

Fiscal Year Ended March 31, 2018

Financial Results

May 10, 2018

Consolidated financial results FYE3/2018

(Billion yen, %)

	FYE3/2017	FYE3/2018	YoY change	YoY % change	Achievement rate
Net sales	587.9	596.1	+8.2	101.4	99.4
Operating profit	18.7	19.3	+0.6	103.3	99.3
Ordinary profit	20.2	20.9	+0.7	103.6	102.4
Profit *	12.9	13.3	+0.3	103.1	103.0

* Profit attributable to owners of parent

- ▶ **Dairy Products** : Cheese sales favorable on continued trend towards drinking at home (revenues, income increased)
- ▶ **Beverages and Desserts** : Sales of *Lactobacillus gasseri* SBT2055 yogurt favorable (revenues decreased, income increased)
- ▶ **Nutrition** : Sales growth for functional foods (revenues increased)
- ▶ **Feedstuffs and seed products** : Higher sales prices for mixed feed (revenues, income increased)

Major initiatives during FYE March 2018



- ▶ **Strengthened sales of mainstay consumer cheese products**
Used various promotions to grow sales
 - Portioned cheese such as 6P Cheese (109% YoY)
 - String cheese (104% YoY)
- ▶ **Cost increase measures such as raising raw milk prices (pricing revisions)**



- ▶ **Improved product mix by expanding sales of functional yogurt**
Increased sales of drink-type yogurt (112% YoY)
Expanded production capacity for small plastic bottle type (operating at Kyoto Plant)

Forecast of Consolidated Financial Results FYE3/2019

■ Operating Result ■

(Billion yen, %)

	FYE3/2018	FYE3/2019	YoY change	YoY % change
Net sales	596.1	605.0	+ 8.8	101.5
Operating profit	19.3	19.0	(0.3)	98.1
Ordinary profit	20.9	20.0	(0.9)	95.3
Profit *	13.3	13.5	+ 0.1	100.9

* Profit attributable to owners of parent

■ Dividends ■

Ordinary dividend	40 yen	Consolidated payout ratio	20.1%
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Major initiatives during FYE March 2019

Diversify income platform

Maximize cash flow

Grow sales of cheese, yogurt, etc.

Improve product mix

Revise pricing and change package

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 (Forecast)



[Dairy Products] including Nutrition Business

(Billion yen, %)

	FYE3/2018 results	FYE3/2019 forecast	YoY change	YoY % change
Net sales	239.7	244.0	+4.2	101.8
Operating profit	12.1	11.9	(0.2)	98.1

- ▶ **Margarines** : Take advantage of product improvements from non-use of partially hydrogenated oils
- ▶ **Cheese** : Sales strategy involves pricing revisions and enhanced promotions



Dairy Products Business Sector (cheese)

Change Consumer Cheese Prices and Product Volumes

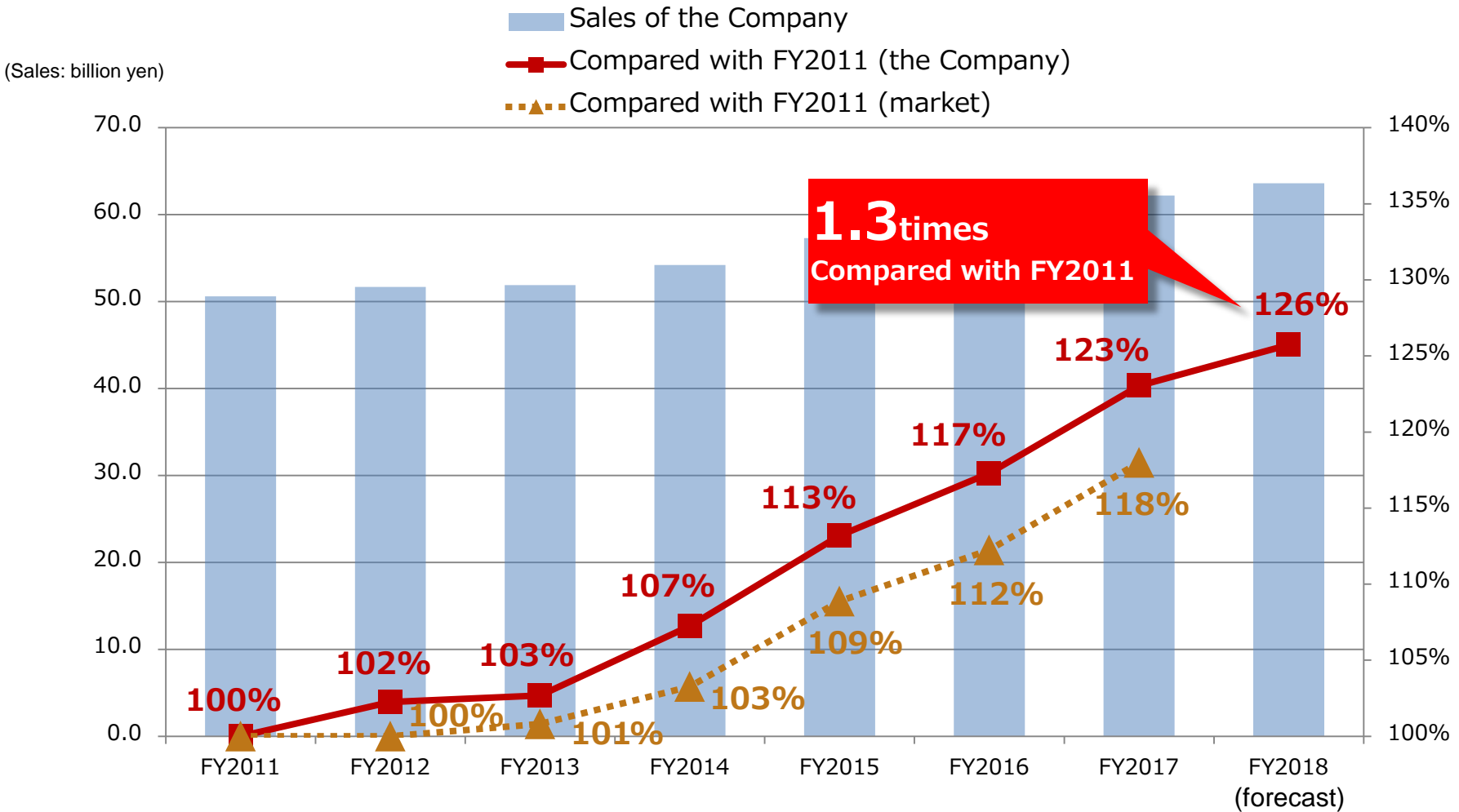


- ▶ Pricing revisions : 1) 35 products in processed cheese product line (revision rate: 4.8% –17.2%)
2) 24 products in natural cheese product line (revision rate: 4.3% – 6.4%)
- ▶ Volume revisions : 3 natural cheese products (revision rate: -14.3%)
 - (1) Pricing revisions From Tuesday, May 1, 2018 shipments onward
 - (2) Volume revisions Gradual implementation from Tuesday, May 1, 2018)



Dairy Products Business Sector (cheese)

[Net sales and growth rate of cheese for consumers]





[Beverages and Desserts Segment]

(Billion yen,%)

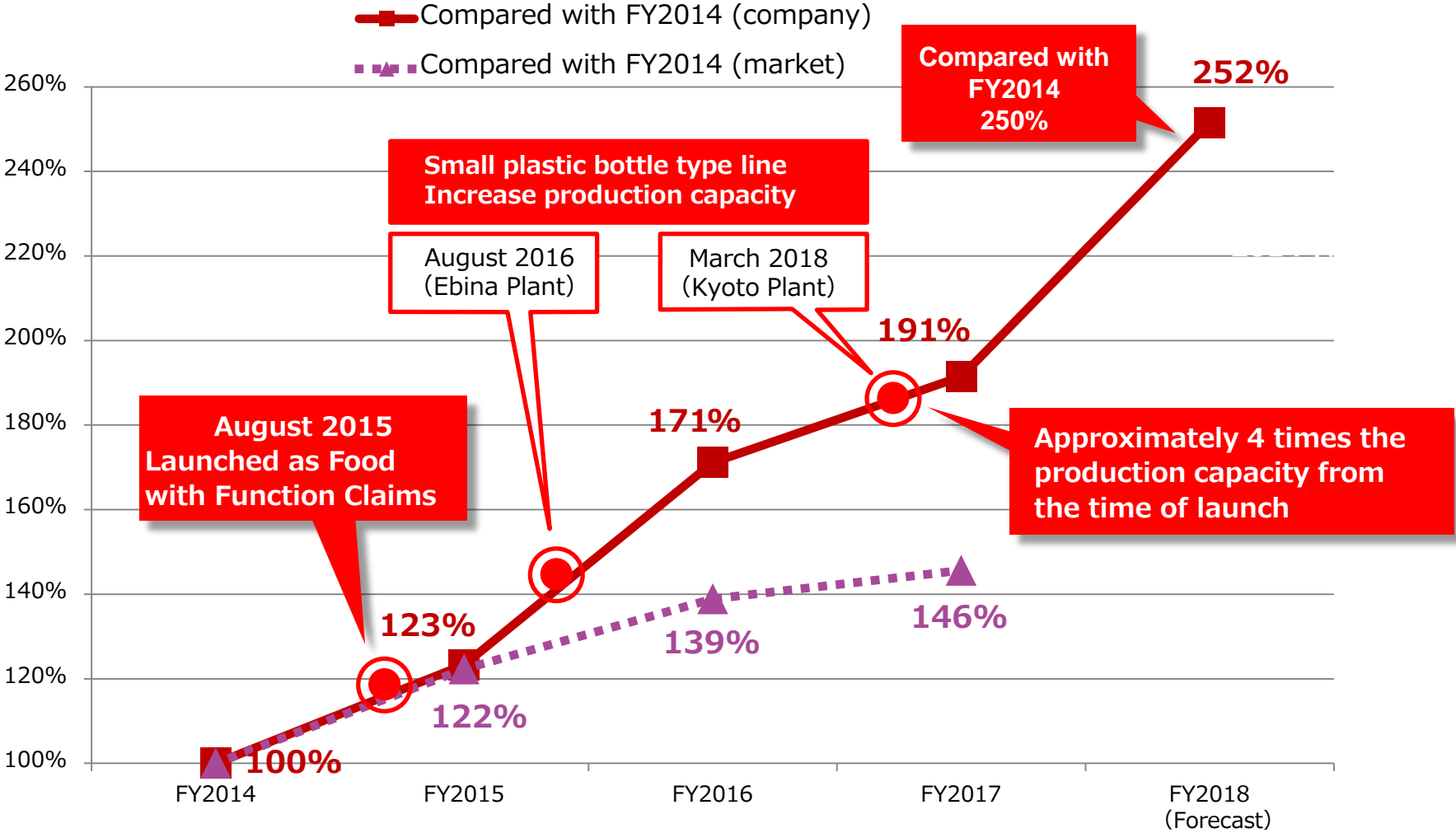
	FYE3/2018 results	FYE3/2019 forecast	YoY change	YoY % change
Net sales	275.4	280.0	+4.5	101.6
Operating profit	4.7	4.9	+0.1	102.9

- ▶ **Yogurt** : Grow sales of *Lactobacillus gasseri* SBT2055 yogurt
- ▶ **Dessert** : Utilize new dessert lineup (Luna Bussan)



Beverages and Desserts Business Sector

Sales and market trends of drink-type yogurt



Beverages and Desserts Business Sector

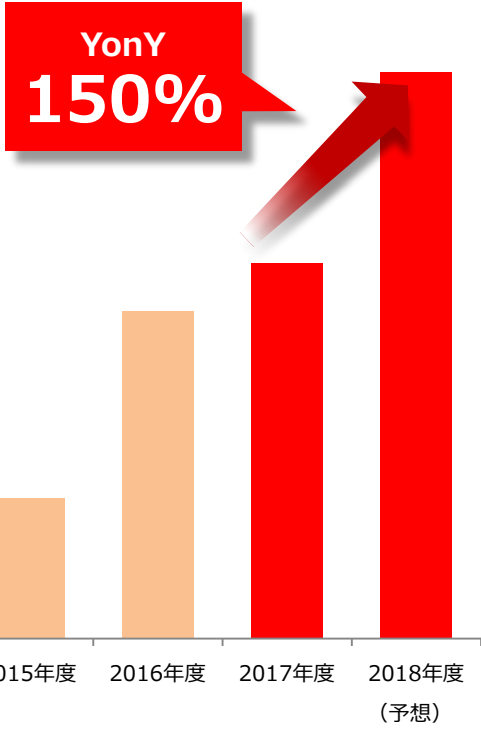
Aim for 150% YoY for 5 products in the *Lactobacillus gasseri* SBT2055 yogurt series

Food with Function Claims “Lactobacillus gasseri SBT2055 reduces visceral fat”



New launch of berry mix

Transitions in sales for 5 products in *Lactobacillus gasseri* SBT2055 series



Food for Specified Health Uses (FOSHU)

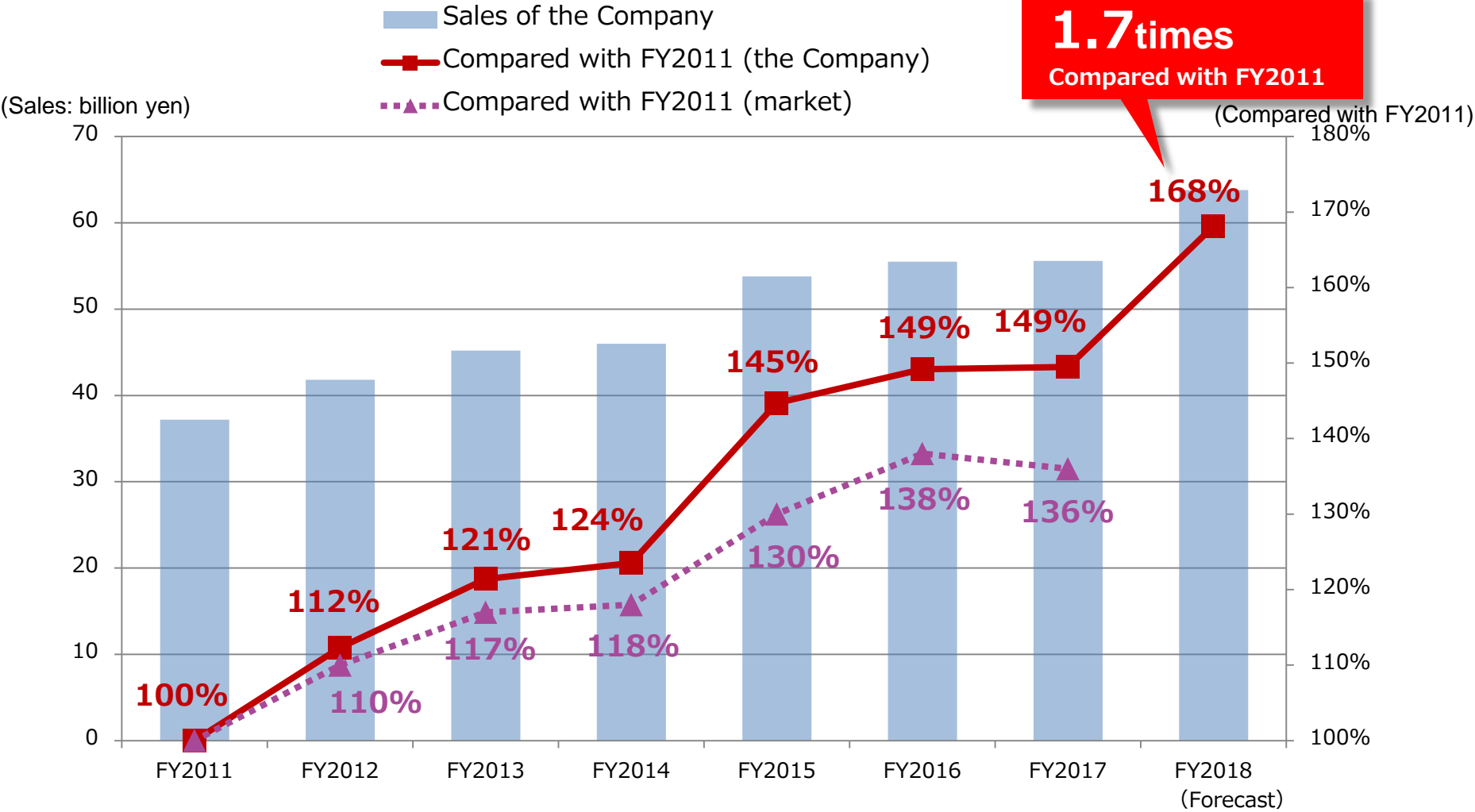
“helps to reduce visceral fat”





Beverages and Desserts Business Sector (Yogurt)

[Net sales and growth rate of yogurt for consumers]



Nutrition Business Sector (Forecast)



[Nutrition Business] of the Dairy Products segment

(Billion yen, %)

	FYE3/2018 results	FYE3/2019 forecast	YoY change	YoY % change
Net sales	19.4	22.0	+ 2.5	113.2
(Breakdown)				
Functional foods	4.3	5.4	+ 1.0	125.5
Infant formula and other	15.1	16.6	+ 1.4	109.7

- ▶ **Functional foods:** Continue aggressive marketing investments
- ▶ **Infant formula and other:** Develop and expand milk formula for adults



[Feedstuffs and Seed Products segment]

(Billion yen, %)

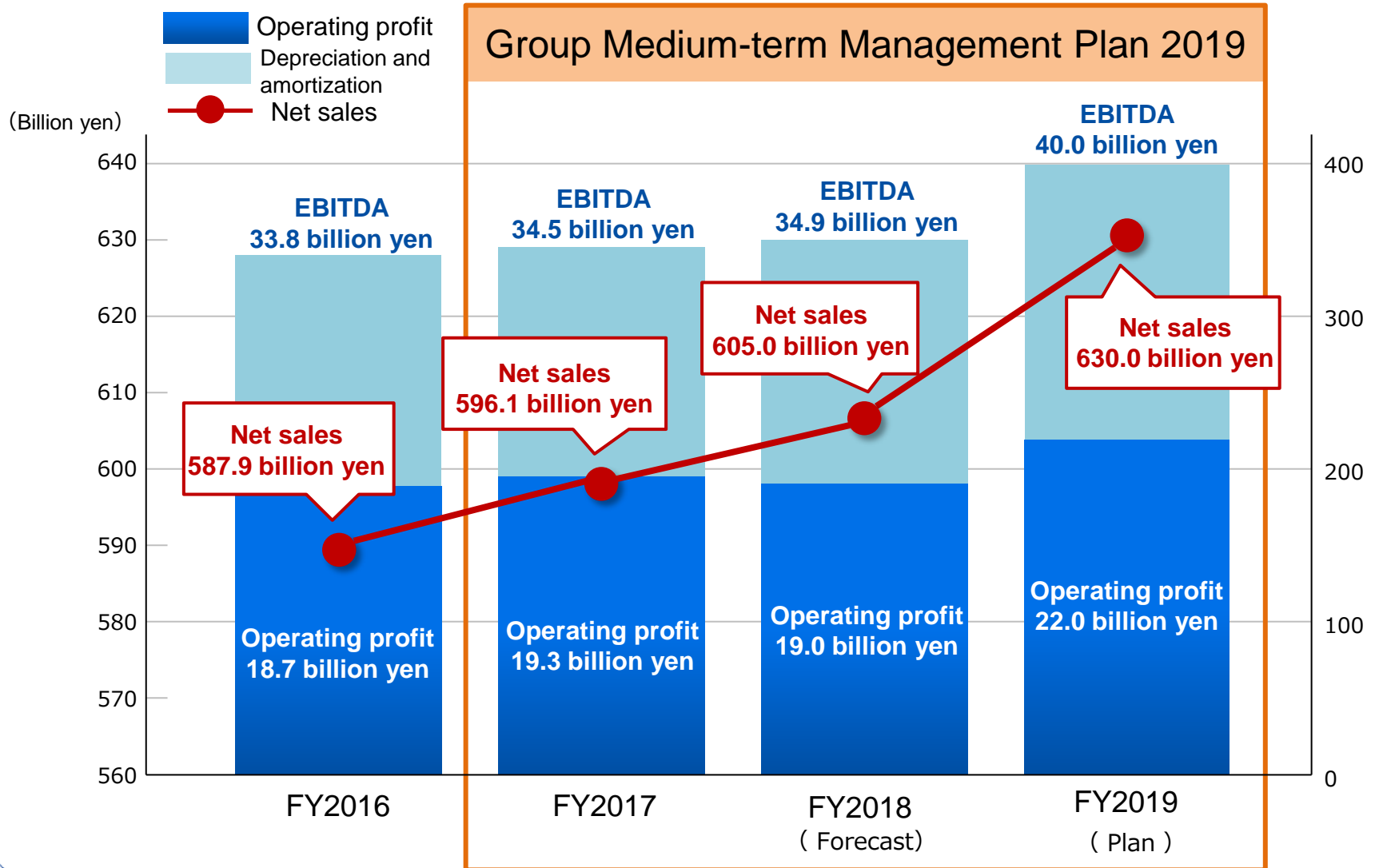
	FYE3/2018 results	FYE3/2019 forecast	YoY change	YoY % change
Net sales	44.7	44.0	(0.7)	98.4
Operating profit	1.3	1.0	(0.3)	74.0

- ▶ **Seed products business** : Product development initiatives at new research building
- ▶ **Feedstuffs business** : Promote comprehensive proposal-based sales that contribute to sustainable dairy farm operations

Group Long-term Vision 2026 (Roadmap)

Medium-term Management Plan			
	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

Transitions in Medium-Term Management plan



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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**MEGMILK
SNOW BRAND**

Fiscal Year Ended March 31, 2018

Financial Report

May 10, 2018

(Billion yen)

	FY3/2017	FY3/2018	YoY change
Net Sales	587.9	596.1	+8.2
Operating Profit	18.7	19.3	+0.6
Non-operating profit and loss	+1.5	+1.6	+0.1
Ordinary Profit	20.2	20.9	+0.7
Extraordinary profit and loss	(2.4)	(1.9)	+0.4
Profit before income tax	17.8	19.0	+1.2
Profit ※	12.9	13.3	+0.3

※Profit attributable to owners of parent

Changes factors

【Non-operating profit and loss】

- Financial expenses※ : +0.2 billion yen, equity in earning of affiliates : +0.2 billion yen

【Extraordinary profit and loss】

- Impairment loss : +0.5

※Financial expenses=Interest income+Dividend income - Interest expenses

Dividends

Dividend

40 yen

Payout ratio

20.3%

Breakdown of Factors Affecting Changes in Consolidated Operating Profit

FY3/2017	FY3/2018	Change
18.7 billion yen	19.3 billion yen	+0.6 billion yen

Changes in major segments		
Dairy products	Beverages and desserts	Feedstuffs and seed products
+0.4 billion yen	+0.1 billion yen	+0.0 billion yen

(Billion yen)

Reasons for profit increase (total)	+4.3
Increased profit on increased sales volume	2.0
Cost reduction	1.0
Changes in sales unit price	0.8
Changes in product composition	0.5
Reasons for profit decrease (total)	(3.7)
Increased raw materials costs	(1.3)
Increased operating costs	(1.3)
Increase in advertisement and promotion expenses	(0.8)

+3.5	+0.2	+0.5
+1.8	(0.1)	+0.1
+1.0	+0.0	+0.0
+0.6	(0.1)	+0.4
+0.1	+0.4	+0.0
(3.1)	(0.1)	(0.5)
(1.2)	(0.1)	+0.0
(0.6)	(0.7)	+0.0
(1.7)	+0.9	+0.0

(Note) Major factors indicated. Refer to the earnings summary supplemental information for a detailed breakdown.

(billion yen)

	FY3/2017	FY3/2018	Change
Current assets	138.6	146.5	+7.8
Non-current assets	202.8	206.3	+3.5

**Total assets 352.9 billion yen
(year on year +11.3 billion yen)**

Change factors

【Current assets】

- Inventories : +5.4 billion yen
- Trade receivables : +4.2 billion yen

【Non-current assets】

- Investment securities : +3.3 billion yen

	FY3/2017	2FY3/2018	Change
流動負債	121.0	140.6	+19.6
固定負債	74.9	54.8	(20.0)
純資産	145.4	157.3	+11.8

【Current liabilities】

- Short-term loans payable : +12.4 billion yen
- Trade payables : +4.6 billion yen

【Non-current liabilities】

- Long-term loans payable : (20.2) billion yen

【Net assets】

- Shareholders' equity : +10.7 billion yen

Equity ratio

43.9%

		Major breakdown	FY3/2017
CF from operating activities + 22.8 billion yen		Profit before income taxes 19.0 billion yen	+ 29.9 billion yen
		Depreciation and amortization 15.1 billion yen	
		Increase in inventories (5.4) billion yen	
CF from investing activities (11.7) billion yen		Purchase of property, plant and equipment and intangible assets (12.2) billion yen	(14.4) billion yen
CF from financing activities (12.9) billion yen		Loan and repayment (7.7) billion yen	(14.3) billion yen
		Cash dividends paid (2.7) billion yen	
		Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (1.4) billion yen	
Change in cash and deposits (1.8) billion yen		Interest-bearing debt	75.0 billion yen

Forecast

(billion yen)

	FY3/2018	FY3/2019	YoY change
Net Sales	596.1	605.0	+8.8
Operating Profit	19.3	19.0	(0.3)
Ordinary Profit	20.9	20.0	(0.9)
Profit ※	13.3	13.5	+0.1

※Profit attributable to owners of parent

Dividends	Dividend	40 yen	Payout ratio	20.1%
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FY3/2019

Breakdown of Factors Affecting Changes in Consolidated Operating Profit (Forecast)

FY3/2018	FY3/2019	Change
19.3 billion yen	19.0 billion yen	(0.3) billion yen

Changes in major segments		
Dairy products	Beverages and desserts	Feedstuffs and seed products
(0.2) billion yen	+0.1 billion yen	(0.3) billion yen

(Billion yen)

Reasons for profit increase (total)	+8.3
Changes in sales unit price	+3.6
Changes in product composition	+3.1
Increased profit on increased sales volume	+1.3
Cost reduction	+0.3
Reasons for profit decrease (total)	(8.6)
Increase in fixed costs (incl. depreciation and amortization costs)	(2.6)
Increased raw materials costs	(2.3)
Increase in advertisement and promotion expenses	(1.8)
Increased operating costs	(1.1)

4.5	3.7	(0.1)
+3.5	+0.0	+0.0
+0.7	+2.4	+0.0
+0.2	+1.1	(0.1)
+0.1	+0.2	+0.0
(4.7)	(3.6)	(0.2)
(0.8)	(1.6)	(0.1)
(1.8)	(0.5)	+0.0
(1.3)	(0.5)	+0.0
(0.4)	(0.7)	+0.0

FYE March 2019 plan currency rate assumptions 1 USD = 113 yen
 Currency sensitivity (based on operating profit) appreciation of 1 yen = +150 million yen

(Note) Major factors indicated. Refer to the earnings summary supplemental information for a detailed breakdown.

Forecast of Consolidated Statements of Cash flows

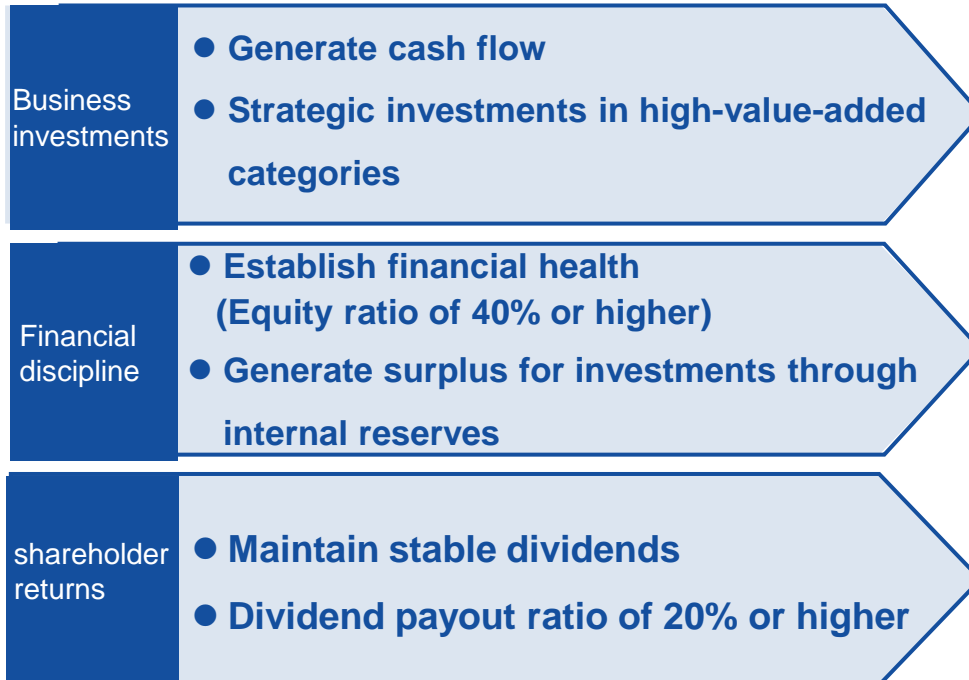
Basic Policy

To improve corporate value

- (1) Financial health
- (2) capital efficiency
- (3) shareholder returns

We will implement strategies with focus on optimal balance for these three factors.

◆ Policy of medium-term management plan



CF from operating activities
+27.1 billion yen



CF from investing activities
(23.0) billion yen

CF from financing activities
(4.6) billion yen

Interest-bearing debt

73.0 billion yen

Consolidated Management Indicators

(billion yen, %)

	FY3/2017	FY3/2018	Change	Mid-term Management plan FY3/2019	Long-term vision FY3/2026
Net Sales	596.1	605.0	+8.8	630.0	700.0-800.0
Operating Profit	19.3	19.0	(0.3)	22.0	30.0-40.0
Operating Margin	3.2%	3.1%	(0.1)%	3.5%	4.3-5.0%
EBITDA	34.5	34.9	+0.3	40.0	—
				Level (goal)	
R O E	9.0%	—	—	8% or higher	8% or higher
Equity Ratio	43.9%	—	—	40% or higher	50% or higher
Payout Raio	20.3%	20.1%	(0.2)%	20% or higher	30% or higher

Make the Future with Milk.



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