

Fiscal Year Ended March 31, 2019

Financial Results

May 13, 2019

Outline



**Consolidated financial results
FYE3/2019**



**Forecast of Consolidated Financial Results
FYE3/2020**



**Core initiatives
FYE3/2020**

Consolidated financial results FYE3/2019

(Billion yen, %)

	FYE3/2018	FYE3/2019	YoY change	YoY % change	Achievement rate
Net sales	596.1	603.3	+7.2	101.2	100.4
Operating profit	19.3	17.2	(2.1)	89.0	98.5
Ordinary profit	20.9	19.0	(1.9)	90.6	100.1
Profit *	13.3	10.7	(2.6)	80.3	102.4

* Profit attributable to owners of parent

Forecasts reflect figures published in financial earnings summary released on February 7, 2019

■ Dividends ■

Ordinary dividend	40 yen	Consolidated payout ratio	25.2%
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Consolidated financial results FYE3/2019

Results of initiatives

- Pricing revisions for consumer cheese
- Expand sales of functional yogurt and functional products
- Capital expenditures to promote growth

Issues

- Response to cost increases
Increased dairy raw material prices, logistics costs

Initiatives during FYE3/2020

Response to environment changes

- Pricing revisions for beverages and desserts

Business portfolio reform

- Strengthen initiatives for sales growth in core categories
- Expand overseas business
- Expand Nutrition Business
- Rebuild production structure

Forecast of Consolidated Financial Results FYE3/2020

■ Operating Result ■

(Billion yen, %)

	FYE3/2019	FYE3/2020	YoY change	YoY % change
Net sales	603.3	615.0	+ 11.6	101.9
Operating profit	17.2	18.0	+ 0.7	104.5
Ordinary profit	19.2	19.5	+ 0.4	102.6
Profit *	10.7	12.0	+ 1.2	111.6

* Profit attributable to owners of parent

■ Dividends ■

Ordinary dividend	40 yen	Consolidated payout ratio	22.6%
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Four 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.

Dairy Products Business Sector (Forecast)



[Dairy Products] including Nutrition Business

(Billion yen, %)

	FYE3/2019 results	FYE3/2020 forecast	YoY change	YoY % change
Net sales	241.0	250.9	+9.9	104.1
Operating profit	11.7	12.1	+0.4	102.9

- ▶ Expand sales of mainstay consumer cheese
- ▶ Promote borderless cheese business



Dairy Products Business Sector (cheese)

► Expand sales of mainstay consumer cheese products

Expand sales of *6P Cheese*,
Camembert, and *Sakeru Cheese*

→ Propose new consumption
occasions and continue storefront
promotion sales



Strengthen sales of
sliced cheese, *Baby
Cheese*

→ Use increased volume
promotions and inject new
products to increase sales



Baby Cheese

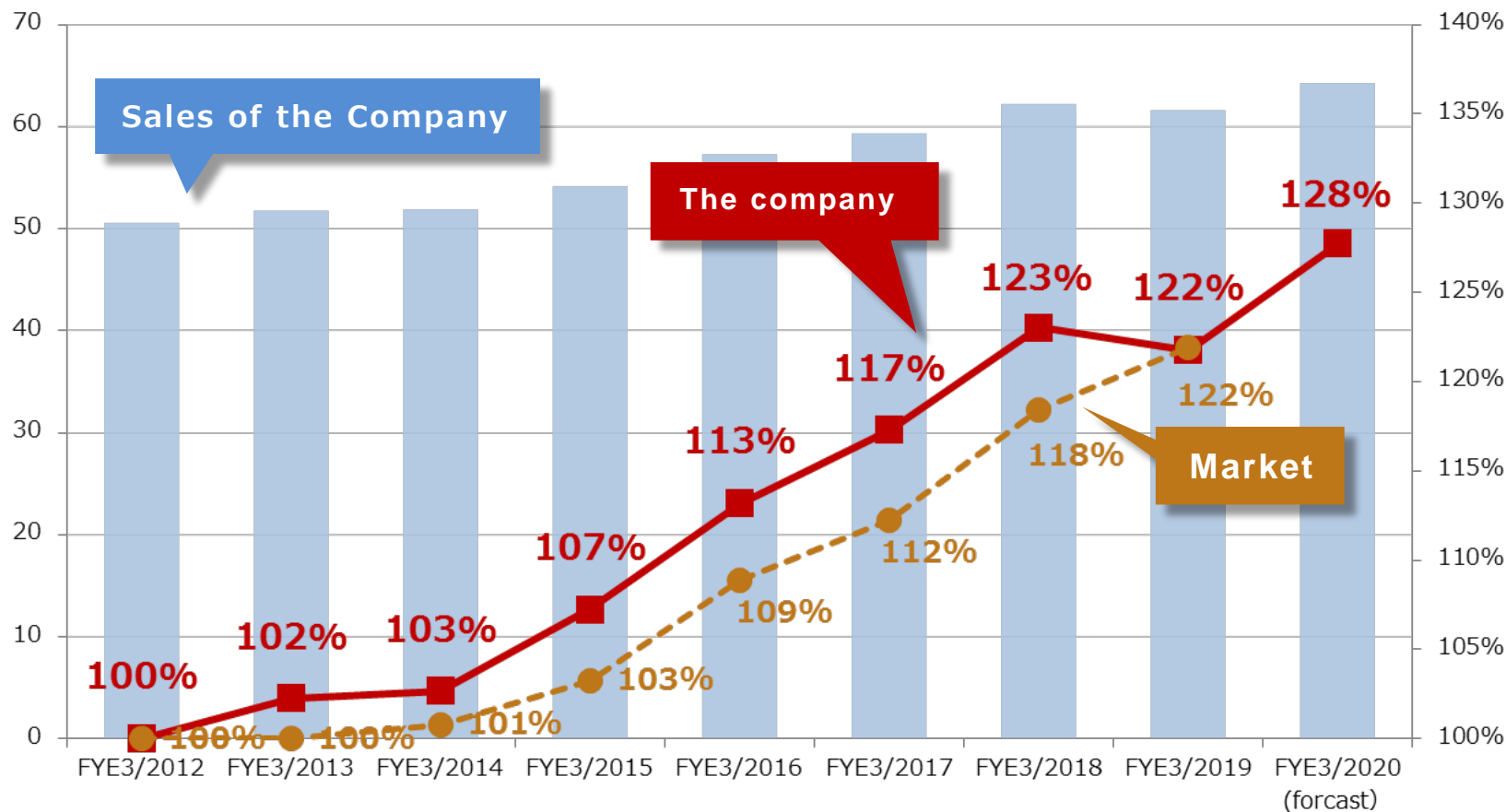


Dairy Products Business Sector (cheese)

【 Net sales and growth rate of cheese for consumers 】

(Sales: billion yen)

(Compared with FYE3/2012)





Dairy Products Business Sector (cheese)

► Promote borderless cheese business

Consolidation of Megmilk Snow Brand Indonesia and Udder Delights Australia

3rd-country exports through Megmilk Snow Brand Indonesia





Beverages and Desserts Business Sector (Forecast)

[Beverages and Desserts Segment]

(Billion yen, %)

	FYE3/2019 results	FYE3/2020 forecast	YoY change	YoY % change
Net sales	279.7	280.9	+1.2	100.4
Operating profit	3.1	3.9	+0.8	123.1

- ▶ **Changes to Consumer Milk, Yogurt, and other Product Prices**
- ▶ **Yogurt** : Grow sales of *Lactobacillus gasseri* SBT2055 yogurt
- ▶ **Dessert** : Strengthen personal dessert

Beverages and Desserts Business Sector (Forecast)

► Changes to Consumer Milk, Yogurt, and other Product Prices



<Applicable products>

- | | |
|--|-------------|
| (1) Storefront products – Milk, milk beverages, yogurt, desserts | 64 products |
| (2) Home delivery products – Milk, milk beverages | 15 products |

<Scope of revisions>

- | | | |
|--|----------|--------------|
| (1) Storefront products – MSRP | Revision | 2.2% to 6.1% |
| (2) Home delivery products – Manufacturer shipping price | | 1.7% to 4.0% |

Beverages and Desserts Business Sector (Forecast)

► Grow sales of *Lactobacillus gasseri* SBT2055

Link new product launches and new target-specific in-store communication



Launch new advertisement



Link communication and storefronts



► Strengthen development and production for individual serving products

Strengthen dessert product development



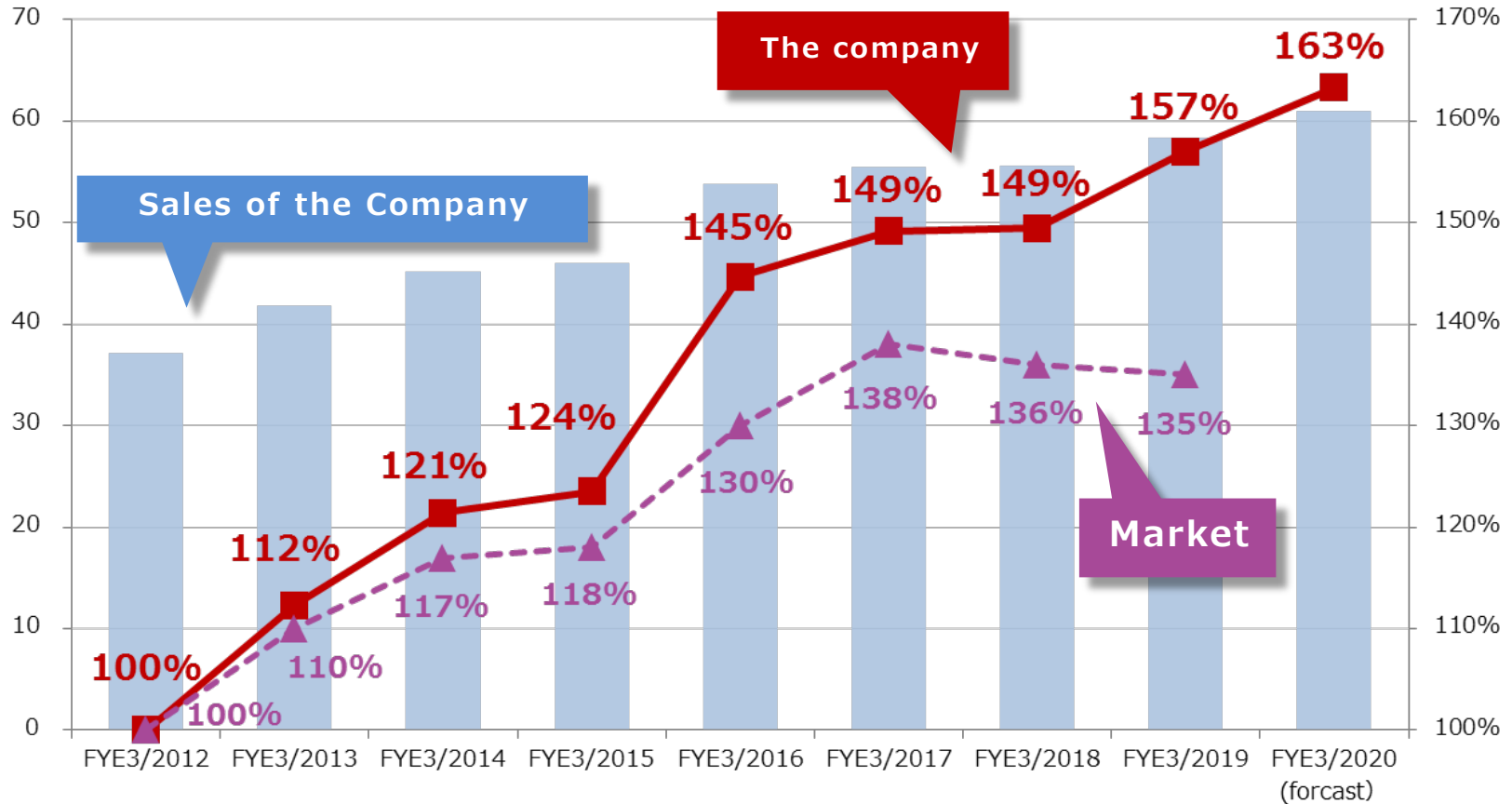


Beverages and Desserts Business Sector (Yogurt)

[Net sales and growth rate of yogurt for consumers]

(Sales: billion yen)

(Compared with FYE3/2012)



(Market data source : Intage SCI)

► Optimize production structure by consolidating Nagoya Plant and Toyohashi Plant

Build production structure to secure platform for competitiveness

Concentrate
management
resources



Achieve
high
productivity

Build efficient structure for our
Beverages and Desserts Business



Toyohashi Plant exterior

Nutrition Business Sector (Forecast)



[Nutrition Business] of the Dairy Products segment

(Billion yen, %)

	FYE3/2019 results	FYE3/2020 forecast	YoY change	YoY % change
Net sales	19.4	20.1	+0.7	103.3
(Breakdown)				
Functional foods	4.7	5.3	+0.6	111.0
Infant formula and other	14.6	14.8	+0.2	100.8

- ▶ **Functional foods:** Expand sales and profit contributions in markets addressing locomotive syndrome* in seniors
- ▶ **Infant formula and other:** Strengthen mainstay products utilizing breastmilk research

*"Locomotive syndrome": Condition of reduced mobility or difficulty in everyday life due to disability in locomotive organs.

Nutrition Business Sector (Forecast)



► Expand sales in markets addressing locomotive syndrome* in seniors

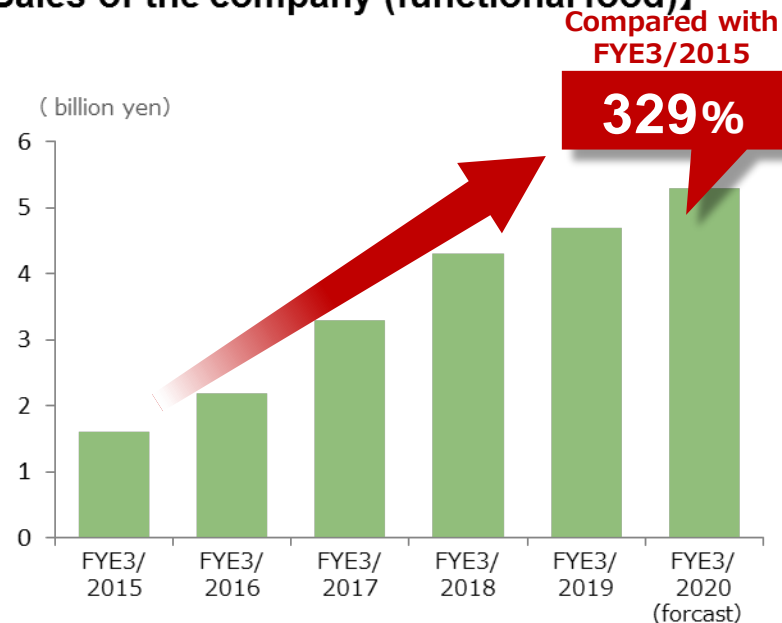
Increase sales by strengthening product line related to locomotive syndrome (bones, muscles, joints)

Strengthen partnership with subsidiary Belle Neige Direct

→Optimize promotions, CRM, fulfillment



【Sales of the company (functional food)】





[Feedstuffs and Seed Products segment]

(Billion yen, %)

	FYE3/2019 results	FYE3/2020 forecast	YoY change	YoY % change
Net sales	46.0	45.2	(0.8)	98.2
Operating profit	1.1	0.9	(0.2)	77.3

- ▶ **Seed products business** : Enhance profitability through optimization and comprehensive proposal-based
- ▶ **Feedstuffs business** : Sales growth through in-house developed products



► Initiatives to improve productivity in dairy farming

Partnership between Hokuren Cooperative Feed Mills Co., Ltd. and Snow Brand Seed Co., Ltd. to establish joint venture and construct new plant.

Use merger to gain merits of scale and take advantage of latest in manufacturing equipment

**Respond
to facility
aging**

+

**Improve
productivity**

For the realization of a sustainable society

CSR DOMAIN	CORE CSR ISSUE (MATERIALITY)	SDGs
Food and health	Milk for contributions to food and health	    
Dairy farming	Contributing to sustainable dairy farming	    
Environment	Reducing environmental load	     
People and society	Realization of a diverse and motivating workplace	    
	Contributing to local community	    

Group Long-term Vision 2026 (Roadmap)

Medium-term Management Plan			
	First Stage	Second Stage	Third stage
	FY2017-FY2019	FY2020-FY2022	FY2023-FY2026
Positioning	Begin Transformation Start and promote Group management	Accelerate Transformation Strengthen development of Group management	Toward Renewal Accelerate and renew Group management
Role	<ul style="list-style-type: none"> Create multiple earnings bases and maximize cash flow Begin renewal of the production structure 	<ul style="list-style-type: none"> Establish earnings bases Begin full-fledged renewal of the production structure 	<ul style="list-style-type: none"> Stable creation of earnings through four business sectors Establish the procurement and production structure

Make the Future with Milk.



Disclaimer:

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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