



Megmilk Snow Brand Group

**Group Long-term Vision 2026**

**Group Medium-term Management Plan 2019**





- 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

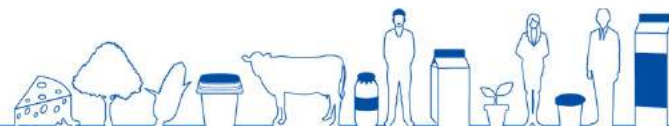
- ▶ Streamlining of Ami and Ebina Plants, production capacity enhancement

## 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

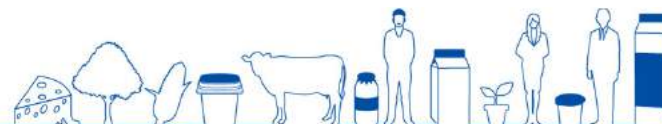
(Billion yen, %)

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

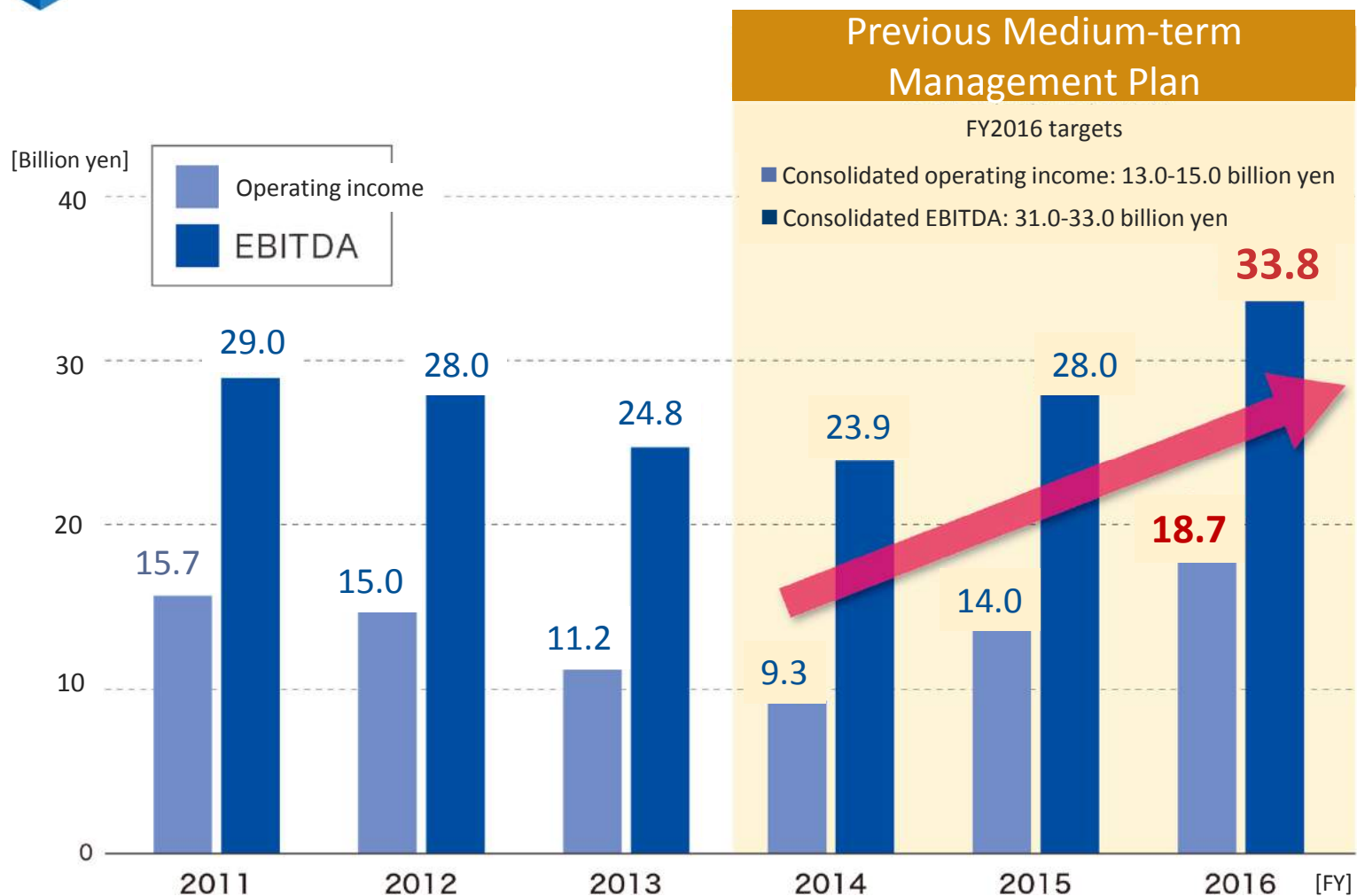
\*Profit attributable to owners of parent

### <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]

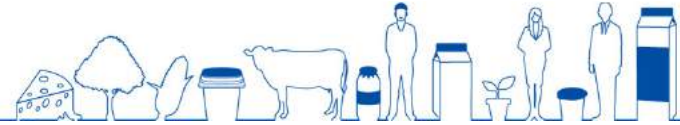


- ① **Major structural changes occurring decade by decade**
- ② **Sustainable enhancement of corporate value**
- ③ **Sharing of the direction in which the Group aims to advance**

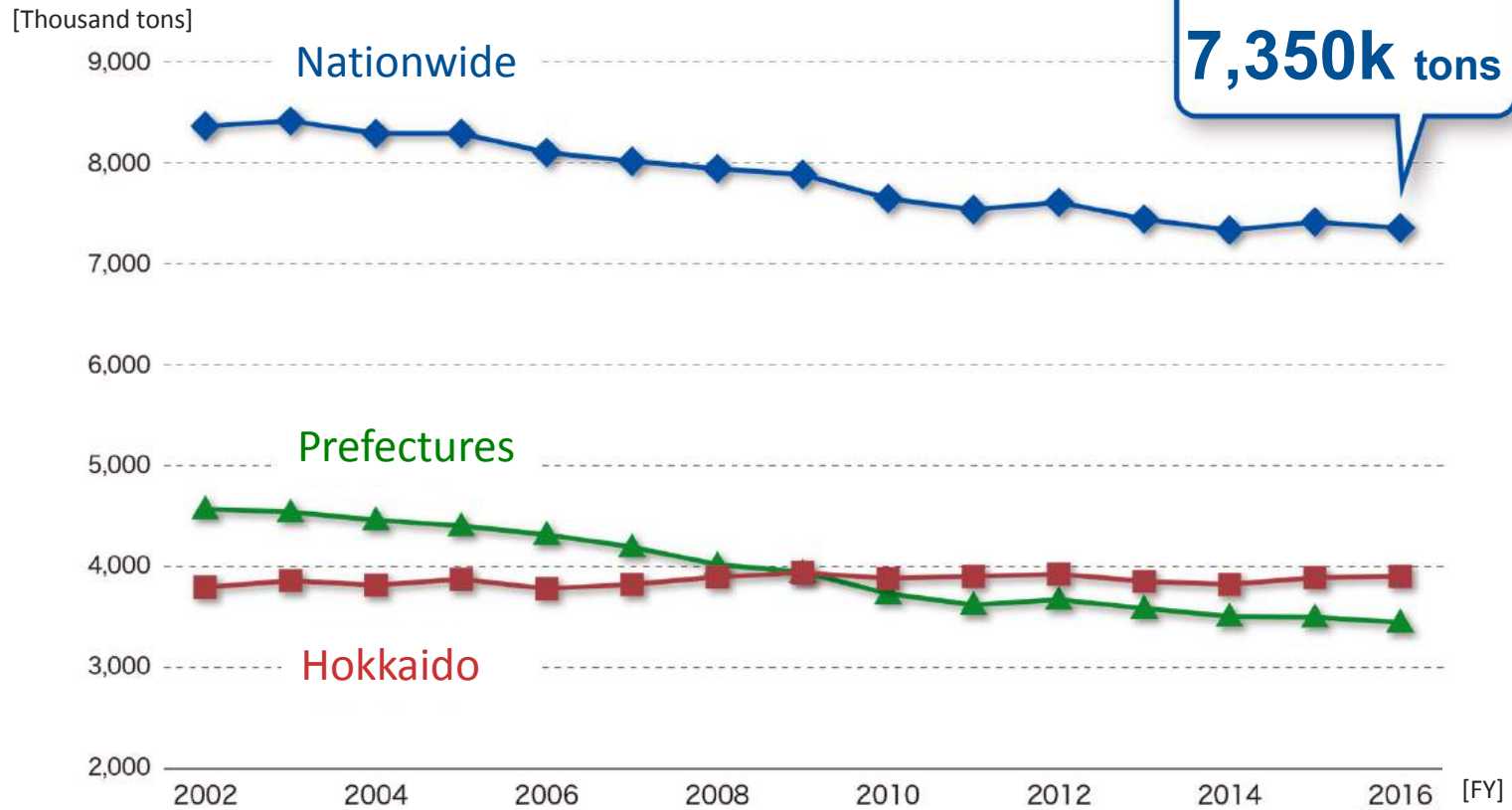


**Group Long-term Vision 2026**  
to chart a course for the next 10 years





## Fresh Milk Production in Japan

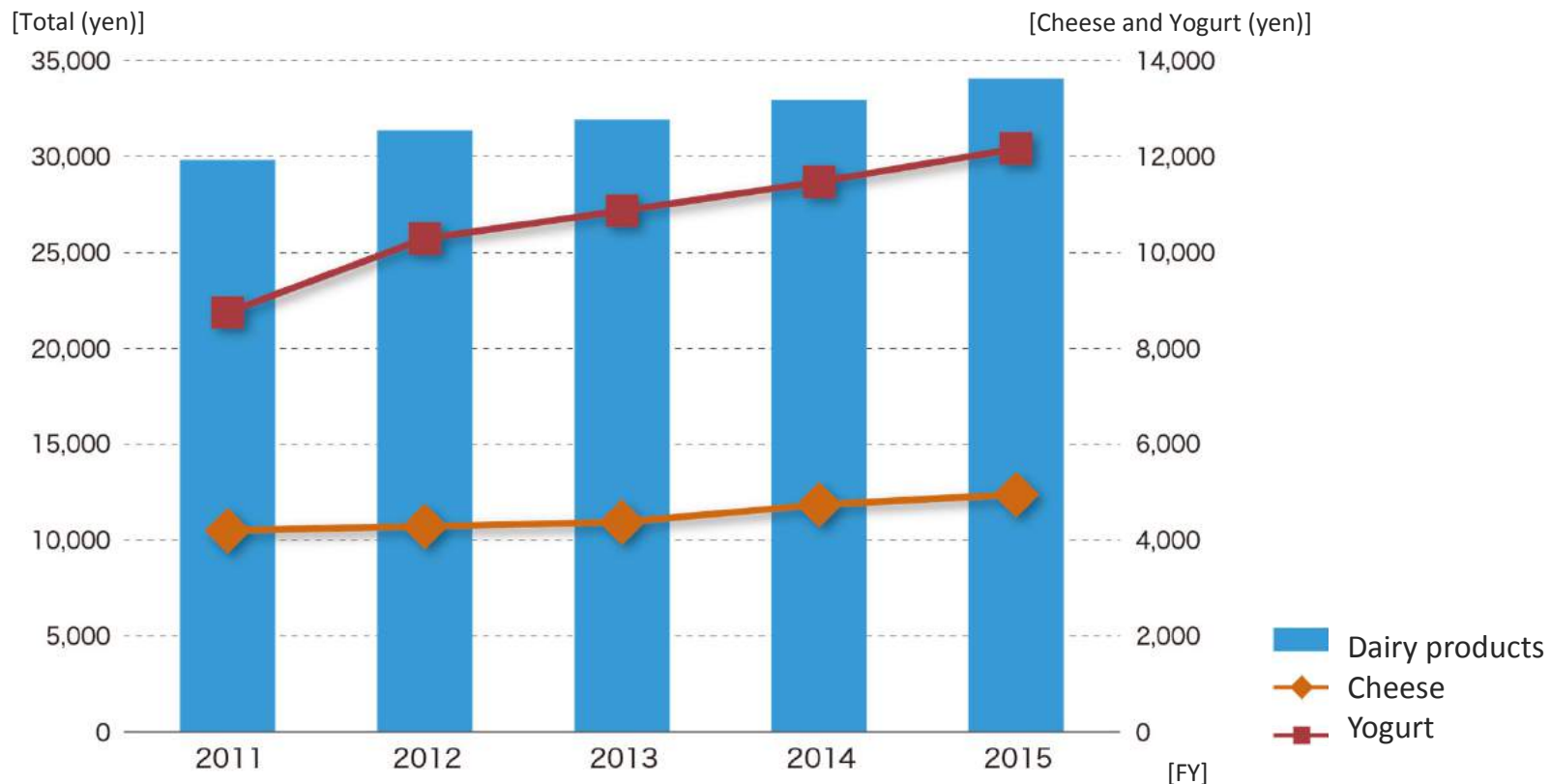


Source: "Milk and Dairy Products Statistics," Ministry of Agriculture, Forestry and Fisheries (Preliminary data)

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



## Household Expenditure on Dairy Products

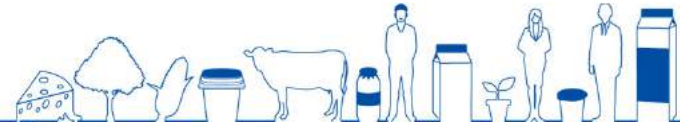


• Total: Total of milk, powdered milk, butter, cheese and yogurt

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

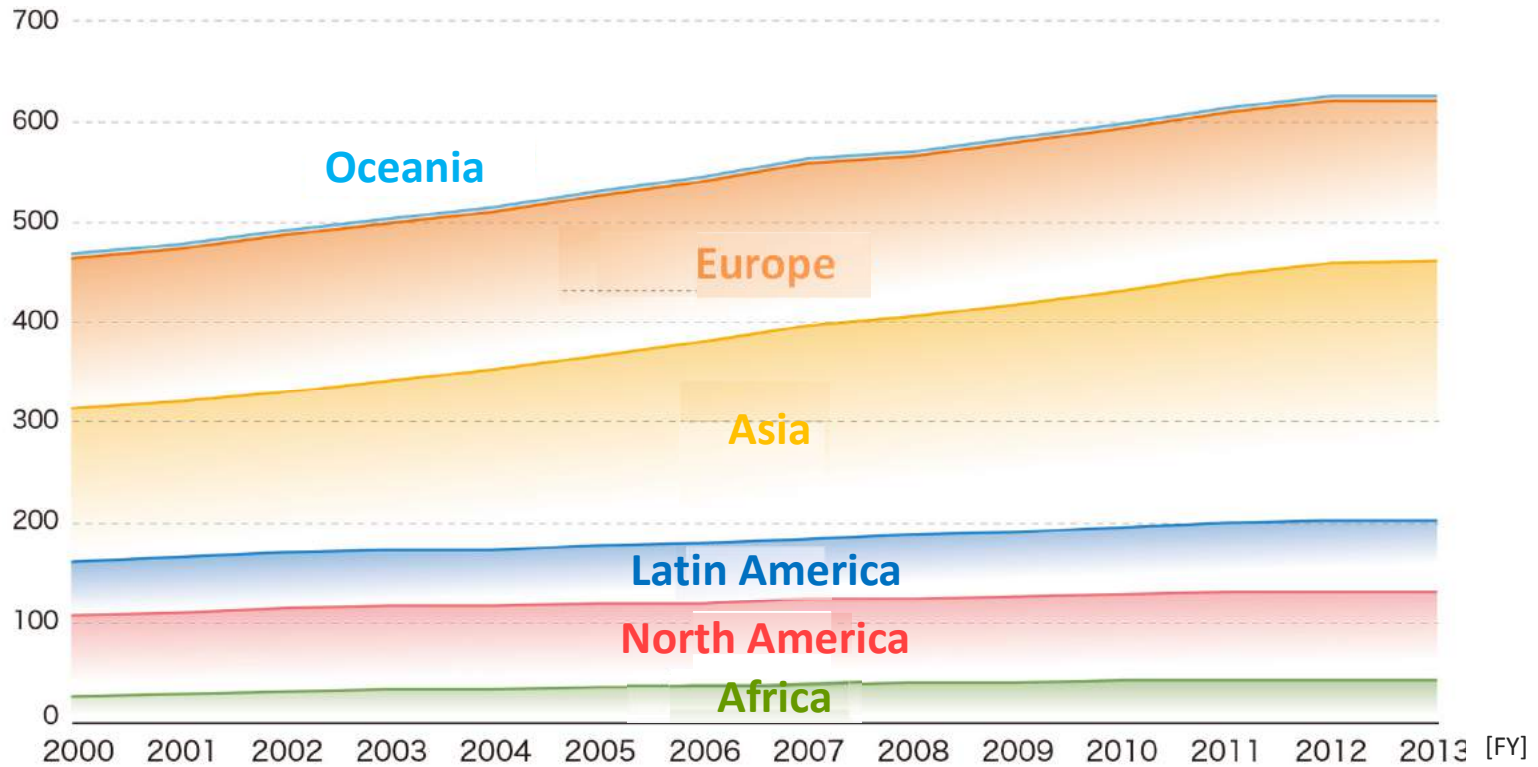
**The Japanese market for dairy products is growing**





## Global Consumption of Dairy Products

[Million tons]

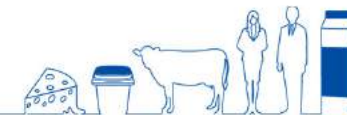


Note: Quantity converted to fresh milk (except butter) Data: FAOSTAT

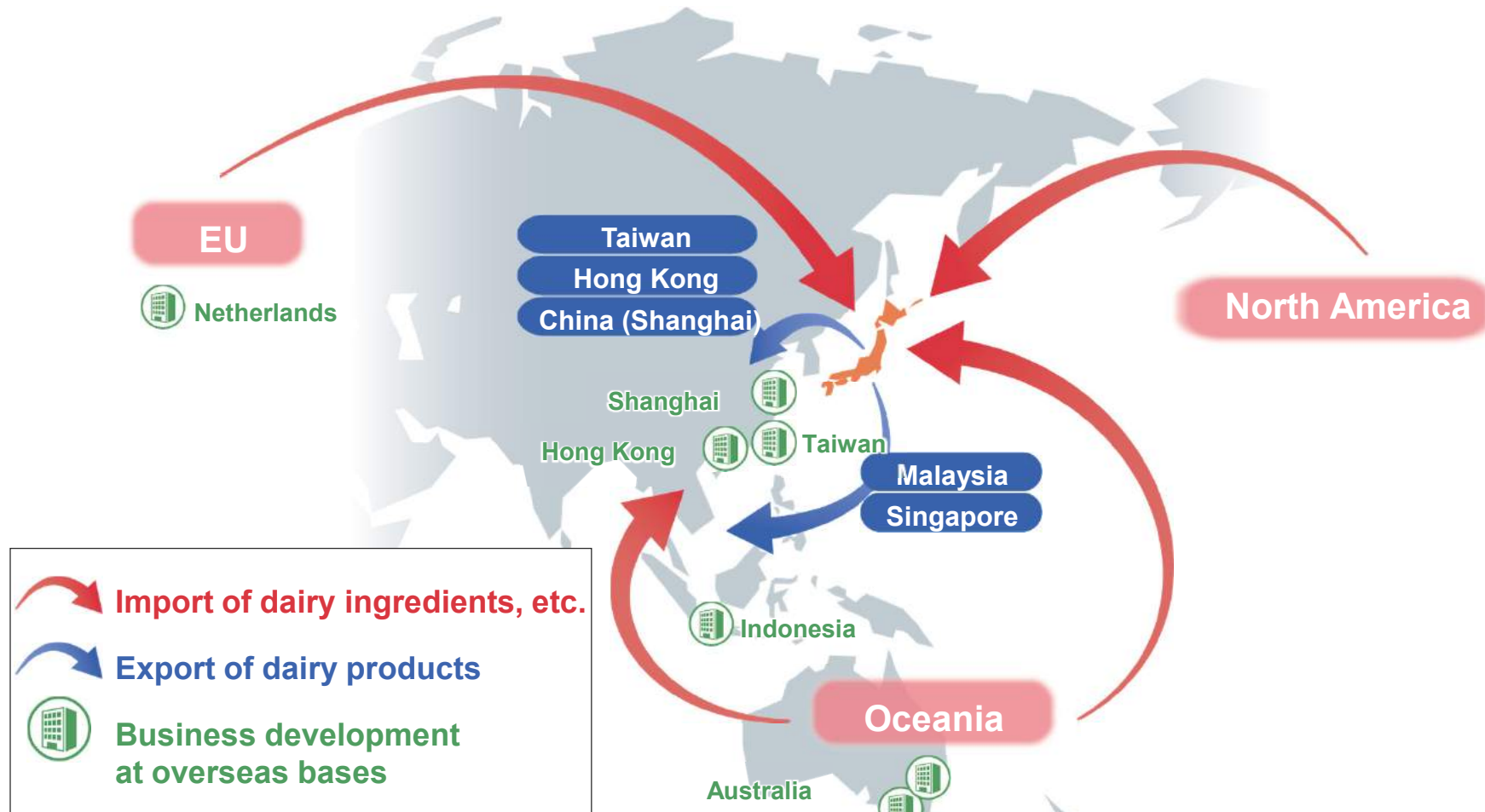
**Global consumption of dairy products is increasing**



Recognition of the environment  
[Environment surrounding dairy farming production]

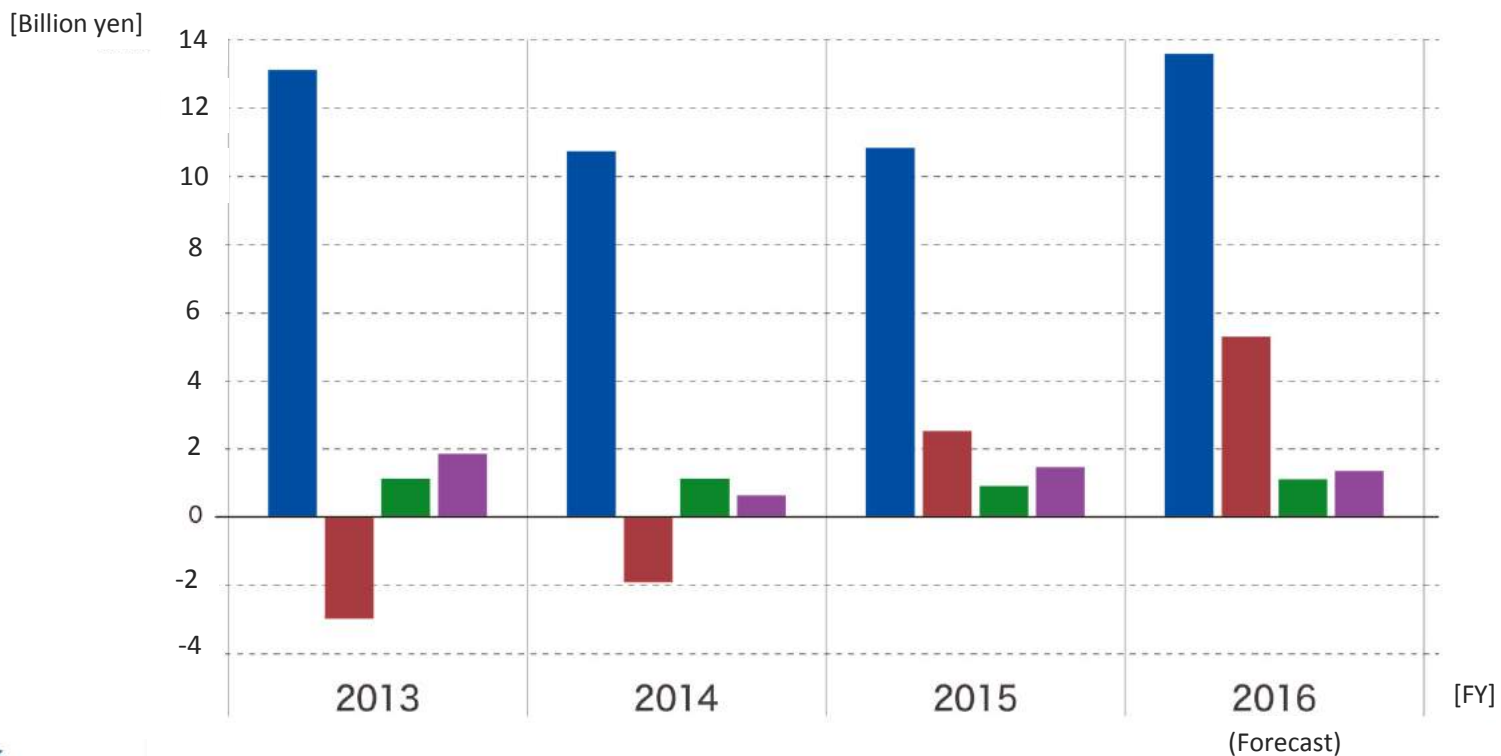


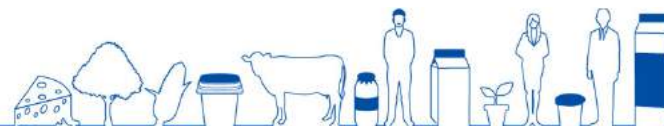
## “Globalization of Dairy Products” is Underway




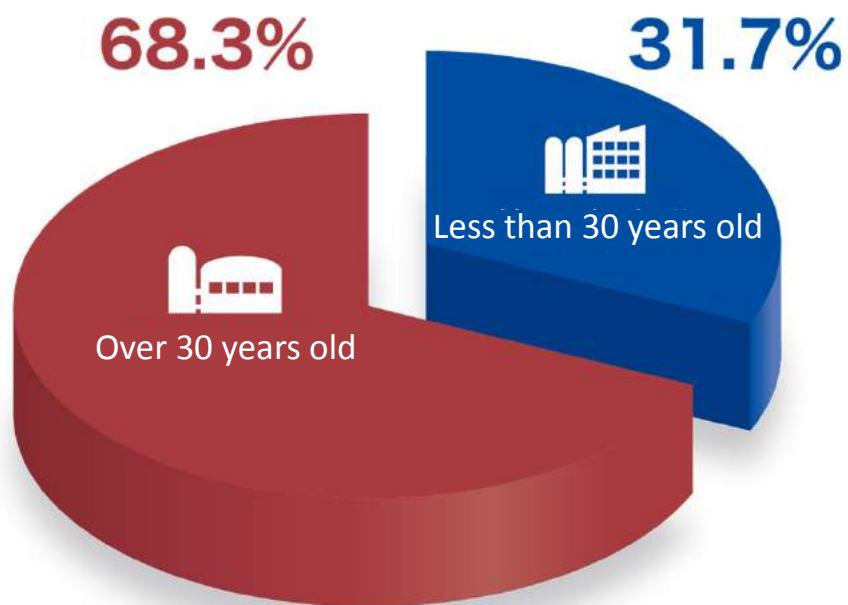


**Dairy Products segment** remains the Group's earnings base  
**Beverages and Desserts segment** became profitable thanks to business structure reforms





 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)





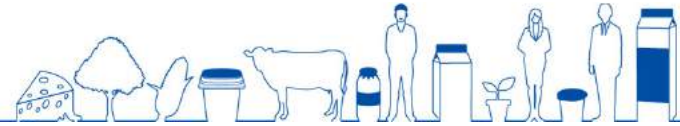
## Long-term Vision



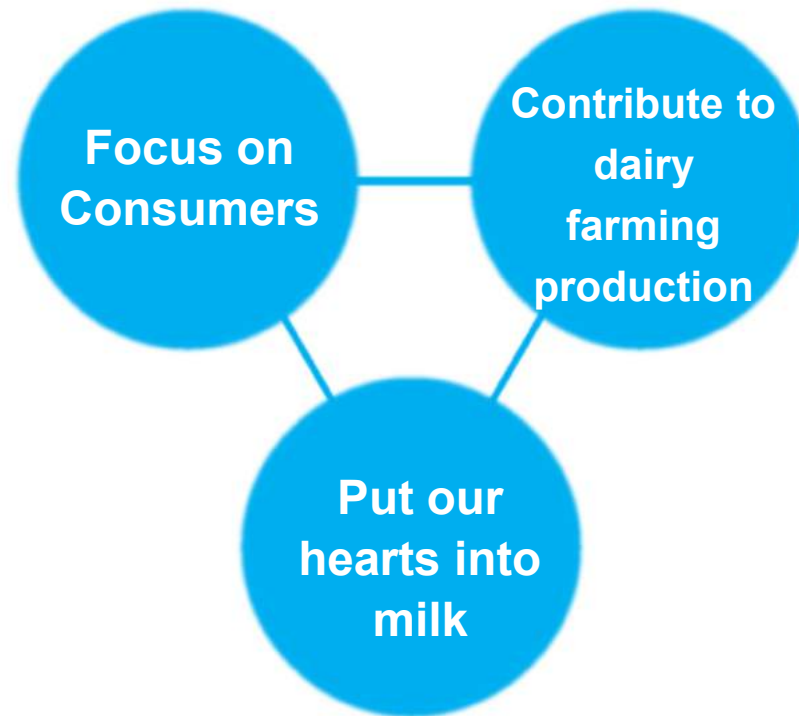
Vision of the Megmilk Snow Brand Group that we aim to achieve 10 years from now



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

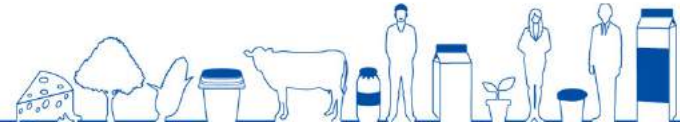


## Group Corporate Philosophy

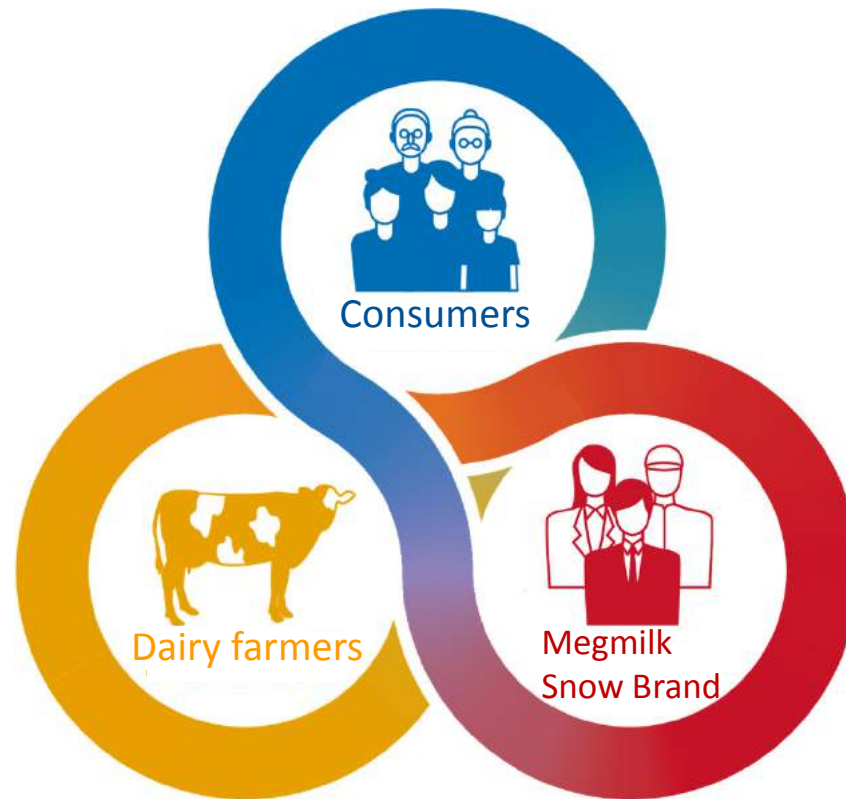


Make the Future with Milk.



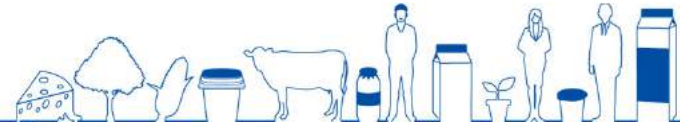


## Megmilk Snow Brand Group “Three Futures”



Toward “Future Creation Company with Milk”

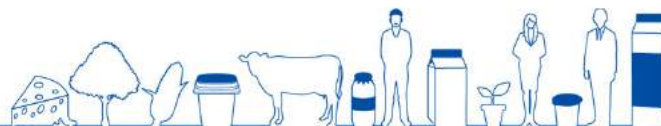




Consumers

## 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

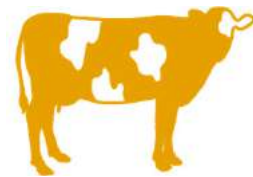
- 1 Safe and reliable
- 2 Nutritious
- 3 Delicious



+

\*Photos are for illustrative purposes.

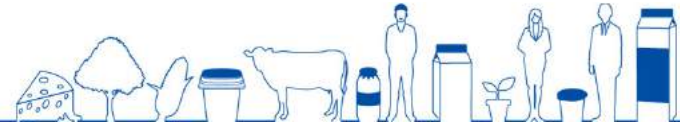
- 4 **Extension of healthy life expectancy**
- 5 **Improvement of the quality of life (QOL)**



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



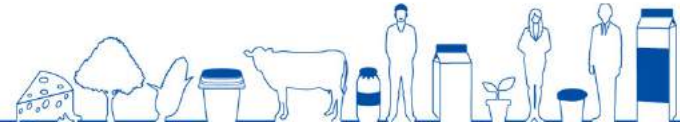


Megmilk Snow Brand

## 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

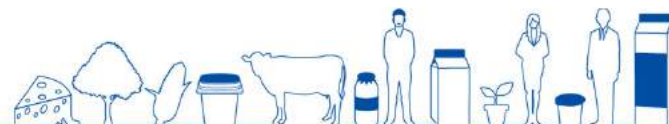




# Transformation & Renewal

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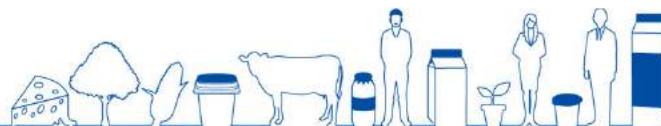


# Transformation & Renewal

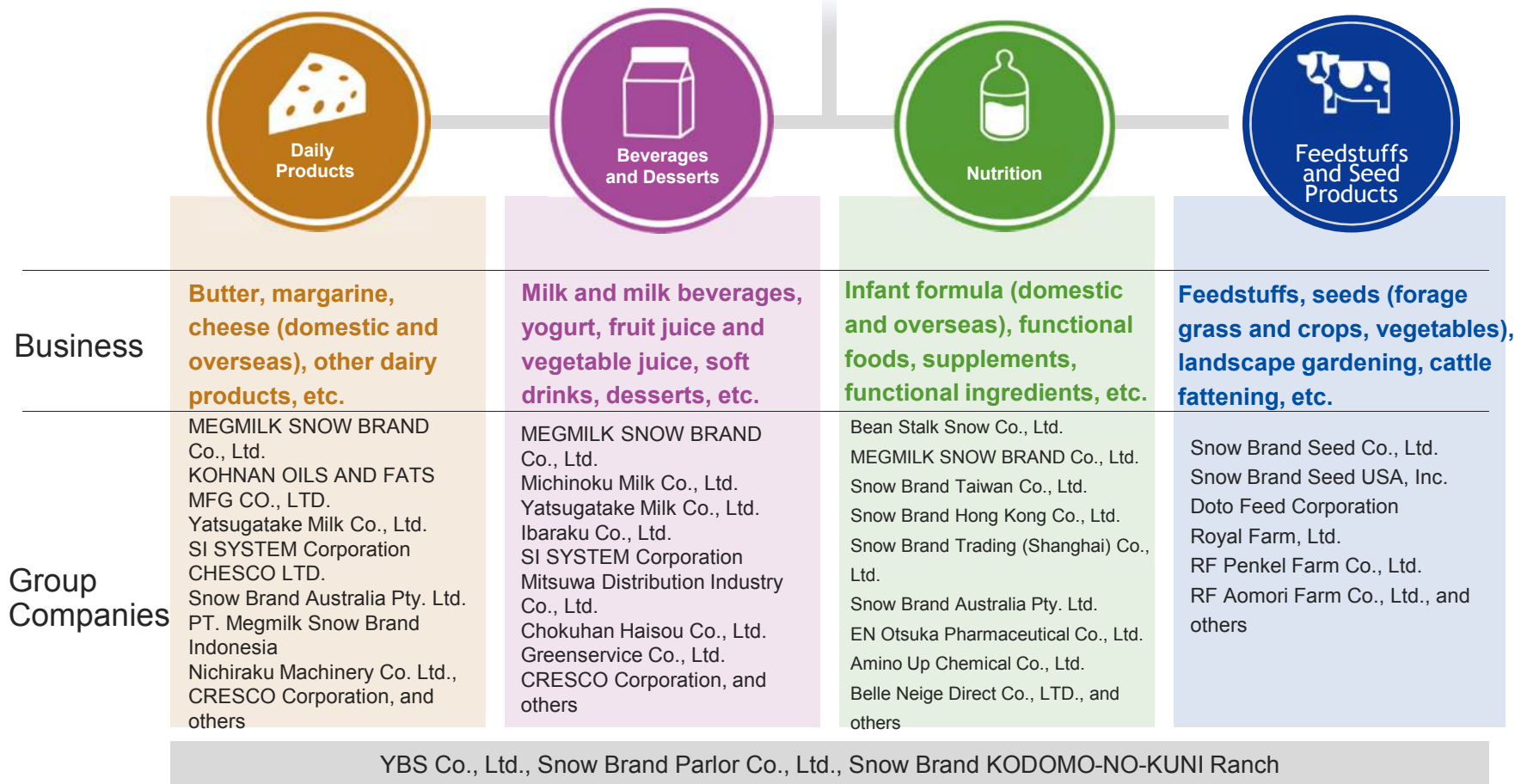


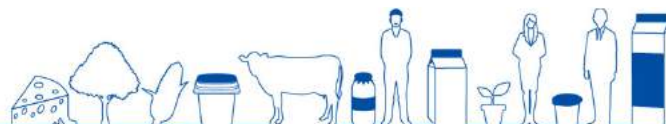


## Business areas [Four business sectors]



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





## Direction of Business Portfolio Transformation



Daily 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.

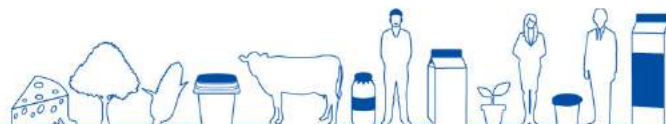
**Create new growth opportunities and foster as a highly profitable business**



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**



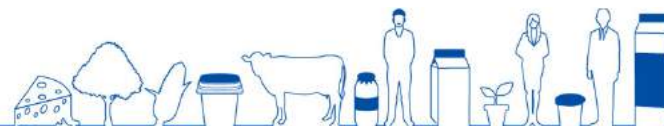
**Promote working practice reform**

**Foster human resources to support growth**



**Utilize management resources within the Group**

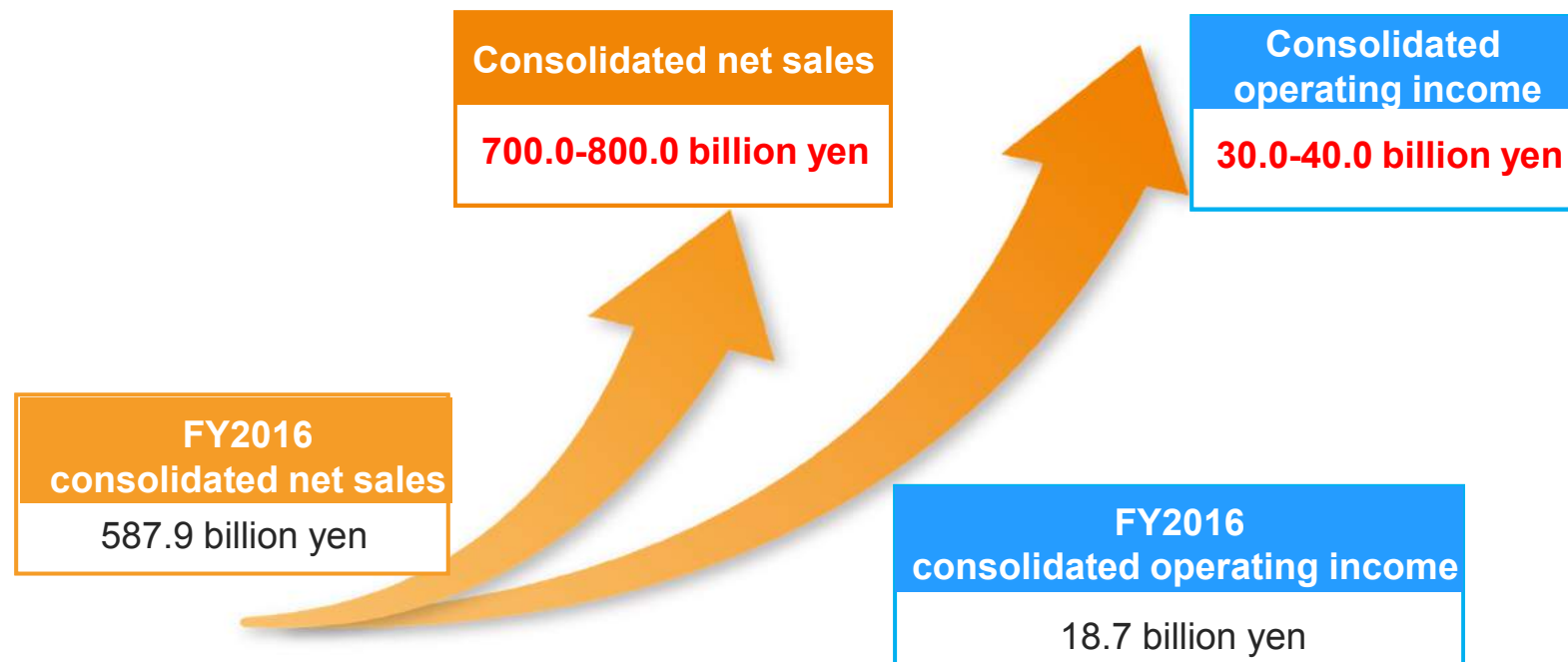
**Maximize competitiveness and comprehensive strength**



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



## Targets for FY2026 (10 years ahead)



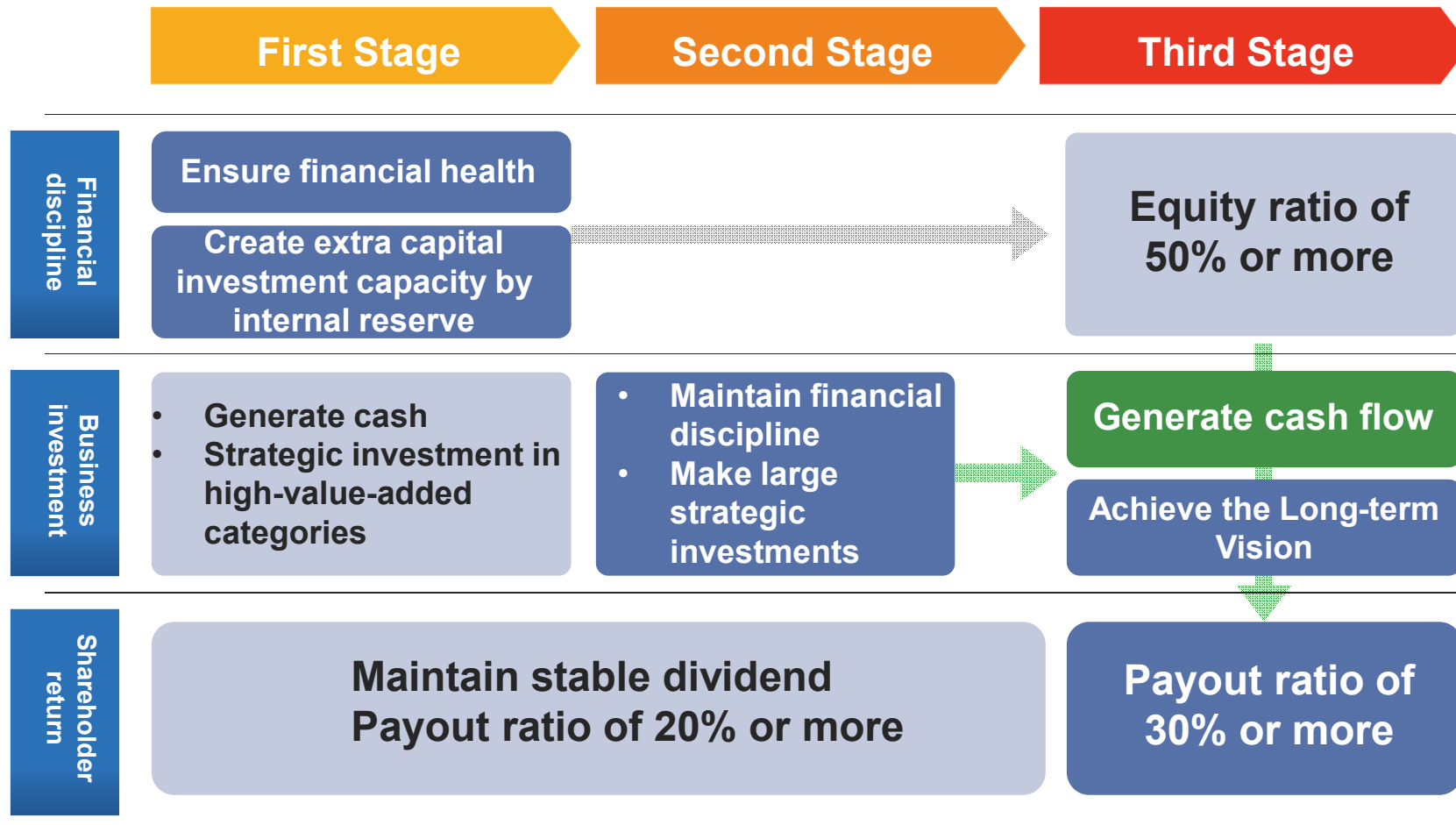
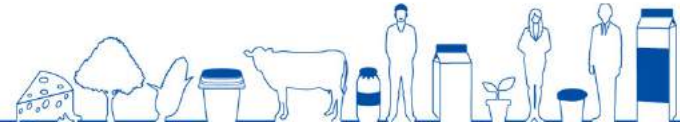
### Financial indicators (targets)

- 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 -



Daily  
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



## 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





## 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





## 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

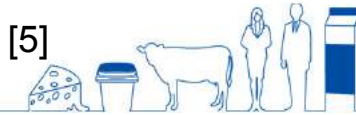
Kyodo Milk Industry



2 Expand product line-ups

3 Strengthen marketing

Enhance the recognition of  
Lactobacillus gasseri SBT2055



## Product mix optimization

### 1 Enhance competitiveness of personal-type desserts

**Luna Bussan:** Build a new production line for desserts



### 2 Add more value to milk beverages





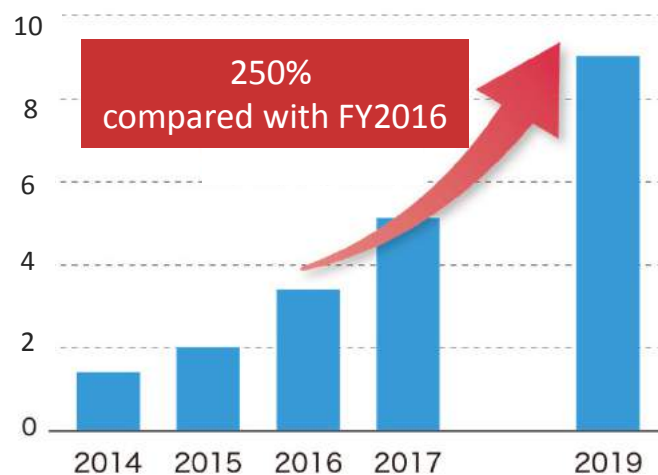


## Build a growth model for the functional foods business

- 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]





## Strengthen competitiveness of the powdered milk business by promoting value

- Expansion in Japan and overseas -

Overseas

### 1 Develop the powdered milk business overseas

[Introduce powdered milk products for pregnant women/adults ]



### 2 Use the integrated brand overseas



Japan

### 3 Develop unique infant formula business

[Continue research into breast milk and use online sales]







## 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**



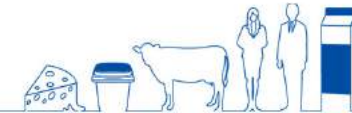
SNOW BRAND SEED CO., LTD.  
New laboratory building of  
Hokkaido Research Station  
To be completed in June 2017



## Increase profitability in the feedstuffs business

- Promote integrated proposal-based sales**  
[Expand sales by combining merchandise, such as pasture and feedstuffs, with technical support]
- Build an efficient procurement, production and logistics structure**



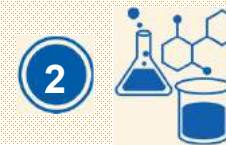


## Strategies Supporting Business Portfolio Transformation



**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]

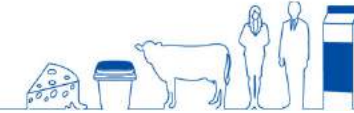


<p><b>1</b></p>  <p><b>Build the procurement and production structure</b></p> <p><b>Secure a competitive base</b></p>	<ol style="list-style-type: none"><li>① <b>Strengthen cooperation with Group companies and partners</b></li><li>② <b>Develop stable procurement in Japan and overseas</b></li><li>③ <b>Secure and effectively utilize dairy ingredients in Japan</b></li><li>④ <b>Begin far-sighted renewal of the production structure</b></li></ol>
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<p><b>2</b></p>  <p><b>“Monozukuri” originating in research and development</b></p>	<ol style="list-style-type: none"><li>① <b>Create added value originating in research and development</b><ul style="list-style-type: none"><li>◆ <b>Strengthen research and development structure and functions</b></li><li>◆ <b>Promote open innovation</b></li></ul></li><li>② <b>Promote development of demand-creating and high-value-added products</b></li><li>③ <b>Enhance marketing function</b></li></ol>
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## Strategies supporting Business Portfolio Transformation [3]



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

4



**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

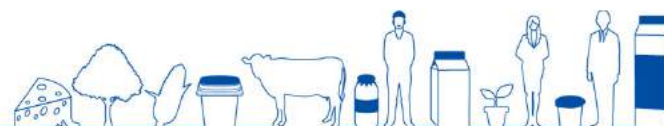


## Target Performance Indicators (Consolidated)

(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)

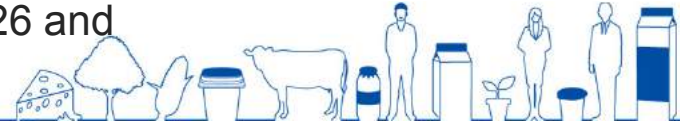
	FY2019 Targets		FY2016 Results		Growth rate (Compared with FY2016)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
 Dairy products	250.0	13.0	232.3	11.7	107.6%	111.1%
 Beverages and Desserts	300.0	7.0	277.4	4.6	108.1%	152.2%
 Feedstuffs and Seed Products	44.0	1.2	43.0	1.2	102.3%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





## Investment and Financial Position Forecasts

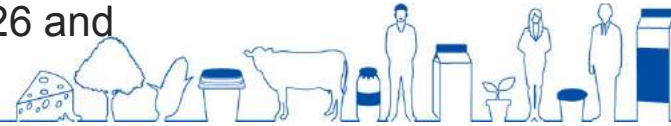
	Targets
Capital investment	77.0 billion yen (3-year total)
Consolidated ROE	8% or more
Consolidated equity ratio	40% or more
Consolidated payout ratio	20% or more
- Consolidated interest-bearing debt	Approx. 75.0 billion yen (at the end of FY2019)



## 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.



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.