

2Q Fiscal Year Ended March 31, 2019

Financial Results

November 8, 2018

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(first six months of FYE March 2019)
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(FYE March 2019 full year)
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1 Consolidated financial results FY2018(1Q-2Q)

(Billion yen, %)

	FY2017 (1Q-2Q)	FY2018 (1Q-2Q)	YoY change	YoY % change	Achievement rate
Net sales	303.5	305.3	+ 1.8	100.6	99.1
Operating profit	11.0	9.5	(1.4)	86.6	98.8
Ordinary profit	11.7	10.2	(1.5)	87.0	102.5
Profit *	7.1	6.4	(0.7)	89.4	90.5

* Profit attributable to owners of parent

- ▶ **YoY:** Increased revenues, decreased income
- ▶ **vs. forecast:** Largely on par with plans

1 Consolidated earnings results (1Q-2Q) Impact of earthquakes, etc.

【 Impact on 1H 】

Operating
profit

Decrease of approx. 200 million yen

Loss of sales opportunities, etc.
Approx. 200 million yen

Extraordinary
Loss

Approx. 600 million yen

Disposal of raw materials and works in process
Approx. 400 million yen
Facility restoration expenses
Approx. 200 million yen

2 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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3 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

3 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.

3 Initiatives by segment Dairy Products Business



[Dairy Products (results)] including Nutrition Business

(Billion yen, %)

	1Q-2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	117.4	99.7	98.7	244.0	101.8
Operating profit	5.3	95.0	105.3	11.9	98.1

- ▶ **Butter** : Continuation of stable supply
- ▶ **Margarines** : Initiatives for reducing trans fatty acids
- ▶ **Cheese** : Implemented revisions for pricing and product volumes



3 Initiatives by segment 1H earnings/issues (cheese)

▶ Responded to higher raw milk prices and other cost increases

- ▶ 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)



▶ 2H initiative issues

Permeate new pricing and generate new demand





3 Initiatives by segment 2H initiative issues(cheese)

▶ Generate demand to expand sales

Generate demand by proposing new consumption styles

Launch storefront promotions that convey functional value

New TVCM of Sliced Cheese



< Promote low sugar, high protein >



[Beverages and Desserts Segment (results)]

(Billion yen, %)

	1Q-2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	145.2	100.9	98.8	280.0	101.6
Operating profit	2.2	64.0	79.4	4.9	102.9

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

3 Initiatives by segment 1H earnings/issues (yogurt)

- ▶ Use Kyoto plant startup to expand sales of functional yogurt
- ▶ FOSHU certification for *Lactobacillus gasseri* SBT2055 yogurt, launch new products to expand sales

March 2018

Launch new commercials

- Built new lines in Kyoto Plant
- FOSHU certification for Personal type
- New launch of berry mix



July 2018



Launched berry mix of personal type

1H Results

the *Lactobacillus gasseri* SBT2055 yogurt series



30% YoY increase in net sales

3 Initiatives by segment 2H initiative issues(yogurt)

▶ Grow sales of *Lactobacillus gasseri* SBT2055 yogurt

Enhance product line to expand targets

Link diverse communication and storefronts



New launch of Muscat

Enhance product line



Link

Public transportation advertisements



Storefronts

3 Initiatives by segment 2H initiative issues(desserts)

▶ Strengthen dessert product development

- Strengthen development and production for individual serving products
- Introduce new brands with distinguishing features

**Capture NO. 1 Share
For desserts**

Spring 2018
Organize production structure



(Luna Bussan)

Autumn 2018

Enhance line of unique individual serving products

- Launch new brand



Cheese meets Sweets
4-type Cheese Blend

- Innovation for existing series



3 Initiatives by segment Nutrition Business



[Nutrition Business(results)] of the Dairy Products segment

(Billion yen, %)

	1Q-2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	9.7	101.4	91.5	22.0	113.2
(Breakdown)					
Functional foods	2.3	111.0	92.0	5.4	125.5
Infant formula and other	7.4	98.8	91.3	16.3	109.7

- ▶ **Functional foods:** Expand sales of *Mainichi Hone Care* MBP®
- ▶ **Infant formula and other:** Expand sales of unique products grounded in breastmilk research

3 Initiatives by segment Nutrition Business



▶ Concluded basic agreement for additional acquisition of Belle Neige Direct Co., Ltd. shares

【 Details of basic agreement 】

Additional acquisition of 6,648 Belle Neige Direct Co., Ltd. shares

Belle Neige Direct

<Voting rights ratio>

	Before	After
Megmilk Snow Brand Co.,Ltd.	33.4%	66.6%
Senshukai Co.,Ltd.	66.6%	33.4%



【 Schedule (planned)】

Late December 2018: General stock underwriting agreement

Conclude stock transfer agreement

Earning January 2019: Stock acquisition via third-party capitalization

Stock acquisition via stock transfer



3 Initiatives by segment Feedstuffs and Seed products



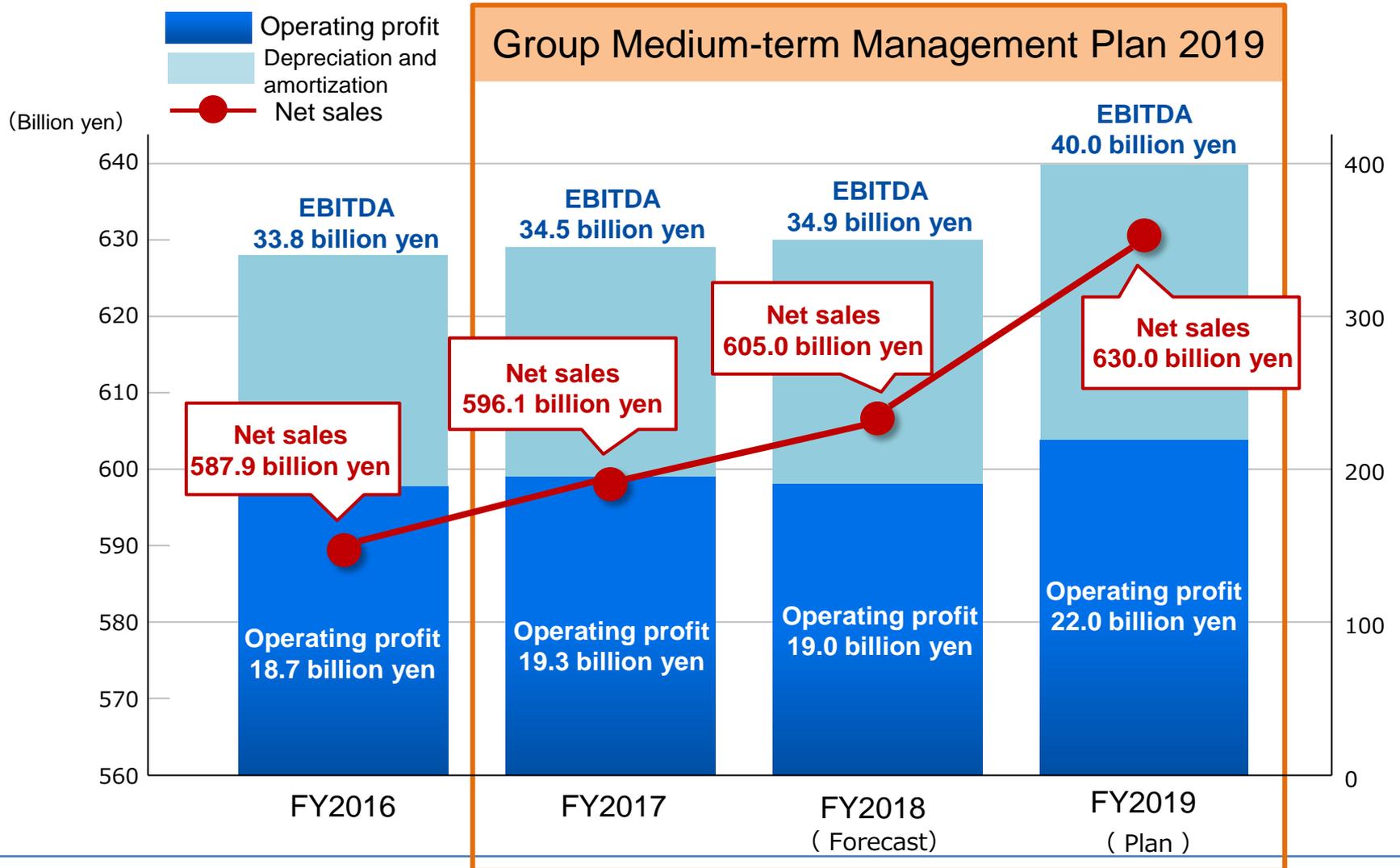
[Feedstuffs and Seed Products segment (result)]

(Billion yen, %)

	2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	23.9	101.4	101.7	44.0	98.4
Operating profit	1.2	89.6	110.5	1.0	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

4 Progress of Medium-term Management Plan



Make the Future with Milk.



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