

**2Q Fiscal Year Ended March 31, 2019**

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# **Financial Results**

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**November 8, 2018**

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- 1** Consolidated earnings results  
(first six months of FYE March 2019)
- 2** Consolidated earnings forecast  
(FYE March 2019 full year)
- 3** Initiatives by segment
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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

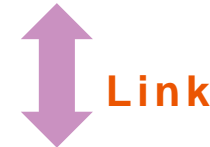


Enhance product line

Link diverse communication and storefronts



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

Spring 2018  
Organize production structure



(Luna Bussan)

**Capture NO. 1 Share**  
**For desserts**

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

### <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

Belle Neige Direct





### 3 Initiatives by segment Feedstuffs and Seed products



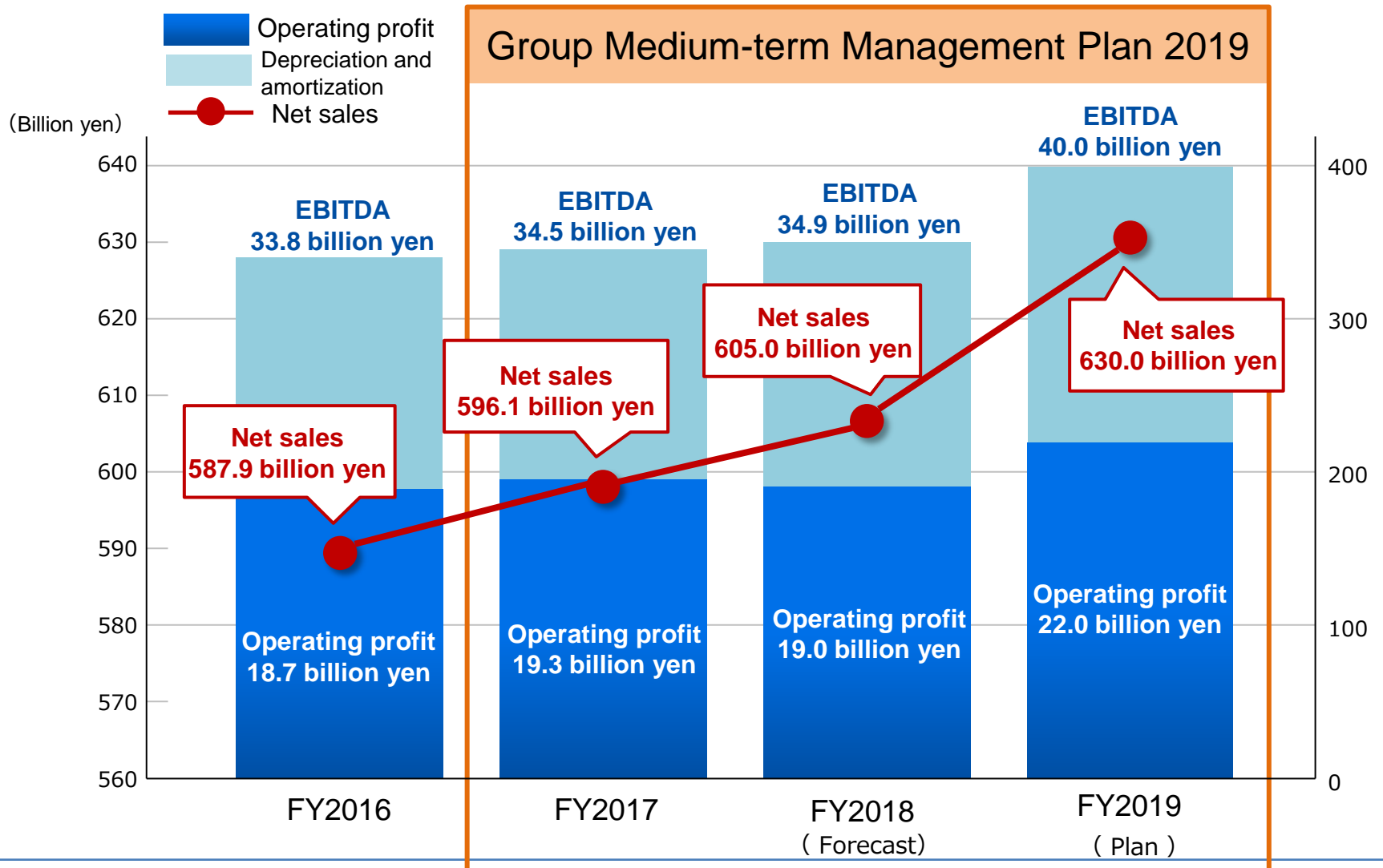
## [Feedstuffs and Seed Products segment (result)]

(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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