

2Q Fiscal Year Ended March 31, 2020

# Financial Results

November 8, 2019

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(first six months of FYE March 2020)
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(FYE March 2020 full year)
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## Consolidated Financial Results FYE3 2020 (1Q-2Q)

### ■ First Half ■

(Billion yen, %)

	FYE3/2019 (1Q-2Q)	FYE3/2020 (1Q-2Q)	YoY change	YoY % change	Achievement rate
Net sales	305.3	311.6	+6.2	102.0	100.2
Operating profit	9.5	10.6	+1.0	110.9	104.3
Ordinary profit	10.2	11.7	+1.4	114.4	107.6
Profit *	6.4	7.7	+1.2	120.0	115.0

\* Profit attributable to owners of parent

- ▶ **Year-on-year change:** Increased in sales and profit
- ▶ **Compared to initial forecast:** Largely on par with plans

## Initiatives During FYE3/2020

### 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

## Forecast of Consolidated Financial Results FYE3/2020

### ■ Full Year Forecast ■

(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	19.0	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.



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## 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	122.0	103.9	100.0	250.9	104.1
Operating profit	5.2	97.0	93.0	12.1	102.9

- ▶ **Butter** : Continuation of stable supply
- ▶ **Margarines** : Using promotions to generate demand
- ▶ **Cheese** : Expand sales of main products



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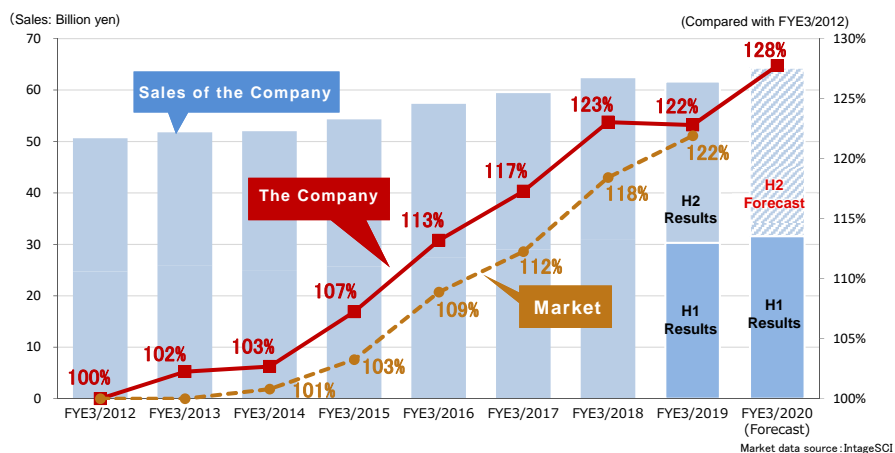
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## Dairy Products Business Sector Domestic Cheese



### ▶ Net Sales and Growth Rate of Cheese for Consumers

The consumer cheese market in Japan was firm thanks to strong demand



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## Initiatives by Segment Domestic cheese business



### ▶ Second Half Policies

**Favorable natural cheese sales**



**Launch new products to strengthen sales of processed cheese**



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### Strengthen Sales by Linking Promotions with New High Value-added Products

Launch new promising smoked flavored cheese products



Launch new commercials for promoting 6P cheese consumption occasions







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## Initiatives by Segment Overseas Cheese Business



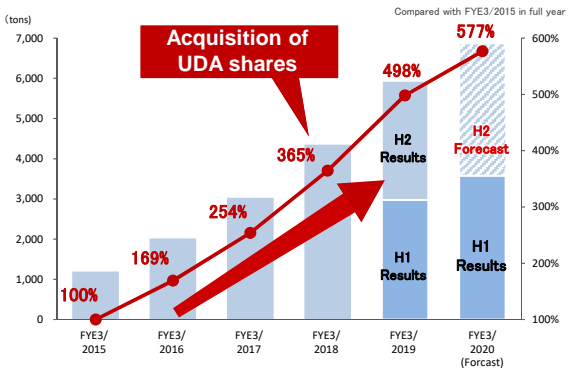
### ▶ Develop Overseas Cheese Business



**Transitions in cheese sales volume for 3 companies**

- Snow Brand Australia (SBA)
- Megmilk Snow Brand Indonesia (SMBI)
- Udder Delights Australia (UDA)

Compared with FYE3/2015 in full year



Year	Sales Volume (tons)	% Change vs FYE3/2015
FYE3/2015	~1,000	100%
FYE3/2016	~1,600	160%
FYE3/2017	~2,500	254%
FYE3/2018	~3,600	365%
FYE3/2019	~4,900	498%
FYE3/2020 (Forecast)	~5,700	577%



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Initiatives by Segment Beverages and Desserts Business



[Beverages and Desserts Segment (results)]

(Billion yen, %)

	1Q-2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	147.2	101.4	100.6	280.9	100.4
Operating profit	3.5	159.9	118.6	3.9	123.1

- ▶ **Changes to Consumer Milk, Yogurt, and other Product Prices**
- ▶ **Yogurt** : Grow sales of *Lactobacillus gasseri* SBT2055 yogurt
- ▶ **Dessert** : Maintain NO. 1 share



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Initiatives by Segment Pricing Revisions



▶ **Implement Pricing Revisions to Respond to Increased Raw Material Costs**

<Applicable products>

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

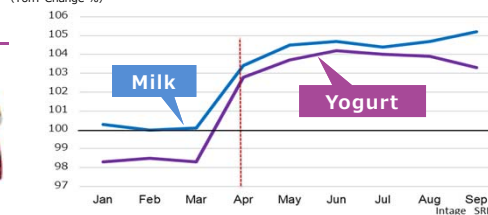
<Scope of revisions>

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

**Pricing Revisions Largely on par with Plans**



【YoY transitions in storefront pricing (The Company)】



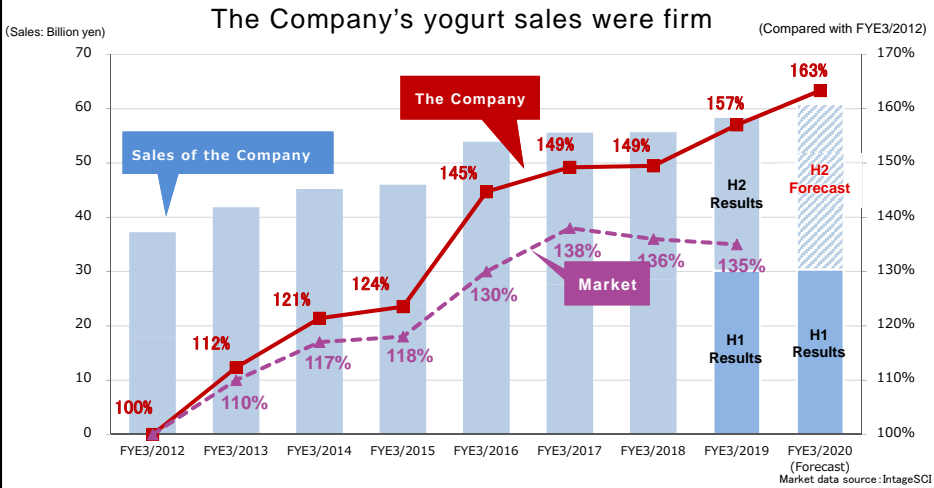
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## Beverages and Desserts Business Sector (Yogurt)



### ► Net Sales and Growth Rate of Yogurt for Consumers



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## Initiatives by Segment Functional Yogurt



### ► Stimulate Functional Yogurt

*Lactobacillus gasseri* SBT2055 yogurt



Link communication and storefronts



Lactic Acid Bacteria Helve Yogurt  
**New launch In January 2020**



Strengthen promotions to expand awareness of new products

## Strengthen Functional Yogurt

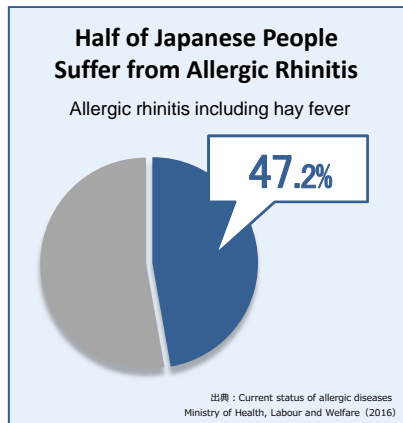


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▶ Background of Sales Launch



**Improving QOL**  
(Quality Of Life) is a Social Issue



Evaluate what we can do  
as a food manufacturer



▶ Nyu-san-kin\* Helve Yogurt

\* Nyu-san-kin is Japanese for Lactic Acid Bacteria

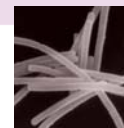


Notification Number  
E9

- Functional drinking yogurt – A food with function claims for improving eyes and nose discomfort
- First entry for the Japanese yogurt market. Yogurt for “eyes and nose conditions”.
- Contribute to improving QOL and create new markets

• Submitted Claim :This product contains *L.helveticus* SBT2171 (Nyu-san-kin Helve) , which improves eyes and nose discomfort.

• Functional substance : *L. helveticus* SBT2171 (Nyu-san-kin Helve)



This product is not intended to diagnose, treat, cure, or prevent any disease. However, unlike Foods for Specified Health Uses, this product has not been individually evaluated by the Secretary-General of the Consumer Affairs Agency. Maintain a balanced diet including a staple food, a main dish and side dishes.



## 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	9.6	98.6	96.2	20.1	103.3
(Breakdown)					
Functional foods	2.6	112.5	100.9	5.3	111.0
Infant formula and other	6.9	94.3	94.5	14.8	100.8

- ▶ **Functional foods** : Expand products related to locomotive syndrome\*
- ▶ **Infant formula and other** : Strengthen commercial appeal by launching new products

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



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## Initiatives by Segment Nutrition Business



### ▶ 1H

Gradual growth for Locomo products centered on Mainichi Hone Care MBP® (+112.5% YoY)



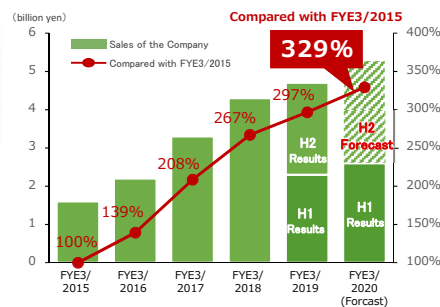
### ▶ 2H

Stimulate MBP® and expand target audience to younger consumers



Strengthen collaboration with Belle Neige Direct

【 Transitions in Net Sales And Growth Rate for Functional Food Products Business 】



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## Initiatives by Segment Feedstuffs and Seed Products



### [Feedstuffs and Seed Products Segment (results)]

(Billion yen, %)

	1Q-2Q results	YoY % change	Achievement rate	Full-year forecast	YoY % change
Net sales	23.8	99.9	100.8	45.2	98.2
Operating profit	1.1	93.9	114.1	0.9	77.3

- ▶ **Seed products business** : Company initiatives related to product development and new optimization
- ▶ **Feedstuffs business** : Promoting comprehensive proposal-based sales



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## Initiatives by segment Feedstuffs and Seed products



### ▶ First Half

April 1, 2019  
Established Snow Brand Feed Co., Ltd. Hokuren Kumiai in Tomakomai as a merger company for construction of new feedstuff plant



### ▶ Second Half

New feedstuffs plant  
Planning to begin construction in December 2019 and begin operations in December 2021



Green manure seed No.1 in the industry

Building seed and sampling production management system  
Planning to start operations in March 2020



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## For the Realization of a Sustainable Society

September 2018

### Revised Megmilk Snow Brand CSR Policy

Conducting business activities based on corporate philosophy to promote management that achieves sustainable growth with society

#### Designated 5 Core CSR Material Issues

Milk for contributions to food and health

Reducing environmental load

Contributing to sustainable dairy farming

Realization of a diverse and motivating workplace

Contributing to local community



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## For the Realization of a Sustainable Society

August 2019

### Set KPI For Each Core Issue and will Publish Progress Reports



Example

- Reduce CO2 emissions by 30% from the fiscal 2013 level by fiscal 2030
- Cut waste generation by 30% from the fiscal 2013 levels by fiscal 2030
- Carry out food education activities and aim for an average 45,000 participants every year in fiscal 2019-2026

※See our website or the Megmilk Snow Brand Report 2019 for details.

We are engaging in initiatives related to 13 of the 17 SDGs.



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