An Introduction to Megmilk Snow Brand Group

Aug 2019
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By pursuing this threefold mission while endowing milk with new value, Megmilk Snow Brand Group aims to continually contribute to a flourishing society.

**Group Corporate Philosophy**

- **Focus on consumers**
- **Contribute to dairy farming production**
- **Put our hearts into milk**

**Corporate Slogan**

*Make the Future with Milk*
## Group Corporate Philosophy

### Company Profile

<table>
<thead>
<tr>
<th>Trade name</th>
<th>MEGMILK SNOW BRAND Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment date</td>
<td>October 1, 2009</td>
</tr>
<tr>
<td>Head office location (Registered head office)</td>
<td>5-1 Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo (1-1, Naeboko 6-chome, Higashi-ku, Sapporo City, Hokkaido)</td>
</tr>
<tr>
<td>Capital</td>
<td>20 billion yen</td>
</tr>
<tr>
<td>Number of employees (consolidated)</td>
<td>5,105 (as of March 31, 2019)</td>
</tr>
<tr>
<td>Stock exchange listing</td>
<td>Tokyo Stock Exchange, Sapporo Securities Exchange</td>
</tr>
<tr>
<td>Representative Director and President</td>
<td>Keiji Nishio</td>
</tr>
</tbody>
</table>
Founders

Sentaro Utsunomiya
Torizo Kurosawa
Zenshichi Sato

Healthy land, healthy people
Sound land begets healthy food, and healthy food forms healthy people
Our history began with Hokkaido butter

We began manufacturing butter as soon as we were founded. First, we established our milk collection system and trained our staff on how to use a separator. We then launched a modernized factory in 1926 and sold only the best quality product as “Snow Brand Hokkaido Butter”, gaining the trust of our customers.

First in Japan to begin mass production of cheese

From around 1928, we began research, trial manufacturing and trial sales of cheese, and in 1932 we built a cheese plant and began production. As soon as the product went on sale in 1934, it became so popular that it was regularly out of stock, and in no time at all the plant became the first large-scale cheese production facility in Japan.

Opening up the future of milk through our research

Our Research Department was established in 1933. It was engaged in research into processing technology, milk components and lactic acid bacteria. Later, we opened our Sapporo Research Laboratory, Technical Research Laboratory (now the Milk Science Research Institute in Saitama Prefecture) and Cheese Research Laboratory (Yamanashi Prefecture), allowing us to engage in full-scale research projects.
Business Domains

Business Segments and Profile

**Business**
- **Daily Products**: Butter, margarine, cheese (domestic and overseas), other dairy products, etc.
- **Beverages and Desserts**: Milk and milk beverages, yogurt, fruit juice and vegetable juice, soft drinks, desserts, etc.
- **Nutrition**: Infant formula (domestic and overseas), functional foods, supplements, functional ingredients, etc.
- **Feedstuffs and Seed Products**: Feedstuffs, seeds (forage grass and crops, vegetables), landscape gardening, cattle fattening, etc.

**Group Companies**
- **MEGMILK SNOW BRAND Co., Ltd.**
  - KOHNAN OILS AND FATS MFG CO., LTD.
  - Yatsugatake Milk Co., Ltd.
  - SI SYSTEM Corporation
  - CHESCO LTD.
  - Snow Brand Australia Pty. Ltd.
  - Udder Delights Australia Pty Ltd
  - PT. Megmilk Snow Brand Indonesia
  - CRESCO Corporation
  - Nichiraku Machinery Co. Ltd., 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 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

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Dairy Products Business

Butter
We began manufacturing and selling butter in 1925, and deliver unchanging flavor and new value in our butter products.

Margarine
We sell rich-tasting, melt-in-the-mouth margarine products that leverage our expertise in manufacturing dairy products, including in Southeast Asia.

Processed Cheese
We began manufacturing and selling cheese in 1934, and have also been manufacturing and selling cheese in Indonesia since 2013.

Natural Cheese
Our mainstay natural cheese products are the YUKIJIRUSHI HOKKAIDO 100 series of camembert cheese, and Sakeru Cheese (string cheese) made from 100% fresh milk produced in Hokkaido.
Market Share

Butter: 33% 1st
Margarine: 37% 1st
Cheese: 17% 1st
Skim milk: 47% 1st
Dairy Products Business

Net Sales and Growth Rates of Cheese

*Market: Intage SCI

Compared with FY2012

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Dairy Products Business

Business Locations and Group Companies

- MEGMILK SNOW BRAND Co., Ltd. (Head Office)
- Nakashibetsu Plant
- Sapporo Research Laboratory
- Horonobe Plant
- Okoppe Plant
- Isobunnai Plant
- Taiki Plant
- MEGMILK SNOW BRAND Co., Ltd. (Head Office)
- Betsukai Plant
- Ami Plant
- Lowell Research Laboratory
- Cheese Research Laboratory
- Yatsugatake Milk Co., Ltd.
- CHESCO Ltd.
- MEGMILK SNOW BRAND Co., Ltd. (Head Office)
- KOHNAN OILS AND FATS MFG. CO., LTD.
- Udder Delights Australia Pty Ltd
- Snow Brand Australia Pty. Ltd.
- PT. Megmilk Snow Brand Indonesia (MSBI)
- MEGMILK SNOW BRAND Co., Ltd. (Head Office)
- MEGMILK SNOW BRAND Co., Ltd. Research Laboratory
- MEGMILK SNOW BRAND Co., Ltd. Subsidiaries and Affiliates

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Dairy Products Business

Research and Development

Megmilk Snow Brand
Milk Science Research Institute
Sapporo Research Laboratory
Cheese Research Laboratory

These research laboratories play core roles in all of our research and development work as a comprehensive manufacturer of dairy products. We are engaged in a wide range of research projects across multiple areas relating to dairy products, including the taste and texture of dairy products, research into cheese and butter, and traditional methods of producing natural cheese. The results of our research are practically used to produce new and exciting products.
Dairy Products Business

TV Commercials

Sakeru Cheese

6Pcheese
Milk and Milk Beverages
Megmilk Snow Brand milk, which is made using a method that retains the delicious flavor, functional milk beverages with fortified calcium, and more.

Fruit Juice and Other Beverages
Dole® fruit juice beverages, NOKYO vegetable juice beverages, coffee, and more.

Yogurt
megumi series, featuring Lactobacillus gasseri SP strain which remains live in human intestines for extended periods of time, and more.

Desserts
Puddings, jelly, and other products that show our dedication to texture, flavor of milk, and more.
Market Share

Beverages and Desserts Business

Milk
- 7% (3rd)

Milk Beverages
- 20% (2nd)

Yogurt
- 12% (2nd)

Desserts
- 12% (1st)
Beverages and Desserts Business

Net Sales and Growth Rates of Yogurt

![Chart showing net sales and growth rates of yogurt from FY3/2012 to FY3/2019. The net sales (in billions of yen) and growth rates for Household use Yogurt, The Company, and Yogurt Market are depicted. The growth rates range from 100% to 157% compared with FY2012.](chart.png)

*Market: Intage SCI*
Megmilk Snow Brand

Milk Science Research Institute
Sapporo Research Laboratory

These research laboratories play core roles in all of our research and development work as a comprehensive manufacturer of dairy products. We are engaged in a wide range of research projects across multiple areas relating to beverages and desserts, including health-related functions of lactic acid bacteria and trace components of milk, processing technology, and packaging and containers. The results of our research are practically used to produce new and exciting products.
Beverages and Desserts Business

TV Commercials

Gasseri SP Strain Yogurt

Gasseri SP Strain Yogurt
Nutrition Business

Powdered Milk
Taking advantage of our research into breast milk for over fifty years, we provide mainly powdered milk giving you confidence in child raising.

Clinical Nutrition, Oral Care business
We scientifically investigate and verify nutrition, and manufacture and sell various nutritional supplements, eating recovery assisting food and oral care products, in consideration of the condition and status of the sick and the elderly.

Functional Foods
We offer a lineup of supplements and functional foods made from functional materials such as MBP, which is found in milk.

Functional Materials
We supply functional health foods and cosmetic materials utilizing natural materials such as AHCC and oligonol.
Nutrition Business

Business Locations and Group Companies

- Bean Stalk Snow Co., Ltd. (Head Office)
- EN Otsuka Pharmaceutical Co., Ltd. (Head Office)
- Megmilk Snow Brand Research Laboratory
- Megmilk Snow Brand Group Subsidiaries and Affiliates
- Sapporo Research Laboratory
- Milk Science Research Institute
- EN Otsuka Pharmaceutical Co., Ltd. (Tokyo Head Office)
- Belle Neige Direct Co., Ltd.
- Bean Stalk Snow Co., Ltd. (Gunma Plant)
- Bean Stalk Snow Co., Ltd. (Kitakami Plant)
- Snow Brand Australia Pty. Ltd.
- Snow Brand Trading (Shanghai) Co., Ltd.
- Snow Brand Taiwan Co., Ltd.
- Snow Brand Hong Kong Co., Ltd.
- Snow Marketing Sdn. Bhd.

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Research and Development

Bean Stalk Snow Co., Ltd.
Product Development Department
Promoting mainly research into the components found in breast milk and their actions, and development of infant formula close to breast milk.

Megmilk Snow Brand Co., Ltd.
Milk Science Research Institute
Sapporo Research Laboratory
As core players in all of our research and development work as a comprehensive manufacturer of dairy products, these institutes are engaged in a wide range of research projects across multiple areas relating to health-related functions of lactic acid bacteria and trace components of milk, as well as powdered milk. The results of our research are practically used to produce new and exciting products.

En Otsuka Pharmaceutical Co., Ltd.
Research and Development Laboratory
EN Otsuka Pharmaceutical’s Research and Development Laboratory, which was jointly established with the Otsuka Group, is pursuing scientific investigation and verification of nutrition and advancing with the development of reliable and superior products in order to contribute to medical and nursing care.

Amino Up Co., Ltd.
R&D Division
Engaged in research that includes searching for new biologically active substances, determining the structure of active ingredients, and clarifying the mechanism of action.
Feedstuffs and Seed Products Business

**Feedstuffs**
Supplying compound feed for dairy and beef cattle to match conditions in each region from dedicated production lines for cattle feed.

**Seeds**
Seeds for pasture, forage crops, vegetables, and green manure crops, and flower seedlings, etc.

**Landscaping**
Construction and maintenance of parks, trees along streets, and gardens, rooftop gardening, and turf works at sports facilities.

**Livestock Fattening**
Integrated service from the introduction of calves to be raised as beef cattle to fattening, shipping of fattened cattle, and sale of carcasses.
Feedstuffs and Seed Products Business

Business Locations and Group Companies

- Snow Brand Seed Co., Ltd. (Head Office)
- Technical Research Institute
- Tomakomai Plant
- Hokkaido Research Station
- Michinoku Shiryo Co., Ltd.
- Ishinomaki Shiryo Co., Ltd.
- Doto Feed Corporation
- Royal Farm, Ltd.
- Snow Brand Seed Co., Ltd. (Tokyo Headquarters)
- Kajima Plant
- Chiba Research Station
- Miyazaki Research Station
- TACS Shibecha
- Snow Brand Seed USA, Inc.

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Feedstuffs and Seed Products Business

Research and Development

Snow Brand Seed Co., Ltd
Research Stations
(Hokkaido, Chiba, Miyazaki)
Promoting the production of original varieties and improved varieties of pasture and forage crops, vegetables, green manure crops, flowers, and turf and plants.

Snow Brand Seed Co., Ltd
New Research Institute
(Hokkaido)
Built in June 2017
SDG stands for Sustainable Development Goals. These are international goals for the realization of a sustainable society adopted at the September 2015 UN Summit and aim to resolve social issues such as poverty, starvation, and gender inequality. Embracing the goal of ending starvation and malnutrition by 2030 and pursuing a sustainable future, the SDGs consist of 17 goals and 169 targets.
# For the realization of a sustainable society

<table>
<thead>
<tr>
<th>CSR DOMAIN</th>
<th>CORE CSR ISSUE (MATERIALITY)</th>
<th>SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and health</td>
<td>Milk for contributions to food and health</td>
<td><img src="image1" alt="SDGs" /></td>
</tr>
<tr>
<td>Dairy farming</td>
<td>Contributing to sustainable dairy farming</td>
<td><img src="image2" alt="SDGs" /></td>
</tr>
<tr>
<td>Environment</td>
<td>Reducing environmental load</td>
<td><img src="image3" alt="SDGs" /></td>
</tr>
<tr>
<td>People and society</td>
<td>Realization of a diverse and motivating workplace</td>
<td><img src="image4" alt="SDGs" /></td>
</tr>
<tr>
<td></td>
<td>Contributing to local community</td>
<td><img src="image5" alt="SDGs" /></td>
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</table>
Governance

Megmilk Snow Brand Governance Organization Chart
### Financial Data

#### Net sales

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net sales (Million yen)</td>
<td>578,328</td>
<td>587,935</td>
<td>596,158</td>
<td>603,378</td>
<td>615,000</td>
</tr>
</tbody>
</table>

#### Operating profit / Operating profit to net sales

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Operating profit (Million yen)</td>
<td>14,004</td>
<td>18,753</td>
<td>19,363</td>
<td>17,230</td>
<td>18,000</td>
</tr>
<tr>
<td>Operating profit to net sales (%)</td>
<td>2.4%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>2.9%</td>
<td>2.9%</td>
</tr>
</tbody>
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**Financial Data**

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</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to owners of parent</td>
<td>15,047</td>
<td>12,988</td>
<td>13,386</td>
<td>10,754</td>
<td>12,000</td>
</tr>
<tr>
<td>Return on sales</td>
<td>2.6%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
Financial Data

FYE3/2019

Sales by segment (Million yen)

- Daily Products, 241,018, 40%
- Beverages and Desserts, 279,704, 46%
- Feedstuffs and Seed Products, 46,039, 8%
- Other, 36,616, 6%

FYE3/2019

Operating profit by segment (Million yen)

- Daily Products, 11,759, 69%
- Beverages and Desserts, 3,169, 18%
- Feedstuffs and Seed Products, 1,163, 7%
- Other, 1,058, 6%
## Financial Data

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets (million yen)</strong></td>
<td>344,194</td>
<td>341,507</td>
<td>351,240</td>
<td>359,445</td>
<td>-</td>
</tr>
<tr>
<td><strong>Equity (million yen)</strong></td>
<td>130,066</td>
<td>143,179</td>
<td>155,021</td>
<td>166,295</td>
<td>-</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>37.8%</td>
<td>41.9%</td>
<td>44.1%</td>
<td>46.3%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Return on equity (ROE)</strong></td>
<td>12.0%</td>
<td>9.5%</td>
<td>9.0%</td>
<td>6.7%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Return on assets</strong></td>
<td>4.4%</td>
<td>3.8%</td>
<td>3.8%</td>
<td>3.0%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit per share-basic (yen)</strong></td>
<td>221.81</td>
<td>191.48</td>
<td>197.36</td>
<td>158.64</td>
<td>177.25</td>
</tr>
<tr>
<td><strong>Net asset per share (yen)</strong></td>
<td>1,917.33</td>
<td>2,110.80</td>
<td>2286.11</td>
<td>2,456.35</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities (million yen)</strong></td>
<td>26,433</td>
<td>29,934</td>
<td>22,817</td>
<td>21,938</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities (million yen)</strong></td>
<td>4,567</td>
<td>(14,408)</td>
<td>(11,799)</td>
<td>(14,248)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities (million yen)</strong></td>
<td>(25,332)</td>
<td>(14,376)</td>
<td>(12,904)</td>
<td>(7,396)</td>
<td>-</td>
</tr>
</tbody>
</table>
## Financial Data

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>15,090</td>
<td>14,680</td>
<td>15,915</td>
<td>14,448</td>
<td>21,500</td>
</tr>
<tr>
<td>(million yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>14,081</td>
<td>15,140</td>
<td>15,157</td>
<td>15,901</td>
<td>16,300</td>
</tr>
<tr>
<td>(million yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D expenses (million yen)</td>
<td>3,846</td>
<td>3,942</td>
<td>4,330</td>
<td>4,382</td>
<td>–</td>
</tr>
<tr>
<td>Dividend per share (yen)</td>
<td>30</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Payout ratio</td>
<td>13.5%</td>
<td>20.9%</td>
<td>20.3%</td>
<td>25.2%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

## Market Share by Product Category (Household-use Products)

<table>
<thead>
<tr>
<th>Product</th>
<th>FY3/2018</th>
<th>FY3/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>32.8%</td>
<td>32.7%</td>
</tr>
<tr>
<td>Margarine</td>
<td>37.2%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Cheese</td>
<td>18.7%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

* Intage SCI, based on nationwide monetary volume

<table>
<thead>
<tr>
<th>Product</th>
<th>FY3/2018</th>
<th>FY3/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>7.2%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Milk beverages</td>
<td>20.9%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Yogurt</td>
<td>11.0%</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

*Intage SCI, based on nationwide monetary volume

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Make the Future with Milk.

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