

2Q Fiscal Year Ended March 31, 2018

Financial Results

November 9, 2017

Consolidated financial results (1Q-2Q)

(Billion yen, %)

	FY2017 (1Q-2Q)	FY2018 (1Q-2Q)	YoY change	YoY % change	Achievement rate
Net sales	299.3	303.5	+4.2	101.4	100.0
Operating profit	10.8	11.0	+0.1	101.7	110.7
Ordinary profit	11.1	11.7	+0.6	106.0	112.2
Profit *	7.4	7.1	(0.2)	97.1	105.6

* Profit attributable to owners of parent

- ▶ **Market share expansion of cheese and other mainstay products**
- ▶ **Strategic sales expansion of value added products such as functional yogurt**
- ▶ **Expansion into new markets in the Nutrition Business Sector**

Four Business Sectors



1. Daily Products Business Sector

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



2. Beverages and Desserts Business sector

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



3. Nutrition Business Sector

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



4. Feedstuffs and Seed Products Business Sector

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

Dairy Products Business Sector (results)



[Dairy Products] including Nutrition Business

(Billion yen, %)

	2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	117.7	102.9	101.9	237.5	102.2
Operating profit	5.6	100.3	113.1	11.2	95.6

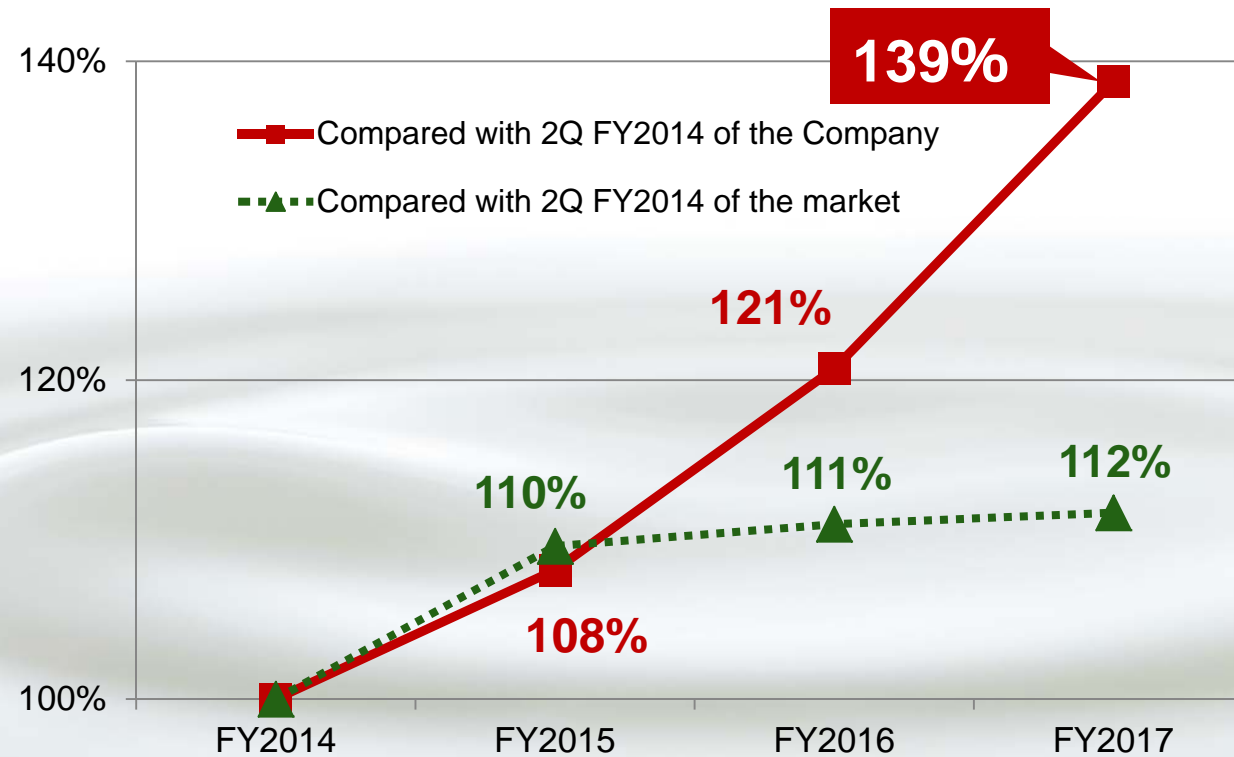
- ▶ **Butter** : Continuation of stable supply
- ▶ **Margarines** : Decline in sales owing to continued market downturn
- ▶ **Cheese** : Strong sales associated with market growth

Dairy Products Business Sector (cheese)



Sales and market trends of portioned cheese such as *6P Cheese* (2Q)

[Growth rate of portioned cheese such as *6P Cheese* (compared with 2Q FY2014)]



Dairy Products Business Sector (cheese)



1. Proposals for new ways of eating and eating occasions

▶ “Yaki Roppi, fried 6P Cheese”

- Fry it and wrap it in seaweed
- For barbecuing



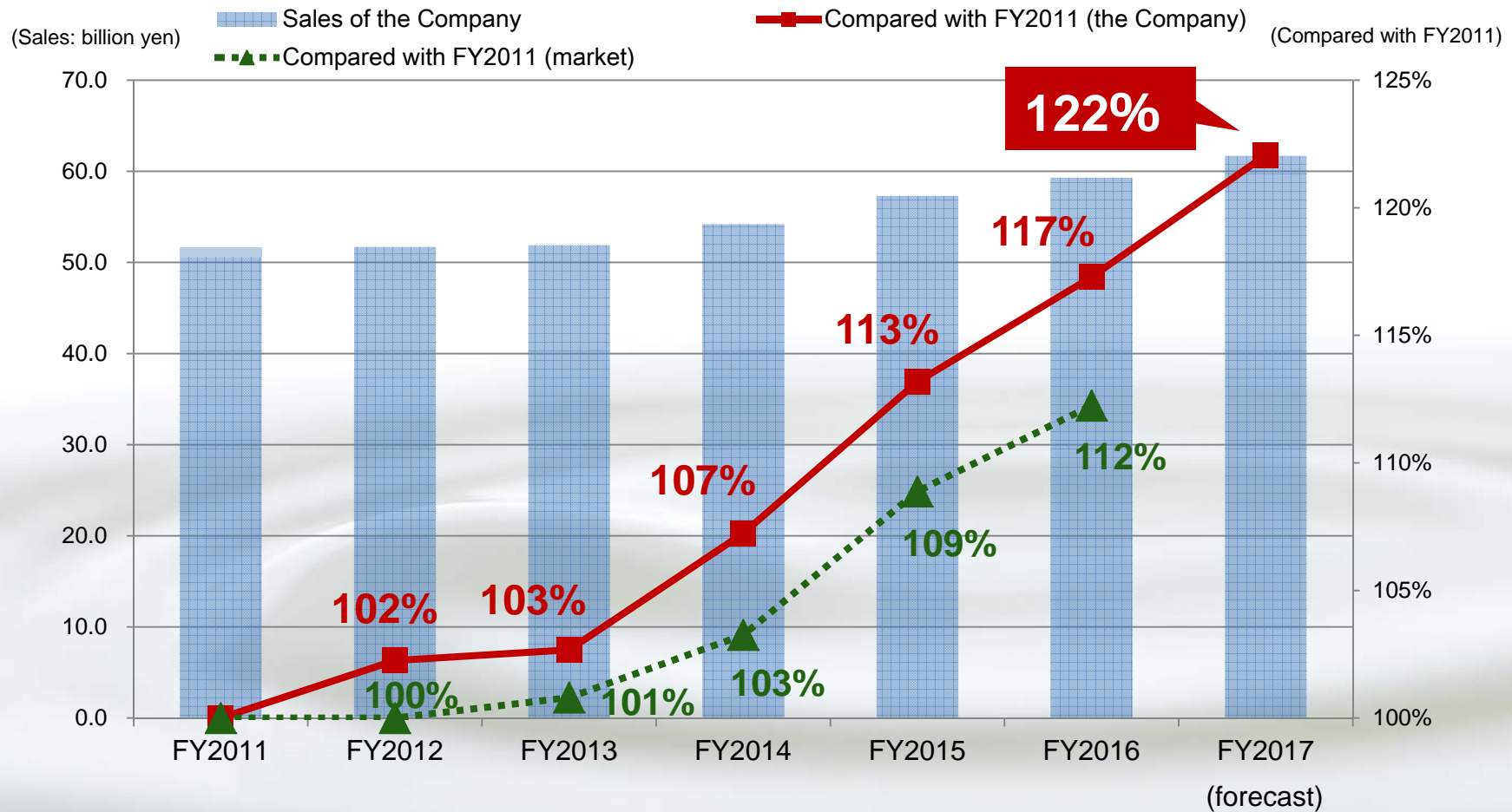
2. The growing low-carb diet trend



Dairy Products Business Sector (cheese)



[Net sales and growth rate of cheese for consumers]



Beverages and Desserts Business Sector (results)



[Beverages and Desserts Segment]

(Billion yen, %)

	2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	143.9	100.1	97.7	284.2	102.4
Operating profit	3.4	106.8	102.3	6.1	131.9

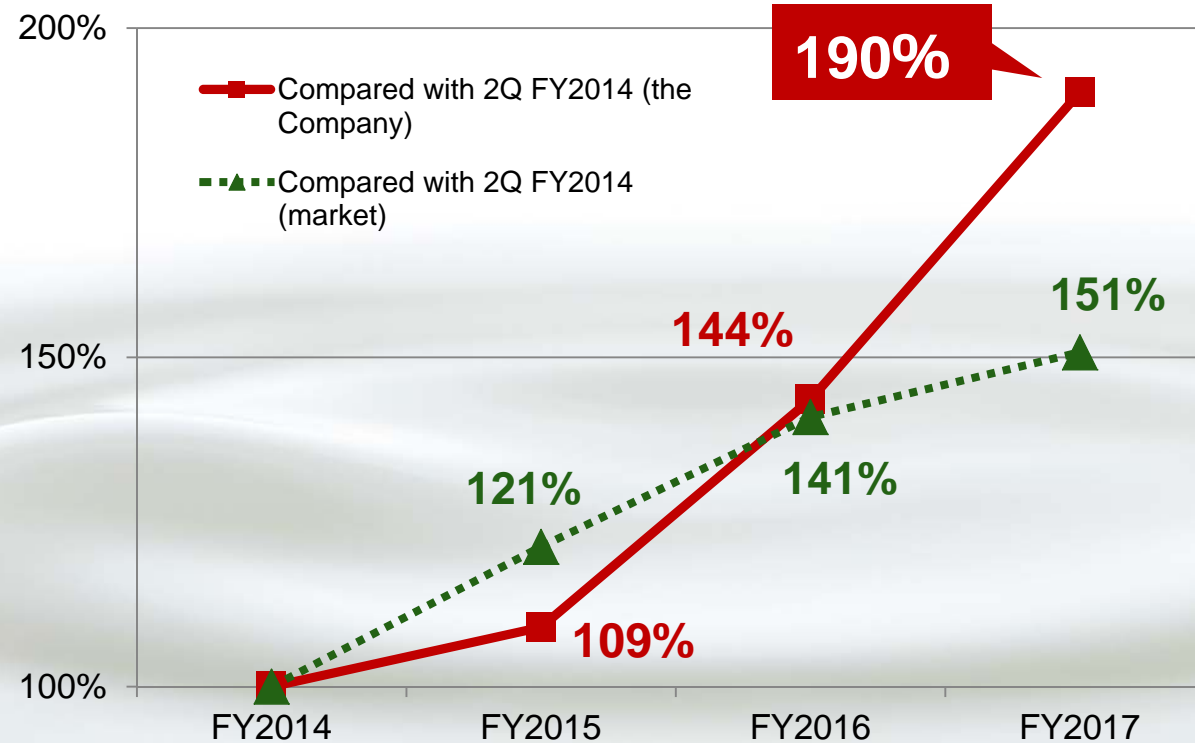
- ▶ Continued enhancement of the functions of our proprietary *Lactobacillus gasseri* SBT2055
- ▶ Strong sales of drink-type yogurt
- ▶ Product mix improvement by expanding sales of value added products

Beverages and Desserts Business Sector (Yogurt)



Sales and market trends of drink-type yogurt (2Q)

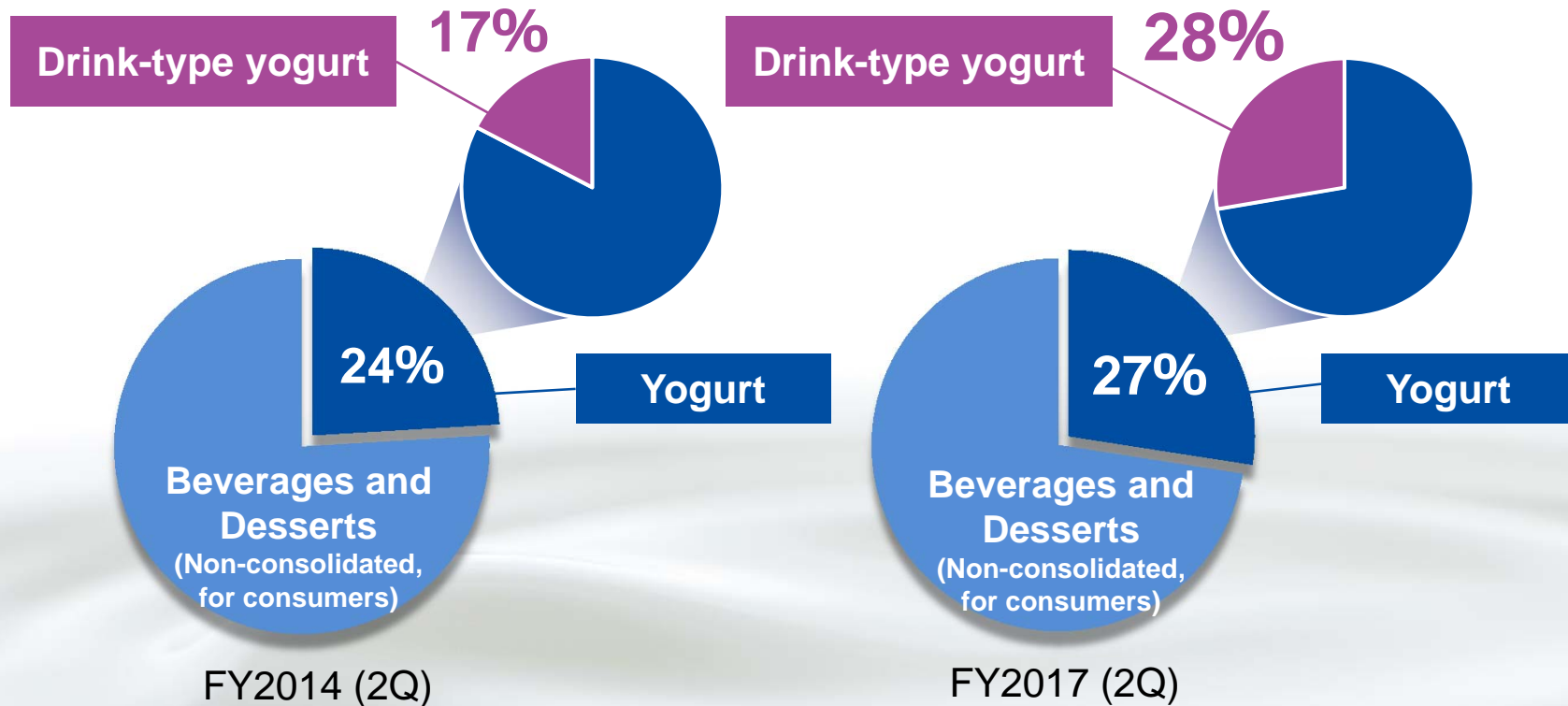
[Growth rate of drink-type yogurt
(compared with 2Q FY2014)]



Beverages and Desserts Business Sector (Yogurt)



Percentage of sales of yogurt in the Beverages and Desserts segment
(Non-consolidated, for consumers)



- ▶ Increase the percentage of sales of value added products, mainly drink-type yogurt
- ▶ Promote improvement of the profit structure in the Beverages and Desserts Sector

Beverages and Desserts Business Sector (Yogurt)



1. Promote focused resource investment in yogurt

2. Strengthen efforts in the yogurt business

- ▶ *Lactobacillus gasseri* SBT2055 yogurt: Increase sales of the small plastic bottle type line

Operation in 2Q

- ◆ Drink-type **Ebina Plant**
- ◆ Plain-type **Ebina Plant**
- ◆ Soft-type **Kyodo Milk Industry**

**Increase
production
capacity**



Plan to start operation from the second half

- ◆ Drink-type **Kyoto Plant** (Operation planned to start from spring 2018)
- ◆ Hard-type **Ebina Plant** (Operation planned to start from January 2018)

Small plastic
bottle type line
**Increase production
capacity**



August 2016

1 line => 2 lines

May 2017

Add 1 additional small plastic
bottle type molding machine

Ebina Plant
(Eastern Japan)

Spring 2018 (planned)

Build 2 new lines

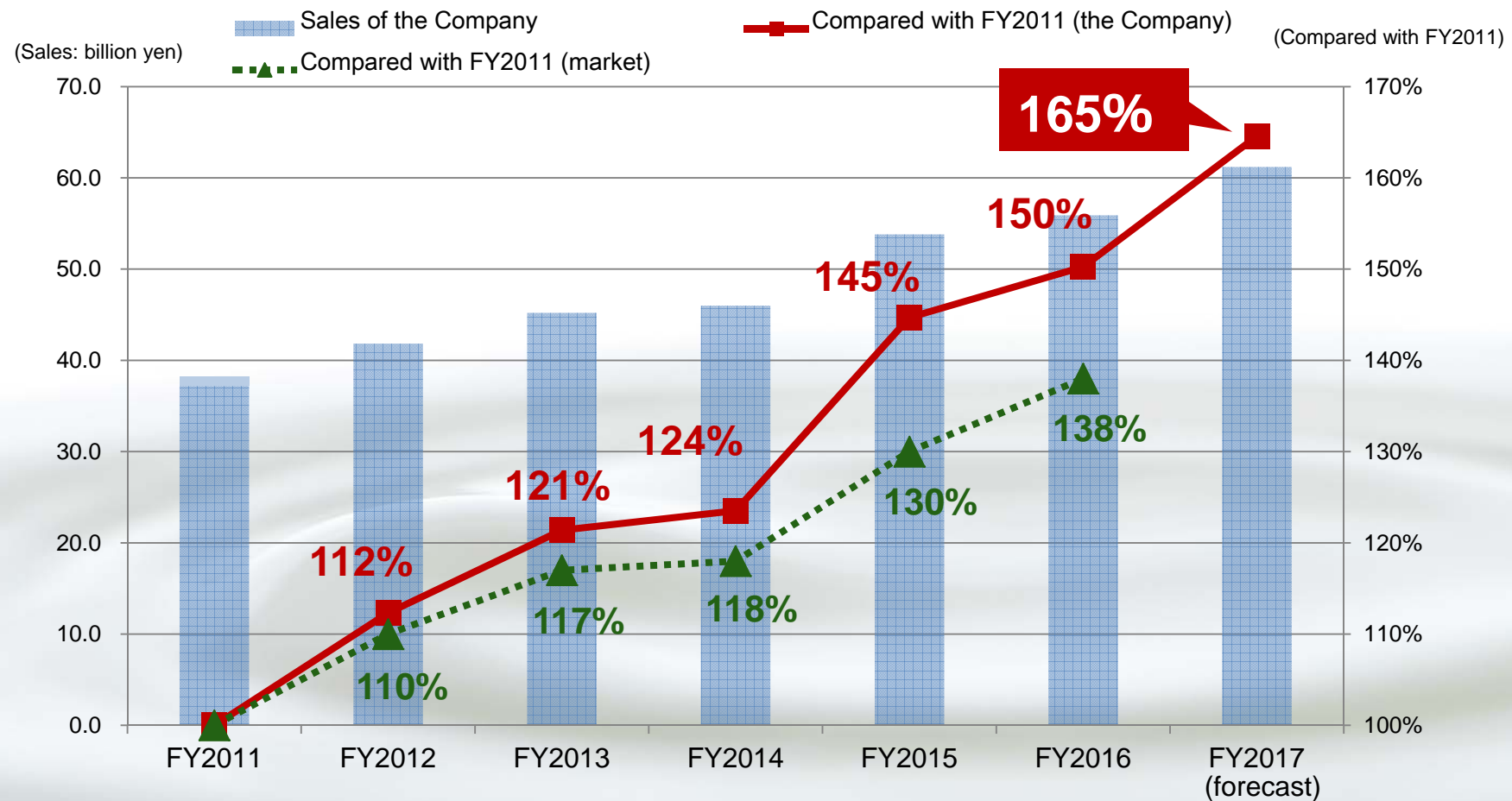
Kyoto Plant
(Western Japan)

**Approximately four times the production
capacity from the time of launch**

Beverages and Desserts Business Sector (Yogurt)



[Net sales and growth rate of yogurt for consumers]





Nutrition Business Sector (results)

[Nutrition Business] of the Dairy Products segment

(Billion yen, %)

	2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	9.7	105.4	91.8	21.6	113.7

(Breakdown)

Functional foods	2.1	136.1	88.4	5.3	158.0
Infant formula and other	7.6	99.3	92.8	16.3	104.2

- ▶ **Functional foods:** Strong sale centered on *Mainichi Hone Care MBP*®
- ▶ **Infant formula and other:** Decrease in sales as a result of a market contraction trend

Nutrition Business Sector (Functional foods)



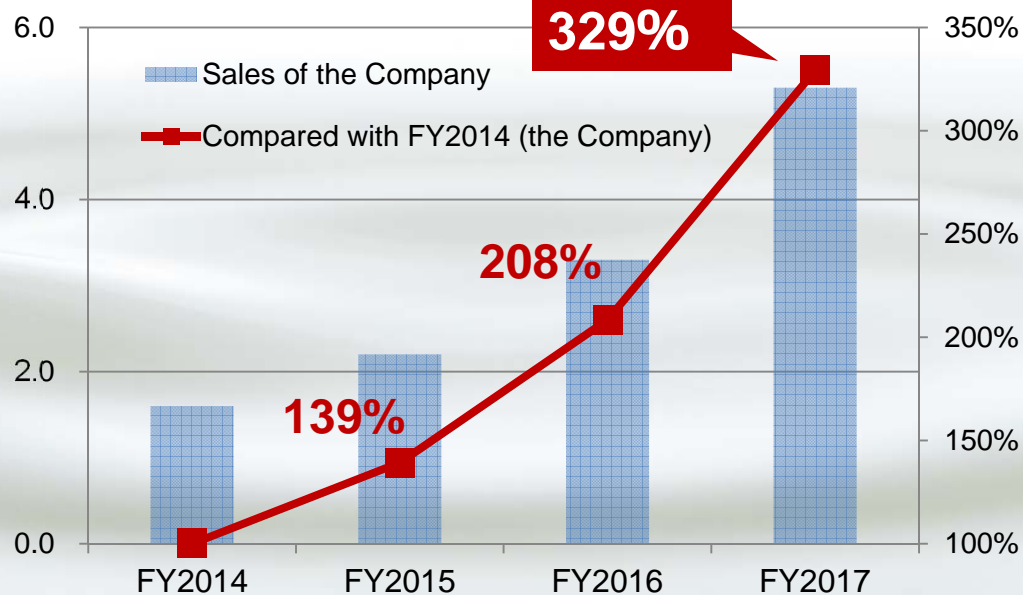
Expand business scale through investment in marketing

- ▶ Advertisements and promotions centered on MBP ®
- ▶ Started a points program

[Net sales and growth rate of the functional foods business]

(Sales : billion yen)

(Compared with FY2014)



Nutrition Business Sector (Powdered milk)



Reform business structure in the powdered milk category

- ▶ Advertisements and promotions of powdered milk for adults



PLATINUM MILK, powdered milk for adults

- ▶ Expansion of powdered milk for adults and pregnant women in the Asian market



Powdered milk for adults



Powdered milk for pregnant women

Feedstuffs and Seed products Business sector (result)



[Feedstuffs and Seed Products segment]

(Billion yen, %)

	2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	23.5	104.3	106.2	42.1	97.9
Operating profit	1.3	116.9	135.6	1.0	79.7

- ▶ Seed products business : Strong sales of pasture, green manure crops, and lactic acid bacteria for silage for silage
- ▶ Feedstuffs business : Both sales volume and unit sales price exceeded the previous year results

Feedstuffs and seed products business sector (Seed)



Expand sales in the seed products business

- ▶ Promote development of new varieties utilizing the New Research Institute
- ▶ Expand sales of pasture, green manure crops, etc.

SNOW BRAND SEED CO., LTD.
New Research Institute of Hokkaido Research Station



Consolidated financial results forecasts (full year)

(Billion yen, %)

■ Operating Results ■	FY2017	FY2018	YoY change	YoY % change
Net sales	587.9	600.0	+12	102.1
Operating profit	18.7	19.5	+0.7	104.0
Ordinary profit	20.2	20.5	+0.2	101.1
Profit *	12.9	13.0	0	100.1

* Profit attributable to owners of parent

■ Dividends ■

Ordinary dividend	40 yen	Consolidated payout ratio	20.9%
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Group Long-term Vision 2026 (Roadmap)

Medium-term Management Plan			
	First Stage	Second Stage	Third stage
	FY2017-FY2019	FY2020-FY2022	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 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



Innovating production in view of the future

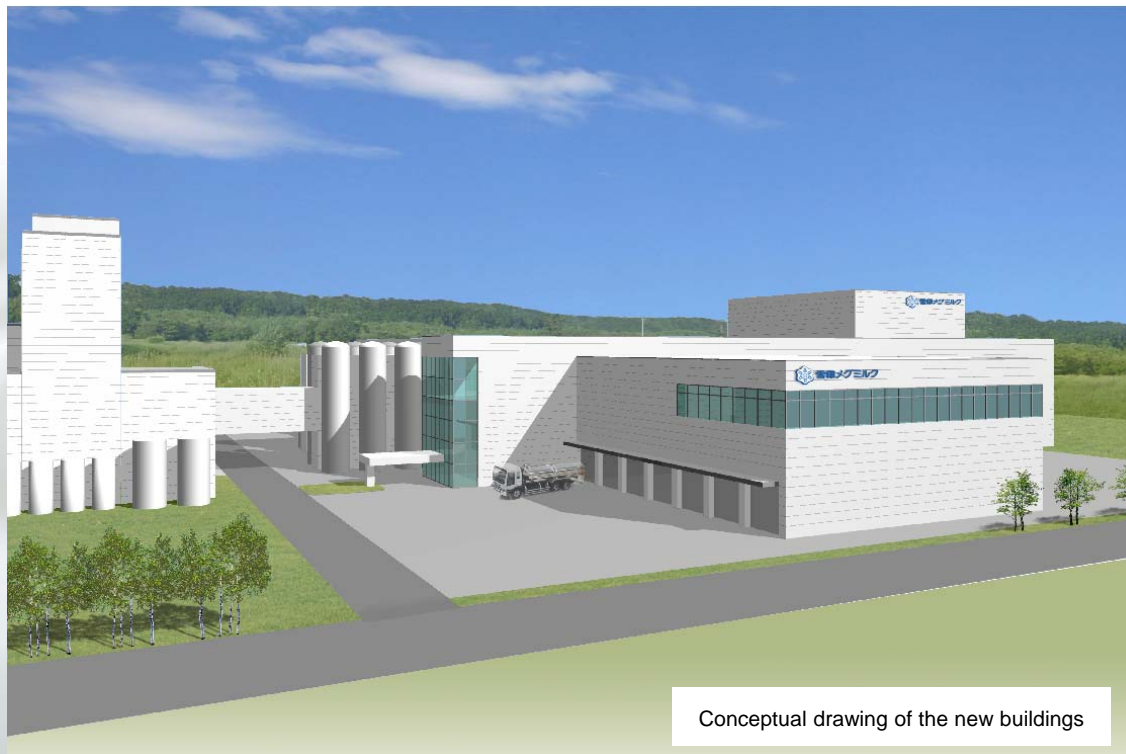
Strengthen the competitive base of dairy products produced in Japan

Isobunnai Plant (Hokkaido)

- ▶ Construct new buildings primarily related to butter manufacturing
- ▶ Construct new buildings related to utility facilities

Invested amount :
around 20.0 billion yen

Second half of FY2020
(Planned start of operations)



Conceptual drawing of the new buildings

Market expansion through borderless development of cheese (1)



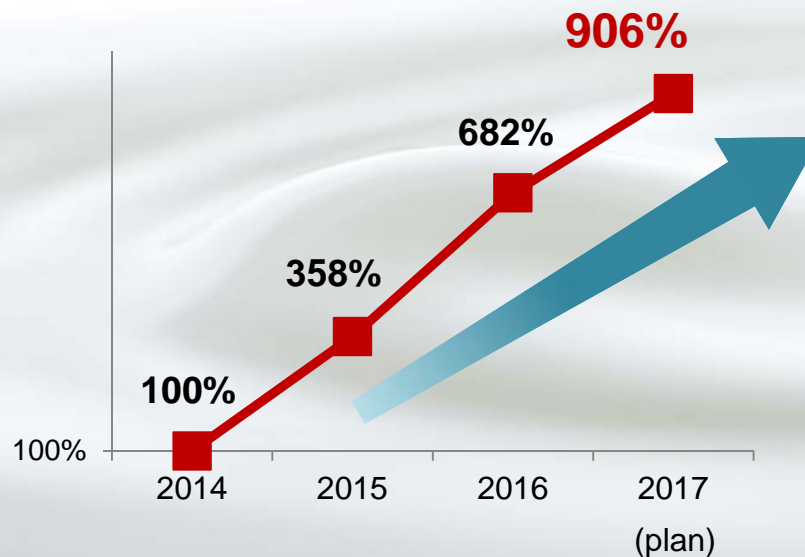
Further expansion in Indonesia

Megmilk Snow Brand Indonesia

- ▶ Started export to Singapore (August 2017)
- ▶ Expanded block-type cheese production lines, and increased the floor space of and expanded the manufacturing buildings (2018 2Q)



Sales volume (2014 set at 100)
(Indonesia)





Market expansion through borderless development of cheese (2)

Further expansion in Australia

- ▶ Acquired shares of Udder Delights Australia (September 2017)

[UDA Pty Ltd : Udder Delights Australia Pty Ltd]

Invested amount :
around 1.2 billion yen

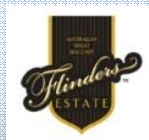
<Investment ratio>

MEGMILK SNOW BRAND Co., Ltd. 45%

Snow Brand Australia Pty. Ltd. 45%

Sullivan Enterprises (SA) Pty Ltd 10%

Snow Brand Australia Pty. Ltd.



Nowra Farmhouse,
Snow Brand Australia Pty. Ltd.



Udder Delights Australia Pty Ltd



Lobethal Factory,
UDA Pty Ltd



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.