

Fiscal Year Ended March 31, 2021

Financial Results

May 13, 2021

Keiji Nishio, Representative Director and President

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- 5 Progress of Medium-term Management Plan 2022**

Impact of COVID-19 on our Company

- Increased sales of consumer products due to increased stay-home demand and in-home cooking opportunities
- Favorable EC business due to more time at home
- Controlled business travel and other expenses
- Adoption of workstyle reforms such as telecommuting and remote meetings
- Reduced sales of commercial products due to lower dining industry demand
- Increased inventory of materials and commercial dairy products

Consolidated Financial Results FYE3/2021

■ Full Year Results ■

(Billion yen, %)

	FYE3/2020	FYE3/2021	YoY change	YoY % change	Achievement rate
Net sales	613.4	615.1	+1.7	100.3	99.2
Operating profit	17.9	19.7	+1.7	109.9	104.1
Ordinary profit	19.6	21.6	+1.9	110.1	105.7
Profit *	12.1	14.9	+2.7	122.6	114.7

* Profit attributable to owners of parent

■ Dividends ■

Ordinary dividend	40yen	Consolidated payout ratio	18.1%
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Medium-term Management Plan 2022 Themes

Transformation & Renewal

-  **Business Portfolio Transformation**
Transformation
-  **Renewal of the Production Structure to Support Business Growth**
Renewal
-  **Promoting Group Management**
Group Management

Forecast of Consolidated Financial Results FYE3/2022

■ Full Year Forecast ■

(Billion yen, %)

	FYE3/2021	FYE3/2022 (forecast)	YoY change	YoY % change
Net sales	615.1	570.0	–	–
Former standards		629.5	+14.3	102.3
Operating profit	19.7	20.5	+7.0	103.6
Ordinary profit	21.6	21.5	(0.1)	99.2
Profit *	14.9	12.5	(2.4)	83.8

* Profit attributable to owners of parent

*FY2021 net sales based on new standard.
Lower row indicates former standards.

■ Dividends ■

Ordinary dividend	50 yen	Consolidated payout ratio	27.0%
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Forecast of Consolidated Financial Results FYE3/2022

Dividend Policy

	FYE3/ 2018	FYE3/ 2019	FYE3/ 2020	FYE3/ 2021	FYE3/ 2022	FYE3/ 2023	FYE3/ 2024	FYE3/ 2025	FYE3/ 2026	FYE3/ 2027
	First Stage			Second Stage			Third stage			
Financial Discipline	Ensure financial stability Create extra capital investment capacity by building internal reserves			Equity ratio of 50% or higher						
Equity ratio	44%	46%	47%	49%						
Dividends, Dividend payout ratio	Maintain stable dividends Dividend payout ratio of 20% or higher			Dividend payout ratio of 20-30% or higher			Dividend payout ratio of 30% or higher			
	40yen				50 yen					

Initiatives by Business Sectors



1. Dairy 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.



Initiatives by Business Sectors

FYE3/2022 forecast (consolidated)
[Dairy Products] including Nutrition Business

(Billion yen, %)

	FYE3/2021	FYE3/2022 (forecast)	Change	YoY % change
Net sales	262.3	240.0	—	—
former standards		267.1	+4.8	101.8
Operating profit	13.6	12.9	(0.7)	94.3

*FY2021 net sales based on new standard.
Lower row indicates former standards.

- ▶ **Strengthen butter supply structure**
- ▶ **Expand sales of Natural Cheese and other consumer cheese products**
- ▶ **Accelerate cheese business overseas expansion**



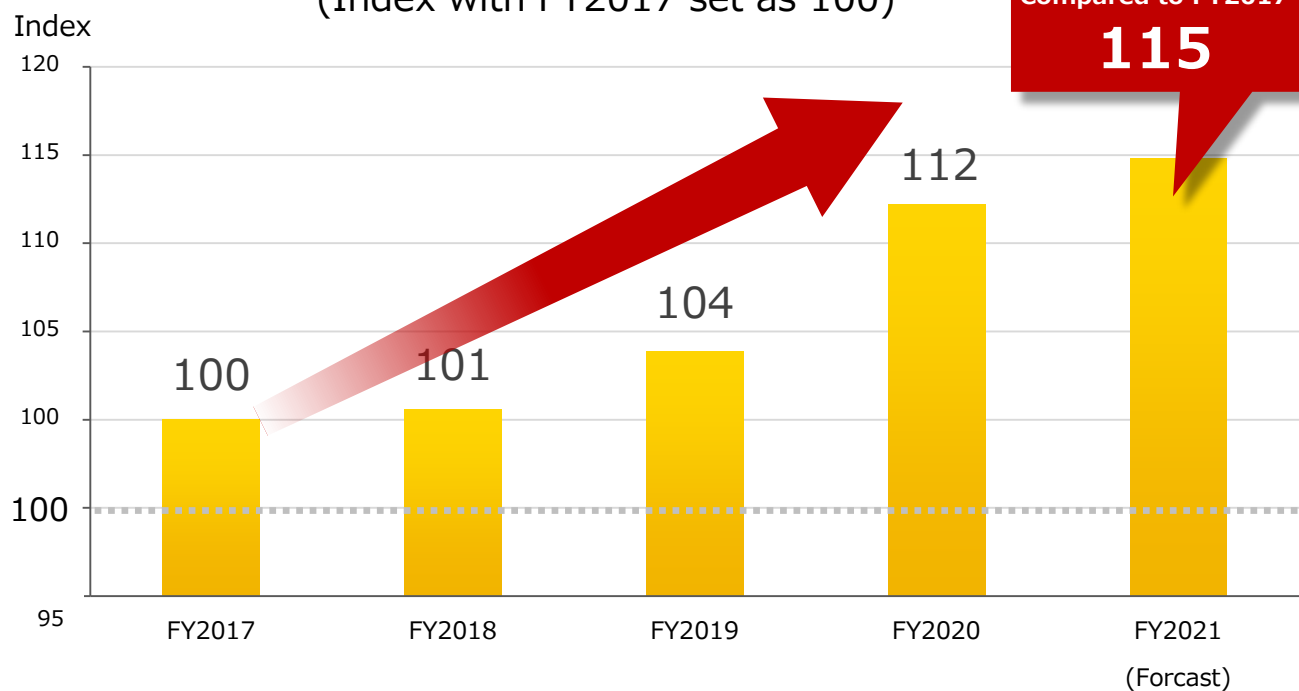
Initiatives by Business Sectors

► Expand sales of consumer butter

Firm net sales for butter



Transitions in net sales of consumer butter
(Index with FY2017 set as 100)



* former standards



Initiatives by Business Sectors

► Expand sales of consumer butter

Launch of Isobunnai Plant and creation of butter production structure to strengthen supply capacity



Aerial view of Isobunnai Plant



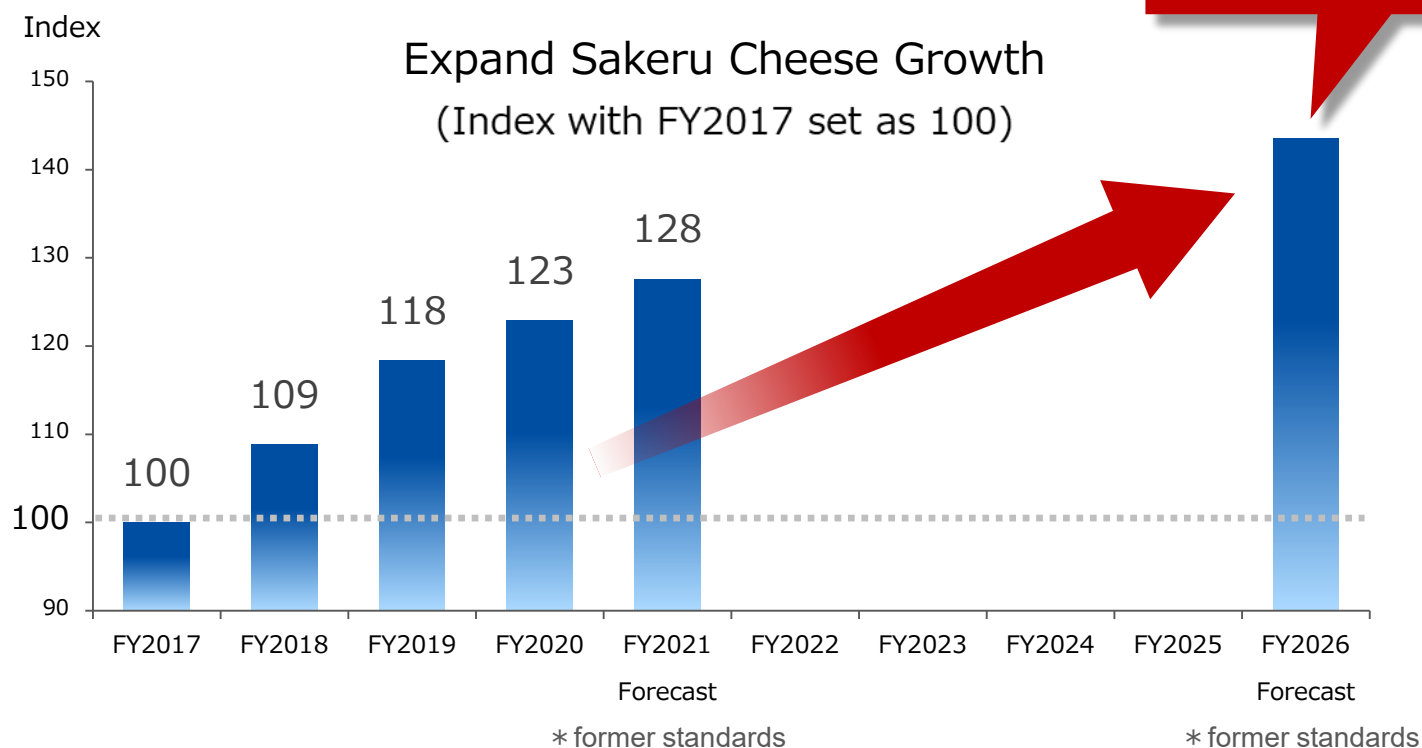
Scene from April 2021 launch ceremony



Initiatives by Business Sectors

► Expand sales of consumer natural cheese

Medium- to long-term production structure enhancements
7.0bn yen investment in Taiki Plant
Expand Sakeru Cheese line



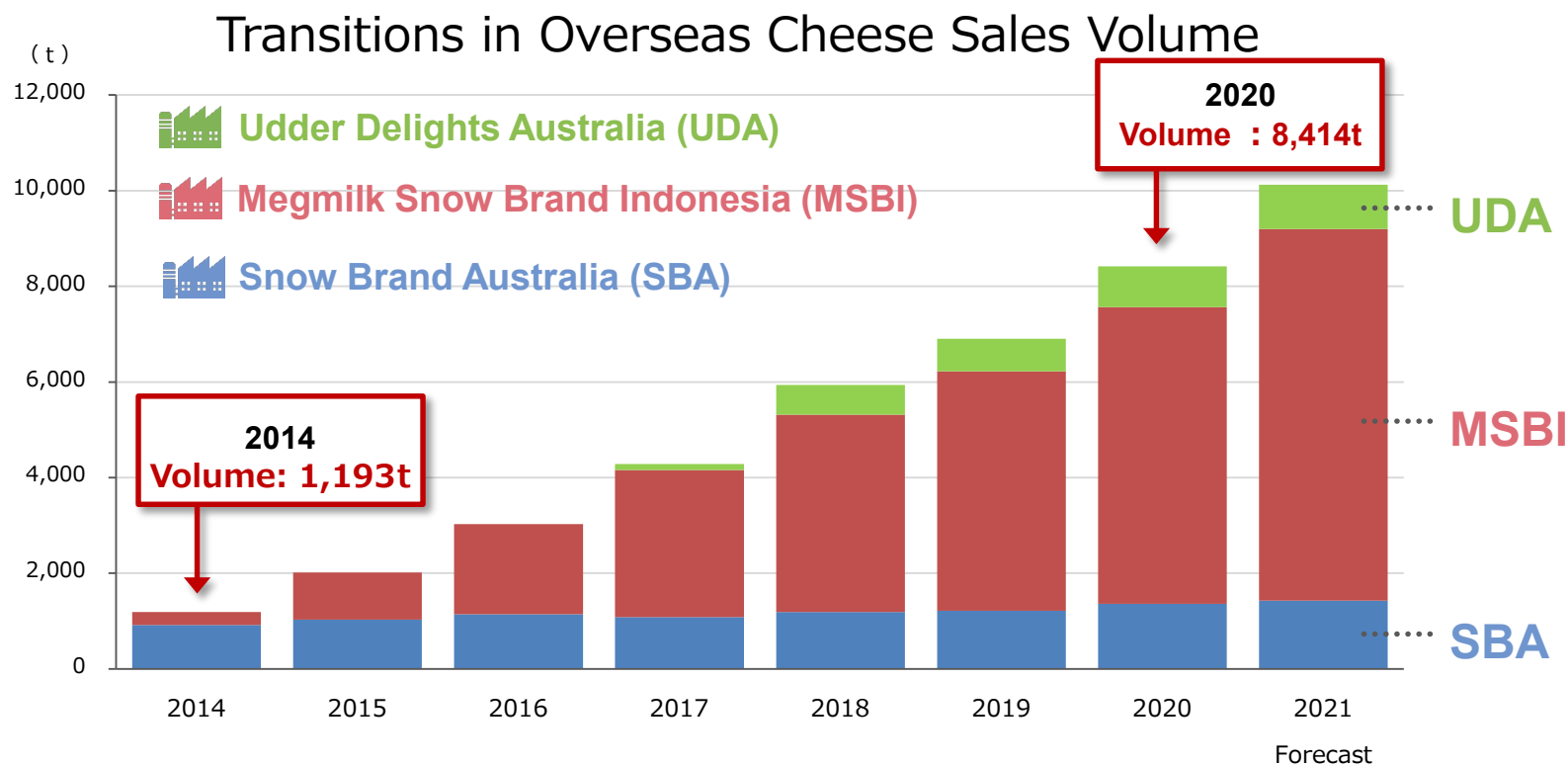


Initiatives by Business Sectors

► Accelerate cheese business overseas expansion

Increase MSBI sales volume to 10k tons/yr in 2023

→ **Expand into all regions of Southeast Asia**



*UDA joined Group in 2017



Initiatives by Business Segment

FYE3/2022 forecast (consolidated)

[Beverage and Dessert Segment]

(Billion yen, %)

	FYE3/2021	FYE3/2022 (forecast)	Change	YoY % change
Net sales	274.4	254.0	—	—
former standards		281.8	+7.3	102.7
Operating profit	4.1	5.5	+1.3	132.7

*FY2021 net sales based on new standard.
Lower row indicates former standards.

- ▶ **Expand functional products**
- ▶ **Expand sales of strategic packaged products that generate added value**
- ▶ **Expand dessert sales**

Initiatives by Business Segment



► Launch MBP drink

Expand sales of milk and milk-based beverages by linking with new products with high added value

Beverage type
First in Japan



Food with function claim for increasing bone density

MBP Drink

Food with Function Claim (Registration No.: E529)

Registered claim: This product contains MBP (milk basic proteins). MBP are reported to increase bone density.

Ingredient related to functionality: MBP (milk basic proteins)

This product does not claim to diagnose, treat, or prevent illness. Furthermore, this differs from Food for Specified Health Use. Maintain a nutritional lifestyle with a balance of staple foods, main dishes, and side dishes.

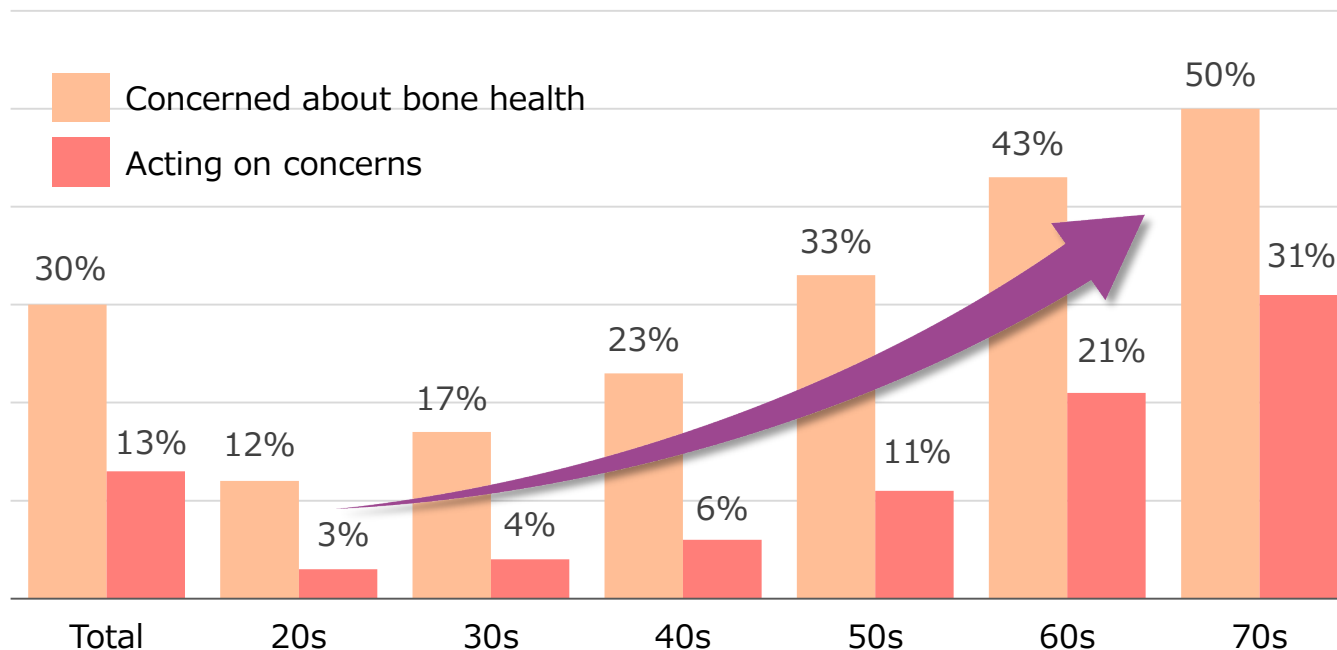


Initiatives by Business Segment

► Background behind launch

30% of women concerned about bone health
13% of women acting on concerns

Bone health awareness and actions



(Research by Megmilk Snow Brand)

Initiatives by Business Segment



► Launch MBP drink

Marketing communication to expand sales

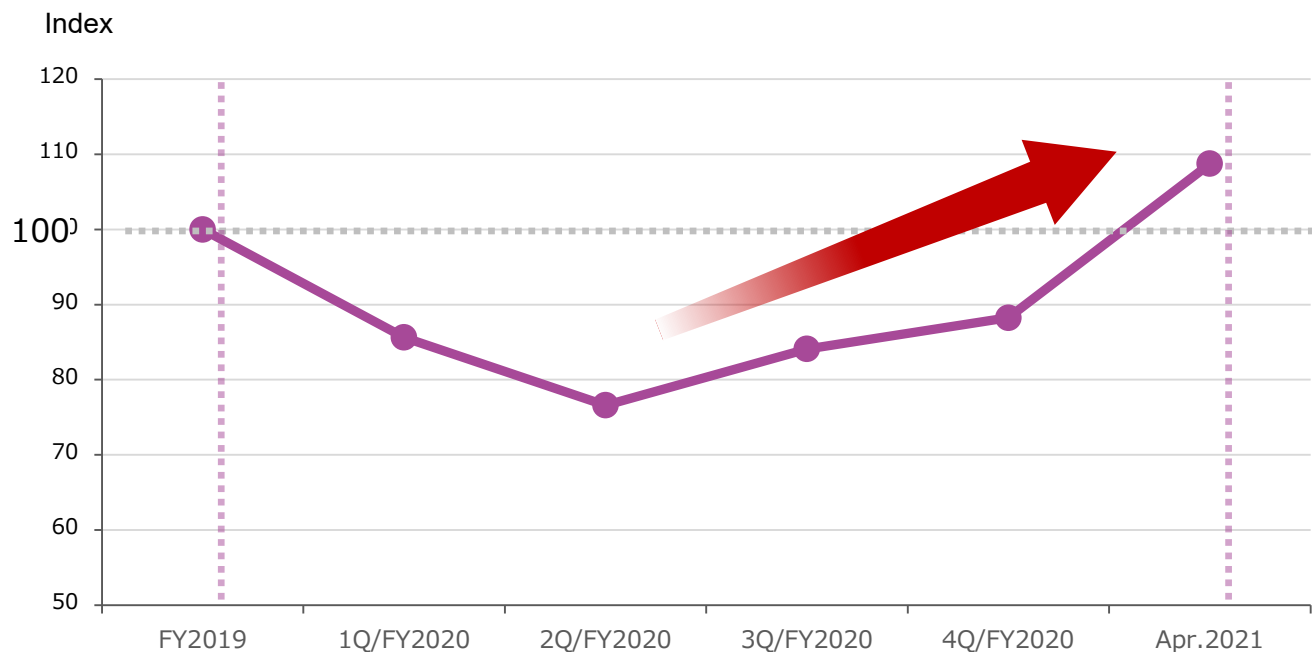


► Recover sales of Gasseri SP Strain Yogurt

Promotions for aggressive sales expansion



Gasseri SP Strain Yogurt daily sales compared to FY2019
(Index with FY2019 total representing 100)



Initiatives by Business Segment



► Launch new foods with function claims, *Kiokukea Yogurt*

Expand products in brain function domain



Megmilk Snow Brand × KIRIN

Kiokukea Yogurt β-lactolin

Food with Function Claim

Reported to be beneficial for retaining capacity for memory. (the ability to recall things based on prompts)

Number on application for approval: E458

**Scheduled launch in
June 2021**

Food with Function Claim
(Number on application for approval: E458)

Label on application for approval : This product includes β-lactolin, a substance reported to be beneficial for retaining capacity for memory (the ability to recall things based on prompts), which declines with age.



Initiatives by Business Segment

- ▶ Expand sales of strategic package products to create added value

Expand new package product line

Expand volume with focus on three new package products launched last year





Initiatives by Business Segment

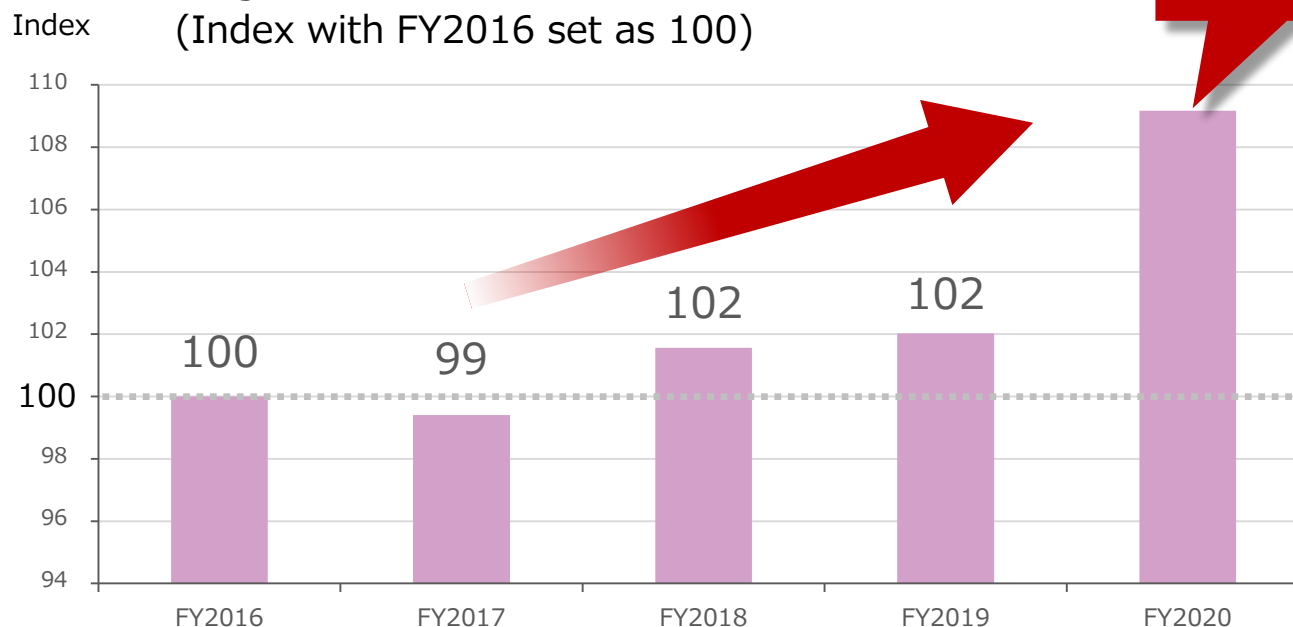
► Expand sales business

Expand dessert sales

Increase profitability and expand sales for dessert business



Megmilk Snow Brand dessert net sales index
(Index with FY2016 set as 100)





Initiatives by Business Segment

FYE3/2022 forecast (consolidated)

[Nutrition Business] of the Dairy Products Segment

(Billion yen, %)

		FYE3/2021	FYE3/2022	Change	YoY % change
Net sales		19.1	16.3	—	—
Former standard			19.4	+ 0.2	101.2
Break down	Functional foods	6.4	5.8	—	—
			6.5	+ 0.1	101.6
	Infant formula and other	12.7	10.5	—	—
			12.8	+ 0.1	101.0

*FY2021 net sales based on new standard.
Lower row indicates former standards.

- ▶ **Functional foods : Use EC business to continuously expand sales**
- ▶ **Infant formula and other : Create Group synergy through 100% acquisition of Bean Stalk Snow**

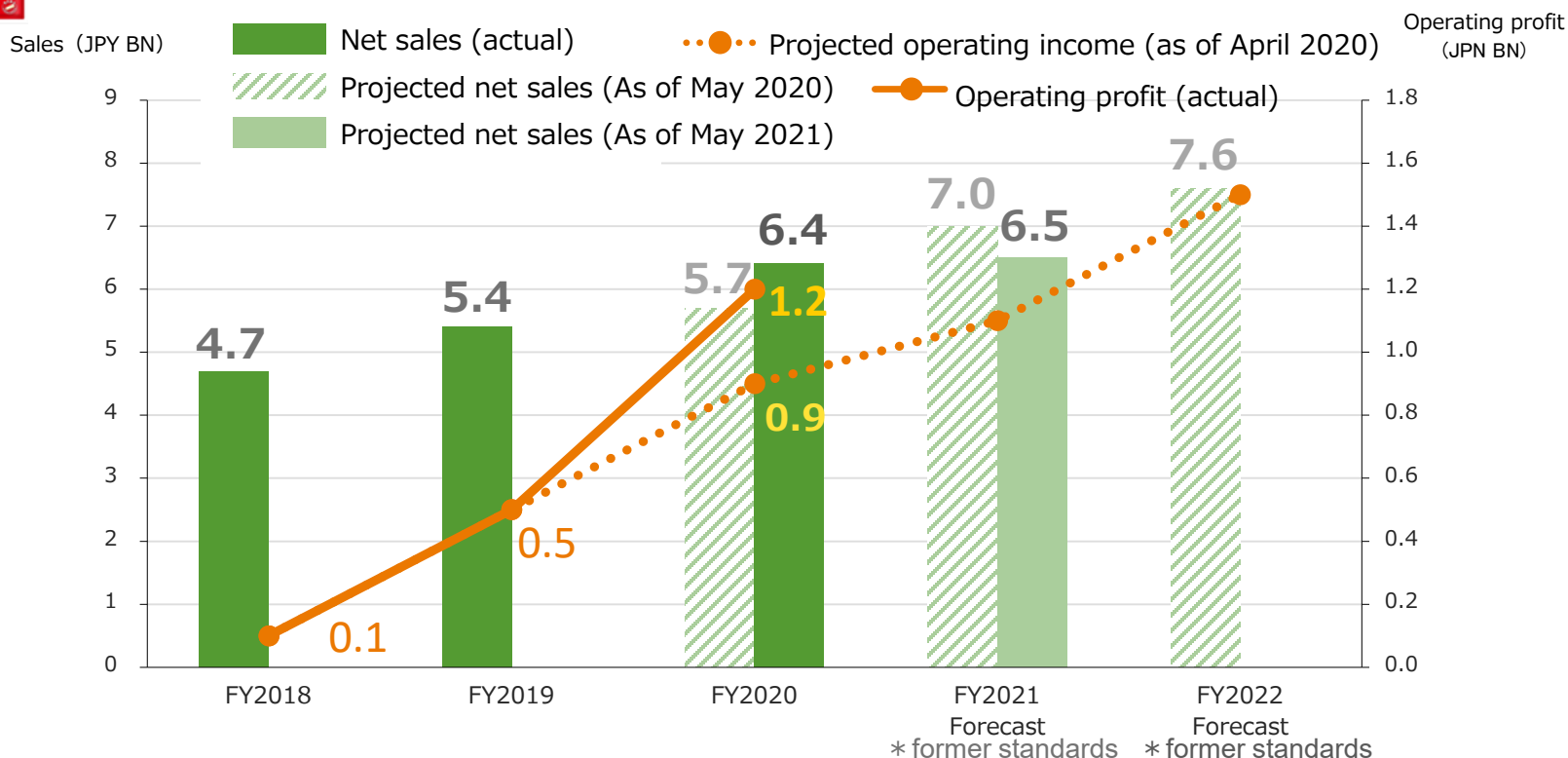


► Expand Nutrition Business

Expand functional product business



Transitions in net sales and income for functional products

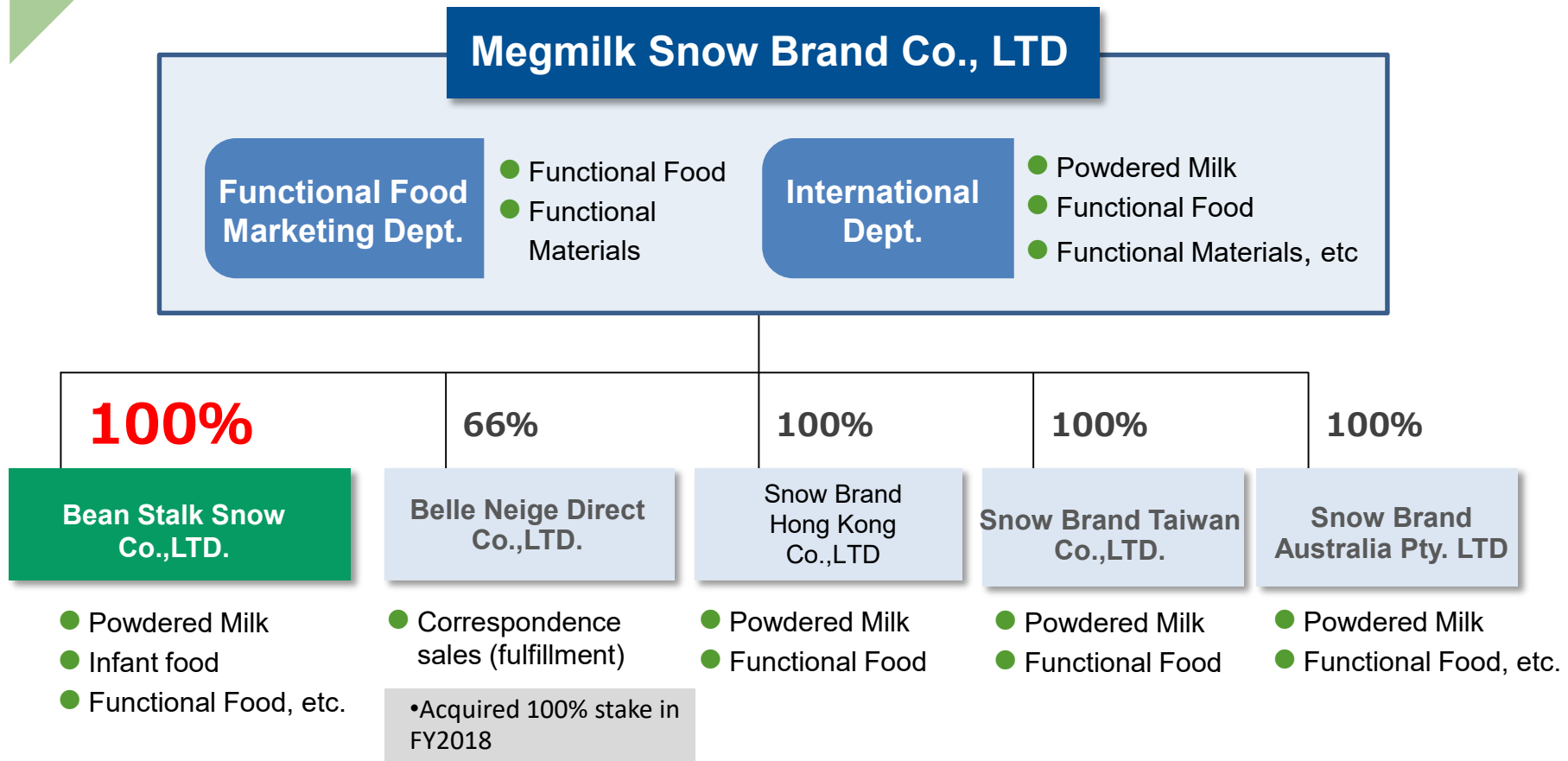


Initiatives by Segment

Added Bean Stalk Snow as wholly-owned subsidiary



Purchase 100% to optimize Group companies and create synergy





Initiatives by Business Segment

FYE3/2022 forecast (consolidated)

[Feedstuffs and Seed Products Segment]

(Billion yen, %)

	FYE3/2021	FYE3/2022	Change	YoY % change
Net sales	43.3	41.0	—	—
Former standard		43.1	(0.1)	99.6
Operating profit	1.1	1.0	(0.1)	89.0

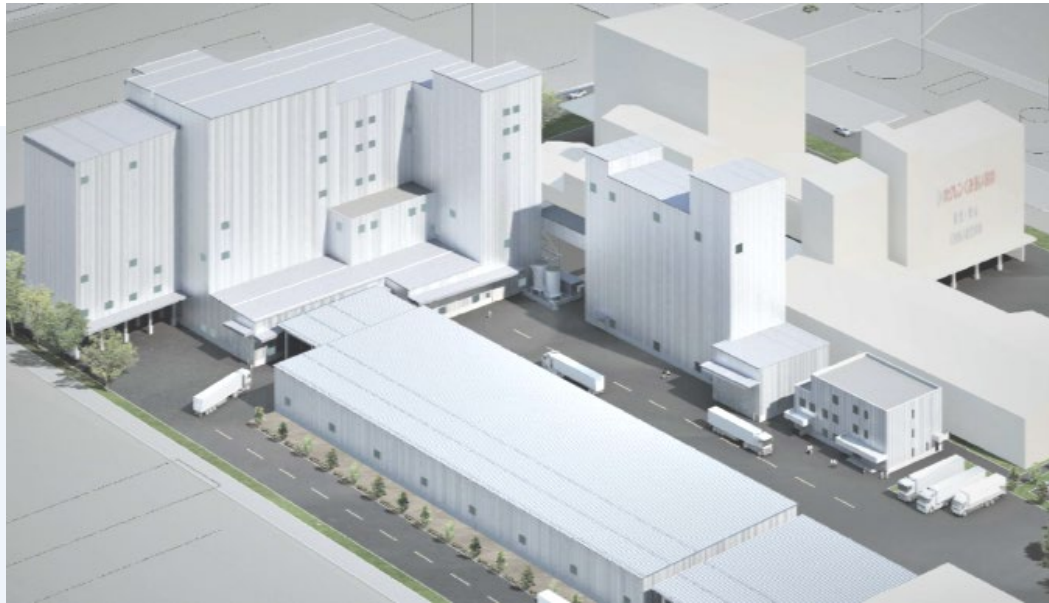
*FY2021 net sales based on new standard.
Lower row indicates former standards.

- ▶ **Feedstuffs business : Build new plant through merger to optimize production**
- ▶ **Seed products business : Expand sales of feedstuff corn and grass seeds**

Initiatives by Business Segment

► Feedstuffs business

**Construction of new feedstuff plant for
Hokuren Cooperative Snow Brand Feed Mills Co., Ltd.
(Operations scheduled to begin in Dec. 2021)**



Concept image of completed new feed plant

► Seed Products

Expand sales of feedstuff corn, joint development of grass seeds with NARO*
Concentrated development of three vegetables (edamame, daikon, and pumpkin)



Forage Corn Variety
SNOWDENT



Forage Grass
Orchardgrass 「Esajiman」



Daikon Radish
「Wase-Ryota」



Small Pumpkin
「Kuritemari」

* The National Agriculture and Food Research Organization

Summarize of initiatives of Segment

Business Portfolio Transformation



- **Expand highly profitable consumer dairy products**
- **Accelerate cheese business overseas expansion**



- **Expand ratio of functional products**
- **Profitability for milk and milk-based beverages**



- **Expand scope and profits for functional food products business**
- **Create new growth opportunities**



- **Create efficient supply structure for feedstuffs**
- **Expand sales of grass and vegetable seeds**

Function Strategy

Manufacturing improvements and new value creation

Construction of Innovation Center (provisional name, scheduled for completed in 2022)

- Renovation of existing Milk Science Research Institute (4.3bn yen investment)
- Fusion of technology that transcends business division borders
- R&D to strengthen competitiveness and create new markets
- Energy conservation and environment measures aligned with SDGs



Concept image of completed Innovation Center (provisional name)

For the Realization of a Sustainable Society



Environment

Establish and promote new KPI for environmental issues



Social

Promote health and productivity management, and utilization of diverse human resources



Governance

Strengthen independence and objectivity of Board of Directors, and increase Board accountability



Establish and promote new KPI for environmental issues

Established new reduction goals for water usage volume

By FY2030, reduce by 9% relative to FY2013



Wastewater treatment facility at Isobunnai Plant

Status of CO₂ reduction efforts

FY2020 resulted in 21.1% reduction relative to FY2013
(KPI is 30% reduction relative to FY2013 by FY2030)



Freezer at Nakashibetsu Plant



Promote health and productivity management, and utilization of diverse human resources

FY2020

Efforts to acquire and maintain recognition as an Excellent Enterprise for Health and Productivity Management

Achieved certification in FY2020

Aim for continued certification



健康経営優良法人
Health and productivity

Establishing work environment for diverse human resources

KPI is to achieve 10% or more women in management positions by FY2025





Strengthen independence and objectivity of Board of Directors, and increase Board accountability

Nomination Advisory Committee

Draft succession plan, draft management development plan

Compensation Advisory Committee

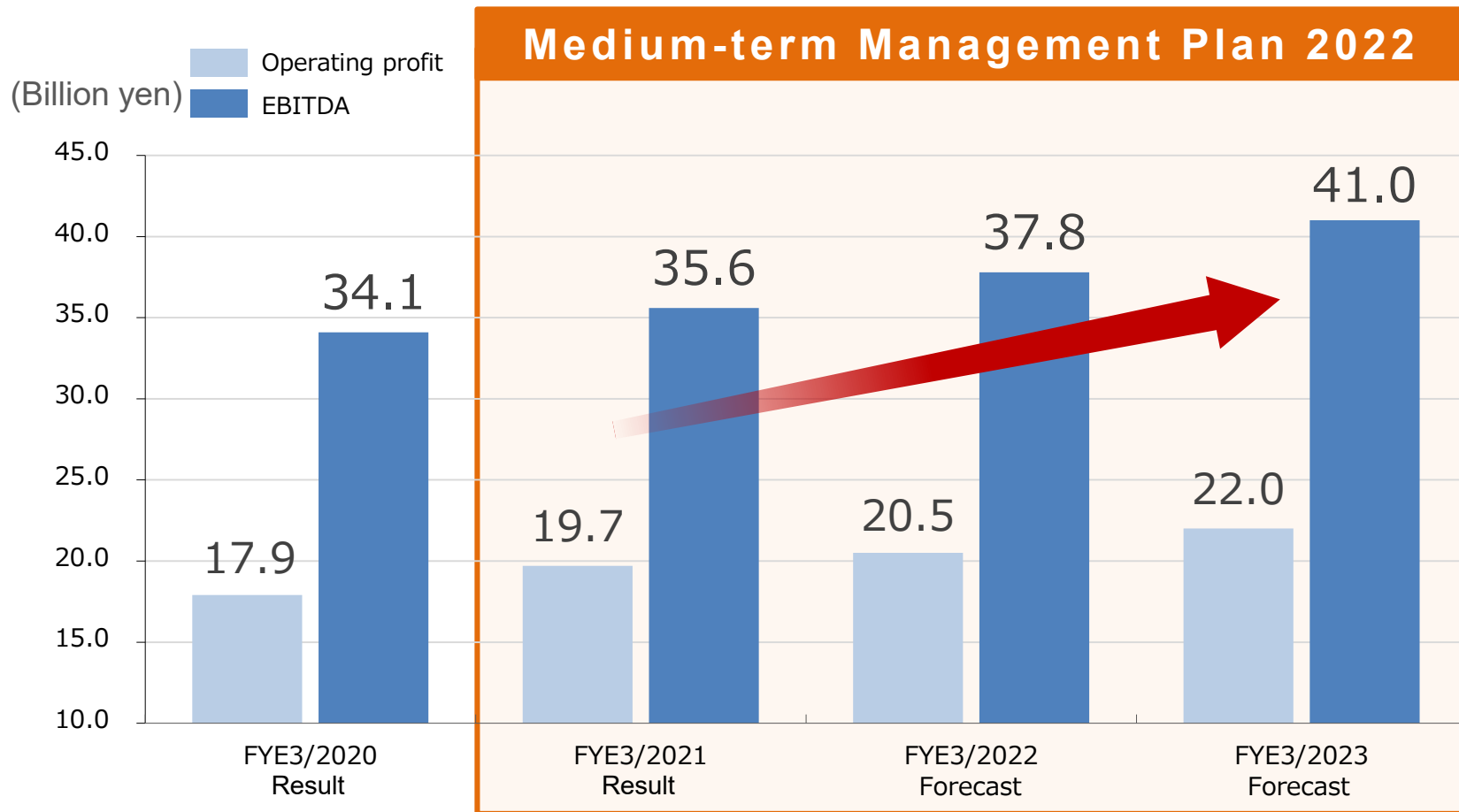
Validate decision guidelines and procedures
Expand on performance-linked compensation

Establish 60-40 as the compensation ratio for basic compensation to performance-linked compensation for non-auditor directors.

Of performance-linked compensation, make 25% stock-based compensation.

Progress of Medium-term Management Plan 2022

Consolidated business performance trends





未来は、ミルクの中にある。

雪印メグミルク

Fiscal Year Ended March 31, 2021

Financial Results

Numerical Data

May 13, 2021

Takao Nakashima, Managing Executive Officer

FYE3/2021 Consolidated Operating Results

Consolidated Statements of income

(JPY BN)

(Amounts are rounded down to the nearest billion yen)

	FYE3/2020	FYE3/2021	YoY change	YoY change (Rate)
Net Sales	613.4	615.1	+1.7	+0.3%
Operating Profit	17.9	19.7	+1.7	+9.9%
Non-operating profit and loss	1.6	1.8	+0.2	+12.0%
Ordinary Profit	19.6	21.6	+1.9	+10.1%
Extraordinary profit and loss	(2.7)	(0.5)	+2.2	+
Profit before income tax	16.8	21.1	+4.2	+25.3%
Profit *	12.1	14.9	+2.7	+22.6%

* Profit attributable to owners of parent

FYE3/2021 Consolidated Operating Results

Segment Sales / Operating Profit

(JPY BN)

	FYE3/2020		FYE3/2021		YoY change (Rate)	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy products	249.0	11.5	262.3	13.6	+5.3%	+18.3%
Beverage and Dessert	283.9	5.2	274.4	4.1	(3.3)%	(20.8)%
Feedstuffs and Seed Products	43.7	1.0	43.3	1.1	(0.8)%	+8.4%
Other	36.6	0.1	35.0	1.0	(4.5)%	+519.6%
Total	613.4	17.9	615.1	19.7	+0.3%	+9.9%

FYE3/2021 Consolidated Operating Results

Sales results

【Dairy Products】 * including Nutrition Business

(JPY BN)

	FYE3/2020	FYE3/2021	YoY change	YoY change (Rate)
Butter	22.8	22.6	(0.2)	(1.0)%
Margarine	12.0	11.7	(0.2)	(2.1)%
Cheese	74.6	74.7	+0.0	+0.1%
Other	30.5	30.2	(0.3)	(1.0)%
Subsidiaries and other	108.9	122.9	+13.9	+12.8%
Total	249.0	262.3	+13.2	+5.3%

- **Butter** : Consumer butter continued to sell well
- **Margarines** : 4Q Market growth declined
- **Cheese** : Consumer natural cheese market favorable

FYE3/2021 Consolidated Operating Results

Sales results

【Nutrition Business】

※ of the Dairy Products Segment

(JPY BN)

	FYE3/2020	FYE3/2021	YoY change	YoY change (Rate)
Functional food products	5.4	6.4	+0.9	+17.6%
Powdered milk and other	12.9	12.7	(0.2)	(1.7)%
Total	18.4	19.1	+0.7	+4.1%

- Functional foods, which were sold in the EC business, were strong
- Infant formula sales favorable in Japan, competition intensifying overseas

FYE3/2021 Consolidated Operating Results

Sales results

【Beverage and Dessert Segment】

(JPY BN)

	FYE3/2020	FYE3/2021	YoY change	YoY change (Rate)
Milk and milk-based beverages	85.5	82.6	(2.8)	(3.4)%
Other beverages	40.4	37.1	(3.3)	(8.2)%
Yogurt	59.6	57.8	(1.7)	(3.0)%
Desserts and fresh cream	24.4	24.8	+0.4	+1.9%
Other	3.7	3.1	(0.6)	(16.6)%
Subsidiaries and other	70.0	68.7	(1.2)	(1.8)%
Total	283.9	274.4	(9.4)	(3.3)%

- Milk, milk beverages: Milk beverages saw sluggish growth
- Other beverages: Small and medium-sized products saw sluggish growth
- Yogurt: Gasser SP strain yogurt was on a recovery trend
- Dessert: Personal-type products sold well

FYE3/2021 Consolidated Operating Results

Sales results

【Feedstuffs and Seed Products Segment】

(JPY BN)

	FYE3/2020	FYE3/2021	YoY change	YoY change (Rate)
Feedstuffs	34.0	34.1	+0.1	+0.3%
Seed products	9.6	9.1	(0.4)	(4.8)%
Total	43.7	43.3	(0.3)	(0.8)%

- The sales quantity of grass/feed crop seeds and feedstuffs decreased

FYE3/2021 Consolidated Operating Results

Breakdown of Factors Affecting Changes in Consolidated Operating Profit

Amounts are rounded down to the nearest billion yen. (JPY BN)

FYE3/2020	FYE3/2021	YoY change
17.9	19.7	1.7

Marginal Profit Subtotal	(0.4)
Changes in sales unit price	1.0
Decrease in profit on decrease in sales volume	(1.8)
Changes in product composition	0.1
Decrease in raw materials costs	0.1
Increase in operating costs	(1.0)
Other	1.2
Fixed costs and others Subtotal	2.1
Decrease in advertising and promotional costs	1.1
Decreased fixed costs	1.0

Changes in segments			
Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
2.1	(1.0)	0.0	0.8
1.9	(2.5)	(0.3)	0.7
(0.1)	1.1	0.0	0.0
1.6	(2.5)	(0.3)	(0.5)
0.0	0.1	0.0	0.0
0.1	0.0	0.0	0.0
0.2	(1.2)	0.0	0.0
0.1	0.0	0.0	1.2
0.2	1.5	0.3	0.1
(0.1)	1.2	0.0	0.0
0.3	0.3	0.3	0.1

FYE3/2021 Consolidated Operating Results

Consolidated Balance Sheets

(JPY BN)

	FYE3/2020	FYE3/2021	YoY change
Current assets	151.1	161.7	+10.5
Non-current assets	219.2	236.9	+17.6

Total assets 398.6 BN
(YoY change +28.2 BN)

	FYE3/2020	FYE3/2021	YoY change
Current liabilities	120.3	128.5	+8.2
Non-Current liabilities	72.0	71.8	(0.1)
Net assets	178.0	198.2	+20.1

Change factors

【Current assets】

- Cash and deposits: +6.3 BN
- Receivables : +3.4 BN

【Non-current assets】

- Property, plant and equipment : +6.2 BN
- Investment securities : +9.7 BN

【Current liabilities】

- Payables : (7.5) BN
- Short-term loans payable : 13.9 BN

【Non-current liabilities】

- Long-term loans payable : (3.0) BN
- Deferred tax liabilities : +4.2 BN

【Net assets】

- Shareholders' equity : +12.0 BN

Equity ratio

49.0%

FYE3/2021 Consolidated Operating Results

Consolidated Statements of Cash flows

(JPY)

	Major breakdown	YoY change
CF from operating activities +26.5 BN	Profit before income taxes 21.1 BN Depreciation and amortization 15.9 BN Equity in earnings of affiliates (1.2) BN Income taxes paid (5.7) BN	+2.2 BN
CF from investing activities (27.0) BN	Purchase of property, plant and equipment and intangible assets (31.1) BN Proceeds from sales of property, plant and equipment and intangible assets 4.1 BN	(10.4) BN
CF from financing activities +6.7 BN	Loan and repayment 10.8 BN Cash dividends paid (2.7) BN	+13.4BN
Change in cash and deposits +6.3 BN	Interest-bearing debt	79.3 BN

Forecast of Consolidated Financial Results FYE3/2022

■ Full Year Forecast ■

(Billion yen, %)

	FYE3/2021	FYE3/2022 forecast	YoY change	YoY change (Rate)
Net sales	615.1	570.0	—	—
Former standards		629.5	+14.3	+2.3%
Operating profit	19.7	20.5	+0.7	+3.6%
Ordinary profit	21.6	21.5	(0.1)	(0.8)%
Profit *	14.9	12.5	(2.4)	(16.2)%

* Profit attributable to owners of parent

*FY2021 net sales based on new standard.
Lower row indicates former standards.

■ Dividends Forecast ■

Ordinary dividend	50yen	Consolidated payout ratio	27.0%
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Forecast of Consolidated Financial Results FYE3/2022

Segment Sales / Operating Profit

(Billion yen, %)

	FYE3/2021		FYE3/2022 forecast		YoY % change	
	Sales	Operating Profit	Sales	Operating Profit	Sales	Operating Profit
Dairy products	262.3	13.6	240.0	12.9	—	(5.7)%
			267.1		+1.8%	
Beverage and Dessert	274.4	4.1	254.0	5.5	—	+32.7%
			281.8		+2.7%	
Feedstuffs and Seed Products	43.3	1.1	41.0	1.0	—	(11.0)%
			43.1		(0.4)%	
Other	35.0	1.0	35.0	1.1	—	+4.2%
			37.3		+6.7%	
Total	615.1	19.7	570.0	20.5	—	+3.6%
			629.5		+2.3%	

*FY2021 net sales based on new standard.
Lower row indicates former standards.

Forecast of Consolidated Financial Results FYE3/2022

Breakdown of Factors Affecting Changes in Consolidated Operating Profit

Amounts are rounded down to the nearest billion yen. (JPY BN)

FYE3/2021	FYE3/2022 Forecast	YoY change
19.7	20.5	0.7

Marginal Profit Subtotal	7.4
Changes in sales unit price	1.3
Increase in profit on increase in sales volume	4.3
Changes in product composition	2.5
Increase in raw materials costs	(0.5)
Decrease in operating costs	0.0
Other	(0.2)
Fixed costs and others Subtotal	(6.7)
Increase in advertising and promotional costs	(3.3)
Increase fixed costs	(3.4)

Changes in segments			
Dairy products	Beverages and desserts	Feedstuffs and seed products	Other
(0.7)	1.3	(0.1)	0.0
2.3	4.7	0.1	0.3
0.1	1.0	0.1	0.1
2.4	1.7	0.0	0.2
0.2	2.3	0.0	0.0
(0.1)	(0.4)	0.0	0.0
(0.1)	0.1	0.0	0.0
(0.2)	0.0	0.0	0.0
(3.0)	(3.4)	(0.2)	(0.3)
(1.2)	(2.2)	0.0	0.0
(1.8)	(1.2)	(0.2)	(0.3)

Topics & Data

1. Megmilk Snow Brand consumer market share

2. Topic data

(1) Transitions in Fresh milk production in Japan

(2) Transitions in overseas cheese prices

(3) Currency markets

(4) Consumer market trends

1. consumer market share

(For reference)

Market share (of household consumption) of fiscal year ended March 31, 2021

	Consumer purchase data	Retail store POS data
Butter:	27.6 %	44.1 %
Margarine:	34.9 %	52.6 %
Cheese:	15.3 %	26.2 %
Milk (Milk & composition modified milk)	5.8 %	4.5 %
Milk beverage:	17.1 %	15.0 %
Yogurt:	11.0 %	11.5 %
Dessert (Chilled finished products)	12.3 %	15.2 %

Intage SCI (up to 79 years old)

Consumer purchase data

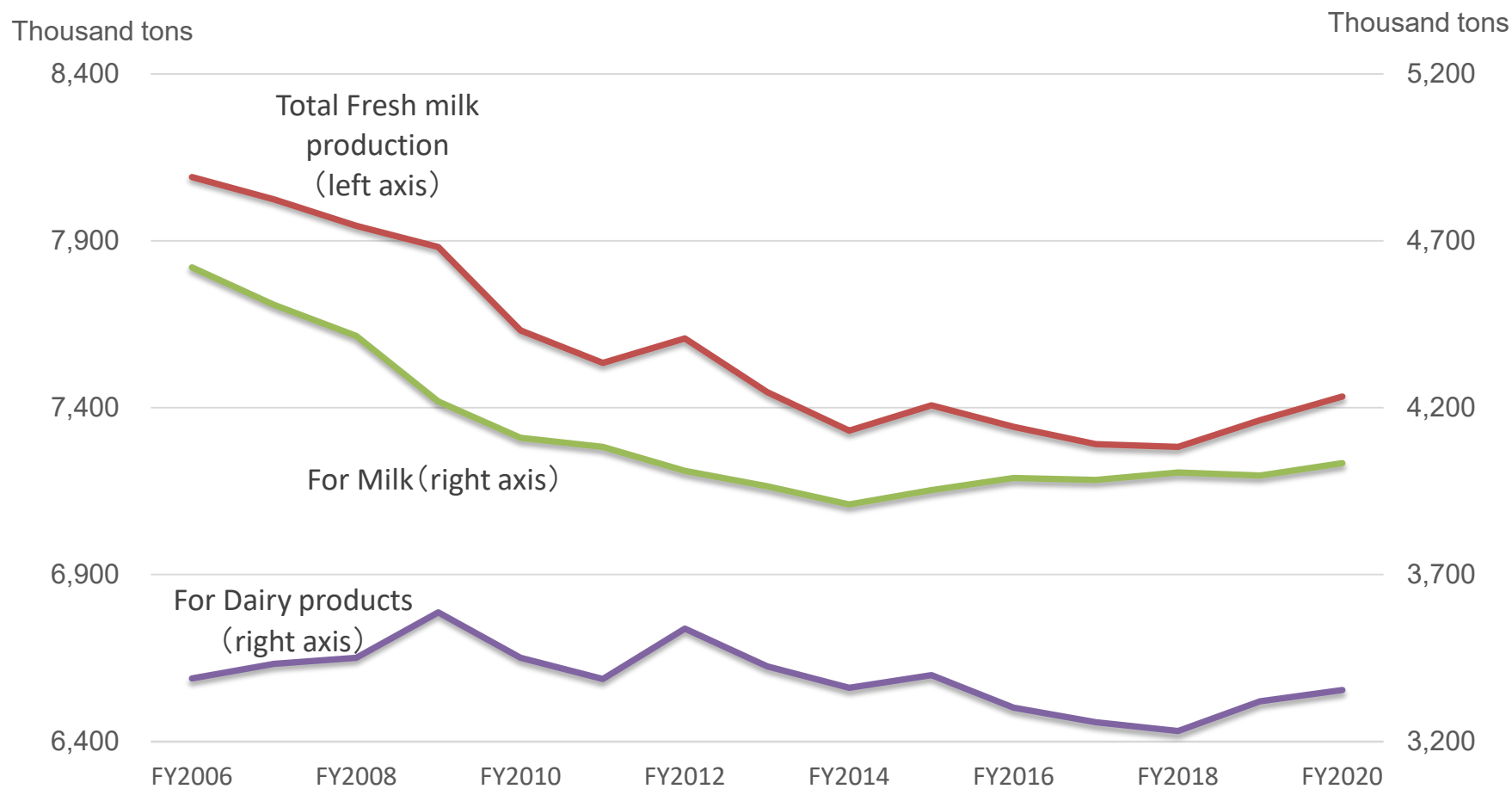
Average purchase volume per 100
people (in value terms)

Intage SRI (Total for
supermarkets, convenience stores,
and drugstores)

Estimated retail sales volume (in
value terms)

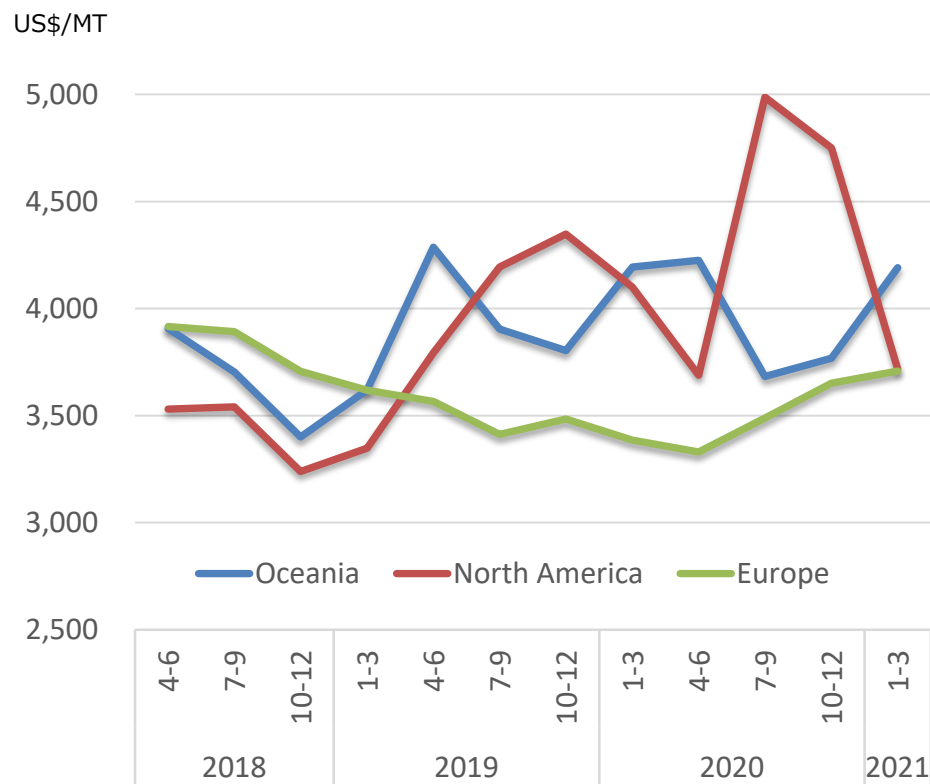
2. Topic data

(1) Fresh milk production volume in Japan



2. Topic data

(2) Transitions in overseas cheese prices



Moving average for each quarter, FOB, Cheddar
 OCE-USDA, Cheddar USA-CME, Cheddar EU-MMO

(3) Currency markets

Currency rates

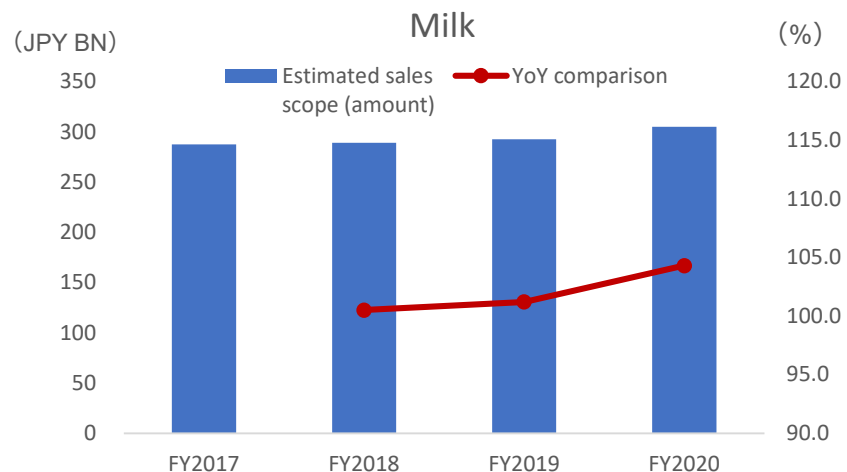
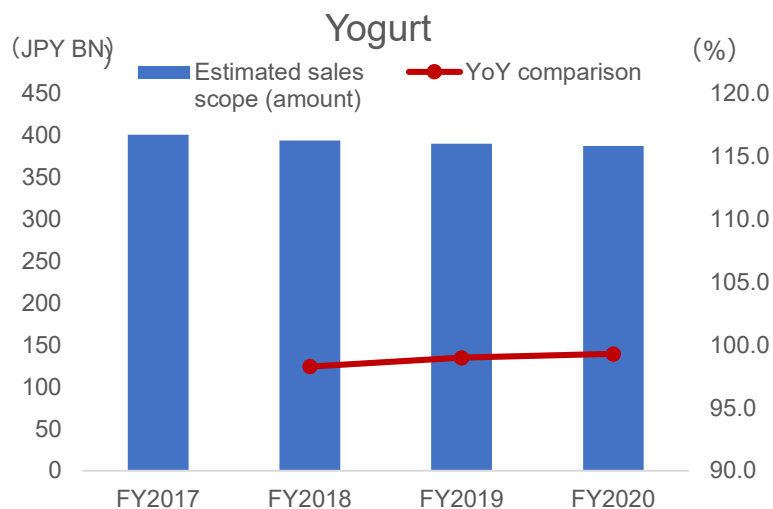
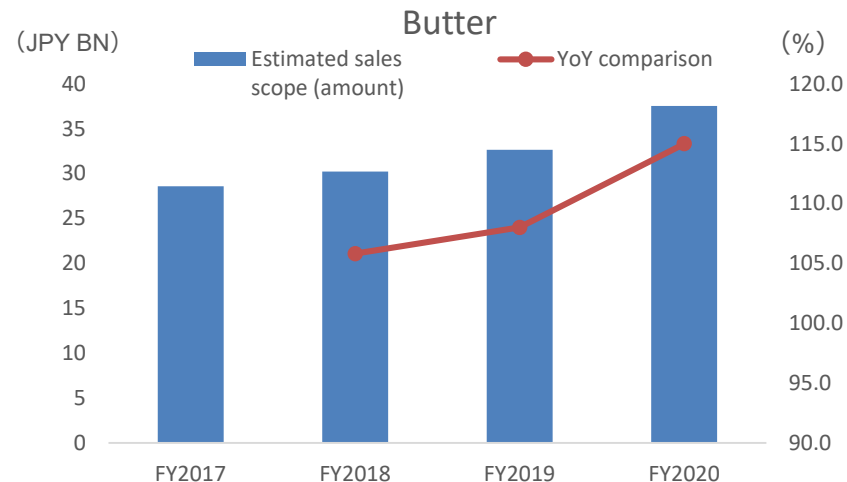
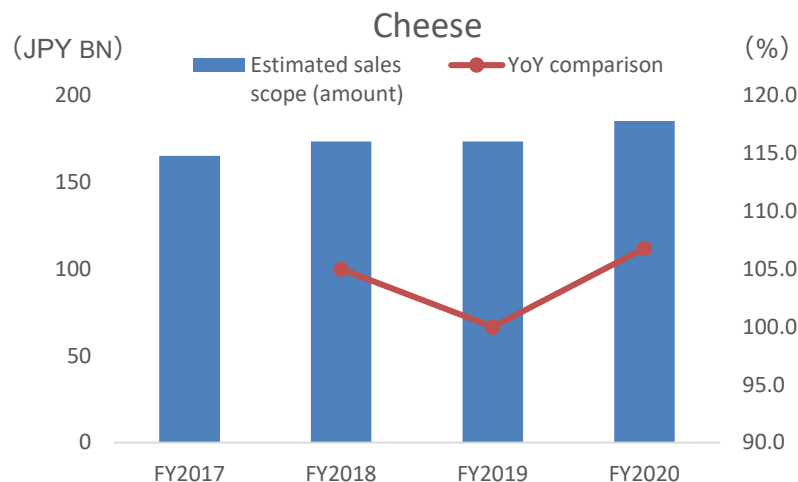
	FYE3/2020	FYE3/2021	FYE3/2022 (Forecast)
USD	109.1	106.8	106.0

Currency sensitivity (based on operating profit)
 appreciation of 1yen = +160 million yen

2. Topic data

(4)Market trends (consumer)

Intage SRI (Total for supermarkets, convenience stores, and drugstores)



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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