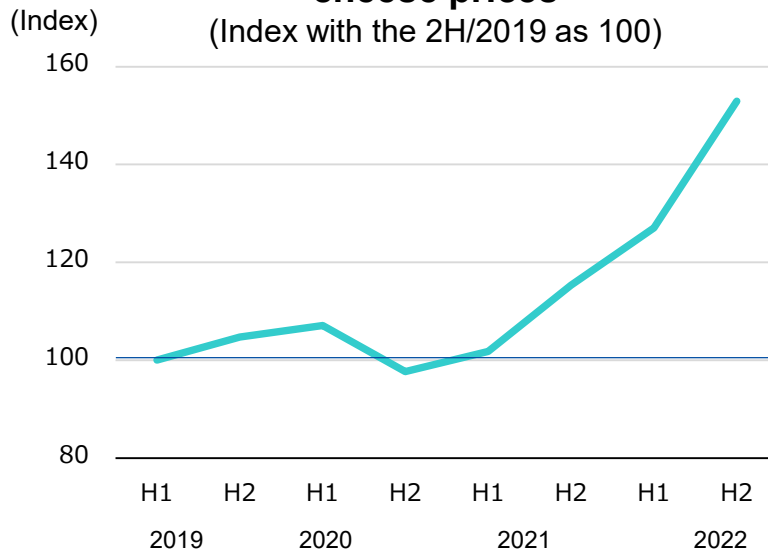
Ordinary dividend	60 yen
Consolidated payout ratio	43.6%

Response to cost increases

Monitor market trends and implement necessary price revisions

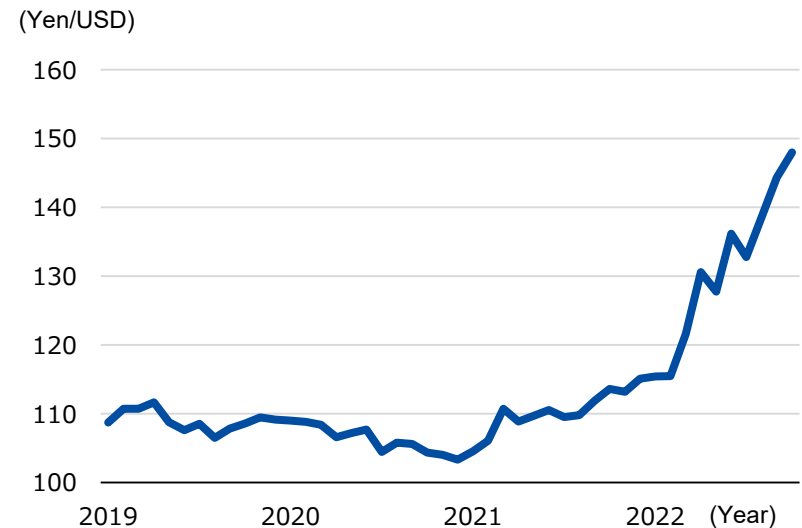
Status of raw material costs

Transitions in imported cheese prices



(Source) Export prices of Oceanian cheese to Japan (C&F) [US dollars]
Estimated based on "The Daily Dairy News", etc.

Status of foreign currency rates



(Source) Bank of Japan Exchange rate against US dollar

Factors Affecting Changes in Full-year Operating Profit (Most recent revised forecast)

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Revised factors affecting changes in full-year profit

(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	-3.7
Sales unit price	7.0
Sales volume	1.5
Product composition	1.0
Raw materials costs	-9.5
Operating costs	-3.7
Other	0.0
Fixed costs and others Subtotal	-0.3
Advertising and promotional costs	0.1
Fixed costs	-0.4

Changes in segments			
Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
-1.6	-2.2	-0.1	0.0
-0.8	-2.8	-0.1	0.1
3.0	3.9	0.0	0.1
1.3	0.0	0.0	0.2
0.8	0.2	0.0	0.0
-4.6	-4.6	0.0	-0.2
-1.3	-2.3	-0.1	0.0
0.0	0.0	0.0	0.0
-0.8	-0.6	0.0	-0.1
-0.4	-0.5	0.0	0.0
-0.4	-0.1	0.0	-0.1

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

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Factors affecting full-year profit / Difference vs. 1Q forecast

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

	Previous full-year forecast (after 1Q revision)	Current full-year forecast (after revision)	Revision difference	Factors affecting forecast compared to previous forecast (after 1Q revision)
Marginal profit Subtotal	-1.9	-3.7	-1.8	
Sales unit price	4.1	7.0	2.9	Dairy Product +0.5, Beverage and Dessert +2.4
Sales volume	2.5	1.5	-1.0	Dairy Product -0.2, Beverage and Dessert -0.8
Product composition	1.1	1.0	-0.1	Dairy Product -0.1
Raw materials costs	-7.0	-9.5	-2.5	Beverage and Dessert -2.2
Operating costs	-3.5	-3.7	-0.2	Energy -0.7, Logistics +0.5
Other	1.0	0.0	-1.0	Responses to beverage and dessert dairy prices to address sales price difference
Fixed costs and others Subtotal	-2.2	-0.3	1.9	
Advertising and promotional costs	-0.8	0.1	0.9	
Fixed costs	-1.4	-0.4	1.0	
Total	-4.0	-4.0	0.0	



1. Dairy Products Business

Butter, margarine, cheese (domestic and overseas), etc.



2. Beverages and Desserts Business

Milk and milk beverages, yogurt, fruit juice and vegetable juice, soft drinks, desserts, etc.



3. Nutrition Business

Powdered Milk (domestic and overseas), functional foods, functional ingredients, etc.



4. Feedstuffs and Seed Products Business

Feedstuffs, seeds (forage grass and crops, vegetables), landscape gardening, etc.



Result of the First Half of the Fiscal Year Ending March 2023

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Dairy Products Results

(including the Nutrition segment)

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

	1H results	% Change YoY	Vs. Forecast (Revised forecast as of 1Q)	Full year forecast of FYE3/2023 (After 2Q Revision)	% Change YoY
Butter	11.6	112.5	100.5	26.9	120.1
Margarine	3.9	95.9	101.6	8.0	96.9
Cheese	27.4	99.2	104.6	57.7	104.5
Other	14.0	111.2	99.2	26.9	104.5
Subsidiaries and other	63.0	100.0	102.3	126.3	100.9
Sales total	120.1	102.0	102.3	246.0	103.8
Operating profit	4.9	78.2	107.5	10.9	87.1



POINT

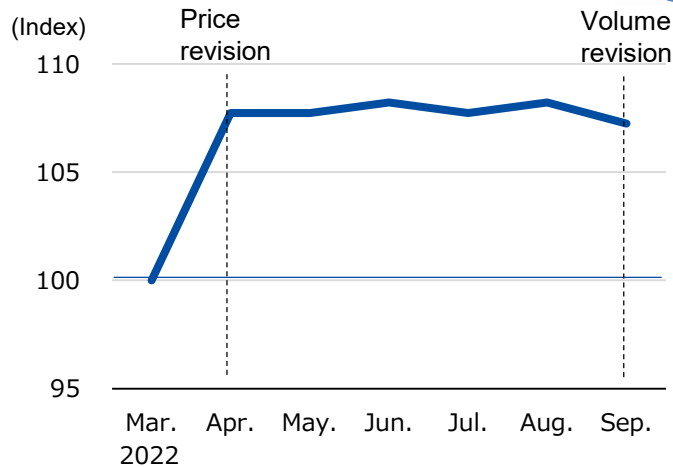
- Sales of butter exceeded the previous year due to the resumption of sales promotions for consumer products and a recovery in commercial products.
- Consumer processed cheese decreased below the previous year due to price revisions, but sales of consumer natural cheese and commercial products increased, resulting in overall cheese sales on par with the previous year..



Evaluation of price revisions

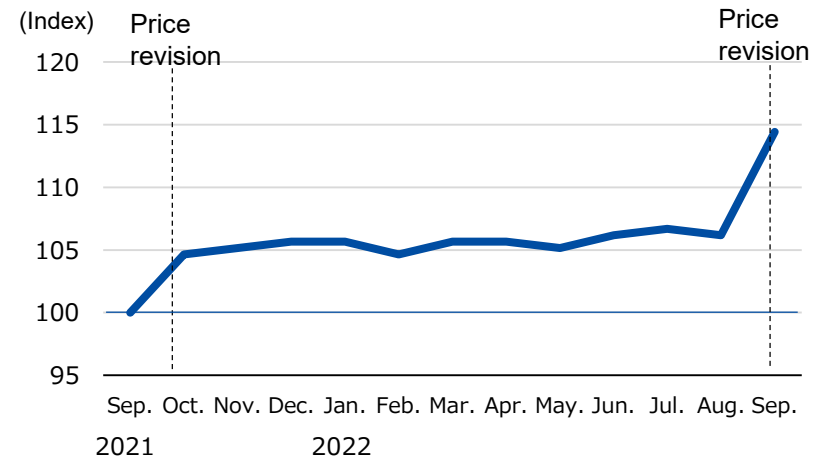
Reflected revisions to consumer processed cheese and margarine prices in storefront prices

Transitions in average sales price for
consumer portioned cheese
(Index with March 2022 set as 100)



(Source) Trends in Intage SRI+ nationwide average selling price (units)

Transitions in average sales price for
consumer margarine
(Index with September 2021 set as 100)



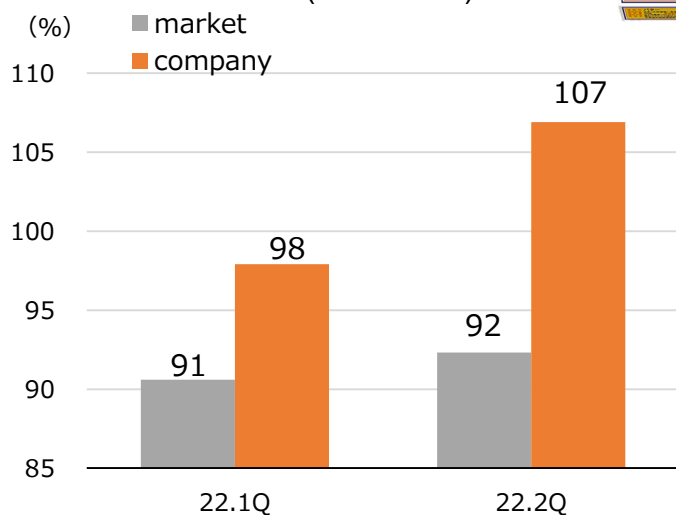
(Source) Trends in Intage SRI+ nationwide average selling price (units)

Evaluation of sales volume growth

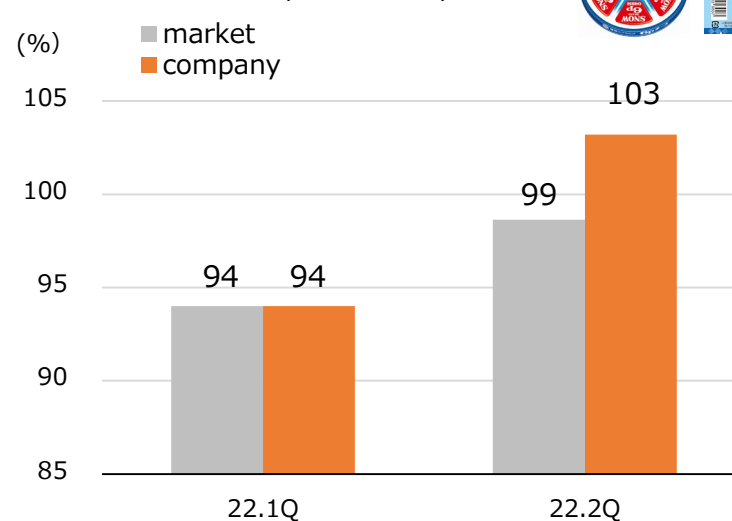
Consumer butter and cheese on growth trend

Demand down sharply from previous year but outperformed market average.
In 2Q, we expanded lead over market to outperform previous year.

**Consumer butter net sales
vs. previous year
(vs. market)**



**Consumer cheese net sales
vs. previous year
(vs. market)**



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

Responding to cost increases

Revised margarine prices and cheese volume and prices

Respond to cost increases for imported raw materials

<Applicable Products>

13 margarine products , 29 processed cheese and other products
(from September 1, 2022)

<Revision rate>

- Consumer margarine : 13 products (Price revision rate 6.7~14.5%)
- Consumer processed cheese and others :
 - 8 products (Price revision rate 3.3~9.1%)
 - 25 products (Volume revision rate -4.2~-11.1%)
- Commercial cheese, margarine, etc., approx. 200 products (up to 29%)



Sample product

Grow Sales volume 1

Implementing promotions to drive demand

Menu proposals to convey the delicious taste of butter



New consumption scenarios for Camembert, which is celebrating its 60th anniversary



Promoting cheese using raw fresh milk from Hokkaido

Developing products under our proprietary Snow Brand Hokkaido 100 Brand



Advertisement to promote 6P Cheese

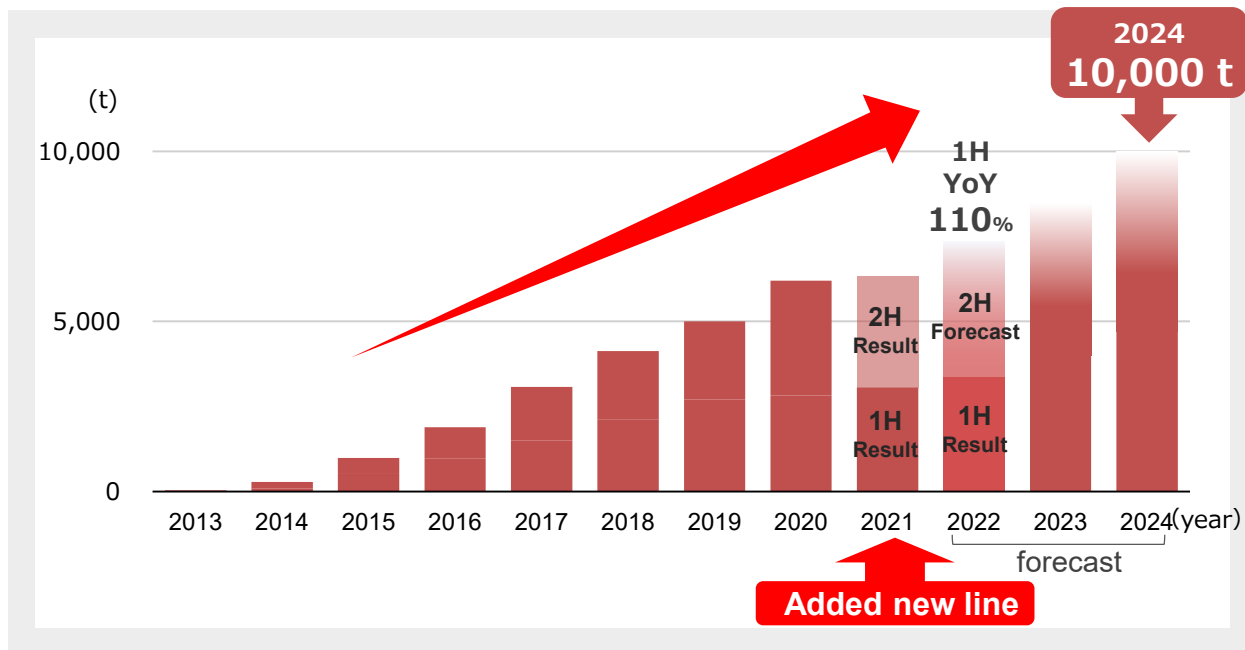


Sliced cheese bonus volume campaign



Grow Sales volume 2

Sales volume for Megmilk Snow Brand Indonesia



Product recognition improvement initiatives



Increased brand recognition for Snow Brand Indonesia at World Cheese Day event



POINT

- 1H: Impacted by COVID-19 but outperformed previous year
- 2H: Absorb cost increases and increase sales by continuing initiatives to strengthen commercial sales



Result of the First Half of the Fiscal Year Ending March 2023

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Beverages and Desserts Sales Results

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

	1H results	% Change YoY	Vs. Forecast (Revised forecast as of 1Q)	Full year forecast of FYE3/2023 (After 2Q Revision)	% Change YoY
Milk and milk-based beverages	35.6	94.9	96.9	71.3	98.2
Other beverages	15.4	96.1	100.2	28.8	97.8
Yogurt	24.5	96.3	99.4	48.2	99.8
Desserts and fresh cream	11.2	103.8	99.9	22.9	105.8
Other	1.6	97.2	98.4	3.3	97.3
Subsidiaries and other	33.7	97.6	97.7	63.2	98.7
Total	122.4	96.9	98.3	238.0	99.3
Operating profit	0.7	20.9	81.0	1.4	38.8



POINT

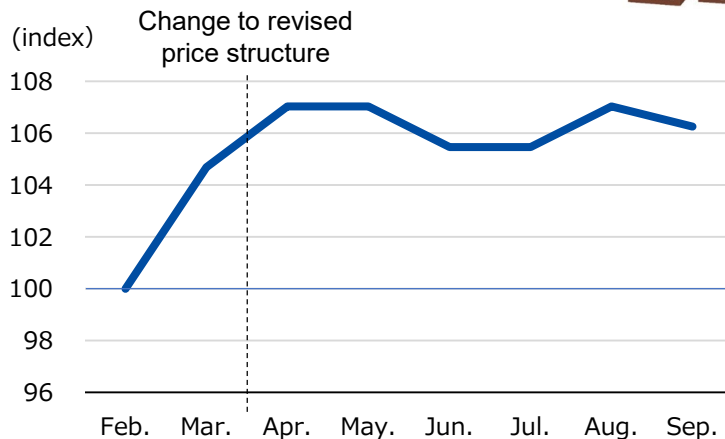
- Milk beverages and yogurt down YoY on correction from stay-at-home demand
- Yogurt had some products with firm sales but functional yogurt was stagnant



Evaluation of price revisions following product renewals

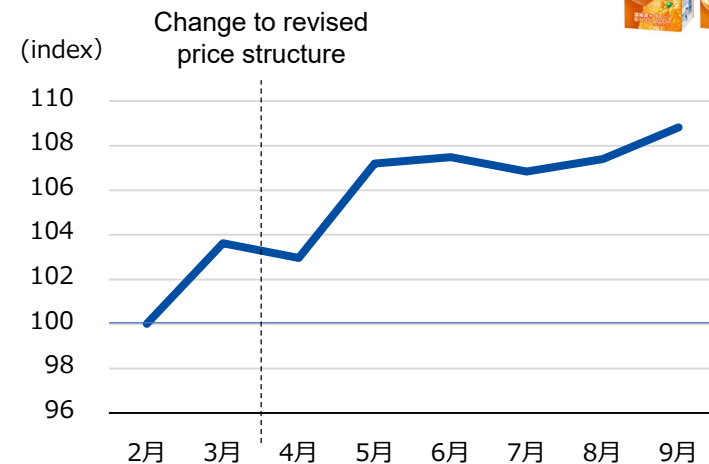
Steadily reflecting in storefront prices after shift to new price structure for Snow Brand Coffee and Dole brand

Transitions in average sales price for coffee beverages
(Index with Feb. 2022 set as 100)



(Source) Trends in Intage SRI+ nationwide average selling price (units)
Our coffee with milk drinks

Transitions in average sales price for 100% fruit juices
(Index with Feb. 2022 set as 100)



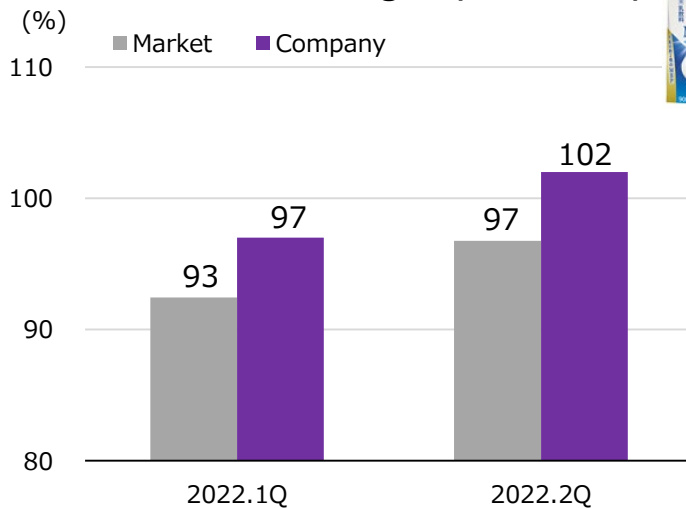
(Source) Trends in Intage SRI+ nationwide average selling price (units)
Our Dole 1L, 500ml

Evaluation of price revisions

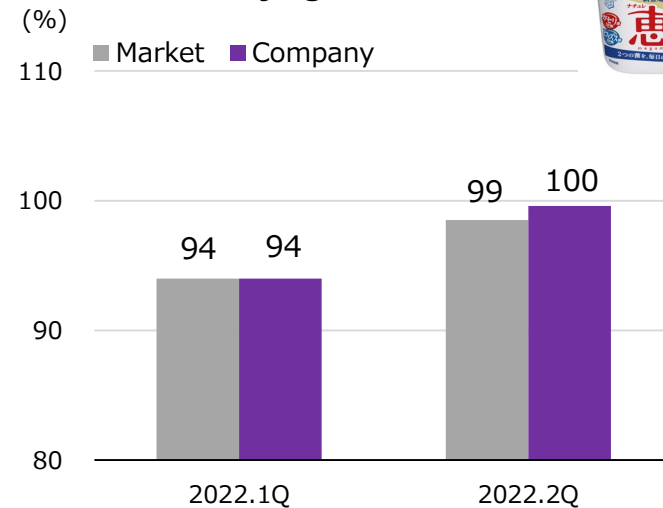
Expand sales of milk-based beverages (excluding milk) and yogurt

- Milk-based beverages (excluding milk) outperformed the market in 1Q and 2Q thanks to enhanced sales promotion efforts during the summer.
- For yogurt, we strengthen promotions across all categories this year. Functional yogurt sales decreased but overall yogurt outperformed the market in 2Q.

Transitions in net sales of milk-based beverages (excl. milk)



Transitions in net sales of yogurt



(Source) Market: Intage SRI + (estimated nationwide sales volume year-on-year)

Price revisions for milk beverages and yogurt

Respond to increased cost of dairy for beverages

<Applicable products> 13 milk products, 29 yogurt products, desserts, etc.
(From November 1, 2022)

<Revision details>

- Consumer products: 45 products (revision rate 4.0-12.5%)
- Consumer products for home delivery: 22 products (revision rate 5.3-8.3%)
- Commercial products: 6 products (revision rate 7.4-9.2%)

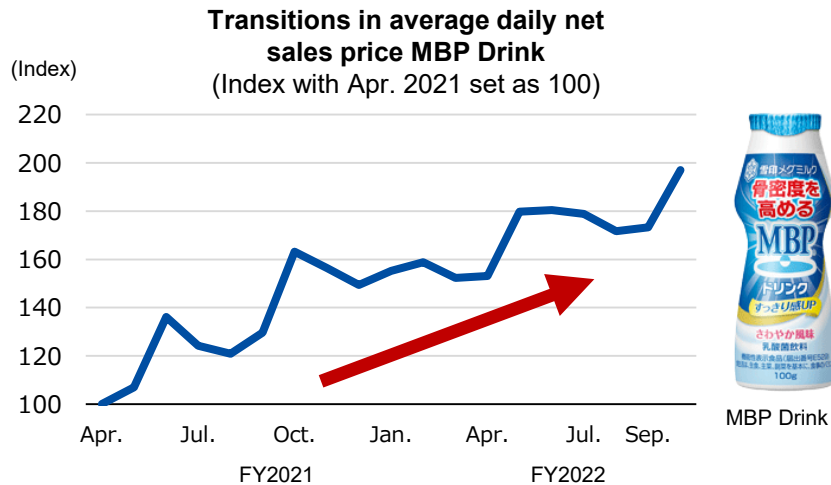


Sample product

Launch new products and strengthen promotions

Expand sales of products with appealing value

Release new products to resolve the social issue of extending healthy life expectancy to follow up on the “MBP drink”



New!

**Kansetsukea Drink
Glucosamine**

Knee joint support drink that reduces discomfort in the knee joint when moving

Food with Function Claims notification number G743



New!

**Kiokukea Drink
β-lactolin**

A brain function support drink that maintains memory, which declines with age (ability to remember based on clues)

Food with Function claims Notification number G809

● Taking large amounts does not cure diseases or improve health.

● This product is manufactured with the license of KIRIN's patent No. 6022738 It has been.
● β (Beta) Lactolin is created through the breaking down of milk proteins.

Expand sales by proposing consumption occasions

Various proposals to generate demand



Brand stimulation to increase sales



Promotions for 60th anniversary of Snow Brand Coffee



Original products

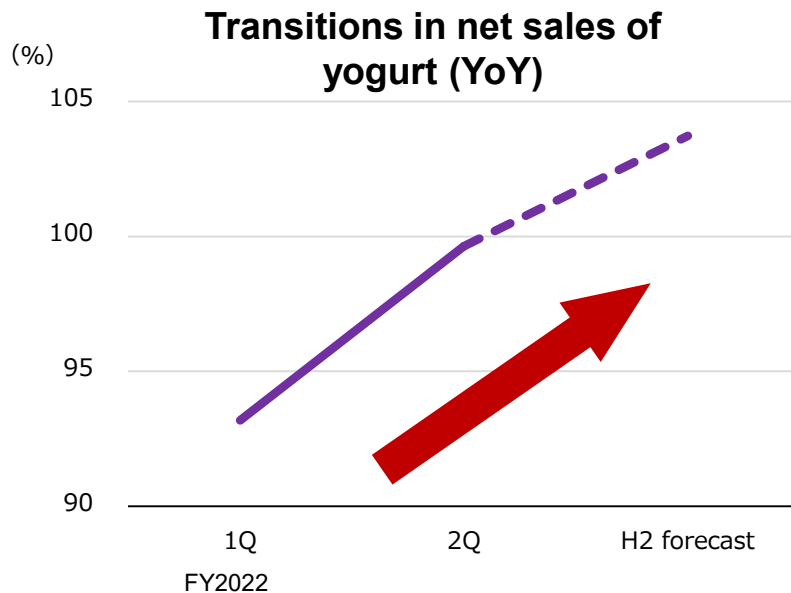


Collaboration products

Collaboration products

Expand yogurt sales

- Expand overall sales for the category with focus on strong-selling plain type and drinking yogurt
- Expand awareness of benefits of Gasseri SP Strain Yogurt.





Result of the First Half of the Fiscal Year Ending March 2023

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Nutrition Sales Results

(as a part of the Dairy Products segment)

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

	1H results	% Change YoY	Vs. Forecast (Revised forecast as of 1Q)	Full year forecast of FYE3/2023 (After 2Q Revision)	% Change YoY
Total Sales	9.8	112.7	98.6	20.7	117.2
(Breakdown)					
Functional food products	4.3	133.5	99.7	9.1	135.4
Powdered milk and other	5.4	100.1	97.8	11.5	105.8



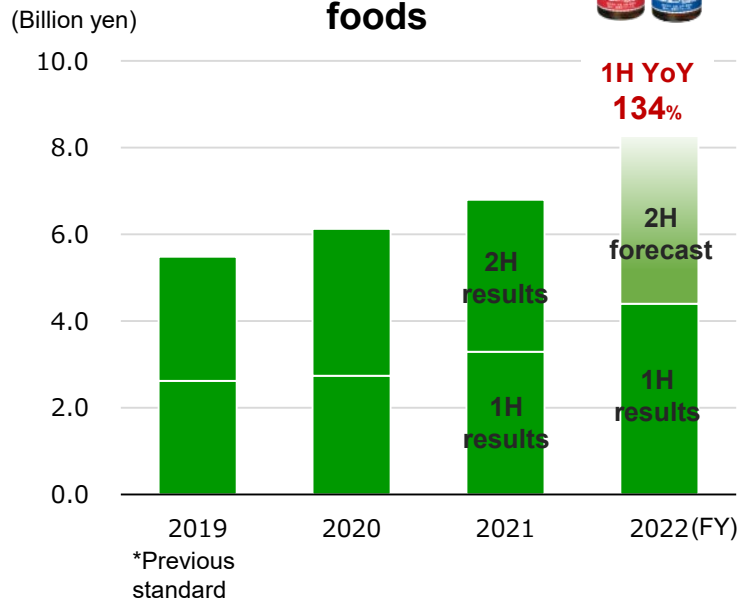
POINT

- **Functional food products:** Increased in the number of subscription-based customers and sales were strong due to the opening of an on mall-type mail-order site.
- **Powdered milk:** While overseas sales were affected by movement restrictions due to COVID-19, domestic sales are strong

Expand sales volume and response to cost increases

Continue expanding sales of functional food business

Transition in net sales of functional foods



Domestic powdered milk price revisions

Reflect rising raw material costs in pricing

From Oct. 1, 2022

Infant formula: 11 products (revision rate: 5.3% to 7.0%)



Sample product



Result of the First Half of the Fiscal Year Ending March 2023

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Feedstuffs and Seed Products Results

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

	1H results	% Change YoY	Vs. Forecast (Revised forecast as of 1Q)	Full year forecast of FYE3/2023 (After 2Q Revision)	% Change YoY
Feedstuffs	21.3	113.3	101.6	44.5	117.3
Seed products	6.1	104.8	88.3	9.0	100.9
Total Sales	27.5	111.3	98.3	53.5	114.1
Operating profit	0.8	56.7	92.0	0.5	71.9

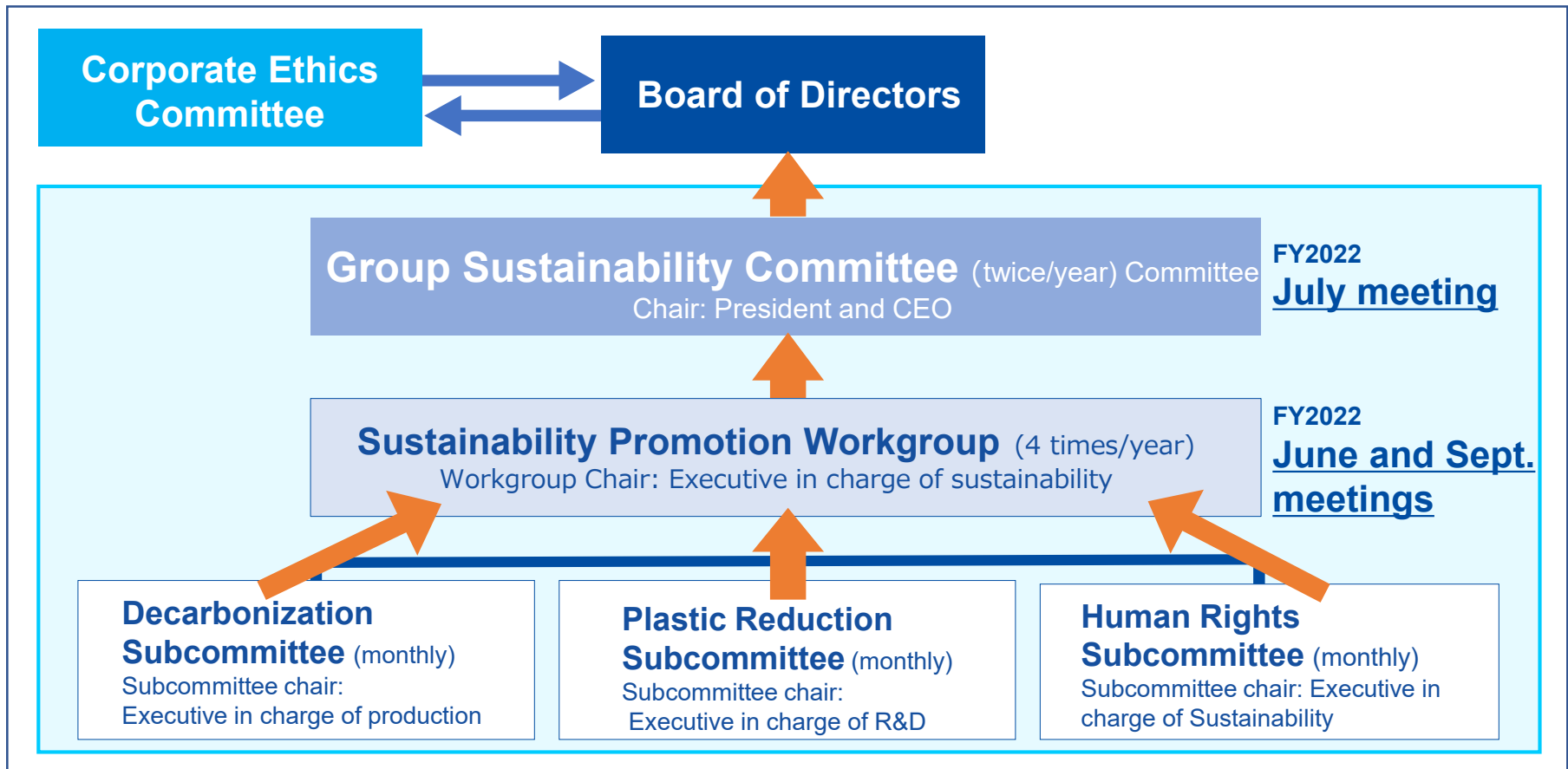


POINT

- **Feedstuffs:** Earnings decreased in the first half due to higher feed raw material costs. In the second half, we plan to work on proposals for compound feed that responds to the business environment of dairy farming sites.
- **Seeds:** Income increased on higher sales of seeds for self-supplied feed crops. Efforts to spread self-sufficient feed crop seeds in the second half.

Secured efficacy of the Sustainability Committee Structure established in June

Engaged in groupwide sustainability management



Initiatives for information disclosure based on TCFD recommendations

- **October 2021: Declared support for the TCFD recommendations and joined the TCFD Consortium**
- **2022 initiatives:**
 - (1) **Two temperature increase scenarios for risks with a large financial impact (1.5°C scenario, 4°C scenario) analysis and evaluation**
 - (2) **We are addressing identified risks in order of priority based on KPIs. Increase resilience by further discussing opportunities.**

Risk Items			Business Impact Around FY2050	
Category	Broad Category	Narrow Category	Level of Impact*	
			1.5°C	4°C
Transition Risks	Policies and Law	Carbon Price	Large	
	Reputation	Consumer Preferences (Response to Ethical Consumption, etc.)	Medium	Small
Physical Risks	Chronic	Increasing Average Temperature	Small	Medium
	Urgent	Increase in Frequency and Severity of Extreme Weather Events (Torrential Rains, Floods, etc.)		Small

1.5°C Increase Scenario

- Introduction of a carbon tax
Necessary to take action to reduce carbon emissions at every point in the supply chain
- Consumer behavior/sales of ethical products
Increased consumer demand for low-carbon products, strong sales of sustainable products, and changes in retail procurement priorities

4°C Increase Scenario

- Production of fresh milk
Decreased production of fresh milk due to the rising temperature. Increased costs of heat-related measures
- Suspended operations due to natural disasters
More damage due to increased frequency and hourly rainfall of torrential rains

Environmental load reduction initiatives

Issuing green bond

To promote sustainability management, we plan to issue a green bond (scheduled for December 2022) to secure part of the funds necessary for activities to reduce environmental impact.

Overview

■ Issue amount: 5bn yen

■ Capital use:

◆ Adopt renewable energy

Introduction of equipment to convert whey and biomass, a by-product generated in the whey useful component recovery process, into methane gas

◆ Reduce waste (sludge)

Investment in wastewater treatment equipment that contributes to waste (sludge) reduction



Taiki Plant

◆ Switching to environmentally friendly raw materials and reducing the amount of petroleum-derived plastics used

- Switching to environmentally friendly containers such as forest-certified paper packaging and cardboard
- Switching to certified palm oil
- Switching to biomass plastics and lighter packaging materials

CO2 emissions

Annual
Approx. **8.0kt**
reduction

Water use

Annual
Approx. **150kt**
reduction

Human rights initiatives

Survey analysis by the Caux Round Table (CRT)

► Identify human rights risks with significant impact on our Company and society

Priority human rights risks

- Foreign workers at plants
- Foreign workers at dairy farms
- Small-scale palm farmers



Conduct human rights impact assessment

Targets

(1) Foreign workers at plants

(2) Foreign workers at dairy farms

(3) Small-scale palm farmers

Survey methods

In-person interviews by CRT (2022.7)

In-person interviews by CRT (2022.6)

Create mill list disclosing names and locations and post to website (2022.8)



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.

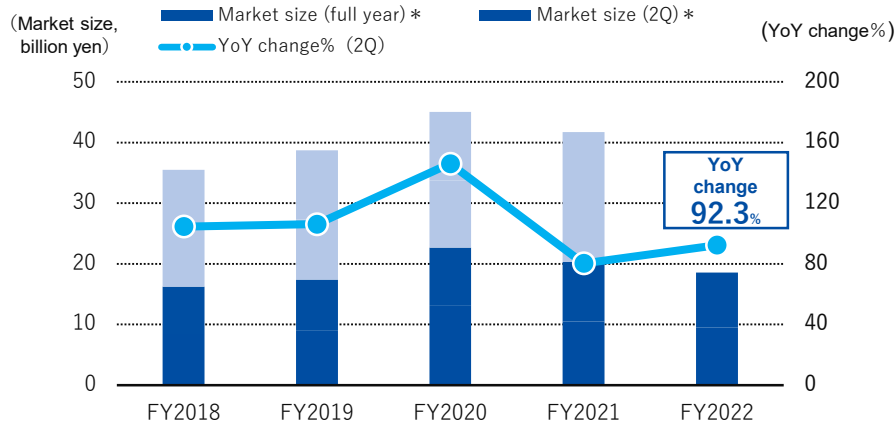
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Data: Market Trends of the nationwide Consumer Products

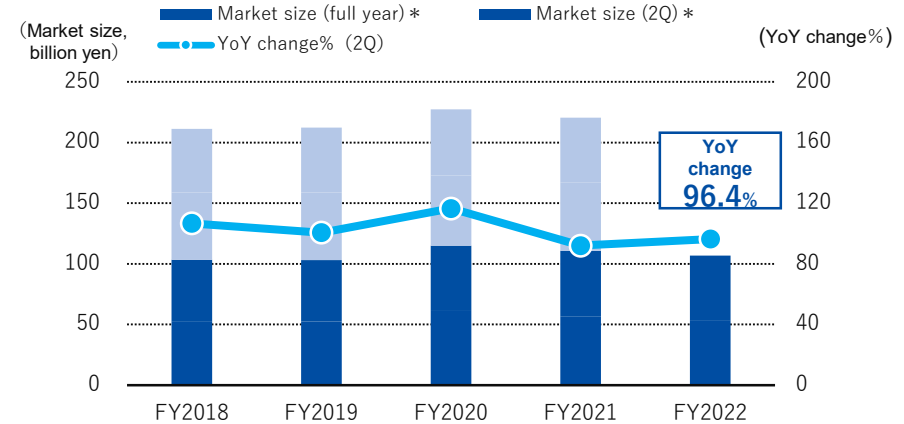
32

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

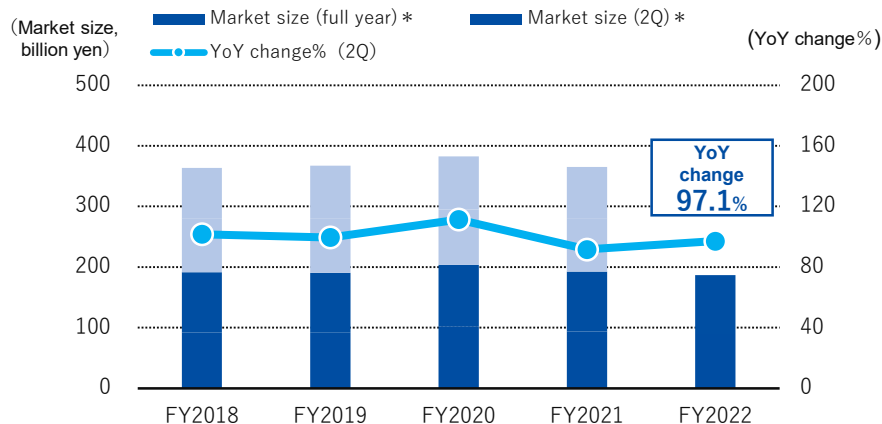
Butter



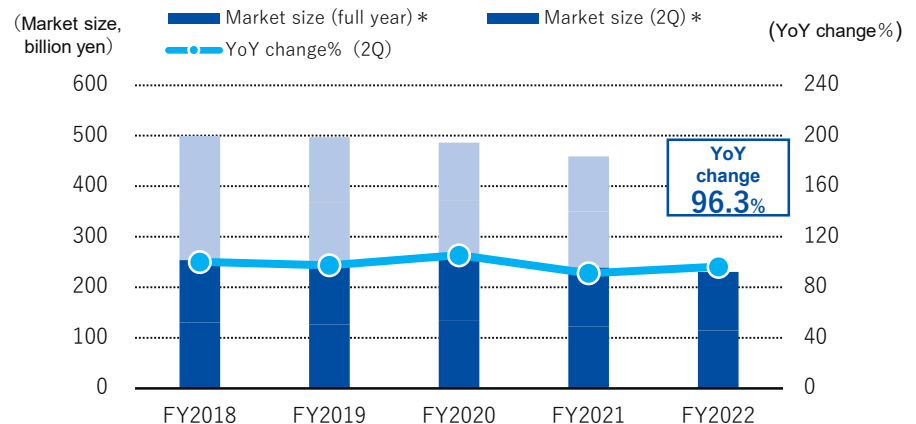
Cheese



Milk (Milk & composition modified milk)



Yogurt



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 half of the fiscal year ending March 31, 2023 (Apr. to Sept. 2022)

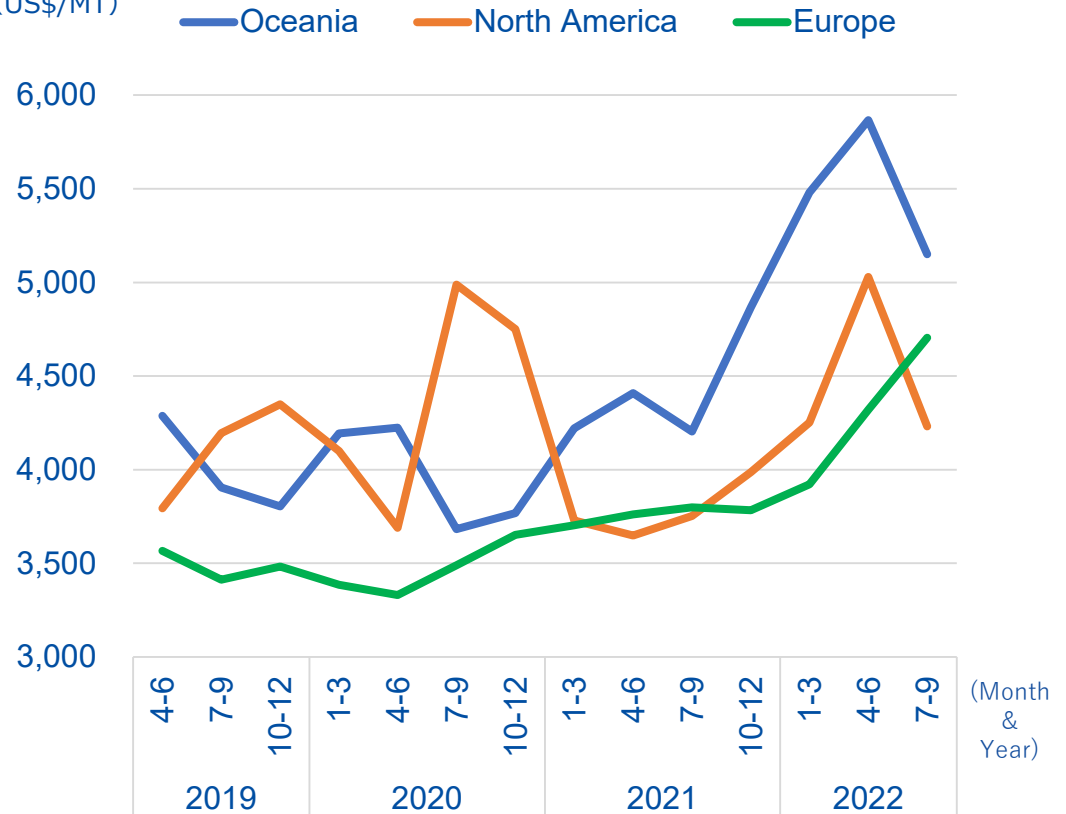
Retail store POS data

Butter	47.5%
Margarine	51.9%
Cheese	26.3%
Milk (Milk & composition modified milk)	4.7%
Milk beverage	13.3%
Yogurt	11.9%
Dessert (Chilled Products)	16.8%

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

Transitions in overseas cheese prices

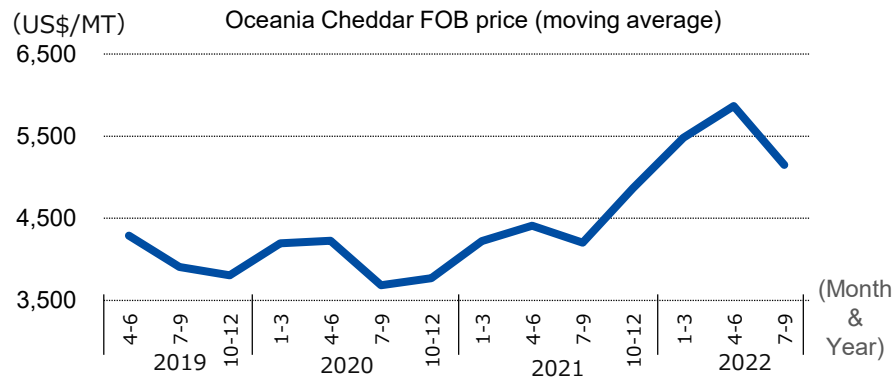
(US\$/MT)



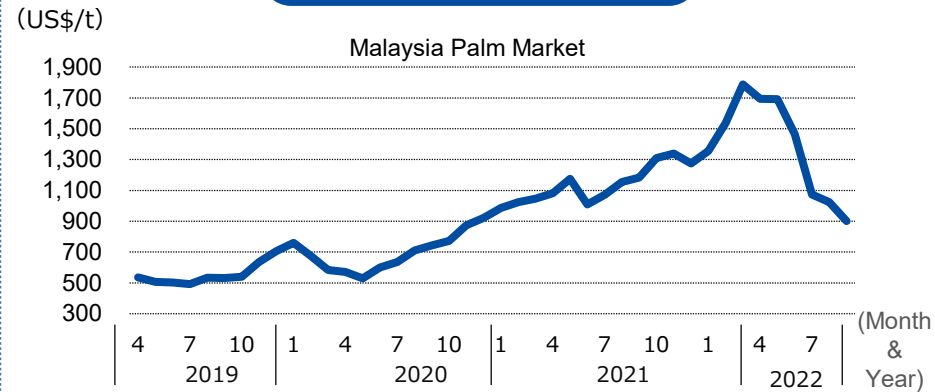
Moving average for each quarter, FOB, Cheddar
OCE-USA, Cheddar USA-CME, Cheddar EU-MMO

Trends of major raw materials

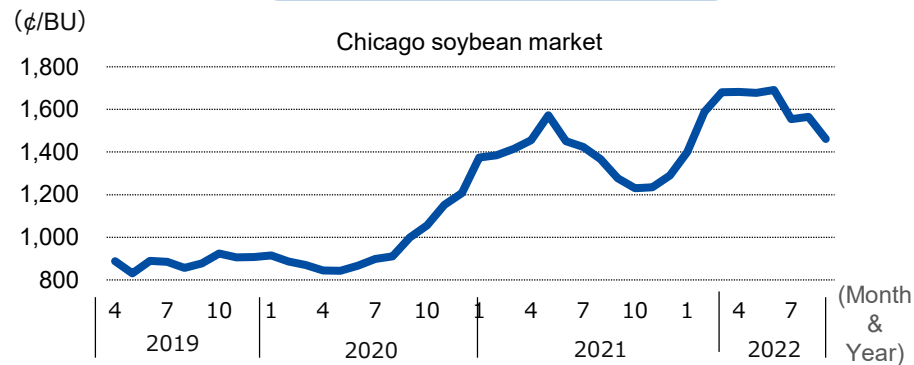
Imported raw cheese



Raw materials for palm oil



Raw materials for soybean oil



Raw materials for rapeseed oil

