



The First Half of the Fiscal Year
Ending March 2022

Financial Results

November 9, 2021

The Accounting Standard for Revenue Recognition began to be applied at the beginning of the first quarter of fiscal year ending March 31, 2022. The previous fiscal year's figures included in these materials have been calculated assuming the application of the new accounting standard.

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(First six months of FYE March 2022)
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(FYE March 2022 full year)
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First Half Summary for FYE March 2022

- **Consumer dairy products remained firm**
- **Consumer beverages and desserts profits increased on functional products**
- **Commercial products on recovery trend**
- **Nutrition Business remains favorable**
- **Feedstuffs and Seed Products Business recorded increased net sales and profit**



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I will begin with a summary of first half earnings.

Sales of consumer dairy products were largely firm.

Profit from consumer beverages and desserts increased on a higher ratio of more profitable functional products.

However, commercial products remain on a recovery trend.

The Nutrition Business and the Feedstuffs and Seed Products Business also recorded increased net sales and profit.

Consolidated Operating Result in the First Half of the Fiscal Year Ending March 2022

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

	FYE3/2021 H1	FYE3/2022 H1	Change	YoY % change	Achievement rate
Net sales	282.9	286.9	+3.9	101.4	99.6
Operating profit	11.0	12.2	+1.1	110.1	113.1
Ordinary profit	11.9	13.2	+1.2	110.8	116.5
Profit *	7.1	8.5	+1.3	119.2	126.1

* Profit attributable to owners of parent

- ▶ YoY: Increased net sales and profit
- ▶ vs. initial forecasts: Net sales down slightly, profit targets achieved



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Consolidated earnings for the first half of FYE March 2022 were as follows:

Net sales were 286.9 billion yen, 101.4% year on year,
Operating profit was 12.2 billion yen, 110.1% year on year,
Ordinary profit was 13.2 billion yen, 110.8% year on year,
and, profit attributable to owners of parent was 8.5 billion yen, 119.2%.

Versus initial forecasts, net sales were at 99.6% and operating profit was at 113.1%.

From the beginning of this year, we apply the Revenue Recognition Accounting Standard, and previous fiscal year figures have been created based on that standard.

Forecast of Consolidated Financial Results FYE3/2022 – (No change)

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

Full Year Results

	FYE3/2021	FYE3/2022	Change	YoY % change
Net sales	554.5	570.0	+15.4	102.8
Operating profit	19.7	20.5	+0.7	103.6
Ordinary profit	21.6	21.5	(0.1)	99.2
Profit *	14.9	12.5	(2.4)	83.8

* Profit attributable to owners of parent

Dividends

Ordinary dividend	50 yen	Consolidated payout ratio	27.0%
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There is no change in the full-year consolidated financial forecast totals and dividend forecasts for the current fiscal year that we announced in May of this year.

Forecast of Consolidated Financial Results FYE3/2022 (Segment-specific)

Revisions to segment forecasts

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

	FYE3/2022 (Initial forecast)		FYE3/2022 (Revised forecast)		Change after revision	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy products	240.0	12.9	240.0	12.9	0	0
Beverage and Dessert	254.0	5.5	249.0	5.2	(5.0)	(0.3)
Feedstuffs and Seed Products	41.0	1.0	46.0	1.0	+5.0	0
Other	35.0	1.1	35.0	1.4	0	+0.3
Total	570.0	20.5	570.0	20.5	0	0

However, in light of first half earnings, we did revise segment-specific net sales and operating profit forecasts based on our projections for full-year earnings.

Our operating environment lacks transparency concerning issues such as the future of the COVID-19 pandemic and rising raw material prices but we will work to achieve our full-year plans by responding accordingly.

Business-Specific Initiatives



1. Dairy Products Business Sector

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



2. Beverages and Desserts Business sector

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



3. Nutrition Business Sector

Infant formula (domestic and overseas), functional foods, functional ingredients, etc.



4. Feedstuffs and Seed Products Business Sector

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

Next, I will explain specific earnings and initiatives for each business segment.

Initiatives by Segment | Dairy Products Business



First Half of FYE3/2022

[Dairy Products (results)] including Nutrition Business

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

	H1 results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	117.8	103.3	100.7	240.0	104.0
Operating profit	6.3	96.3	111.0	12.9	94.3

- ▶ Consumer sales decreased on market correction from previous year
- ▶ Commercial sales on recovery trend
- ▶ Profit from consumer products decreased on market correction and higher costs for margarine



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The Dairy Products segment recorded increased net sales and decreased profit.

Net sales of butter decreased due to a market correction from increased demand for consumer butter during the previous year. However, a recovery in commercial products resulted in segment earnings being largely unchanged year on year.

Net sales of margarine decreased on lower demand as an alternative to butter.

We also revised prices beginning with products shipped on October 1 to reflect increases in raw material costs.

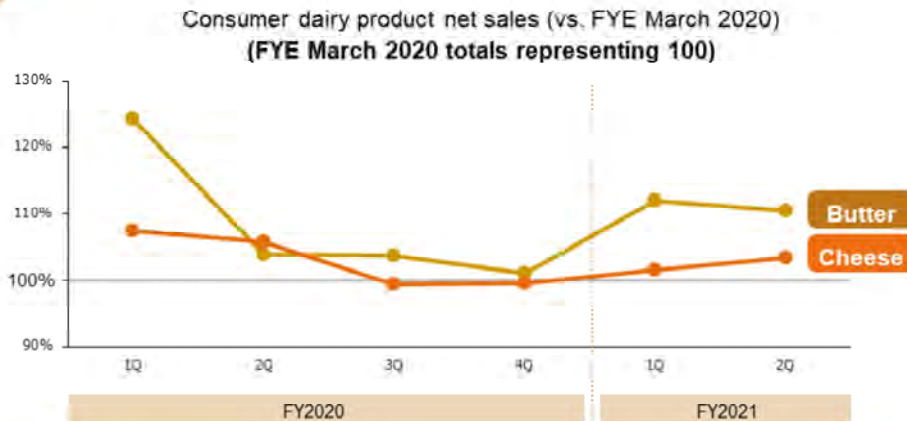
Overall, net sales for the cheese segment decreased but sales of natural cheese and the overseas cheese business were firm. Factors resulting in decreased profit include a market correction resulting in decreased demand for consumer products and increased costs for margarine.

Initiatives by Segment | Consumer Dairy Products



► Net sales by quarter for consumer dairy products vs. FYE March 2020

Firm thanks to butter and cheese



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This graph shows quarterly net sales for consumer butter and consumer cheese since FYE March 2021 in a comparison with net sales from FYE March 2020, which was prior to COVID-19.

In a comparison with FYE March 2020, current fiscal year net sales have increased, indicating the growth and normalization of in-home consumption demand. We will propose new menu ideas to maintain and expand this in-home consumption demand.

Initiatives by Segment | Domestic Cheese



► Expand sales of consumer natural cheese

Expand sales of Sakeru Cheese



Full-year growth in sales of Sakeru Cheese
(FYE March 2018 full-year sales representing 100)



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Looking at consumer cheese, sales of natural cheese were favorable. In particular, sales of Sakeru cheese have increased steadily every year, including sales growth in the first half of this fiscal year. We are currently conducting construction to increase the number of lines at our Taiki Plant.

Initiatives by Segment | Domestic Cheese



► Initiatives for the second half

Expand sales of strong-performing consumer cheeses

Promote new products to expand sales of 6P Cheese



New commercial

Drive stay-at-home demand

Expand sales of natural cheese by proposing various consumption occasions



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This slide shows our specific initiatives for cheese in the second half. Time spent at home is increasing due to the adoption of new lifestyles and driving the normalization of in-home consumption demand. We will conduct marketing activities in line with these trends. For processed cheese, we launched a new product in our mainstay 6P Cheese series in response to demand for snacks.

For natural cheese, we will expand sales during the highest demand period by engaging in promotions that do not focus on pricing. Instead, we will, for example, promote Camembert Fondue as a proposal for eating Camembert cheese.

Initiatives by Segment | Overseas Cheese



► Indonesia market

- Scale of growing cheese market in Indonesia (8% annual average growth)

- Growing population (4th)

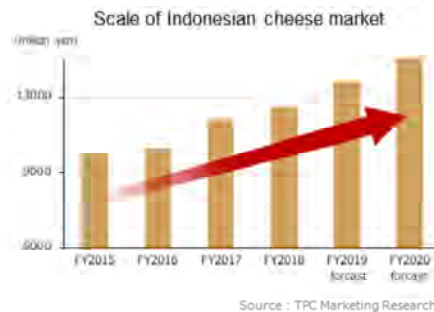
FY2021: Japan Statistics Bureau

2000: 210 million people



2030: 290 million (projected)

138% vs. 2000



- No tariffs between 10 ASEAN countries



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This slide shows the overseas Cheese Business.

The Indonesian market is projected to grow at an annual average rate of 8% due to population growth and rising income levels.

Also, exports are tariff-free within the 10 ASEAN countries, making the region appealing as we are able to pursue expanded exports to neighboring countries.

Initiatives by Segment | Overseas Cheese

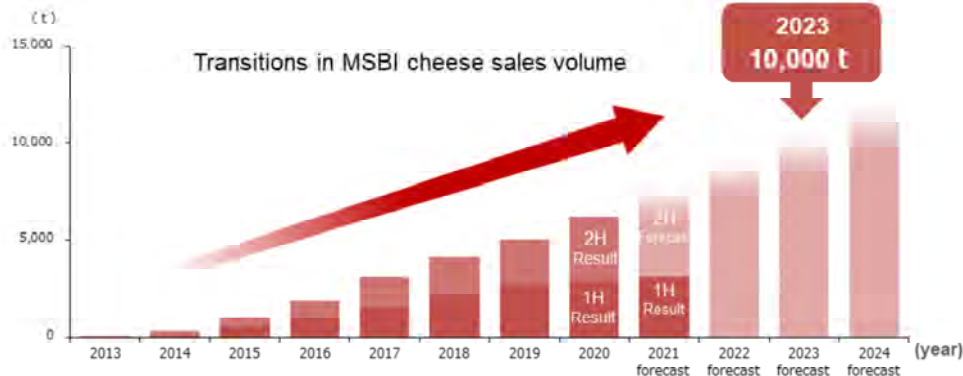


► Initiatives for the second half

Increasing overseas cheese production volume



Enhance production structure at Indonesian cheese plant (MSBI) during FYE March 2022



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We have steadily increased production capacity since launching cheese sales in Indonesia in 2013.

The COVID-19 pandemic had a significant impact on restaurants during the first half of this fiscal year but we secured net sales exceeding the previous year.

We also have already started exporting to neighboring countries such as Malaysia and Singapore.

We are planning on capital investments to enhance our production lines during the current fiscal year, and are aiming to increase sales volume to 10,000 tons by FYE March 2024.

Initiatives by Segment | Beverage and Dessert Business



First Half of FYE3/2022

[Beverage and Dessert Segment (results)]

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

	H1 results	YoY % change	Achievement rate	Full-year forecast (Revised forecast)	YoY % change
Net sales	126.3	97.3	96.4	249.0	100.1
Operating profit	3.4	126.3	99.7	5.2	125.5

- ▶ Net sales for beverages decreased on poor summer weather
- ▶ Yogurt and dessert sales favorable
- ▶ Profit increased on higher ratio of high-value-added products



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The Beverage and Dessert segment, we recorded decreased net sales but increased profit.

Beverage sales were sluggish on poor summer weather, resulting in overall decreased net sales.

For yogurt, sales of Gasseri SP Strain Yogurt recovered steadily and net sales for desserts remained favorable.

Overall, profit increased thanks to a higher ratio of high-value-added products.

Initiatives by Segment | Beverage and Dessert Business



► MBP Drink

Initiatives to increase recognition



Promoting understanding of function
across multiple media formats



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In March, we launched sales of our MBP Drink. This drinkable high-value-added product is a milk-based beverage and is Japan's first food with function claims that helps increase bone density.

We also tapped Shuzo Matsuoka to serve as a Health Ambassador. We are increasing MBP recognition and sales are increasing steadily.

In the second half, we will continue to promote understanding of product functions through television commercials and other media as we work to expand sales.

Initiatives by Segment | Yogurt



► Functional yogurt

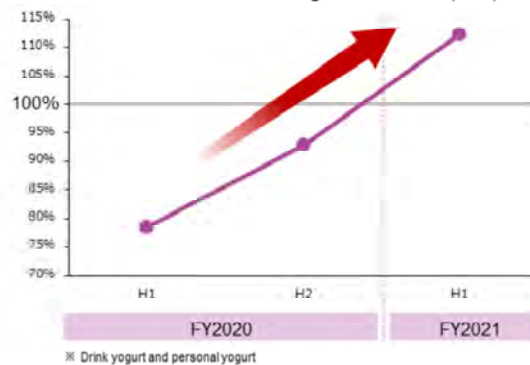
Gasseri SP Strain Yogurt

Use TV commercials and other promotions to increase product recognition and continue to expand sales



Limited time package design

Gasseri SP Strain Yogurt* net sales (YoY)



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Next is yogurt.

Sales for the Gasseri SP Strain series of products struggled during the first half of the previous fiscal year but have been on a recovery trend since the second half.

Amid concerns of a lack of exercise due to increase time at home, we will use packaging that promotes product functions for reducing visceral fat as well as create sales displays linked to television commercials.

Initiatives by Segment | Desserts



► Desserts

Expand sales of single-serving desserts

Enhance product appeal to expand sales



Transitions in Megmilk Snow Brand chilled desserts market share (%)



Source: Intage Inc.: SRI+ for cumulative total sales from April 2017 to September 2021



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Last fiscal year, net sales of desserts increased on stay-at-home demand driven by COVID-19.

This fiscal year, we are maintaining that momentum and expanding share thanks to the normalization of consumer styles driven by new lifestyle norms.

We will continue to aim for increased share by enhancing our product capabilities, including launching new products and revamping existing products.

Initiatives by Segment | Nutrition Business



First Half of FYE3/2022

[Nutrition Business (results)]

of the Dairy Products Segment

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

	H1 results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	8.7	105.3	104.1	17.4	104.2
(Breakdown)					
Functional foods	3.2	113.8	109.9	6.6	108.8
Infant formula and other	5.4	100.8	100.9	10.7	101.5

- ▶ Functional foods : Expand subscription-based e-commerce business centered on MBP®
- ▶ Infant formula and other : Competition in overseas markets intensifying, domestic sales favorable thanks to price superiority



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This slide shows the Nutrition Business segment, which is a part of the Dairy Products segment.

Net sales for functional foods were at 113.8% year on year.
Infant formula was at 100.8%.



Expand sales of functional food products



Transitions in net sales of functional food products



This slide shows transitions in net sales for the Functional Foods Business. The Functional Foods Business is a subscription-based e-commerce business. Last fiscal year, the rising rates of time spent at home and increased consumer health consciousness propelled web promotions and led to significant increases in subscription customers.

Also, we gained synergy in the form of increased brand recognition following the launch of sales for MBP drinks. We will continue to steadily increase sales.

We will develop this business as a driver of growth.

Initiatives by Segment | Feedstuffs and Seed Products



First Half of FYE3/2022

[Feedstuffs and Seed Products Segment (results)]

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

	H1 results	YoY % change	Achievement rate	Full-year forecast (Revised forecast)	YoY % change
Net sales	24.7	116.3	112.5	46.0	112.1
Operating profit	1.4	117.8	132.7	1.0	89.0

- ▶ Feedstuffs business : Develop value added products to expand sales
- ▶ Seed products business : Joint development to expand sales of forage grass and feed crop seeds



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This slide shows the Feedstuff and Seed Products Business. The business recorded increased sales and profits, with net sales at 116.3% and operating profit at 117.8% compared to the previous fiscal year.



► Initiatives for the second half

Feedstuffs business

- Hokuren Cooperative-Snow Brand Feed Mills Co., Ltd. (HKS) new plant launched operations as planned in December



New feedstuff plant in Tomakomai
Oct. 2021

Seed Products Business

- Initiatives to promote self-supported feed-based farming



Forage Grass
Orchardgrass
[Esajiman]



This slide shows our second half initiatives for the Feedstuff and Seed Products Business.

In the Feedstuff Business, the new plant for Hokuren Cooperative-Snow Brand Feed Mills Co., Ltd. (HKS), our venture company with Hokuren, will launch operations in December.

We will work to increase production efficiency and achieve even higher quality.

The Seed Products Business will expand sales of foraging seeds as part of promoting self-supported feed-based farming amid continued high prices for feedstuff imported from overseas.

For the Realization of a Sustainable Society



Environment

Initiatives to address environmental issues



Social

Initiatives to address human rights issues



Governance

Drafted Megmilk Snow Brand Group Charter of Corporate Behavior



Lastly, is our sustainability initiatives.
I will explain specific initiatives related to the environment, society, and governance.

New initiatives to address environmental issues

Initiatives related to the Task Force on Climate-related Financial Disclosures (TCFD)

- Announced support for TCFD, joined the TCFD consortium (October 2021)**
- Promoting initiatives towards disclosure from next fiscal year**



This shows our environment initiatives.

As a new initiative, we began initiatives related to the Task Force on Climate-related Financial Disclosures (TCFD).

In addition to recently supporting TCFD recommendations, we also decided to join the consortium.

We are working towards disclosures beginning from next fiscal year.

For the Realization of a Sustainable Society

New human rights initiatives

- Signatory to the UN Global Compact (June 2020)

- Drafted the Megmilk Snow Brand Group Human Rights Policy (June 2021)

- Starting human rights due diligence (planned for FYE March 2023)



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This shows our social initiatives.

In light of the growing importance of human rights issues, last year we became a signatory to the UN Global Compact.

In June of this year, we drafted the Megmilk Snow Brand Group Human Rights Policy to clarify our Group stance both internally and externally.

We are currently making preparations to conduct human rights due diligence beginning from next year.

For the Realization of a Sustainable Society

Drafted the Megmilk Snow Brand Group Charter on Corporate Behavior, the Megmilk Snow Brand Group Environmental Policy, Human Rights Policy, etc. (June 2021)

Create systematic fundamental approach to achieve sustainable business

Draft code of conduct based on our founding principle: *Kendo Kenmin* (a healthy earth ensures human health)



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This slide shows our governance initiatives.

In June of this year, we used our corporate philosophy as the basis for a new Megmilk Snow Brand Group Charter of Corporate Behavior to establish a systematic basic approach to promoting sustainable management.

We also drafted Group Policy on the environment and human rights, both of which are critical issues in society today.

We consider *Kendo Kenmin* (a healthy earth ensures human health), one of our founding principles, as a starting point when drafting the Group Charter. By engaging in specific action, we will aim to create a sustainable society.

Make the Future with Milk.



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