



Fiscal Year Ended March 2022
Financial Results
May 13, 2022

President and Chief Executive Officer
Masatoshi Sato

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.

My name is Masatoshi Sato. I assumed the position of President and CEO on April 1.

I want to begin by thanking our shareholders, investors, and other stakeholders for your continued support of Megmilk Snow Brand.

»» Preface (In taking office)

»» FYE3/2022 Consolidated Financial Results

»» FYE3/2023 Initiatives

»» Ahead of Next Medium-term Management Plan

»» Megmilk Snow Brand Group Sustainability Management

Roadmap for Group Long-term Vision 2026

	First Stage FY2017~FY2019	Second Stage FY2020~FY2022	Third Stage FY2023~FY2026
Positioning	Begin Transformation Start and promote Group management	Accelerate Transformation Strengthen development of Group management	Toward Renewal Accelerate and renew Group management
Role	<ul style="list-style-type: none"> ● Create multiple earnings bases and maximize cash flow ● Begin renewal of production structure 	<ul style="list-style-type: none"> ● Establish Group earnings bases ● Begin full-fledged renewal of the production structure 	<ul style="list-style-type: none"> ● Stable creation of earnings through four business sectors ● Accelerate production structure innovation

Difficult changes in environment

Changes in social structure due to COVID-19, environmental issues, rising prices for resources and energy due to situation in Ukraine, dramatic currency fluctuations

Policy for current fiscal year

Clarify issues to address and ensure response.
Link to new Medium-term Management Plan that addresses new societal issues.



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[Group Long-term Vision]

In fiscal 2017, the Megmilk Snow Brand Group drafted our Group Long-term Vision 2026 to serve as a compass for the 10-year period through 2026. Since then, we have implemented initiatives based on this plan, and this fiscal year represents the final year of our 2022 Medium-term Management Plan, which we position as Second stage of our Long-term Vision.

However, the current operating environment influencing our business is facing extremely difficult conditions. In addition to sudden changes in social structure and environmental issues caused by COVID-19, the situation in Ukraine has caused skyrocketing resource and energy prices, and dramatic fluctuations in currency markets.

Amid this environment, this fiscal year we will clarify the issues we must address, ensure appropriate responses, and link that action to a new Medium-term Management Plan that reflects our new social environment. We position this Plan as Third Stage in our Long-term Vision.

Ideal situation

Embracing and adhering to our founding spirit of *Kendo Kenmin* (a healthy earth ensures human health), we keep sight of our underlying mission as we strive to resolve all the social issues along our value chain associated with dairy farming.

We will promote sustainability management as we aim to be a company that is needed by society across the generations.



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[Ideal situation]

The Megmilk Snow Brand Group hopes to resolve all of the social issues along our value chain associated with dairy farming. We strive to do this while embracing and adhering to our founding spirit of *Kendo Kenmin* (a healthy earth ensures human health), and keeping sight of our underlying mission.

We will promote sustainability management as we aim to be a company that is needed by society across the generations.

FYE3/2022 Full Year Earnings

Net sales

¥558.4 billion

YoY change

¥3.8 billion / 0.7%

Operating profit

¥18.0 billion

YoY change

(¥1.7) billion / (8.7)%

(Rounded down to the nearest tenth of a billion yen)

Summary

- Impacted by COVID-19 but increased net sales
- Profit decreased on increased raw material and operating costs



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[Financial earnings overview and summary]

I will begin by explaining our consolidated earnings results for the fiscal year ended March 2022.

This fiscal year resulted in net sales of 558.4 billion yen and operating profit of 18 billion yen, representing increased net sales but decreased profit.

FYE March 2022 resulted in increased net sales overall despite the continued impact of fluctuations in the flow of people due to COVID-19 and a rebound from stay-at-home demand.

However, costs related to raw materials and operations increased at a higher-than-expected pace. Overall, we were unable to absorb these costs and, as a result, profits declined.

FYE3/2022 Consolidated Financial Results

5

Cumulative results

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

	Cumulative results of FYE3/ 2021	Cumulative results of FYE3/ 2022	Change	% Change YoY
Net Sales	554.5	558.4	3.8	0.7%
Operating profit	19.7	18.0	(1.7)	(8.7)%
Ordinary Profit	21.6	19.9	(1.6)	(7.7)%
Profit*	14.9	12.0	(2.8)	(19.1)%

* Profit attributable to owners of parent



*Difference in extraordinary profit from previous year: (¥3.1)bn (gains on sale of land: (¥2.6)bn, etc.)



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[Earnings results]

Net profit for FYE March 2022 was 12 billion yen.

The year-on-year difference was elevated due to extraordinary profit from having recorded roughly 2.6 billion yen as gains on the sale of idle land during the previous fiscal year.

FYE3/2022 Consolidated Financial Results

6

Results by segment

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

	Cumulative results of FYE3/ 2021		Cumulative results of FYE3/ 2022		% Change YoY	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy Product	230.6	13.6	236.9	12.5	2.7%	(8.4)%
Beverage and Dessert	248.6	4.1	239.7	3.6	(3.6)%	(12.9)%
Feedstuffs and Seed	41.0	1.1	46.8	0.6	14.3%	(38.1)%
Other	34.1	1.0	34.8	1.1	2.1%	8.8%
Total	554.5	19.7	558.4	18.0	0.7%	(8.7)%



POINT

Comments
on net sales

- Dairy products: Consumer product net sales decreased on rebound from stay-at-home demand, net sales of commercial products increased
- Beverages and desserts: Net sales decreased on changes in consumer spending habits and poor weather in the summer months
- Feedstuffs and seed products: Net sales increased on increase in sales prices



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[Segment-specific net sales and operating profit]

Next, I will explain segment-specific results with a focus on the status of sales. Overall, net sales in the Dairy Products sector increased.

As a breakdown, sales of consumer products decreased on downturn from stay-at-home demand. On the other hand, net sales of commercial products increased on gradual increases in consumer activity.

The Beverages and Desserts sector saw decreased net sales on the impact of poor weather during the summer.

Lifestyle changes caused by COVID-19 led to changes in convenience stores and other sales spaces. This change had a negative impact on sales.

Net sales for the Feedstuffs and Seed Products sector increased on price revisions to reflect higher feedstuff raw material costs.

FYE3/2022 Consolidated Financial Results

7

Factors Affecting Changes in Consolidated Operating Profit

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

FYE3/2021	FYE3/2022	change	Changes in segments			
			Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
19.7	18.0	(1.7)	(1.1)	(0.5)	(0.4)	(0.0)
Marginal profit Subtotal		(1.0)	(0.7)	(0.3)	(0.2)	0.0
Sales unit price	0.0		0.1	0	(0.1)	0.0
Sales volume	0.1		0.5	(0.4)	(0.1)	0.0
Product composition	1.5		0.2	1.3	0.0	0.0
Raw materials costs	(1.7)		(1.2)	(0.5)	0.0	0.0
Operating costs	(1.3)		(0.6)	(0.7)	0.0	0.0
Other	0.4		0.3	0.0	0.0	0.0
Fixed costs and others Subtotal		(0.7)	(0.4)	(0.2)	(0.2)	0.0
Advertising and promotional costs	(0.7)		0.0	(0.7)	0.0	0.0
Fixed costs	0.0		(0.4)	0.5	(0.2)	0.0



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[Breakdown of factors affecting changes in consolidated operating profit]

Next, I will discuss factors affecting changes in consolidated operating profit.

As is highlighted with a red border in the top row, operating profit decreased by 1.7 billion yen from the previous fiscal year.

The 1.5 billion yen increase in product composition is mainly due to contributions from MBP drinks, which we launched in March of last year.

However, the weight of raw material and operational costs was significant, resulting in decreased profit overall.

The increase in advertising and promotional costs was mainly due to aggressive marketing investments for MBP drinks and Gasseri Strain Yogurt.

Issues to address

Respond to cost increases and expand volume

Background

Worked to strengthen business foundation through structural reforms

- Expand added-value products (functional yogurt, natural cheese, etc.)
- Cost reduction efforts (consolidation of production lines, logistics routes, etc.)

➤ These initiatives produced a certain level of results but effect waned due to sudden changes in operating environment from second half of previous fiscal year.

➤ Consolidated net sales increased but nonconsolidated net sales on downward trend



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[Initiatives for the fiscal year ending March 2023]

Next, I will discuss the issues we must address this fiscal year in light of our results from the fiscal year ended 2022.

Thus far, we have implemented structural reforms and other initiatives to improve our business foundation. However, the impact of the dramatic changes in our operating environment since the second half of the previous fiscal year exceed those efforts.

Despite consolidated net sales being on an upward trend, Megmilk Snow Brand nonconsolidated net sales are trending downward.

We recognize this as due to structural reforms resulting in less-than-expected volume.

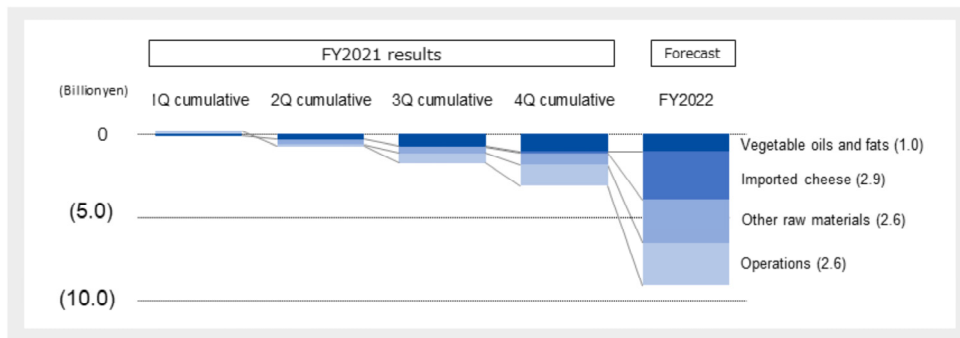
As a result, we recognize the issues we must address this fiscal year as ensuring appropriate responses to cost increases and expanding volume.

Response to cost increases

Price revision initiatives

- Market permeation for products with revised pricing
- Focus on cost trends for raw material continuing to rise

Status of cost increases



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[Responses to cost increases]

This graph shows the year-on-year increase in Group raw material costs and operational costs.

This fiscal year, we project this will have an even bigger negative impact than that fiscal year ended March 2022.

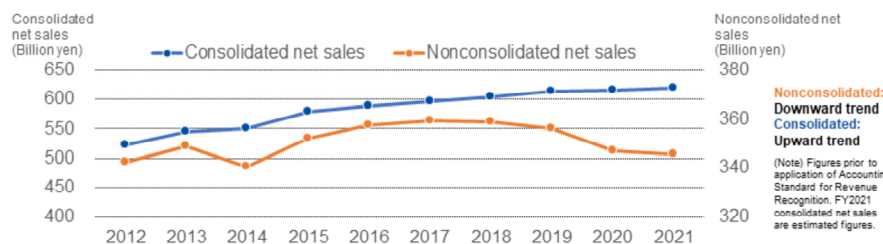
We will work to permeate price revisions while continuing to analyze market trends and respond to future cost fluctuations

Increase volume

Capture merits of increased volume

- Maximize use of production facilities to increase operating rates and production efficiency
- Reduce raw milk product inventory that increased due to fresh milk demand/supply gap
- Increase market competitiveness by increasing market share

Transitions in net sales



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[Increase volume]

This graph shows transitions in net sales for the past ten years.

While we have maintained increases on a consolidated basis, looking at nonconsolidated performance, we have seen a decline trend for the past few years. To address this, we have adopted a basic policy of working to increase sales volume.

We aim for this policy to produce three benefits:

-The first is:

Improve production efficiency by utilizing existing manufacturing facilities

-The second is:

Reduce our inventory of dairy raw materials

-And the third benefit is:

Increase market competitiveness by increasing our market share.

We will focus on expanding sales volume with the goal of achieving this compound effect.

Full-year forecast

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

	FYE3/ 2022	FYE3/ 2023	Change	% Change YoY
Net Sales	558.4	585.0	26.5	4.8%
Operating profit	18.0	15.0	(3.0)	(16.9)%
Ordinary Profit	19.9	16.5	(3.4)	(17.4)%
Profit*	12.0	10.0	(2.0)	(17.1)%

*Profit attributable to owners of parent



- Increased net sales on sales growth and price revisions
- Decreased profit on further increases in raw material and operating costs



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[Consolidated earnings forecast for fiscal year ending March 2023 (full-year)]

Earnings forecast for the current fiscal year assumes implementation of responses to these issues.

Our earnings forecast for the fiscal year ending March 2023 is net sales of 585 billion yen, an increase of 26.5 billion yen, or 4.8%, over the previous fiscal year. We are forecasting operating profit of 15 billion yen.

This represents a year-on-year decline of 3 billion yen, or 16.9%, mainly due to significant increases in raw material and operating costs

FYE3/2023 Initiatives

12

Forecast of Factors Affecting Changes in Consolidated Operating Profit

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

FYE3/2022	FYE3/2023	change	Changes in segments			
18.0	15.0	(3.0)	Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
			(3.6)	0.8	(0.1)	(0.1)
Marginal profit Subtotal	1.1		(0.9)	2.0	0.0	0.0
Sales unit price	4.5		2.7	1.7	0.1	0.0
Sales volume	5.1		2.6	2.3	0.0	0.2
Product composition	0.6		0.1	0.5	0.0	0.0
Raw materials costs	(6.5)		(4.8)	(1.6)	(0.1)	0.0
Operating costs	(2.6)		(1.5)	(0.9)	0.0	(0.2)
Other	0.0		0.0	0.0	0.0	0.0
Fixed costs and others Subtotal	(4.1)		(2.7)	(1.2)	(0.1)	(0.1)
Advertising and promotional costs	(1.1)		(0.4)	(0.7)	0.0	0.0
Fixed costs	(3.0)		(2.3)	(0.5)	(0.1)	(0.1)

FYE3/2023 currency rate assumption: US \$1 = ¥120

Currency sensitivity (nonconsolidated operating profit-based): Yen appreciation of ¥1 = +¥0.17 bn

SNOW BRAND

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[Breakdown of factors behind full-year changes in consolidated operating profit]

This indicates factors behind changes in operating profit related to earnings forecasts for the current fiscal year.

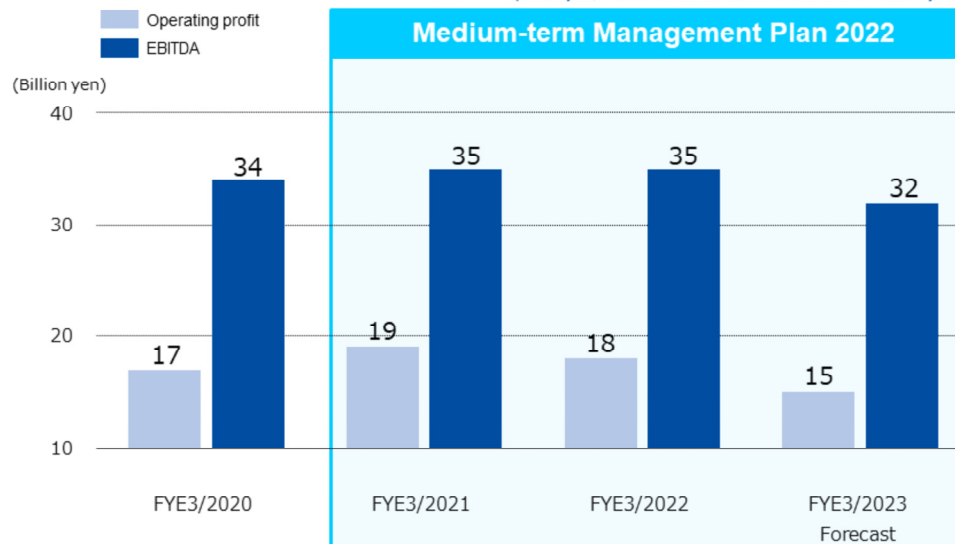
First, we are forecasting a total of 10.2 billion yen from positive factors, which include sales unit price differences, changes in sales volume, and product composition differences.

Negative factors include increased raw material and operating costs, which we forecast will have a negative impact of 9.1 billion yen.

Additionally, this fiscal year we are also forecasting a negative 3 billion yen as the total increase in fixed expenses, including advertising and promotional costs related to aggressive marketing investments to increase volume and depreciation expenses.

Consolidated business performance trends

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

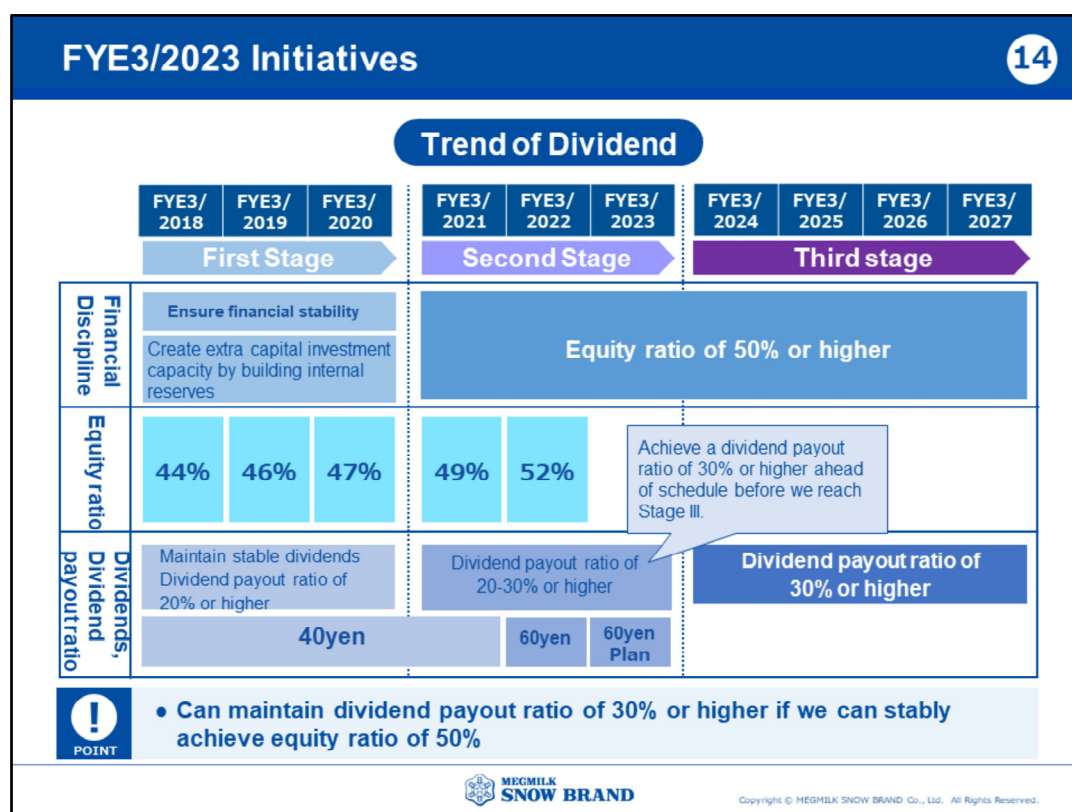


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[Progress of Medium-term Management Plan 2022]

This indicates transitions in earnings for the Group Medium-term Management Plan 2022, which includes our forecasts for the current fiscal year.

We forecast operating profit and EBITDA will decrease due to increasingly difficult market environment changes.



[Dividend policy]

As part of the Group's Long-term Vision 2026, we have worked towards the goal of achieving an equity ratio of 50% or higher and a dividend payout ratio of 30% or higher. We were able to achieve those goals ahead of schedule, before entering Third stage.

We increased the per-share dividend amount for the fiscal year ended March 2022 by 20 yen from the previous fiscal year to 60 yen.

This fiscal year, we plan to main dividends of 60 yen per share.



Moving forward, we will continue efforts focused on shareholder returns.



[Sales results | Dairy Products]

Next, I will discuss the Dairy Products Business sector.

Key points are expanding sales of consumer butter by expanding our butter production structure, and achieving sales growth for consumer natural cheese.

FYE3/2023 Initiatives					16
FYE3/2023 forecast (consolidated)					
[Dairy Products]		(including Nutrition Business)		(Billion yen, rounded down to the nearest tenth of a billion yen)	
	FYE3/ 2022 Results	FYE3/ 2023 Forecast	Change	% Change YoY	
Butter	22.4	25.0	2.5	11.6%	
Margarine	8.2	8.5	0.2	3.0%	
Cheese	55.3	60.1	4.8	8.8%	
Other	25.7	25.2	(0.5)	(2.1)%	
Subsidiaries and other	125.1	133.0	7.8	6.3%	
Sales total	236.9	252.0	15.0	6.4%	
Operating profit	12.5	9.0	(3.5)	(28.1)%	
<div>  POINT </div> <ul style="list-style-type: none"> • Sales growth for consumer butter on establishment of structure for expanding butter production • Sales growth for consumer natural cheese 					
<div>  </div> <div>Copyright © MEGMILK SNOW BRAND Co., Ltd. All Rights Reserved.</div>					

[Forecast | Dairy Products]

Next, I will discuss the Dairy Products Business sector.

Key points are expanding sales of consumer butter by expanding our butter production structure, and achieving sales growth for consumer natural cheese.



Response to cost increases

Revise prices to address increased costs of imported raw materials

<Target products> Consumer margarine and cheese, commercial dairy

<Revision details>

- Consumer margarine: (10/2021) 10 products (+3.8 to 12.2%)
- Consumer processed cheese: (04/2022) 35 products (+4.5 to 10.0%)
- Commercial cheese, margarine: (04/2022) Approx. 200 products (max. 29%)

Steady price revisions



Consumer margarine storefront price YoY transition (Megmilk)



(Source) Intage SRI + YoY average sales price comparison



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[Dairy Products Business sector (2022 cost increases)]

Next, I will explain our response to cost increases.

We have already revised prices for consumer and commercial products in response to increased costs for imported raw materials.

We will continue to closely monitor price trends for imported raw materials.



Expand volume ①

Initiatives for consumer butter

- Maximize production structure at Isobunnai Plant (launched operations in Apr. 2021)
- Establish production structure for mainstay consumer butter products

Establish production structure for mainstay consumer butter products by transferring production line from Hokkaido Plant to main island plant



Consumer butter mini pack



Horonobe Plant, Hokkaido

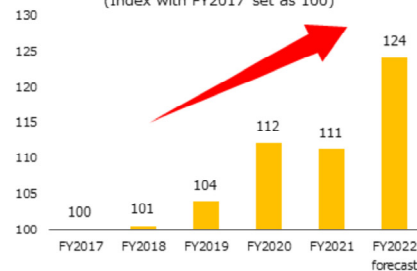


Ami Plant, Ibaraki

Expand sales by concentrating production on mainstay consumer butter products

Transitions in consumer butter net sales

(Index with FY2017 set as 100)



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[Dairy Products | Consumer butter]

This explains our expansion of volume.

This fiscal year, we will reach full-scale operations at the Isobunnai Plant, which started operating in April of last year.

We also transferred the production lines for individual serving-type products such as mini packed butter from the Horonobe Plant to the Ami Plant to increase our overall supply capacity for household butter.

We plan to aggressively expand sales this fiscal year.



Expand volume ②

Initiatives for consumer processed cheese

- Sell products that meet market needs
- Run promotions that generate demand

Launch products that meet market needs



Run promotions that generate demand



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[Dairy Products | PC]

This shows consumer processed cheese.

From March, we launched new products that meet the needs of the market, such as sliced cheese with butter and large-capacity sliced cheese.

In addition to promoting 6P Cheese, two products, sliced cheese and Hokkaido Camembert Cheese will mark the 60th anniversary since their launch in 1962.

We will engage in aggressive promotional activities and work to increase volume.

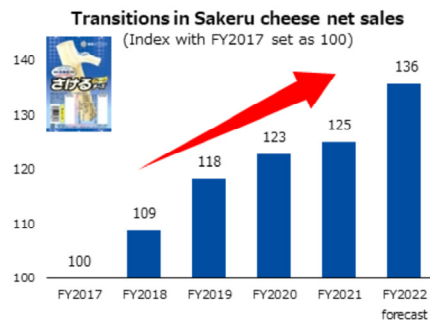


Expand volume ③

Initiatives for consumer natural cheese

- Expand Sakeru cheese sales
- Expand sales with promotions that generate demand

Expand Sakeru Cheese sales



Run promotions that generate demand



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[Dairy Products | NC]

This shows our efforts related to consumer natural cheese, one of our growth drivers.

For Sakeru Cheese, we suspended sales for certain variety products in response to the sudden increase in demand driven by COVID-19.

Currently, we plan to resume production gradually beginning with lines ready to start production in order to return them to their original growth trajectory this fiscal year.

We are also expanding the capacity at the Taiki Plant, which is scheduled to start operations next spring.



Overseas Cheese

Accelerate overseas sales

- Expand cheese in growing Asian markets
- Sales volume to meet demand and maximize profits





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[Dairy products | Overseas cheese]

This represents the overseas cheese business.

This graph shows transitions in cheese sales for Megmilk Snow Brand Indonesia. Sales have grown steadily since the start of operation thanks to high economic growth in Asia.

While we were affected by COVID-19 during FYE March 2022, we project this high growth trajectory will continue into the future.

FYE3/2023 Initiatives				
22				
FYE3/2023 forecast (consolidated)				
[Beverage and Dessert Segment] (Billion yen, rounded down to the nearest tenth of a billion yen)				
	FYE3/ 2022 Results	FYE3/ 2023 Forecast	Change	% Change YoY
Milk and milk-based beverages	72.6	75.4	2.8	3.9%
Other beverages	29.4	30.6	1.1	4.0%
Yogurt	48.3	52.0	3.6	7.6%
Desserts and fresh cream	21.7	23.0	1.3	6.2%
Other	3.4	3.3	(0.1)	(3.7)%
Subsidiaries and other	64.0	66.4	2.3	3.7%
Sales total	239.7	251.0	11.2	4.7%
Operating profit	3.6	4.5	0.8	24.6%
<div>  <ul style="list-style-type: none"> • Expand sales of functional yogurt • Expand sales by launching Oishii Megmilk Snow Brand Milk • Market penetration for MBP® drinks </div>				
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[Beverages and Desserts | Sales results]

About the Beverages and Desserts Business sector.

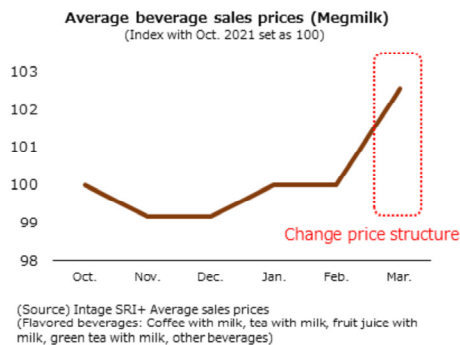
The key points in this sector are to expand sales by introducing functional yogurt and by launching “Oishii Megmilk Snow Brand Milk,” which we revamped this spring.



Response to cost increases

Change to price structure aligned with product renewals

Change price structure for certain milk beverage, fruit juice, vegetable juice, and dessert products to address raw material cost increases (March 2022)



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[Beverages and Desserts sector | Response to cost increases]

This shows the status of our response to cost increases in the Beverages and Desserts Business sector.

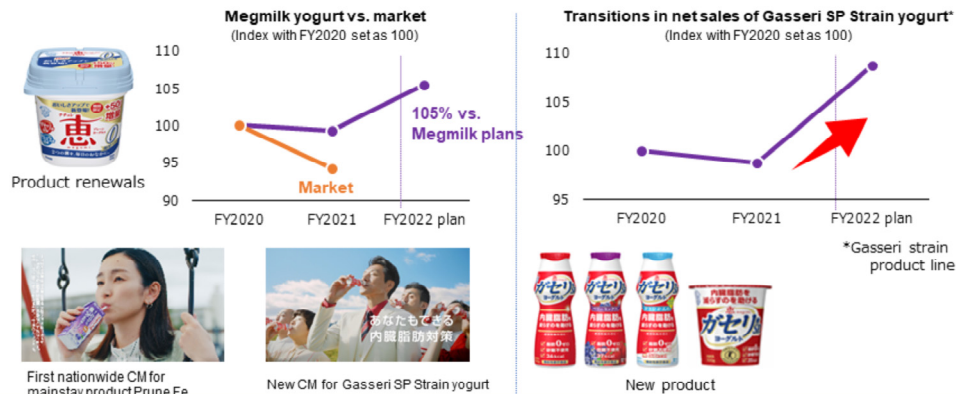
Since March, we have already been revising our price structure while renewing some products among "milk beverages, fruit juices, vegetable juices, and desserts". For Snow Brand Coffee, which is celebrating its 60th year this year, we will review the prices of certain products while working to permeate this pricing.



Expand volume ①

Yogurt initiatives

- Sales growth for yogurt by revamping mainstay products and injecting new products
- Promotions to drive sales growth for drink-type yogurt



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[Beverages and Desserts | Expanding volume]

This shows our efforts to expand yogurt volume.

We revamped mainstay products, including plain type and drink-type products, and launched new products.

We injected a new commercial for Drink-type Prune Yogurt with 1 day's worth of Iron.

We will run continuous promotions to generate demand and expand sales.

The yogurt market has plateaued somewhat, but our sales are trending above market performance.



Expand volume ②

Initiatives for milk and milk-based beverages

- Launch and expand sales of small-volume products in capped bottles
- Continue to develop MBP drinks

Launch products to respond to demand for small-volume products



New product
230ML

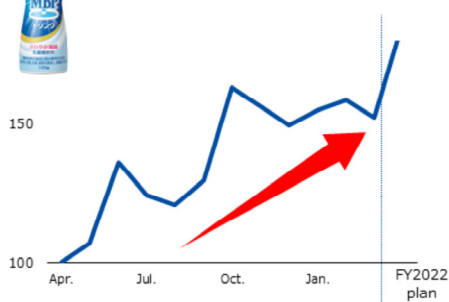


Renewal



Develop MBP® drinks

Transitions in sales of MBP® drinks
(Index with April 2021 set as 100)



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[Beverages and Desserts | Milk and milk-based beverages]

This shows our efforts related to milk and milk-based beverages.

In this category, we expanded our line of high value-added products. This included:

- injecting small-volume products in capped bottles,
- Brand renewal for the Oishii Megmilk Snow Brand Milk,
- Promoting the health functions of MBP drink.

This fiscal year, we will also focus on expanding topline growth as we aim to strengthen our business foundation ahead of the next Medium-term Management Plan.



[Beverages and Desserts | Profitability for milk business]

This shows the status of efforts related to structural reform for the milk business.

During our current Medium-term Management Plan, we have advanced efforts focused on two main points.

One is working to increase the value-added products by injecting beverages with new containers featuring caps and the introducing small new products such as MBP.

The second is an effort to reduce costs. We reviewed low-profit products including PB(Private Brand) and promoted optimization for our production structure and logistics.

These efforts have produced a certain level of results. However, the impact of COVID-19 and increased costs for energy, logistics, and material prices weighed on performance. As a result, it will take a little longer for us to reach our goals. We will increase quantity by continuing to introduce new value-added products and by strengthening promotions.

Furthermore, we will outline our direction for the next term and beyond in the next Medium-term Management Plan.



FYE3/2023 forecast (consolidated)

(as a part of the Dairy Products segment)

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

	FYE3/ 2022 Results	FYE3/ 2023 Forecast	Change	% Change YoY
Functional food products	6.7	9.1	2.4	35.4%
Powdered milk and other	10.9	11.5	0.6	5.8%
Sales total	17.7	20.7	3.0	17.2%



- Food with function claims: Continue favorable sales with focus on Mainichi Hone Care MBP®
- Accelerate operations by adding net sales company Belle Neige Direct Co., Ltd. to scope of consolidation



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[Nutrition sector | Sales]

Next, I will discuss the Nutrition Business sector.

In the functional food business, this fiscal year we will continue pursuing high growth for Mainichi Hone Care MBP®.

In the nutrition sector, we will accelerate business development by adding Belle Neige Direct Co., Ltd., a subsidiary with e-commerce functions, to scope of consolidation beginning from this fiscal year.

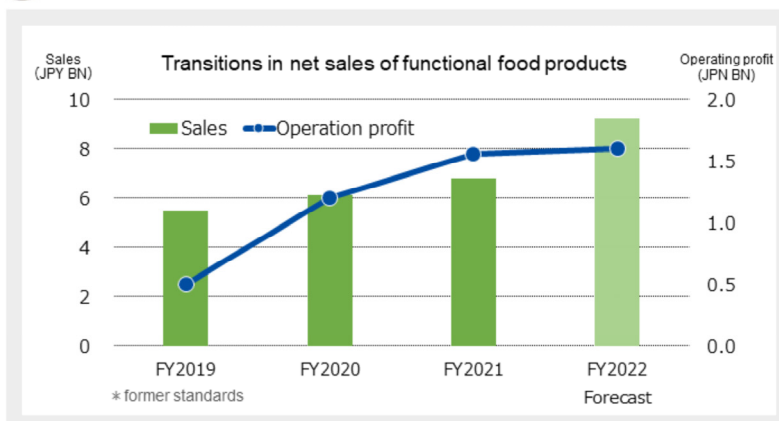


Functional food

Expand sales of functional food products



New growth for strong-selling functional foods with focus on MBP® products



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[Nutrition Business sector]

This graph shows changes in net sales and profits for the functional food business, which centers on MBP® products.

While sales are growing steadily, we plan for further growth this fiscal year with a focus on the subscription-based e-commerce business.



FYE3/2023 forecast (consolidated)

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

	FYE3/ 2022 Results	FYE3/ 2023 Forecast	Change	% Change YoY
Feedstuffs	37.9	38.0	0.0	0.2%
Seed products	8.9	8.9	0.0	0.6%
Total	46.8	47.0	0.1	0.3%
Operating profit	0.6	0.5	(0.1)	(28.1)%



- Feedstuffs: Forecast decreased profit on contribution burden to price stability fund due to rising feed crop costs
- Seed products: Sales growth for self-reliant feed

[Feedstuff and Seed Products | Net sales]

This shows the Feedstuff and Seed Products Business sector.

For the Feedstuff Business, prices for feedstuff raw materials have been soaring since last year.

We forecast a difficult business environment this fiscal year due to the burden of contributions to the price stability fund led by the government due to the unprecedented price of raw materials.



FYE3/2023 Initiatives

30

Feedstuffs

New Hokuren Cooperative Snow Brand Feed Mills Co., Ltd. (HKS) plant launched operations in Dec. 2021 as planned



New feedstuff plant in Tomakomai
Oct. 2021

Seed products

Initiatives to promote self-reliant feed-based farming



Forage Grass Orchardgrass
「Esajiman」


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[Feedstuff & Seed Products Initiatives]

In the feedstuff business, a new plant for Hokuren Cooperative Snow Brand Feed Mills Co., Ltd. started operations in December of last year, establishing a structure for efficient feedstuff production.

Recent rises in the price of feedstuff raw materials have put pressure on dairy farming, leading to commentary on the benefits of domestically produced self-reliant feed.

In the Seed Products Business, we will continue improving rate of feed self-sufficiency as we work to contribute to dairy production.

Positioning of Next Medium-term Management Plan

	-FY2021	FY2022	Next Medium-term Management Plan
Society	<ul style="list-style-type: none"> ● Rising environmental awareness ● COVID-19 ● Changes in social structures 	<ul style="list-style-type: none"> ● Ukraine invasion ● Continued cost increases ● Growing currency risks 	<p>Into an age of unpredictability</p>
Megmilk Snow Brand	<p>Establish growth platform</p> <ul style="list-style-type: none"> ● Organize production structure ● Stabilize financial platform 	<p>Respond to market changes</p> <ul style="list-style-type: none"> ● Respond to cost increases ● Expand volume 	<p>Establish resilience</p> <ul style="list-style-type: none"> ● Thorough use of business platform ● Engage in new growth domains



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[Positioning of the next Medium-term Management Plan]

Next, I would like to explain what we are currently considering for the next Medium-term Management Plan, which we will launch in the fiscal year ending 2024.

The current social situation remains unpredictable and uncertain. During the next Medium-term Management Plan, we will promote initiatives related to the thorough use of our business platform and the development of new growth domains to improve our resilience to environmental changes.

Growth strategies for next Medium-term Management Plan

1. Use optimized production platform to maximize volume of mainstay products

- Dairy products:

- Isobunnai Plant (butter)
- Ami Plant (PC)
- Taiki Plant (NC)

*The Taiki Plant Sakeru Cheese line scheduled to start in spring 2023

- Beverages and desserts :

Large-volume cartons, new small added-value containers at each plant

New container
TT midi



2. Strengthen overseas business for economic growth

- Target Asia and its continued economic growth to develop Cheese and Nutrition businesses
- Establish Asian strategic hub in Singapore



Local subsidiary
Megmilk
Snow Brand
Singapore scheduled
to be set up in Aug.
2022

3. Grow nutrition business to respond to increasing health needs

- Evaluate engagement in new domains, including plant-based foods (PBF)
 - Expand business, including BtoB business, with focus on cheese, lactobacillus, and functional ingredients
 - Maximize use of Innovation Center (scheduled for completion in 2023)
- Fuse knowledge and accelerate development

Develop as pillar of next Medium-term Management Plan



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[Growth strategies for next Medium-term Management Plan]

Next, I will explain the initiatives towards growth domains we are evaluating for our next Medium-term Management Plan.

The first is using an optimized production platform to maximize volume for mainstay products.

For Dairy products, this includes products from the Isobunnai Plant, the Ami Plant, and the Taiki Plant

For Beverages and Desserts, this includes maximizing sales volume for large-volume cartons, products in plastic bottles, and products featuring containers with bottle caps.

The second is to strengthen overseas business for economic growth.

We will aim for business growth in the Asia and Oceania regions. As we announced today (May 13), we will establish a strategic hub in Singapore in August of this year.

We currently already have production centers for powdered milk and cheese in Australia and Indonesia, but establishing a site with headquarters functions will promote future growth by dramatically improving information quality and speed, which will help accelerate business development.

The third is to grow the nutrition business to respond to increasing health needs.

We are also evaluating engagement in new domains, including plant-based foods (PBF), expected to see future market growth.

Work at the Innovation Center, which is currently under construction, will start gradually from January 2023 as we established it as a new R&D hub for the Nutrition Business.

We believe concentrating R&D functions and personnel will promote co-creation and lead to innovation.

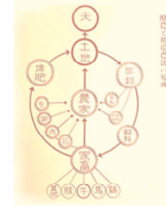
Origins of Megmilk Snow Brand Group Sustainability Management

Torizo Kurosawa, one of the founders of Snow Brand Milk Products, the predecessor to Megmilk Snow Brand, dedicated himself to promoting circular farming, the practical method of the philosophy of *Kendo Kenmin* (a healthy earth ensures human health). We pass on the passion for sustainable farming embraced over the 100 years since our founding, and which remains relevant to the concept of sustainability embraced today.

About circular farming

A farming method that promotes coexistence between humans and nature and the circulation materials and energy by adopting the practices based in the idea of "from the soil to grass, from grass to cow, and from cow to fertilizer made from dung and urine, and again back into the soil."

Diagram showing concept of circular farming
(Megmilk Snow Brand Museum exhibit)



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[Megmilk Snow Brand sustainability management]

Lastly, I will discuss our Group's sustainability management.

Torizo Kurosawa, one of the founders of Snow Brand Milk Products, the predecessor to Megmilk Snow Brand, promoted the idea of *Kendo Kenmin* (a healthy earth ensures human health) and circular farming, one of methods aligned with that philosophy.

Circular farming refers to a farming method that promotes coexistence between humans and nature.

- From the soil to grass,
- From grass to cow,
- From cow to fertilizer made from dung and urine, and again back into the soil.

This is the origin of our Group's sustainability management.

Megmilk Snow Brand Group Sustainability Management

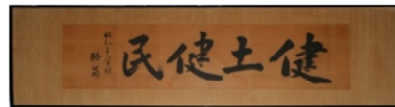
To be a company that is needed by society across the generations

We adopt our founding spirit of ***Kendo Kenmin*** (a healthy earth ensures human health) as the corporate philosophy. We strive to resolve social issues through our involvement in the dairy business.

We work to create a sustainable society by building a healthy, enriched, sustainable environment that can be inherited by future generations

Kendo Kenmin (a healthy earth ensures human health)

Dairy farming enriches the earth and dairy products created from this enriched earth provide the optimal nutrition for developing health spirits and strong bodies.



Kendo Kenmin written by Torizo Kurosawa (Megmilk Snow Brand collection)



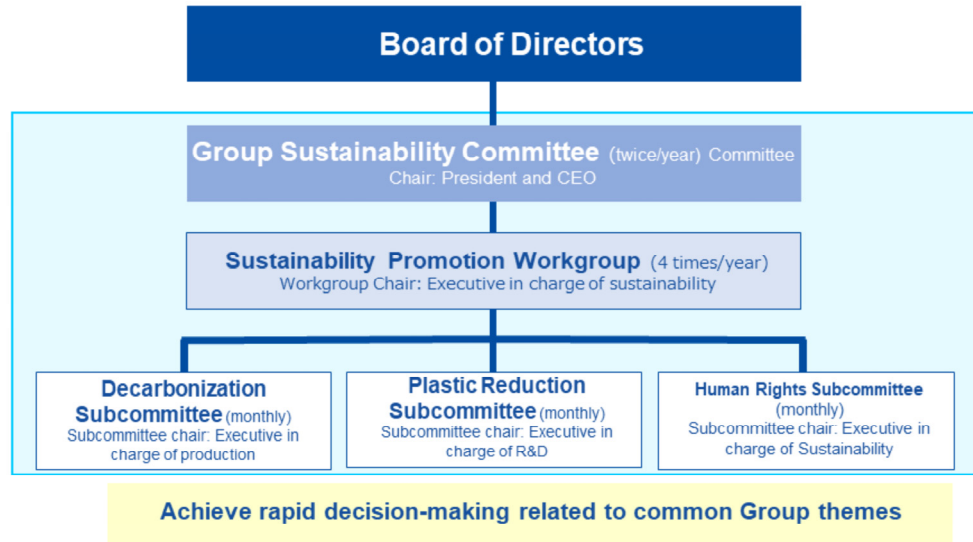
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[Megmilk Snow Brand sustainability management]

Sustainability management by the Megmilk Snow Brand is rooted in our founding spirit and corporate philosophy *Kendo Kenmin* (a healthy earth ensures human health), and striving to resolve social issues through our involvement in the dairy business.

We work to preserve a healthy and enriched environment, and build a sustainable society that can be passed on to future generations.

Structure for ensuring efficacy of sustainability management



[Megmilk Snow Brand sustainability management]

Next, I will explain our system for promoting sustainability management. Under the Board of Directors, we have established a structure for swift decision-making on issues common to the entire Group while ensuring efficacy. Led by the Board of Directors, we established a Group Sustainability Committee chaired by the CEO and a Promotion Workgroup chaired by the executive in charge. Three subcommittees will work on specific themes.

Decarbonization initiatives

Effective use of manufacturing by-products as energy

To promote the effective use of milk resources, we began evaluating new uses for the whey produced during cheese manufacturing. We will install methane gas production facilities in the Taiki Plant as part of this initiative.

Facility overview

- Plant name : Taiki Plant
- Facility name : Methane gas production
- Investment : Approx. ¥2.9 bn
- Methane gas production method : 100% use as energy inside the Taiki Plant
- Planned start : H1 /FY2023

Environmental load reduction
(projected)

CO₂
emissions
annual
Approx. **8.4**kt
reduction

Water use
Annual
Approx. **150**kt
reduction



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[Megmilk Snow Brand sustainability management]

I would like to discuss two specific initiatives.

First, I will introduce our initiatives related to decarbonization.

We previously announced this in February of this year but we are advancing research and development towards establishing technology that recovers useful whey ingredients in a way that is optimized for the specific application. This process generates residue that will be used to create methane gas. The captured methane gas will be used in its entirety as energy within the Taiki Plant, which will reduce our water usage and CO₂ emissions.

Human rights initiatives

Conducted human rights due diligence to identify risks

Receiving advice from the Caux Round Table (CRT) Japan, a group of experts in human rights, to add the perspective of internationally emphasized human rights and to ensure adequacy.

Identified priority human rights risks

1. Foreign worker issues along supply chain
2. Small-scale palm oil farmer living wage and working conditions



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[Megmilk Snow Brand sustainability management]

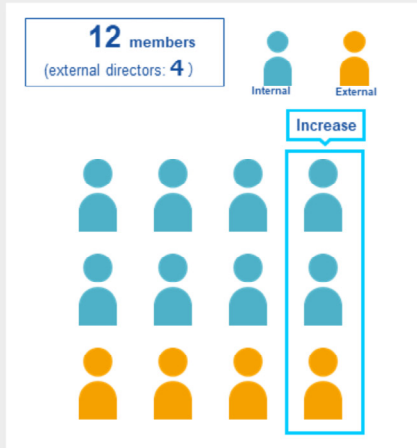
This indicates our initiatives on human rights issues.

We have identified human rights risks related to due diligence.

From this year, we will begin concrete efforts on issues related to foreign workers along our supply chain and living wages and working conditions for small-scale palm oil farmers.

Enhancing our Board of Directors

New structure from June 28, 2022



External director profiles

Name	Profile
New Kumiko Bando	Former Consumer Affairs Agency Secretary-General Vast experience in consumer-oriented administration and responding to consumer issues
New Hiroshi Fukushi	Corporate officer Vast practical experience in overseas, R&D, and digital fields
Ikuo Nishikawa	Certified Public Accountant Supervision of management business execution from perspective as expert in finance and accounting
Akito Hattori	Attorney Supervision of management business execution from perspective as expert in corporate legal affairs



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[Megmilk Snow Brand sustainability management]

Lastly, this shows our governance initiatives.

Today (May 13), we announced candidates for the Board of Directors. We nominated three directors, including one external director to promote board diversity and to strengthen supervisory functions.

We are adding someone with corporate management experience as an external director to work towards further improving our corporate governance.

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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39

Reference Materials



Consolidated Balance Sheet

(Billion yen)

	End of FYE3/2021	End of FYE3/2022	Change		End of FY3/2021	End of FYE3/2022	Change
Current assets	161.7	160.1	(1.5)	Current liabilities	128.5	113.1	(15.4)
Non-current assets	236.9	241.7	4.8	Non-current liabilities	71.8	79.2	7.3
Total assets ¥401.8bn (+¥3.2bn YoY)				Net assets	198.2	209.5	11.2

Factors	Current assets	<ul style="list-style-type: none"> Cash and deposits (¥1.8)bn 		Current liabilities	<ul style="list-style-type: none"> Current portion of long-term loans payable (¥14.6)bn 	
	Non-current assets	<ul style="list-style-type: none"> Property, plant and equipment +¥1.6bn Investment securities +¥3.5bn 		Non-current liabilities	<ul style="list-style-type: none"> Long-term loans payable +¥7.3bn 	
				Net assets	<ul style="list-style-type: none"> Total shareholders' equity +¥11.5bn 	
				Equity ratio: 51.5%		



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Consolidated Statement of Cashflow

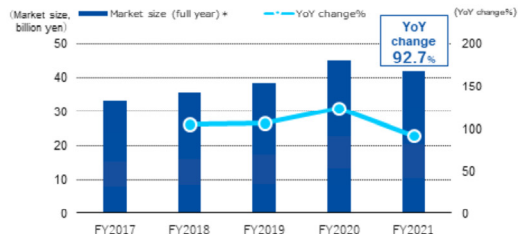
		Breakdown	YoY
Operating CF	¥29.4bn	<ul style="list-style-type: none"> Profit before income taxes ¥17.2bn Depreciation and amortization ¥16.9bn Change in inventory assets (¥2.0)bn Income taxes paid (¥5.7)bn 	+¥2.8bn
Investment CF	(¥20.2)bn	<ul style="list-style-type: none"> Expenditures for purchase of property, plant and equipment and intangible assets (¥19.9)bn 	+¥6.8bn
Financing CF	(¥11.2)bn	<ul style="list-style-type: none"> Change in loans payable (¥6.7)bn Dividend payments (¥2.7)bn 	(¥18.0)bn
Change in cash and deposits		(¥1.8) bn	
		Interest-bearing liabilities	¥72.2 bn

Data: Market Trends of the nationwide Consumer Products

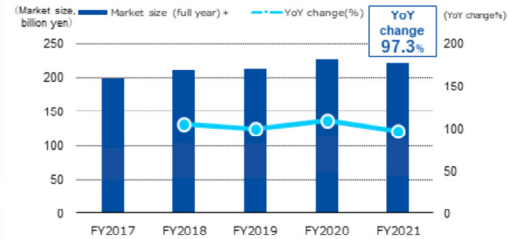
43

Source: Intage Inc.: SRI+ (Nationwide Retail Store Panel Survey) for cumulative total sales from April 2017 to March 2022

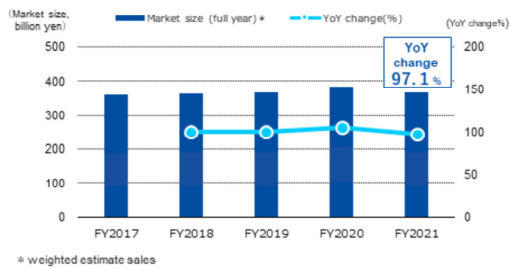
Butter



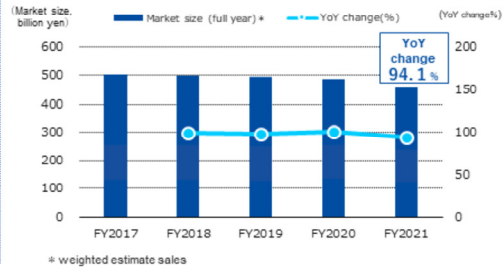
Cheese



Milk (Milk & composition modified milk)



Yogurt



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

44

Market share (of household consumption)

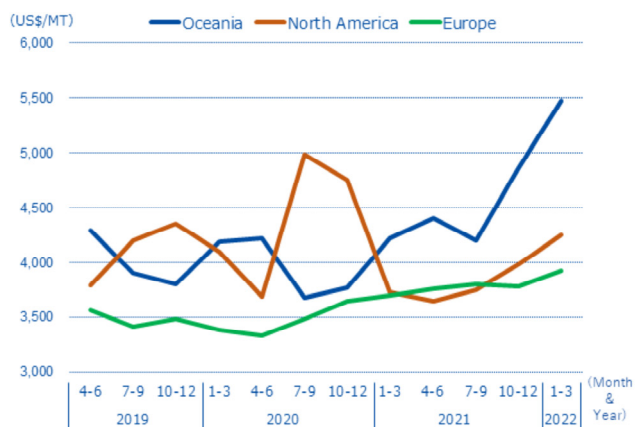
Megmilk Snow Brand's share of the nationwide consumer market on an estimated total sales basis for the first nine months of the fiscal year ending March 31, 2022 (Apr. 2021 to Mar. 2022)

販売金額ベース

Butter	46.2%
Margarine	52.1%
Cheese	25.9%
Milk (Milk & composition modified milk)	5.0%
Milk beverage	14.5%
Yogurt	12.1%
Dessert (Chilled finished Products)	15.3%

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

Transitions in overseas cheese prices



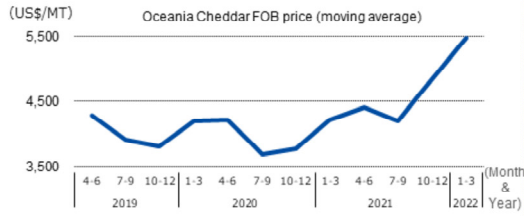
Moving average for each quarter, FOB, Cheddar
OCE-USDA, Cheddar USA-CME, Cheddar EU-MMO



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Trends of major raw materials

Imported raw cheese



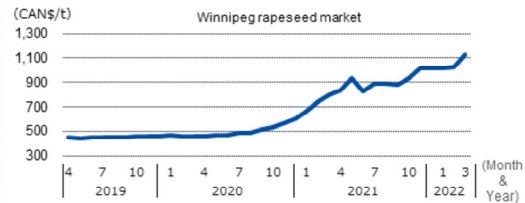
Raw materials for palm oil

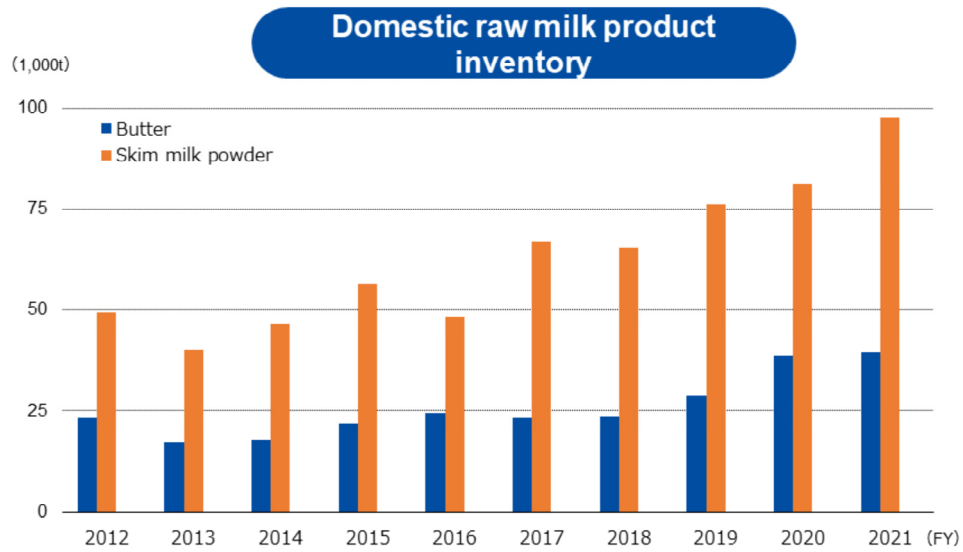


Raw materials for soybean oil



Raw materials for rapeseed oil





Source: Ministry of Agriculture, Forestry and Fisheries



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