

Megmilk Snow Brand Group

Group Long-term Vision 2026

Group Medium-term Management Plan 2019

May 11, 2017

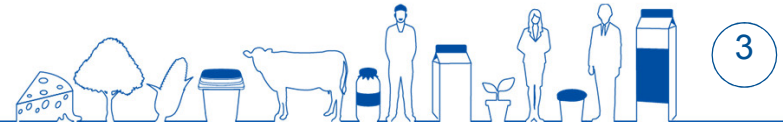




- 1 Review of the Previous Medium-term Management Plan**
- 2 Group Long-term Vision 2026**
[Vision and Basic Strategies]
- 3 Group Medium-term Management Plan 2019**
[Group Long-term Vision 2026 First Stage]



1 Review of the Previous Medium-term Management Plan



① Reforming Business

- ▶ Integration of production lines, product mix improvement, etc.

② Maximizing capacity utilization rate

- ▶ Streamlining of Ami and Ebina Plants, production capacity enhancement

③ Expanding high potential business area

- ▶ Expansion of sales of “Lactobacillus gasseri SBT2055” products and core cheese products
- ▶ Expansion of product line-up of functional materials (MBP®)
- ▶ Expansion of development of the cheese business in Indonesia, etc.

④ Strengthening of functions and improvements of corporate structure

- ▶ Strengthening of production and logistics systems through capital and business alliances



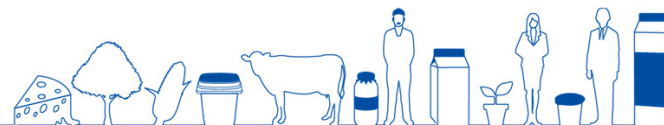
Increases in Sales and Profit for FY2016

<Results>	(Billion yen, %)			
	FY2015	FY2016	Change	% change
Net sales	578.3	587.9	+9.6	101.7%
Operating income	14.0	18.7	+4.7	133.9%
Ordinary income	14.2	20.2	+6.0	142.5%
Profit*	15.0	12.9	(2.0)	86.3%

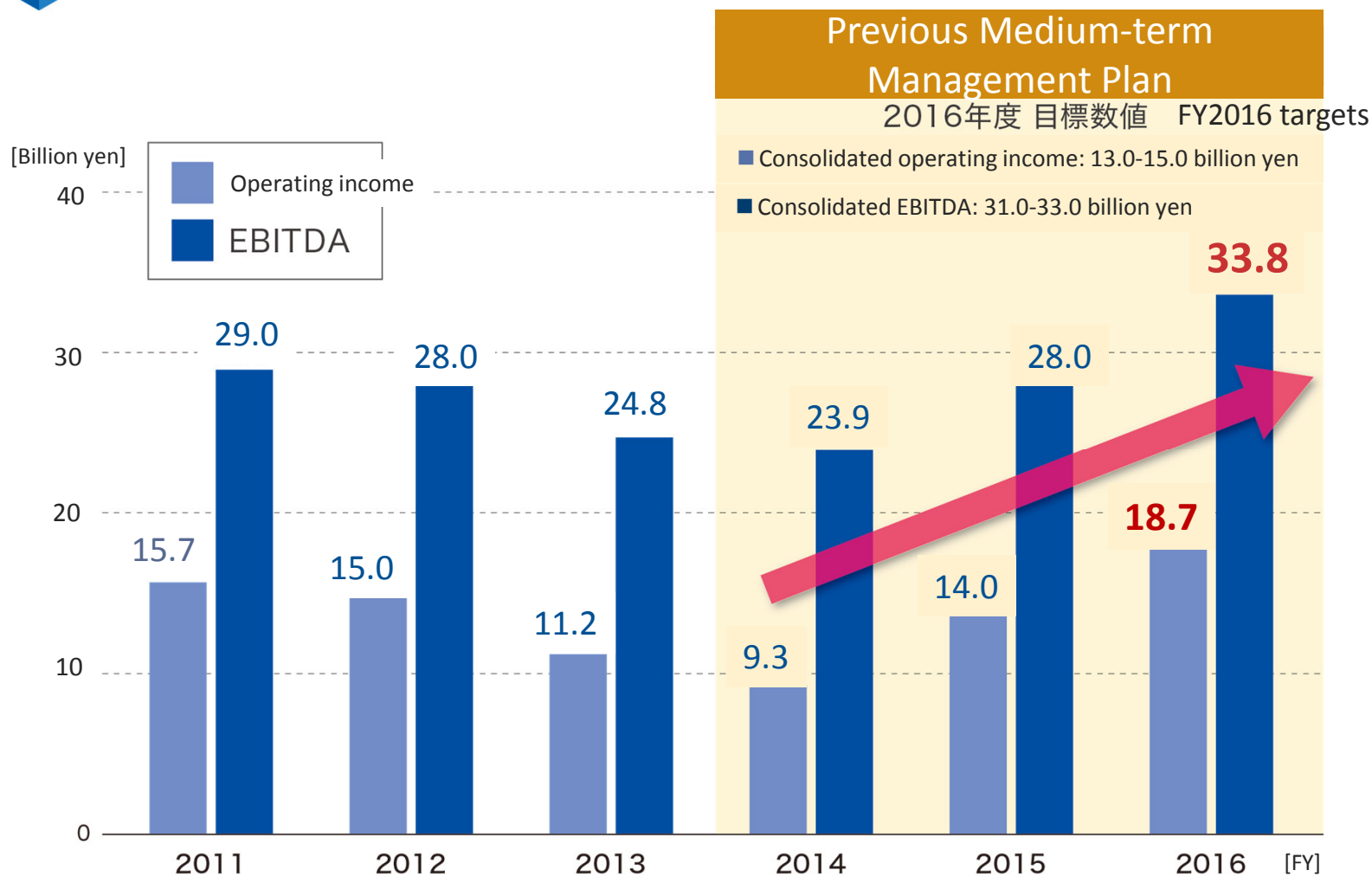
*Profit attributable to owners of parent

<Dividend>

Ordinary dividend	40 yen	Consolidated payout ratio	20.9%
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Consolidated Business Results



2

Group Long-term Vision 2026

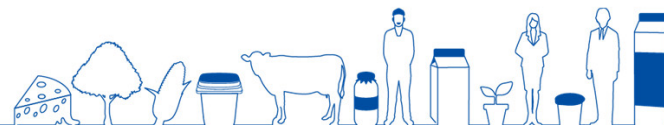
[Vision and Basic Strategies]



- ① Major structural changes occurring decade by decade
- ② Sustainable enhancement of corporate value
- ③ Sharing of the direction in which the Group aims to advance

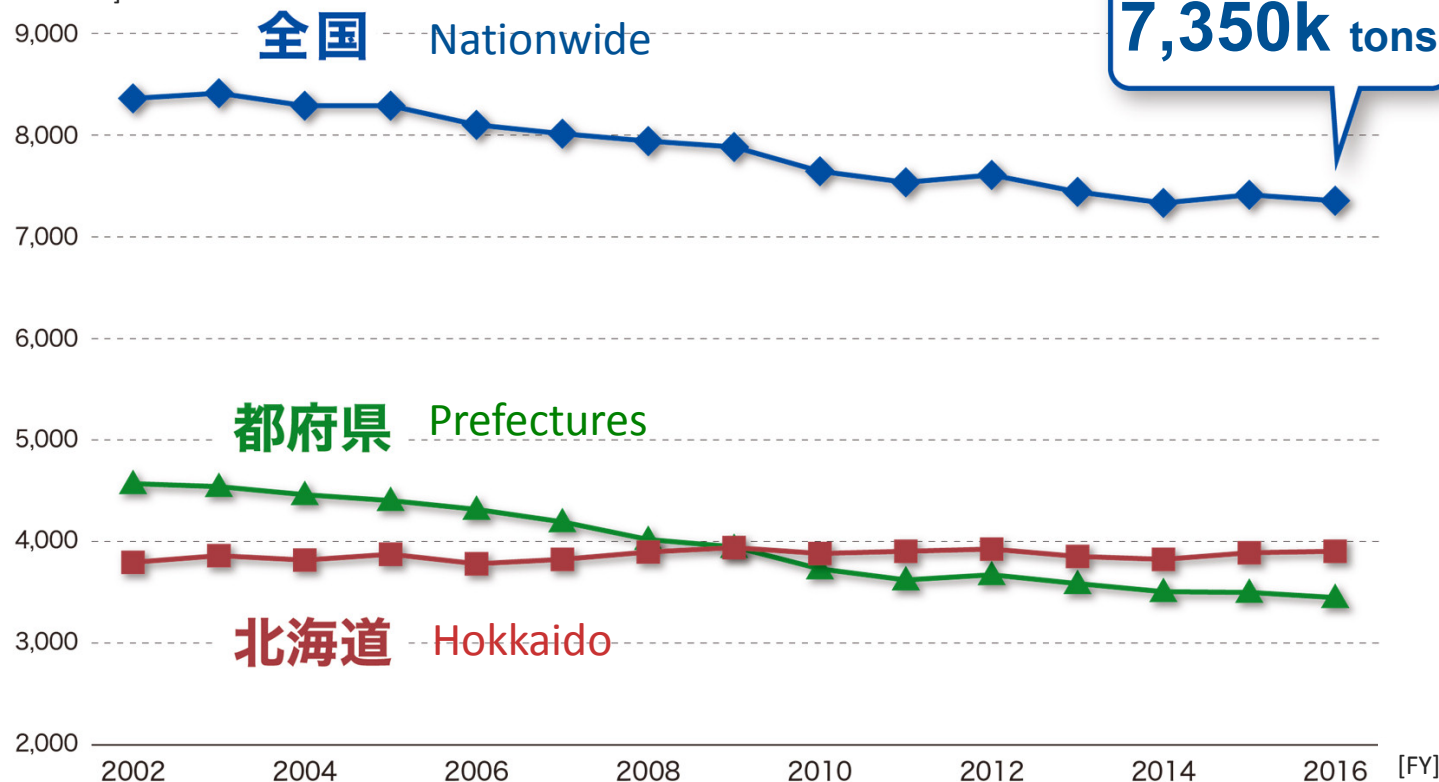


Group Long-term Vision 2026
to chart a course for the next 10 years



Fresh Milk Production in Japan

[Thousand tons]



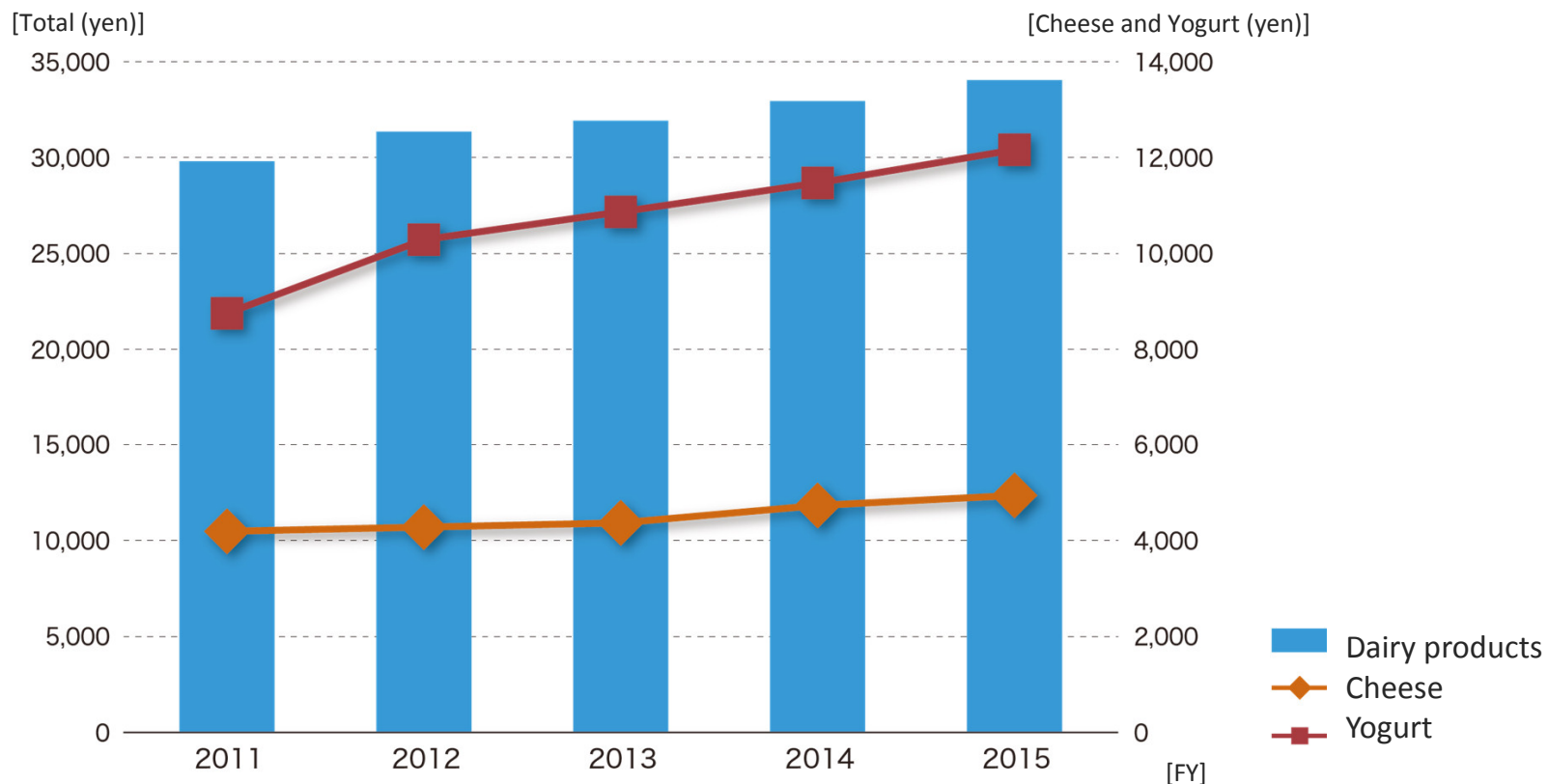
2016
7,350k tons

Source: "Milk and Dairy Products Statistics," Ministry of Agriculture, Forestry and Fisheries (Preliminary data)

**Fresh milk production in Japan
is on a downward trend**



Household Expenditure on Dairy Products



• Total: Total of milk, powdered milk, butter, cheese and yogurt

Data: Household expenditure survey conducted by the Ministry of Internal Affairs and Communications

The Japanese market for dairy products is growing

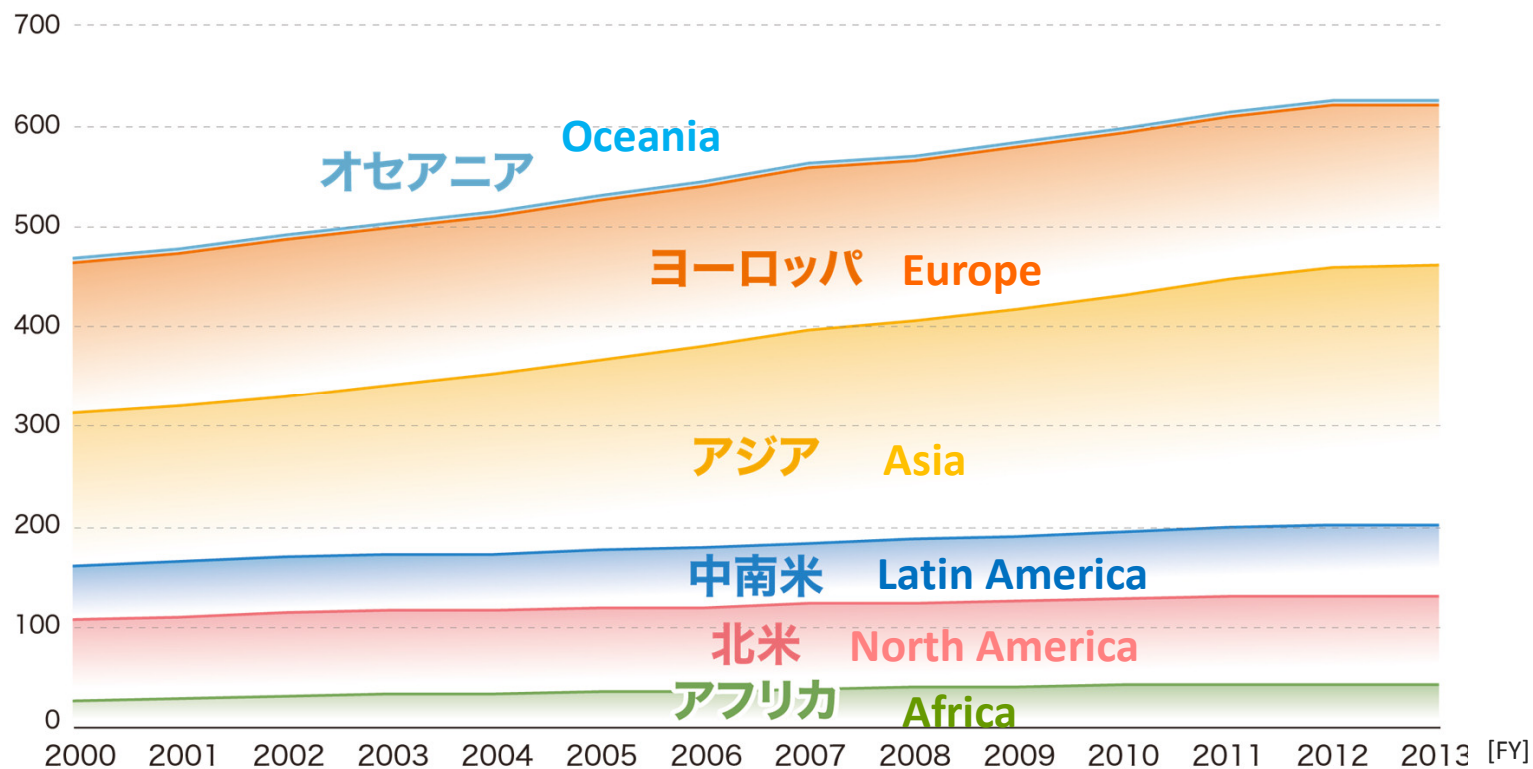


Recognition of the environment [Global demand for dairy products]



Global Consumption of Dairy Products

[Million tons]



Note: Quantity converted to fresh milk (except butter) Data: FAOSTAT

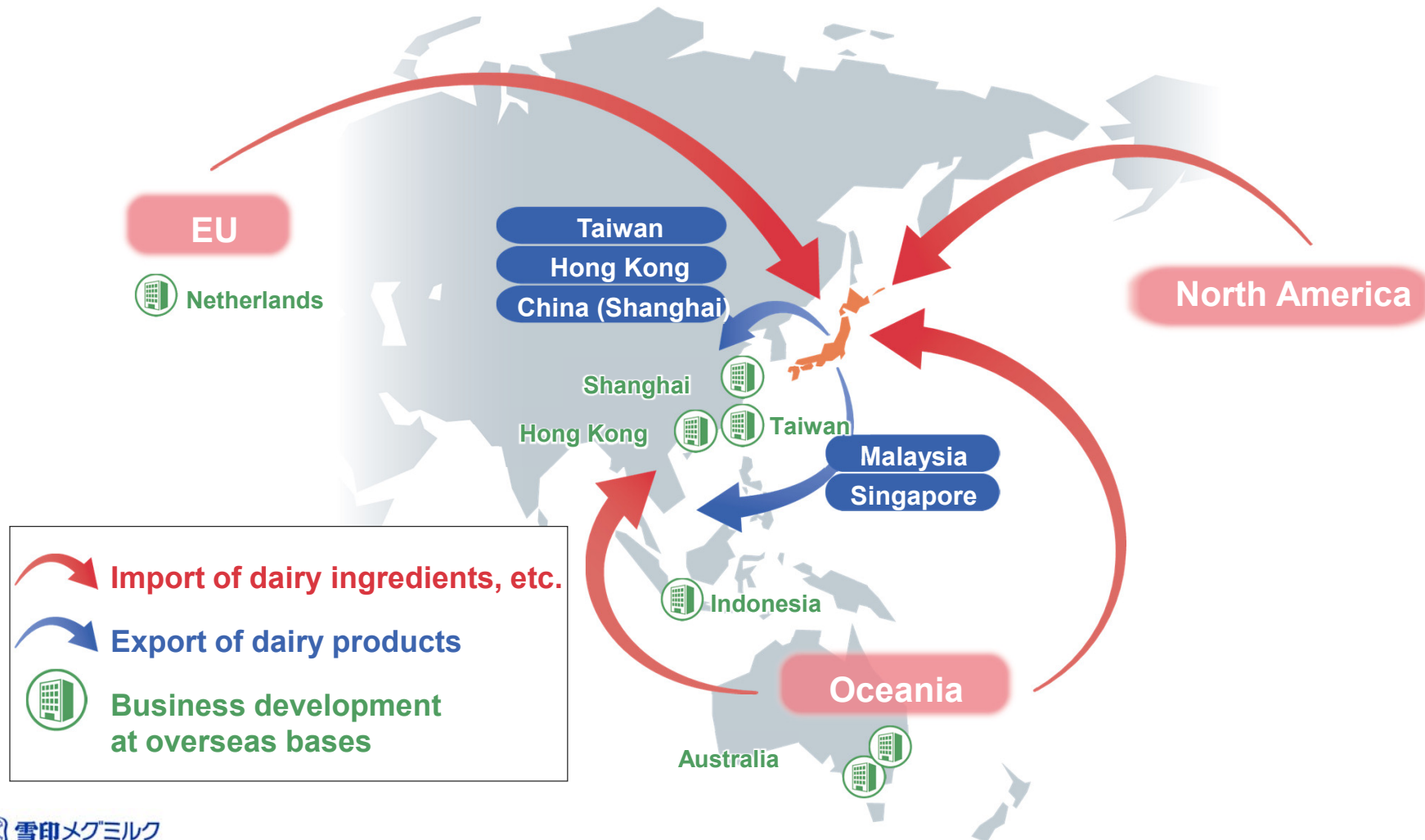
Global consumption of dairy products is increasing



Recognition of the environment [Environment surrounding dairy farming production]

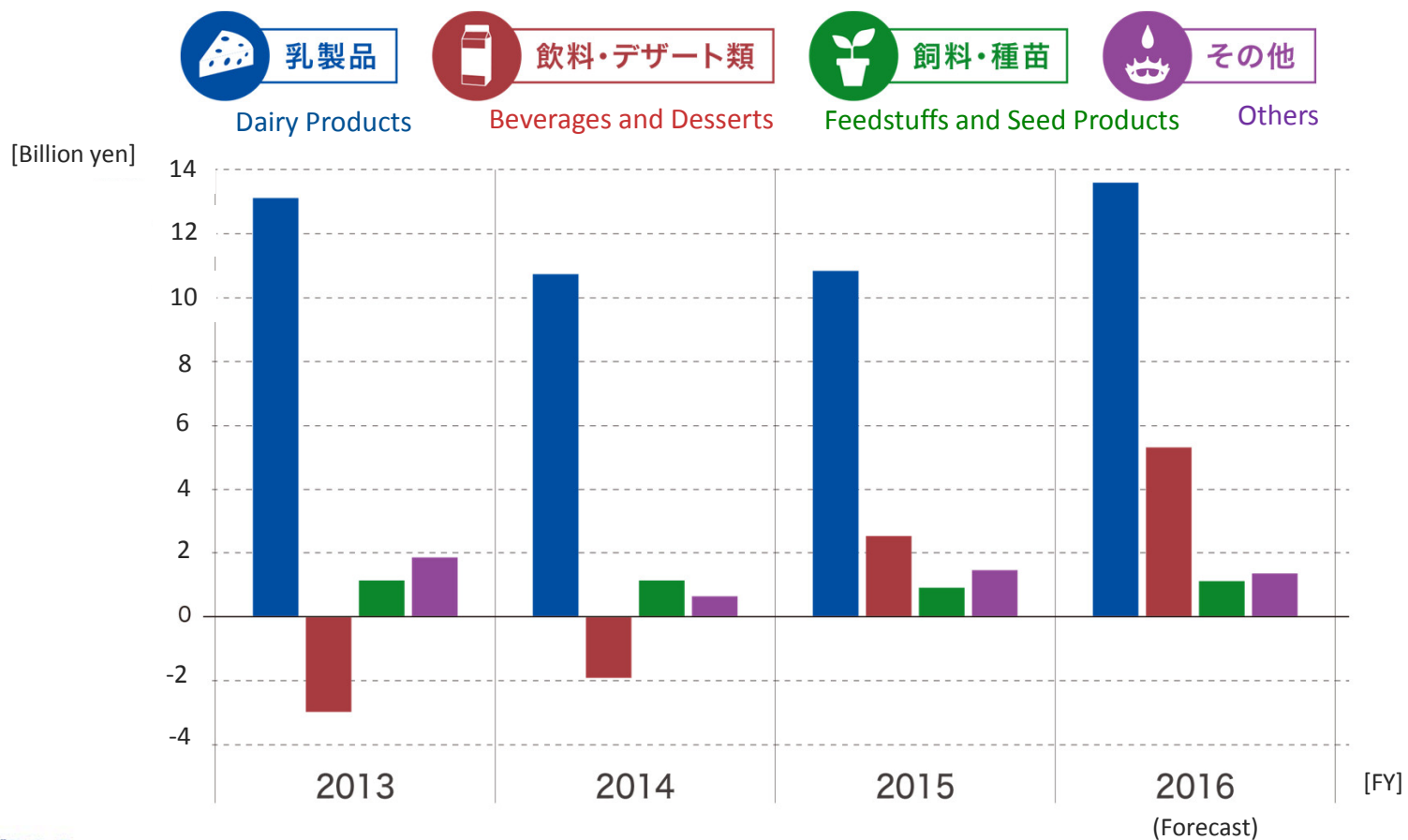


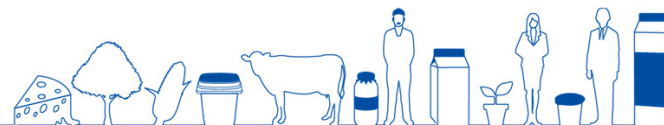
“Globalization of Dairy Products” is Underway



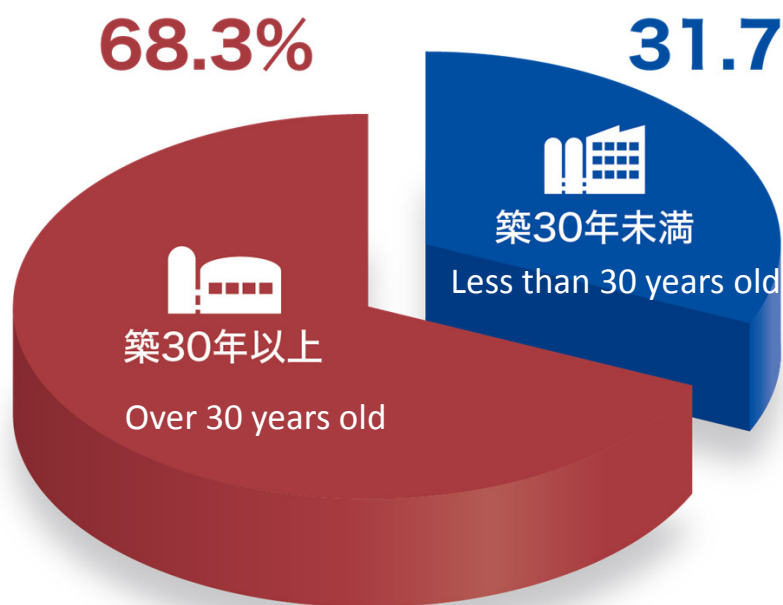


Dairy Products segment remains the Group's earnings base
Beverages and Desserts segment became profitable thanks to business structure reforms





70% of plants are composed of buildings over 30 years old
→ **Upgrade production structure** by utilizing expertise
obtained through Ami Plant and Ebina Plant



Ami Plant (top) and Ebina Plant (bottom)



Long-term Vision



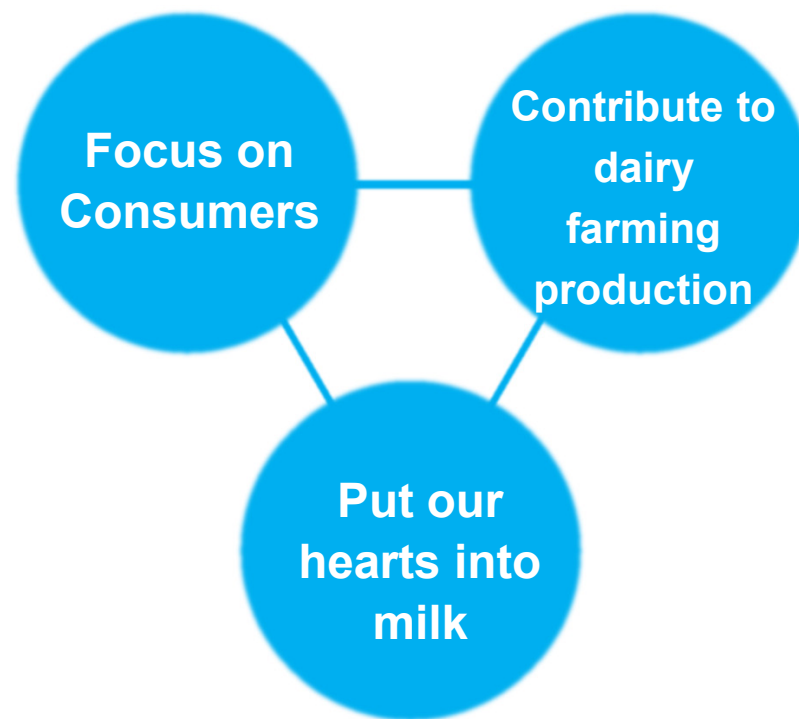
Vision of the Megmilk Snow Brand Group that we aim to achieve 10 years from now



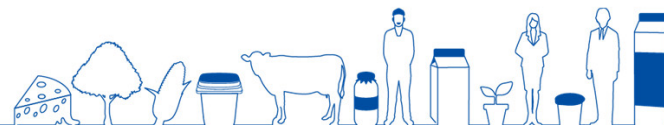
Specific vision of the Group intended to realize the Group Corporate Philosophy



Group Corporate Philosophy



Make the Future with Milk.



Megmilk Snow Brand Group “Three Futures”

Consumers



Dairy farmers

酪農生産者

私たち

Megmilk Snow Brand

Toward “Future Creation Company with Milk”

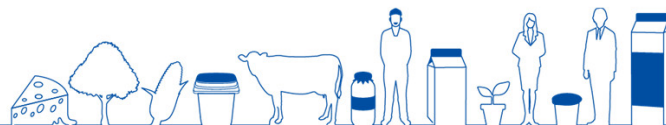




Consumers

Create the future of food with milk

We will bring out the unlimited potential of milk and, through
“*monozukuri*” (product creation), continue to provide the “joy of food”
to people all over the world.



Attributes expected for milk from now on

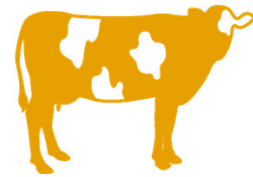
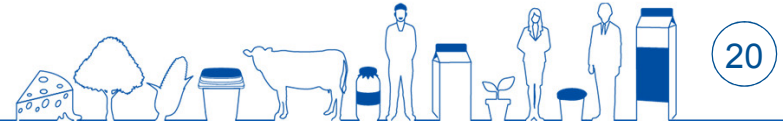
- 1 Safe and reliable
- 2 Nutritious
- 3 Delicious



+

*Photos are for illustrative purposes.

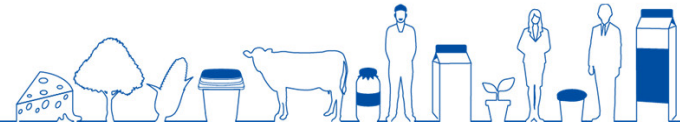
- 4 Extension of healthy life expectancy
- 5 Improvement of the quality of life (QOL)



Dairy farmers

Contribute to the future of dairy farmers

As a good partner to dairy farmers, we will continue contributing to the sustainable growth of dairy farming and the milk industry.



Offer dairy products



Contribute to and support dairy farming production

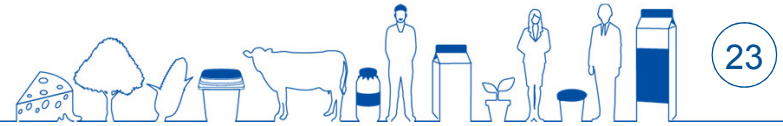




Megmilk Snow Brand

Open up the future for us, the employees

We aim to become a constantly growing corporate group, where diverse people can demonstrate their uniqueness and abilities to the maximum extent possible with ambition and pride.



● Promote working practice reform



Transformation & Renewal



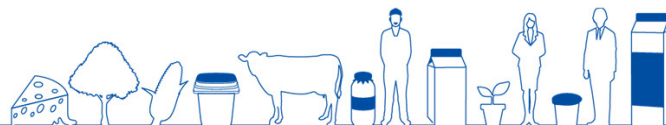


Transformation & Renewal





Business areas [Four business sectors]



未来は、ミルクの中にある。

雪印メグミルクグループ

Make the Future with Milk
MEGMILK SNOW BRAND Co., Ltd.

Dairy Products



Beverages and Desserts



Nutrition



Feedstuffs and Seed Products



Business

Butter, margarine, cheese (domestic and overseas), other dairy products, etc.

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

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

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

Group Companies

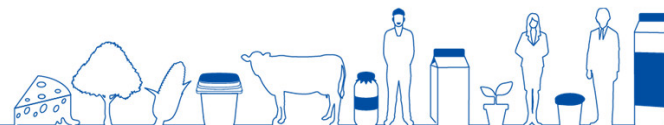
MEGMILK SNOW BRAND Co., Ltd.
KOHANAN OILS AND FATS MFG CO., LTD.
Yatsugatake Milk Co., Ltd.
SI SYSTEM Corporation
CHESCO LTD.
Snow Brand Australia Pty. Ltd.
PT. Megmilk Snow Brand Indonesia
Nichiraku Machinery Co. Ltd.,
CRESCO Corporation, and others

MEGMILK SNOW BRAND Co., Ltd.
Michinoku Milk Co., Ltd.
Yatsugatake Milk Co., Ltd.
Ibaraku Co., Ltd.
SI SYSTEM Corporation
Mitsuwa Distribution Industry Co., Ltd.
Chokuhan Haisou Co., Ltd.
Greenservice Co., Ltd.
CRESCO Corporation, and others

Bean Stalk Snow Co., Ltd.
MEGMILK SNOW BRAND Co., Ltd.
Snow Brand Taiwan Co., Ltd.
Snow Brand Hong Kong Co., Ltd.
Snow Brand Trading (Shanghai) Co., Ltd.
Snow Brand Australia Pty. Ltd.
EN Otsuka Pharmaceutical Co., Ltd.
Amino Up Chemical Co., Ltd.
Belle Neige Direct Co., LTD., and others

Snow Brand Seed Co., Ltd.
Snow Brand Seed USA, Inc.
Doto Feed Corporation
Royal Farm, Ltd.
RF Penkel Farm Co., Ltd.
RF Aomori Farm Co., Ltd., and others

YBS Co., Ltd., Snow Brand Parlor Co., Ltd., Snow Brand KODOMO-NO-KUNI Ranch



Direction of Business Portfolio Transformation



Dairy Products

Butter, margarine, cheese
(domestic and overseas)

Respond to changes in the environment and strengthen the earnings base



Beverages and Desserts

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

Secure the earnings base and structurally transform into a business that will drive growth



Nutrition

Powdered milk (domestic and overseas), functional foods, etc.

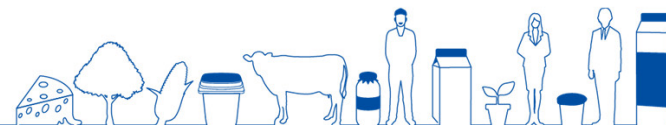
Create new growth opportunities and foster as a highly profitable business



Feedstuffs and Seed Products

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

Increase efficiency in the feedstuffs business and grow the seed products business into a core business



Strategies Supporting Business Portfolio Transformation

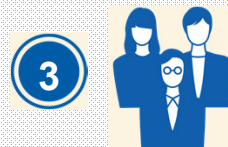


Build the procurement and production structure

Secure a competitive base



“*Monozukuri*” (product creation) originating in research and development



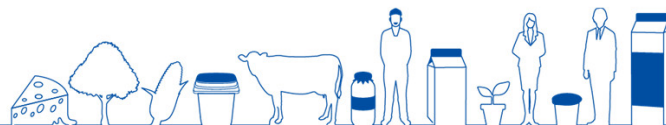
Promote working practice reform

Foster human resources to support growth

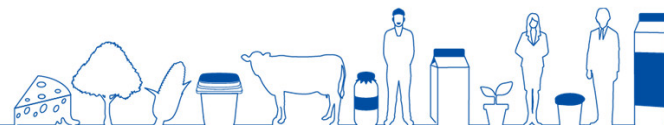


Utilize management resources within the Group

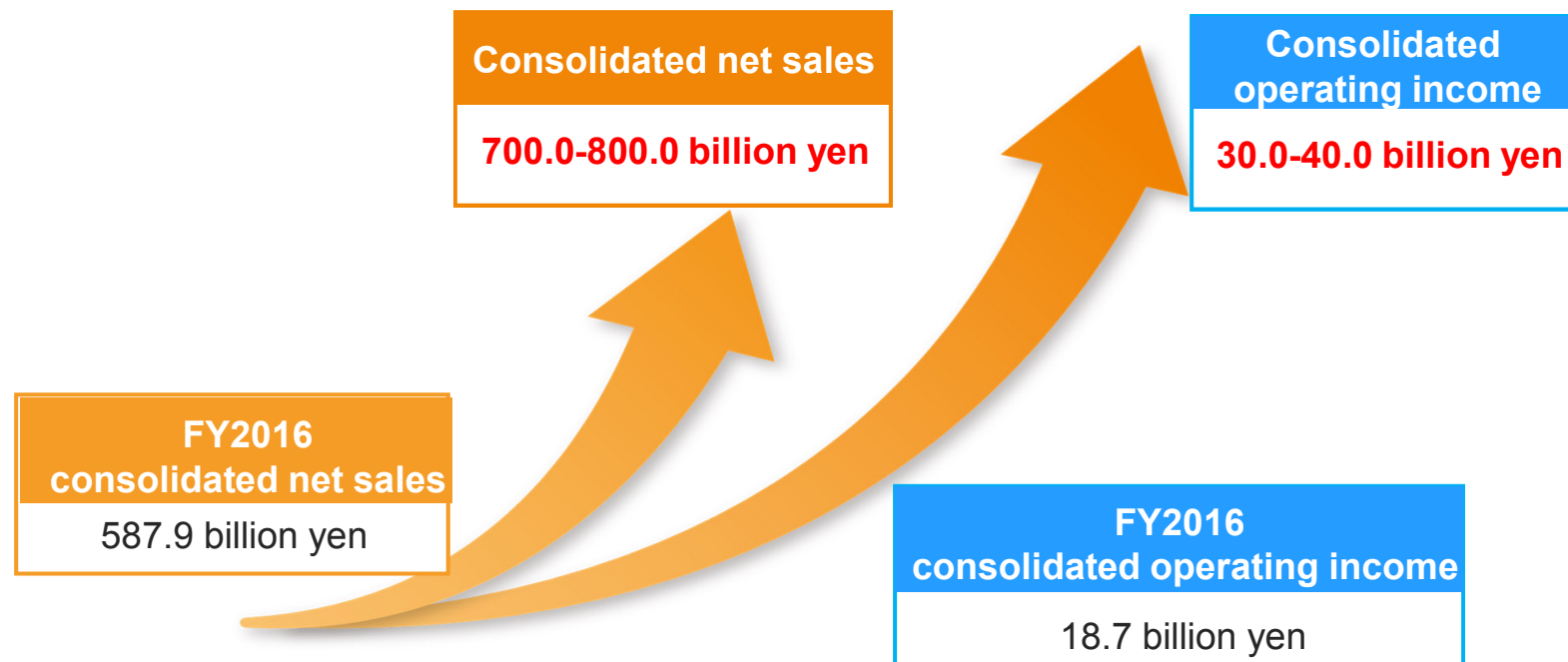
Maximize competitiveness and comprehensive strength



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



Targets for FY2026 (10 years ahead)

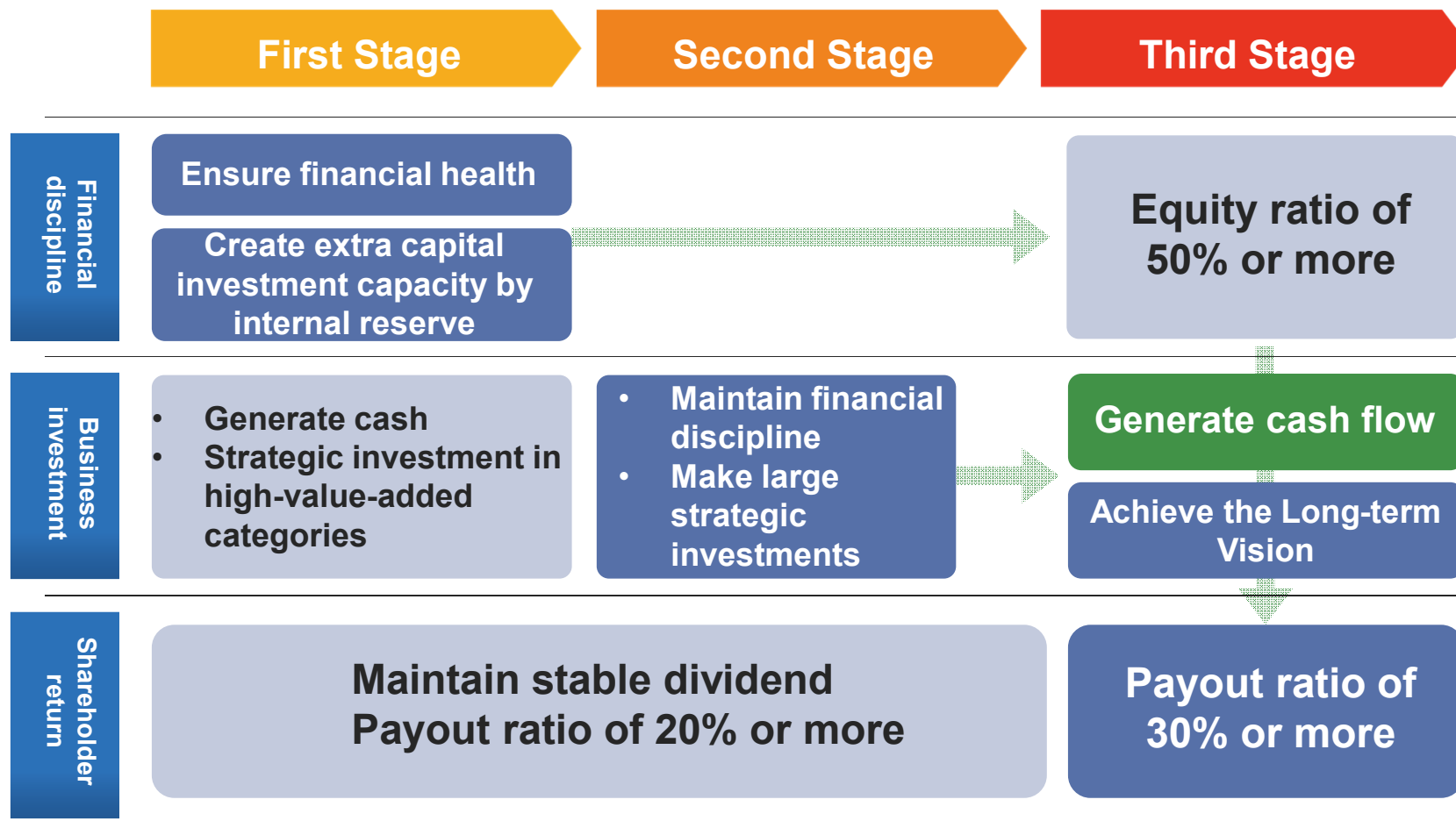
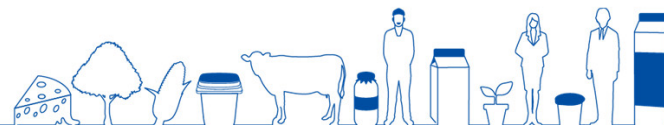


Financial indicators (targets)

- Consolidated ROE of 8% or more
- Equity ratio of 50% or more
- Consolidated payout ratio of 30% or more



Cash flow allocation policy



3

Group Medium-term Management Plan 2019

[Group Long-term Vision 2026 First Stage]



Business Portfolio Transformation

- Strengthen the Group's earnings base -

Dairy Products



1. Stable supply of butter and brand strengthening
2. Market expansion through borderless development of cheese

Beverages and Desserts



1. Strategic expansion of yogurt based on functionality
2. Product mix optimization

Nutrition



1. Build a growth model for the functional foods business
2. Strengthen the competitiveness of the powdered milk business by promoting value

Feedstuffs and Seed Products



1. Strategic expansion of the seed products business
2. Increase profitability by increasing efficiency in the feedstuffs business



Dairy Products

Market expansion by strengthening main products

- 1 Stable supply of butter and brand strengthening**
- 2 Strengthen sales of mainstay cheese products for consumers and reinforce production structure**
 - Improve infrastructure of Taiki Plant
 - Strengthen natural cheese products made in Japan (camembert, *Sakeru* Cheese, etc.)
 - Expand product line-up of main processed cheese products (6P, *Baby Cheese*, etc.)
- 3 Cultivate a new market for commercial-use cheese products**
 - Expand sales of sliced/diced/shredded cheese products
 - Launch new soft cheese products



Taiki Plant





Dairy Products

Market expansion through borderless development of cheese

1 Export products made in Japan (for consumers/commercial use)

2 Expand overseas production and sales

- Promote Megmilk Snow Brand products
- Utilize overseas bases



Megmilk Snow Brand Indonesia

Snow Brand Australia

Expand processed cheese products

Expand natural cheese products





Beverages and Desserts

Strategic expansion of functional yogurt

**1 Increase production capacity
Enhance supply structure**



**Capital investment of
8.0 billion yen**

Drink-type

Ebina Plant + Kyoto Plant: Build a new line

Hard-type

Ebina Plant

Plain-type

Ebina Plant

Soft-type

Kyodo Milk Industry



2 Expand product line-ups

3 Strengthen marketing

**Enhance the recognition of
Lactobacillus gasseri SBT2055**



Product mix optimization

Beverages and Desserts

1

Enhance competitiveness of personal-type desserts

Luna Bussan: Build a new production line for desserts



2

Add more value to milk beverages





Nutrition

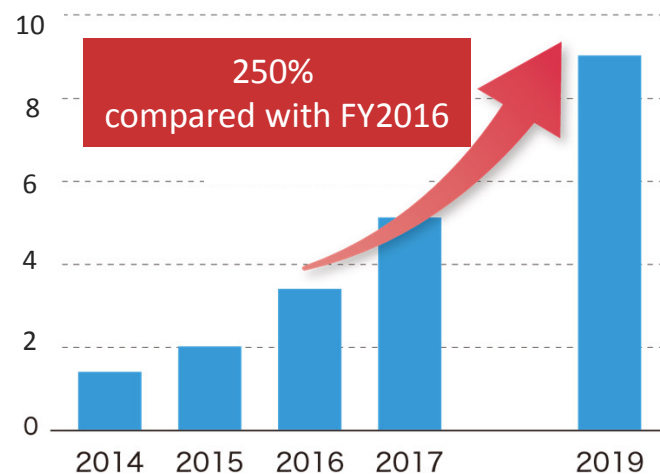
Build a growth model for the functional foods business

- 1 Expand the market based on *Mainichi Hone Care MBP®*
- 2 Expand product line-up
- 3 Strengthen investment in marketing



<Sales of functional foods business>

[Billion yen]





Nutrition

Overseas

Japan

Strengthen competitiveness of the powdered milk business by promoting value

- Expansion in Japan and overseas -

1 Develop the powdered milk business overseas
[Introduce powdered milk products for pregnant women/adults]



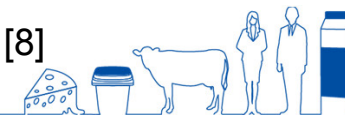
2 Use the integrated brand overseas



3 Develop unique infant formula business

[Continue research into breast milk and use online sales]





Feedstuffs and Seed Products

Strategic expansion of the seed products business

1

Increase profitability by strengthening the forage crops (pasture/corn), vegetables, green manure crops, and microorganisms business



Timothy [Horizon]



Green soybean [Natsufuuka]



Seeds for green manure crops
No.1 in the industry

2

Develop competitive varieties and technologies by utilizing the new laboratory building



SNOW BRAND SEED CO., LTD.
New laboratory building of
Hokkaido Research Station
To be completed in June 2017



Feedstuffs and Seed Products

Increase profitability in the feedstuffs business

1

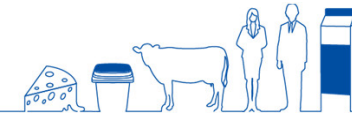
Promote integrated proposal-based sales

[Expand sales by combining merchandise, such as pasture and feedstuffs, with technical support]

2

Build an efficient procurement, production and logistics structure





Strategies Supporting Business Portfolio Transformation

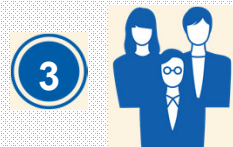


Build the procurement and production structure

Secure a competitive base



“*Monozukuri*” originating in research and development



Promote working practice reform

Foster human resources to support growth

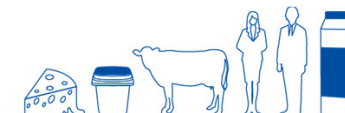




Utilize management resources within the Group

Maximize competitiveness and comprehensive strength



Strategies supporting Business Portfolio Transformation [2]



<p></p> <p>1</p> <p>Build the procurement and production structure</p> <p>Secure a competitive base</p>	<ul style="list-style-type: none">① Strengthen cooperation with Group companies and partners② Develop stable procurement in Japan and overseas③ Secure and effectively utilize dairy ingredients in Japan④ Begin far-sighted renewal of the production structure
<p></p> <p>2</p> <p>“Monozukuri” originating in research and development</p>	<ul style="list-style-type: none">① Create added value originating in research and development<ul style="list-style-type: none">◆ Strengthen research and development structure and functions◆ Promote open innovation② Promote development of demand-creating and high-value-added products③ Enhance marketing function



Strategies supporting Business Portfolio Transformation [3]



Promote working practice reform

Foster human resources to support growth

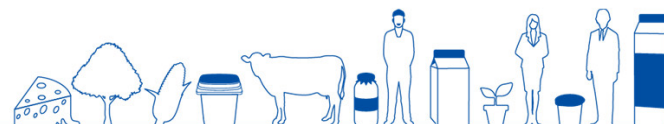
- ① **Ensure the diversity of human resources**
 - ◆ Promote female advancement, diversify recruitment
- ② **Operational reforms**
 - ◆ Promote reduction of working hours, introduce teleworking
- ③ **Develop human resources**
 - ◆ New training system, cultivate human resources within the Group



Utilize management resources within the Group

Maximize competitiveness and comprehensive strength

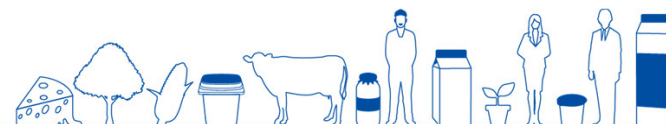
- ① **Strengthen the Group value chain**
 - ◆ Cooperation with Group companies and partners
- ② **Strengthen the Group's corporate function**
 - ◆ Governance
 - ◆ Quality assurance
 - ◆ Environmental activities



Target Performance Indicators (Consolidated)





(Billion yen)

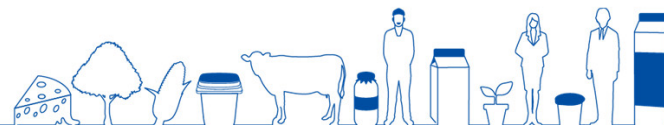
	FY2019 Targets	FY2016 Results	Growth rate (Compared with FY2016)
Net Sales	630.0	587.9	107.2%
Operating income (Operating income /Net sales)	22.0 (3.5%)	18.7 (3.2%)	117.6%
EBITDA	40.0	33.8	118.3%



Segment Sales / Operating Income

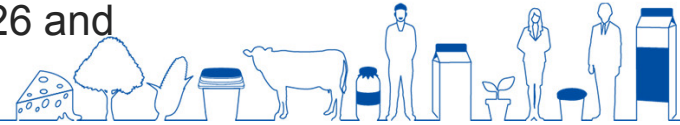
(Billion yen)

	FY2019 Targets		FY2016 Results		Growth rate (Compared with FY2016)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
 Dairy products	250.0	13.0	232.3	11.7	107.6%	111.1%
 Beverages and Desserts	300.0	7.0	277.4	4.6	108.1%	152.2%
 Feedstuffs and Seed Products	44.0	1.2	43.0	1.2	102.3%	100.0%
 Others	36.0	0.8	35.0	1.1	102.8%	72.7%
Total	630.0	22.0	587.9	18.7	107.2%	117.6%



Investment and Financial Position Forecasts

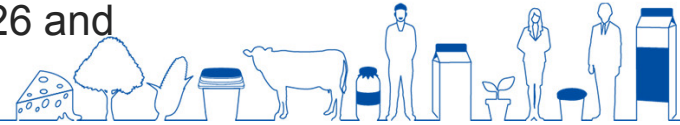
	Targets
Capital investment	77.0 billion yen (3-year total)
Consolidated ROE	8% or more
Consolidated equity ratio	40% or more
Consolidated payout ratio	20% or more
Consolidated interest-bearing debt	Approx. 75.0 billion yen (at the end of FY2019)



Megmilk Snow Brand Values



A shared attitude and sense of values that every officer and employee of the Megmilk Snow Brand Group considers important in acting toward achieving the long-term vision.



Initiative

Act on my own impulses.
For the future I want to realize.



Challenge

Enjoy the challenge.
For the future I want to embody.



Teamwork

Combine our strength.
For the future of all of us.



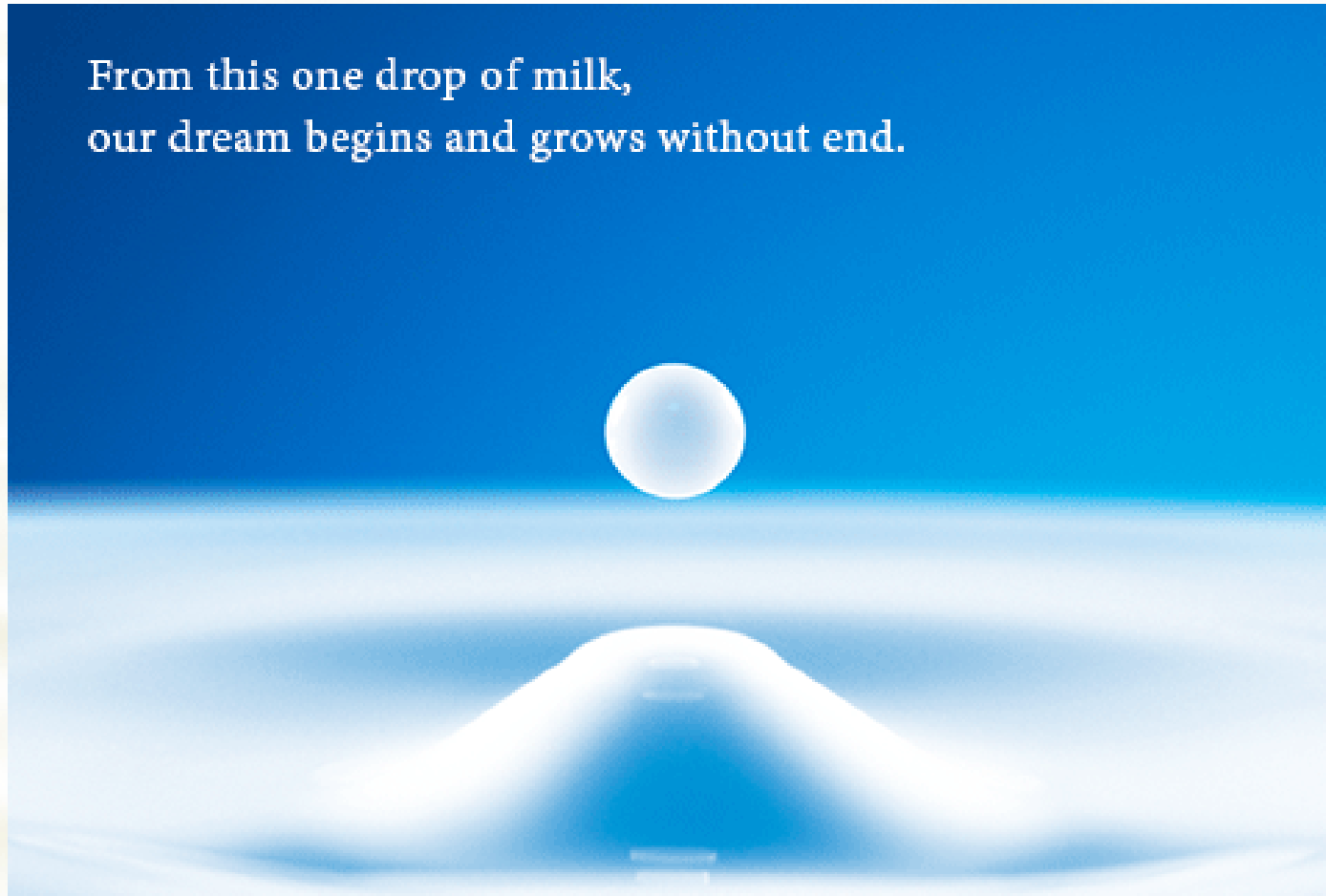
Toward “Future Creation Company with Milk”



Make the Future with Milk.

未来は、ミルクの中にある。

From this one drop of milk,
our dream begins and grows without end.



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.