

May 13, 2019

Megmilk Snow Brand Co., Ltd.
Keiji Nishio, Representative Director and President

Review of Fiscal Year Ended March 2019 Financial Results

The Japanese economy recorded mild recovery but the food industry faced increased distribution costs and personnel expenses due to labor shortages as well as higher raw material costs, forcing some companies to reflect costs increases in product pricing.

The milk industry continued to face a difficult operating environment due to significant cost increases, including higher cheese raw material prices in FY2018 and growing consumer pessimism. We also are seeing the diversification of consumer trends, which is resulting in the creation of new products and markets in response to varying demands.

Amid such an operating environment, our Group work to diversify our revenue platform and maximize cash flow in accordance with our Group Medium-term Management Plan 2019.

We focused on strengthening our profit base towards supporting future growth. In addition to revamping our product mix to reflect growth in sales of mainstay products such as cheese and high-value added products such as functional yogurt, we also continued marketing investments to promote growth in the Nutrition business. However, profits declined on stagnant sales in a fiercely competitive environment and the inability to sufficiently realize the benefits of measures to address cost increases.

As a result, consolidating earnings for the Fiscal Year Ended March 2019 increased revenues but decreased profit. Net sales of 603,378 million yen (up 1.2% YoY), operating profit of 17,230 million yen (down 11.0% YoY), ordinary profit of 19,014 million yen (down 9.4% YoY), and profit attributable to owners of parent of 10,754 million yen (down 19.7% YoY).

Dairy raw material prices have continued to increase in the Fiscal Year Ended March 2020. To respond to this environment, we will implement pricing revisions for certain consumer beverages and desserts. To establish medium- and long-term pillars for profit growth, we will strengthen initiatives in core categories such as cheese and yogurt while also implementing business portfolio reforms to promote growth overseas and for the Nutrition Business.

Executives and employees will continue to reinforce compliance and quality management and aggressively promote CSR management as we work to become a Future Creation Company with Milk.

I ask for your continued support and understanding.