Performance Highlights

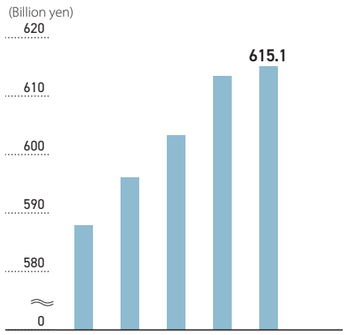
Details on CSR Initiatives https://www.meg-snow.com/english/sustainability/
ESG Data https://www.meg-snow.com/english/sustainability/esgdata/

Financial Information [Consolidated]

Net Sales

¥615.1 billion

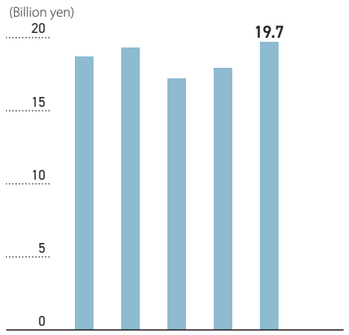
Net sales continue to increase. In fiscal 2020, sales in the Dairy Products business grew due to higher demand for at-home meals, with a 1.7 billion yen increase over fiscal 2019.



Operating Profit

¥19.7 billion

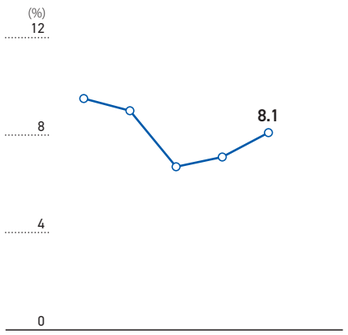
In fiscal 2020, operating profit rose for a second straight year, attributable to an increase in sales volume for household products in the Dairy Products business, better efficiency in using advertising and promotional funds, and a decrease in fixed costs, among other factors.



ROE (Return on Equity)

8.1%

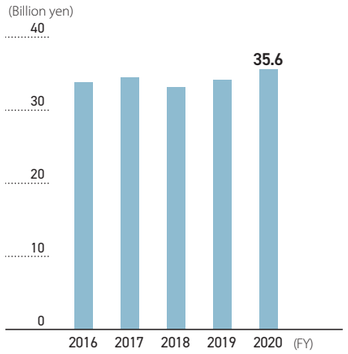
In the past, special losses on natural disasters and impairment losses in the Feedstuffs and Seed Products Business lowered net profit for the fiscal year and also pushed down ROE. However, net profit has increased for two straight fiscal years now, and ROE has also improved.



EBITDA*

¥35.6 billion

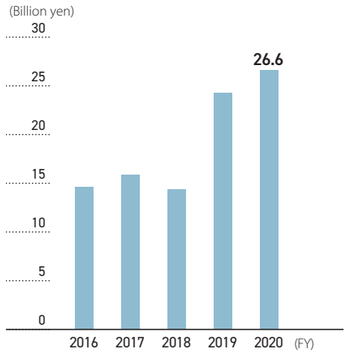
Similar to operating profit, EBITDA grew in fiscal 2020, reaching a record high for Megmilk Snow Brand on a consolidated basis.



Capital Expenditures

¥26.6 billion

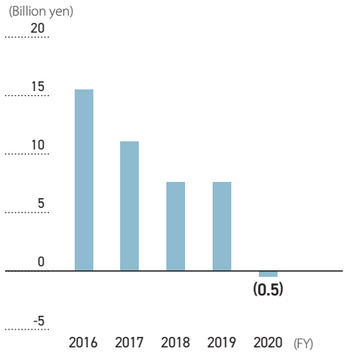
In fiscal 2019-2020, capital expenditures increased significantly due to the construction of new buildings for butter production at the Isobunnai Plant, which is a strategic investment.



Free Cash Flow*

−¥0.5 billion

Free cash flow declined due to an increase in cash flow used in investing activities resulting from capital investments.



* Earnings before interest, taxes, depreciation and amortization

* Cash flow from operating activities + cash flow from investment activities.

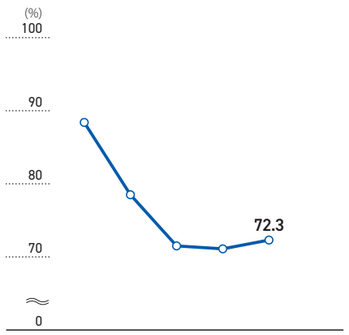
Non-Financial Information [Megmilk Snow Brand Co., Ltd., Non-Consolidated]

Overtime Work Reduction

(Non-Managerial Employees, Compared with First Half of Fiscal 2015)

72.3%

Overtime work increased slightly due to supply/demand adjustments resulting from the impact of COVID-19, as well as the start of new lines at plants. We will continue to work to improve labor productivity by pursuing operation reforms.

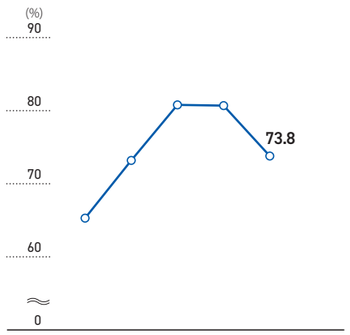


Paid Leave Acquisition Rate

(All Employees)

73.8%

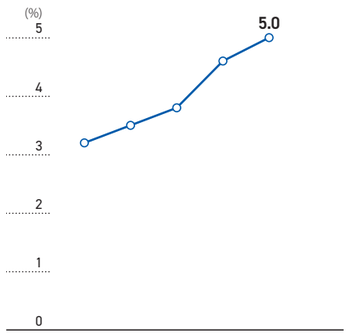
Opportunities to use paid leave declined due to voluntary restrictions on excursions and travel limitations due to the pandemic. As a result, the paid leave acquisition rate fell compared to fiscal 2019.



Rate of Women in Management Positions

5.0%

We promote the engagement of women as part of our efforts to ensure human resource diversity and help employees maximize their potential.

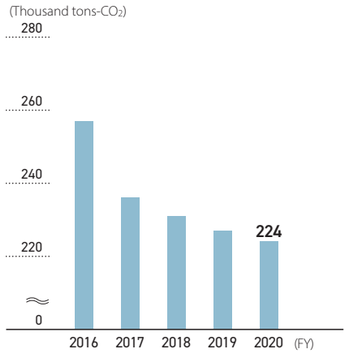


CO_2 Emissions

(Scope1, 2)

224 thousand tons- CO_2

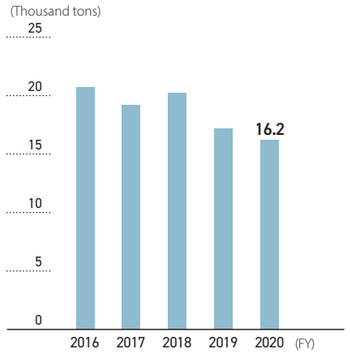
We have worked to stabilize plant operations and are switching from heavy oil to gas as a fuel source, and these efforts are reducing CO_2 emissions.



Waste Product Emissions

16.2 thousand tons

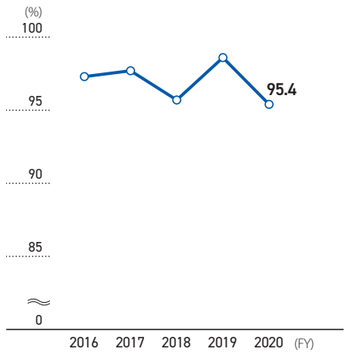
The discharge amount for sludge decreased due to upgrades to the drainage treatment facility and improved processing capacity.



Waste Product Recycling Rate

95.4%

In fiscal 2020, some of the waste resulting from the end of production at a plant could not be recycled, and as a result, the recycling rate declined compared to fiscal 2019.



Response to COVID-19

Basic Approach

The Megmilk Snow Brand Group is dedicated to preventing the spread of COVID-19 among its employees and ensuring their safety. Moreover, the Group has established a business continuity system and strives to provide a stable supply of products so that customers can obtain safe, reliable products. The Group is committed to fulfilling its social responsibilities as a food manufacturer. We feel a sense of mission to make every attempt to prevent the spread of COVID-19, while maintaining our supply chain for milk from the dairy farmer to the table. Going forward, we are all working together so that not a single drop of the high-quality milk produced by dairy farmers is wasted.

System

Since COVID-19 first began spreading, the Group has responded based on its guidelines for responding to infectious diseases. Subsequently, on March 4, 2020, we decided to set up a COVID-19 Response Headquarters to address the global spread of the disease (on March 11, the WHO announced that it was a pandemic). Since then, the headquarters has taken the lead in our response.

COVID-19 Response Headquarters

The headquarters is made up of all of the full-time directors and the head of relevant administrative departments. It can make decisions promptly as an organization without having to discuss matters with the Board of Directors. However, the response made by the taskforce is reported at subsequent Board of Directors meetings.

Business Impacts

Negative Impacts

- Decrease in demand for milk for school meals
- Lower demand for raw materials and commercial products from restaurants, hotels and souvenir shops
- Increase in inventory of raw materials and commercial milk products
- Restrictions on marketing activities

Positive Impacts

- Increase in demand for household products due to stay-at-home demand
- Creation of new demand due to widening variety of meals at home
- Strong e-commerce business due to rise in percentage of time spent at home
- Establishment of workstyle reforms such as work-at-home and remote meetings

Going All Out to Prevent Infections While Maintaining Plant Operations

As factories continued operating under the regular work system, even during state of emergency periods when COVID-19 cases were rising, the Group took a wide range of countermeasures including constant use of masks, sterilization of shared spaces, ventilation and social distancing in offices and cafeterias, and suspension of factory tours. Many schools closed during the state of emergency period, so we lost demand for milk for school meals, but we were able to avoid milk disposal by increasing the production of dairy products.

Thorough handwashing as usual

Temperatures taken on entering building

Social distancing is maintained in cafeteria as well

— Major Steps Taken by Megmilk Snow Brand Group —

Society

Contributions to Society

As part of the Sapporo Urban Development Partner Treaty that Sapporo City and Megmilk Snow Brand Hokkaido headquarters have, we provided milk and yogurt drinks to public health centers and hotels housing people with minor symptoms to express our appreciation and gratitude for their hard work. We also provided milk to 18 universities in Hokkaido through the Hokkaido Youth Support Project , a platform for supporting students.

Donations

- 7,020 bottles of Megumi SP Gasseri strain yogurt drink (100 g) and others, donated to workers at Sapporo City's public health centers
- 5,640 cartons of LL Hokkaido Milk 200 ml, donated to hotels in Sapporo housing people with minor symptoms
- 3,528 cartons of LL Hokkaido Milk 200 ml, donated to Hokkaido Youth Support Project

Consumers

STAY HOME Support Project

The Group collected the most interesting content on our website and put it on a special STAY HOME support project page to make it at least a little more fun to spend time at home. We also ran a social media campaign on the Group's official Twitter and Instagram pages in which participants could win a box of milk products.

Program Supporting Body Building with Professor Tanimoto's Exercise and Milk Products

The Megmilk Snow Brand Group created its own original physical training video, supervised by Michiya Tanimoto, an associate professor at Kindai University known for his expertise in physical training who has appeared on TV many times.

Employees

Work-from-Home Program

Since states of emergency were declared in Japan, workers at offices around the country have essentially been working at home, and operations requiring a supply of products like production, distribution, customer response, and operations for which it is determined that a supervisor in each department must go to work in person, are carried out with the minimum number of employees working in person. The Group also gave at-home workers the extra IT equipment needed for at-home work.

Intranet Campaign to Share Fight against COVID-19

An Intranet site was launched to help employees to support each other and get through the difficulties of the pandemic. As it became clear that the pandemic would last longer than expected, employees sent messages and shared techniques for getting through work and daily life. The site became a tool that employees could use to easily share tips.