

Megmilk Snow Brand Report 2020

Integrated Report



Make the Future with Milk

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Editorial Policy

The Megmilk Snow Brand Group has issued this Megmilk Snow Brand Report to share the Group's approach and initiatives to achieve medium- and long-term sustainable growth in the hope that a broad range of readers, including shareholders and investors, will gain a better understanding of the Group. Please note that the latest financial and non-financial information, including information that could not fit into this report, is available at the Megmilk Snow Brand corporate website.

1. We Reflect External Opinions in This Report.

The views and requests of the Corporate Ethics Committee were reflected in preparing this report.

2. About Indication of "Customers" and "Consumers"

The Megmilk Snow Brand Group respects the basic rights of consumers, and we conduct operations with a focus not only on our customers, but on all consumers. With the understanding that some consumers are our customers, we express the concept of these individuals as two separate groups within this report.

3. Terminology for Managerial Positions

Megmilk Snow Brand Co., Ltd. refers to administrative positions as managerial positions. In this report, "managerial position" is used to standardize the terminology.

Disclaimer

Earnings forecasts and other statements concerning the future in this report are projections made by Megmilk Snow Brand based on information available at the time of writing and are not intended as a guarantee that Megmilk Snow Brand will achieve these forecasts. Actual business results may differ from the forecasts in this report depending on changes in business conditions and other factors.

Caution

This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Period Reported

FY2019 (April 1, 2019 to March 31, 2020)
Information from other periods is included as necessary.

Report Boundary

The information contained in this report refers to the Megmilk Snow Brand Group (Megmilk Snow Brand Co., Ltd. and its Group companies). However, this report is not a comprehensive indication of all information relevant to applicable companies. Initiatives with no company name listed are initiatives of Megmilk Snow Brand Co., Ltd.

Referenced Guidelines

- International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)
- GRI Standards
- ISO 26000: Guidelines on Social Responsibility
- Guidance for Collaborative Value Creation by Ministry of Economy, Trade and Industry

Publication Period

This issue: September 2020
Next issue: Autumn 2021 (planned)
(This report is published annually.)

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Corporate Philosophy

Our corporate philosophy consists of our mission and our corporate slogan, "Make the Future with Milk."

Our Mission

The Megmilk Snow Brand Group strives to fulfill our three missions and create new value for milk in order to exist as a company that contributes to society.

Focus on Consumers

The Megmilk Snow Brand Group fully recognizes the importance of the concepts of consumer rights and business responsibilities as outlined in the Basic Consumer Act. Determined to keep our business operations consumer-focused, we are committed to:

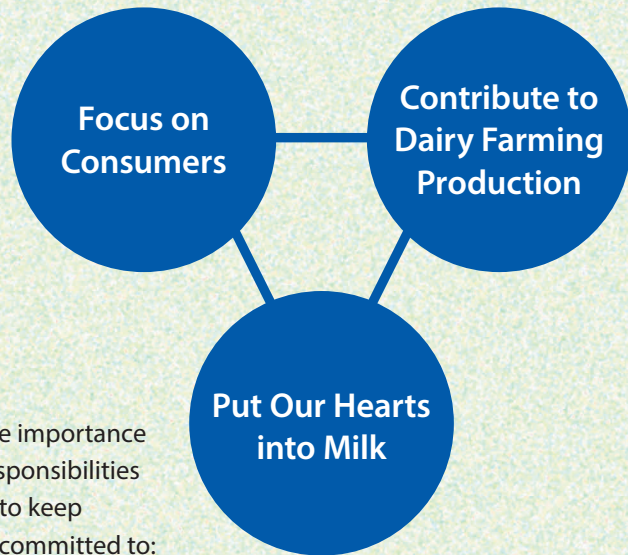
- Providing safe and reliable products and services
- Proactively disclosing information
- Embracing consumers' feedback and reflecting it in management
- Establishing a risk management system to rapidly and appropriately respond to unexpected incidents.

Contribute to Dairy Farming Production

The Megmilk Snow Brand Group is based on Japan's dairy farming industry. As trusted partners of dairy producers, we work to strengthen relationships and meet the expectations of producers by conveying the value of milk. Further, by developing new demand for milk and dairy products, we will strengthen the foundation of domestic dairy farming production and contribute to its sustainable development.

Put Our Hearts into Milk

The Megmilk Snow Brand Group believes there is vast potential for milk. By focusing on and remaining dedicated to milk, we will expand the potential and increase the value of milk, and promote milk throughout the world.



Corporate Slogan

Make the Future with Milk

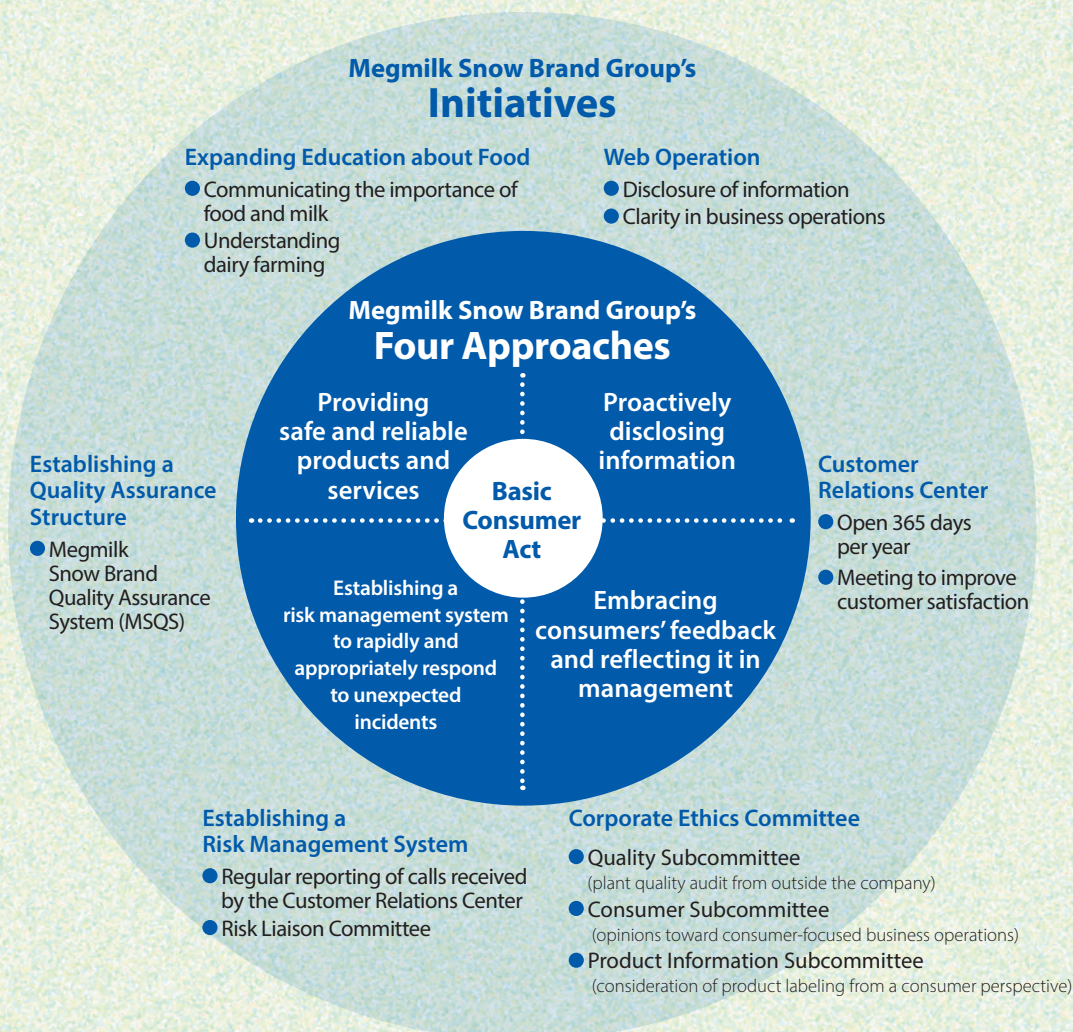
Consumer Approach

Consumer-focused Management Based on the Basic Consumer Act

Megmilk Snow Brand Group will work on initiatives based on the Group's four commitments. This reflects the eight basic rights of consumers stipulated in Japan's Basic Consumer Act.

Basic Consumer Act	<p>Fundamental Principles (Eight Basic Rights)</p> <p>Article 2</p> <p>(1) When implementing comprehensive policies (hereinafter referred to as "Consumer Policies") with regard to the protection and advancement of the interests of consumers,</p> <ol style="list-style-type: none"> 1. the satisfaction of the basic demands of consumers, 2. a healthy living environment, 3. consumer safety, and 4. the opportunity for consumers to make autonomous and reasonable choices about products and services shall be guaranteed, 5. the opportunity for consumers to receive the necessary information and education shall be provided, 7. the opinions of consumers shall be reflected in the Consumer Policies, and 8. when consumers suffer damage, such damage shall be appropriately and promptly relieved, and the Consumer Policies shall be undertaken on the basis of supporting the self-reliance of consumers so that they are able to autonomously and reasonably act to protect and advance their own interests. 	Our Response	<p>Responsibilities, etc. of Business Operators</p> <p>Article 5</p> <p>(1) Business operators shall have the following duties when providing their goods and services with respect to the rights of consumers, support for their self-reliance and other fundamental principles under Article 2.</p> <ol style="list-style-type: none"> (i) Duty to secure the safety of consumers and fairness in transactions with consumers. (ii) Duty to provide necessary information to consumers in clear and simple terms. (iii) Duty to consider the state of consumers' knowledge, experience and the status of their assets, etc. in dealings with consumers. (iv) Duty to endeavor to establish systems necessary to appropriately and promptly process complaints by consumers, and to appropriately process said complaints. (v) Duty to cooperate with the Consumer Policies implemented by the State and local governments.

* Numbers added for clarification of content



Group Long-term Vision 2026



VISION

Group Long-term Vision 2026 [FY2017-FY2026]

Outlines our Vision for the Megmilk Snow Brand Group 10 years from now.
Specific ideals to achieve our corporate philosophy while changing to reflect current trends.



VALUES

Megmilk Snow Brand Values

The common values embraced by the directors and employees of the Megmilk Snow Brand Group as we act to achieve our long-term vision.



Self-motivated

Start the action.
For your future.



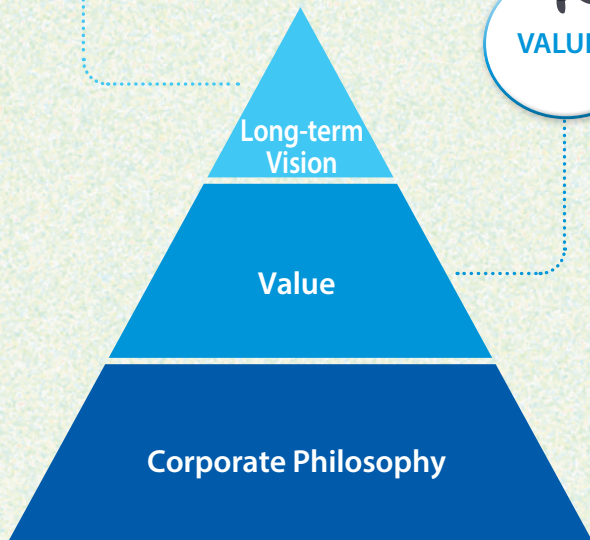
Challenge

Enjoy the challenge.
For your future goal.



Teamwork

Work together.
For our common future.



MISSION

Corporate Philosophy

Outlines the Megmilk Snow Brand Group's reason for existing and our mission in society.
Reflects the basis of our existence, something that doesn't change over time.

Focus on Consumers

Contribute to
Dairy Farming Production

Put Our Hearts into Milk

Make the Future with Milk

Our Ideal Future

Future Creation Company with Milk

Transformation & Renewal

The Megmilk Snow Brand Group established the Group Long-term Vision 2026 as its vision for 2026. This plan is aligned with the Group's Corporate Philosophy, the foundation for all of its activities. The vision, "Future Creation Company with Milk," includes **"Three Futures"**—from the perspectives of consumers, dairy farmers, and employees. The Group will undertake transformation and renewal to pioneer a new future for all three groups. Through its business, the Group will also contribute to the resolution of the important social issues that the entire world faces, helping to achieve the Sustainable Development Goals (SDGs).

Three Futures

Create the Future of Food with Milk

We will create and utilize the Megmilk Snow Brand's strengths and create and provide value. We will also continue to give people all over the world the joy of eating by drawing out the unlimited potential of milk and manufacturing dairy products.



Contribute to the Future of Dairy Farmers

We will achieve sustainable growth by working together with dairy farmers to enhance the value of milk. In our role as a good partner, we will continue to contribute to the sustainable growth of dairy farmers and the milk industry.

Create Future Opportunities for Employees

We recognize that people nurture companies and companies can also nurture people. We aim to be a corporate group that makes the most of the individuality and skills of each employee and continues to grow with a diverse workforce filled with a sense of pride and hope.

Group Long-term Vision 2026 [FY2017-FY2026]

The environment surrounding the Megmilk Snow Brand Group is changing markedly with trade liberalization and changes in the fresh raw milk transaction system. We are addressing the issues facing us as we look ahead to the next ten years to ensure that we achieve sustainable growth while addressing these changes in our environment.

Strategy Concept

Transformation & Renewal

Business Portfolio Transformation
Transformation

Renewal of the Production Structure to Support Business Growth
Renewal

Promoting Group Management
Group Management

Basic Strategies

We outlined specific strategies based on our strategy concepts.

1. Transform our business portfolio to create new growth opportunities and strengthen our earnings bases.
2. Build strategic procurement and production structures for the future (ten years from 2017) to establish a competitive platform.
3. Create new value by engaging in manufacturing (*monozukuri*) grounded in R&D.
4. Respect and take advantage of personnel diversity to create a highly productive organization capable of continuous growth.
5. Utilize Group management resources effectively to maximize our Group competitiveness and core capabilities

Message from the President

Keiji Nishio

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



“ We Aim to Be a “Future Creation Company with Milk” to Build a New Era. ”

Megmilk Snow Brand History

Snow Brand Milk Products Co., Ltd., one of the predecessors of Megmilk Snow Brand Co., Ltd., was created to save Hokkaido's dairy farming, which fell into difficult times due to food policies following the Great Kanto Earthquake. As part of the former Hokkaido Cooperative Creamery Association, an organization founded by producers in 1925, for about 100 years the company has been a part of Japan's dairy industry. However, in 2000 and 2002, the Snow Brand Milk Products Group was involved in two compliance incidents that would impact food safety and security, and greatly impact society. In 2009, a consolidation and merger between Snow Brand Milk Products Co., Ltd. and Nippon Milk Community Co., Ltd. resulted in a new start in 2011 as Megmilk Snow Brand Co., Ltd.

The Megmilk Snow Brand Group Corporate Philosophy is to fulfill its missions: “To focus on consumers, to contribute to dairy farming production, and to put our hearts into milk.” By creating new value for milk, we will continue to exist as a company that contributes to society. This commitment is expressed through our corporate slogan: “Make the Future with Milk.” We will never forget the history of those two incidents. We will use that experience as a lesson to solidify our position as a responsible company that looks to the future.

Group Long-term Vision 2026 for Sustainable Growth

In May 2017, the Megmilk Snow Brand Group announced our Group Long-term Vision 2026, which outlines our ten-year plan for achieving sustainable growth. Based on our Group Corporate Philosophy, the foundation of all our business activities, we titled our long-term vision “Future Creation Company with Milk,” and gave it a focus on three “futures”: the future of consumers, the future of dairy farmers, and the future of each employee. Our three strategies for achieving this vision are based on the concept of “Transformation and Renewal.”

The first is a transformation of our business portfolio. To enable sustainable growth, we must shift to a business portfolio for a new age in which we generate income through multiple businesses. The second is a renewal into

a production structure that supports business growth. By linking production structure renewal with business platform transformation, we will adopt new technology and restructure our production line composition to establish a highly efficient and competitive production line. Lastly, simultaneous to transformation and renewal initiatives, we will evolve Group management. We will make the most of management resources and the value chain to enhance the overall strength of our Group.

Our goal for fiscal 2026, the final fiscal year of our Long-term Vision, is to achieve consolidated sales of 700 to 800 billion yen and consolidated operating profit of 30 to 40 billion yen. In the initial plan we planned on investing 300 to 400 billion yen in production facilities over a 10-year period, but this projection has since been scaled back to approximately 280 billion yen, taking into account changes in the business environment, while also maintaining necessary investment. We will achieve transformation and renewal to be a “Future Creation Company with Milk” as we look to usher in a new era of growth for the Megmilk Snow Brand Group by fiscal 2026.

Review of the Group's Medium-term Management Plan 2019

The Long-term Vision consists of three stages spread over ten years. In the first stage, we worked on developing multiple earnings bases, maximizing cash flow and renewing our production structure as part of the Group Medium-term Management Plan 2019, which started in fiscal 2017.

In our business portfolio transformation, we took specific steps to follow our Medium-term Management Plan with strategic measures. These included strengthening our drink-type yogurt products by expanding the production line at the Kyoto Plant, creating new growth opportunities by developing functional food products, and expanding the cheese business outside Japan.

As part of our efforts to renew the production structure, we are constructing new buildings in Isobunnai (to be completed in fiscal 2020) and building a new feed plant with Snow Brand Seed's establishment of a joint venture company

(to be completed in fiscal 2021). In addition, we have ended production at the Nagoya Plant and consolidated operations at the Toyohashi Plant (March 2020). These steps are expected to strengthen the foundation for our business competition and raise production efficiency. In addition, we completed making an Australian natural cheese manufacturing and sales company and a Japanese mail order company our subsidiaries. We have made aggressive investments in further growth, including M&A, and are steadily implementing measures in line with the Medium-term Management Plan.

However, we were unable to achieve our goals for fiscal 2019, the final year of the Medium-term Management Plan, which were 630.0 billion yen in consolidated net sales, 22.0 billion yen in consolidated operating profit, and 40.0 billion yen in consolidated EBITDA. We recognize that this outcome was predominantly attributable to an insufficient response to cost increases, decline in marketing investment efficiency, and stagnant earnings in the beverages and desserts business.

In terms of response to cost increases, although increases were seen in raw material costs, including milk prices, as well as hikes in logistics costs and energy costs, we were unable to respond adequately to these developments. As costs are projected to continue to rise in the future, it is more important than ever for us to respond to higher costs by optimizing our production and distribution systems.

One of the factors behind the decline in marketing investment efficiency is that we have been slow to address the diversification of advertising methods, set against the backdrop of a declining population, an aging society, and

changes in household composition and lifestyles. Looking ahead, we will enhance the efficiency of our marketing investment by actively utilizing new marketing methods, such as via social media, a medium where user numbers continue to grow rapidly, and by verifying their effectiveness.

Regarding the stagnant earnings of the beverages and desserts business, in fiscal 2014, the entire business had posted an operating deficit, but thanks to progress in business structure reform, the business returned to an operating profit of 5.2 billion yen in fiscal 2019. However, we have not been able to break out of the red in the milk business, which is the core of the beverages and desserts business. We recognize that it is essential to structurally reform the milk business to create further profits in the future.

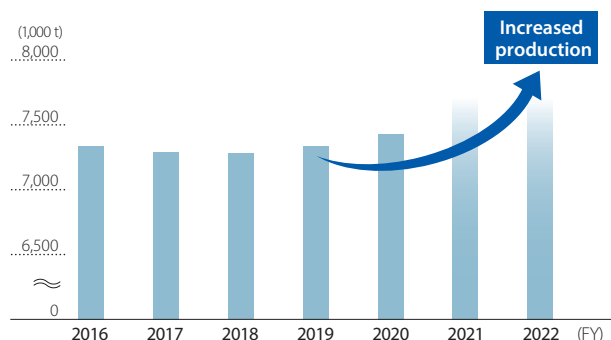
Market Environment and Forecasts

In May 2020, we announced the Megmilk Snow Brand Group Medium-Term Management Plan 2022 (fiscal 2020-2022), which forms the second stage of the Group Long-term Vision 2026. First, I would like to describe the market environment and outlook that underpinned the formulation of this plan.

Starting with the impact of the COVID-19 pandemic, in the Japanese milk products market, performance was strong for products for household use such as milk, butter, cheese, and yogurt due to health-consciousness among consumers and increased opportunities for home-based cooking. On the other hand, although commercial products have been gradually recovering in line with the gradual increase in the

Fig. 1

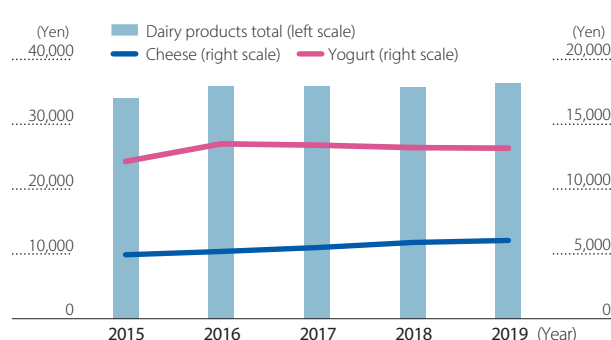
Raw Milk Production in Japan



(Source) *Milk and Dairy Products Statistics*, Ministry of Agriculture, Forestry and Fisheries; Group projections.

Fig. 2

Dairy Product Spending Trends in Household Consumption



* Dairy products total: Total of milk, powdered milk, butter, cheese and yogurt
(Source) *Household Statistics (Expenditure of two-or-more-person households)*, Ministry of Internal Affairs and Communications.

level of economic activity, they have yet to fully recover.

Although there is a risk of a prolonged downturn in consumption due to the spread of COVID-19, it is also the case that we are seeing increased demand related to both the growing number of consumers cooking and dining at home and the growing number purchasing prepared foods and takeout. We will keep a close eye on market changes and work to provide new products and disseminate information, such as suggestions for various food-related scenarios.

Although we may be facing difficult circumstances, such as increases in various costs, including raw material costs, labor costs due to labor shortages, and logistics-related costs, there are nonetheless positive signs. Milk production in Japan increased in fiscal 2019, after a prolonged period of declining or flat production, and this upward trajectory is expected to continue. In addition, household consumption and expenditure on dairy products continues to be strong, mainly due to increased health consciousness (see figures 1 and 2).

Global consumption of dairy products is on the rise, particularly in Asia, where populations are growing and dietary habits are changing, and the internationalization of dairy products is progressing with the successive entry into force of Trans-Pacific Partnership Agreement (TPP11), the EU-Japan Economic Partnership Agreement, and the Japan-US Trade Agreement. We recognize these developments as a major opportunity for importing raw materials for dairy products, exporting Japanese dairy products overseas, and developing our overseas business.

Main Initiatives on the Group's Medium-term Management Plan 2022

The Group's Medium-Term Management Plan 2022 is positioned as the stage when we will move to accelerate transformation, establish earnings bases, and begin full-fledged renewal of the production structure. The three initiative policies under the plan are advance productivity improvement reforms, advance business structure reforms, and promote innovation in our production structure. These policies are shared by all our businesses and are being pursued by the Group as a whole.

Our consolidated medium-term goal management benchmarks for the fiscal year ending March 2023 are net sales of 640.0 billion yen (growth rate of 104.3% over the fiscal year ended March 2020), and operating profit of 22.0 billion yen (growth rate of 122.2%). In our four business sectors of dairy products, beverages and desserts, nutrition, and feedstuffs and seed products, we will continue our efforts to establish earnings bases.

In the dairy products business sector, from fiscal 2021 we will expand production and sales of consumer butter following the full-fledged launch of operations at the new butter building at Isobunnai Plant. In the cheese business, we will seek further market growth for Sakeru Cheese and expand sales by developing new snack products that respond to the anticipated growth in demand for drinking at home. In addition, we will also increase production of Camembert cheese through the construction of a new wing

Performance Indicators

	Group's Medium-term Management Plan 2019	Group's Medium-term Management Plan 2022	Long-term Vision
	FY2019	FY2022	FY2026
	Result	Target	
Consolidated net sales (billion yen)	613.4	640.0	700-800
Consolidated operating profit (billion yen)	17.9	22.0	30-40
Consolidated operating margin (%)	2.9	3.4	4.3-5.0
Consolidated EBITDA (billion yen)	34.1	41.0	—
	Target		
Capital Expenditures (billion yen)	Approx. 64 (3-year total)	Approx. 86 (3-year total)	Approx. 280 (10-year total)
Consolidated ROE (%)	7.1	8% or higher	8% or higher
Consolidated equity ratio (%)	47.3	50% or higher	50% or higher
Consolidated payout ratio (%)	22.3	20-30%	30% or higher
Interest-bearing debt (billion yen)	69.3	Approx. 78	—

at the Taiki Plant (scheduled for completion in 2022). Outside Japan, we will strive to steadily generate profits by expanding sales volume at Snow Brand Australia, Udder Delights Australia and Megmilk Snow Brand Indonesia.

In the beverages and desserts business sector, we will continue to strategically expand our yogurt business, focusing on functional products. In addition to *Lactobacillus gasseri* SBT2055 yogurt, in January 2020 we launched Nyusan-kin Helve (*Lactobacillus helveticus*) yogurt, which is also performing consistently in the market. In order to generate further profits, it is imperative that the milk business, which is at the core of the beverages and desserts business, is returned to profitability. To that end, we are working in earnest to implement structural reforms in the beverages and desserts business, with the aim of returning to profitability by the end of fiscal 2026.

In the nutrition business sector, we are working to promote further expansion of the powdered milk business by launching products in new markets and domains. In April 2020 we entered the market for liquid infant formula with the launch of liquid formula Sukoyaka M1. In the functional foods business we will continue to improve the efficiency and expand the scale of our mail-order business, focusing on Mainichi Hone Care MBP®.

In the feedstuffs and seed products business sector, at the new plant (scheduled to begin operations in fiscal 2021) of Hokuren Snow Brand Feed Co., Ltd., a joint venture established in April 2019, we will endeavor to optimize and improve quality for the feedstuffs business. In the seed products business, we will further expand our vegetable, green fertilizer, and microbes businesses to increase profits, as well as consolidate our leading industry position for grass and feed crop seeds. Furthermore, we will promote the development of new competitive strains using our new research facility.

CSR-based Management Focused on Resolving Social Issues

The Megmilk Snow Brand Group's CSR management is based on five CSR material issues that we seek to address through our business activities while creating economic value as a company. This also means contributing simultaneously to the resolution of social issues targeted by the United Nations Sustainable Development Goals (SDGs).

With respect to progress on the KPIs that we established in 2019, despite the fact that the spread of COVID-19 forced us to suspend some activities, we have generally made good progress and have achieved some targets ahead of schedule. Under the CSR material issue of "Reducing Environmental

Impact," we have also set new numerical targets for the KPI on reducing plastic use and reusing resources by developing and using eco-friendly packaging and containers. We will continue to endeavor to make further improvements during fiscal 2020.

The year 2020 is a milestone marking the passage of 20 years since the Snow Brand Milk Products food contamination incident. While continuing to work tirelessly to ensure that the incident is never forgotten, we will also closely monitor contemporary social issues and pursue CSR focused on resolving them so that we can contribute to a better future in a manner befitting a company involved in the handling of food.

Response to COVID-19

The increase in household demand that arose as people remained indoors to reduce interpersonal contact during the spread of COVID-19 clearly demonstrated just how important consumers consider milk and dairy products to be as a fundamental part of a nutritious diet. The mission that the Megmilk Snow Brand Group sought to fulfill was above all to maintain the milk supply chain—from the dairy to the dinner table. In order to fulfill our social responsibility as a group,

Major Steps Taken by Megmilk Snow Brand Group to Address the COVID-19 Crisis

- Donation of approximately 52,000 bottles of 500ml Bean Stalk Pocari Sweat via Nippon Keidanren (Japan Business Federation) to organizations that support children's cafeterias and families of children with serious illnesses.
- Donation of 8,052 packs of Platinum Milk 300g, powdered milk for adults, to 686 facilities for the elderly.
- Donation of the following, through food banks, to families in need, welfare facilities, and organizations that support single-mother families:
 - Powdered milk for adults Platinum Milk 300g: 12,156 packs
 - Powdered milk for adults Platinum Milk Stick 10g x 10: 2,724 packs
 - LL Hokkaido Milk 1000ml: 4,200 cartons
 - Retort baby food Six Vegetable Japanese Style Porridge: 2,400 packs
 - Refreshing oral care confectionary Hakira: 1,200 packs
 - Mixed cheese for professional use 1kg: 250 packs
- Donation to the Japanese Red Cross Society of 2,000 N95 medical-use masks and 150 sets of protective clothing and goggles for medical use.
- Donation of Bean Stalk Pocari Sweat 500ml to accommodation facilities under the jurisdiction of Tokyo Metropolitan Government for people with mild cases of COVID-19.
- Introduction of a "STAY HOME Support Project" featuring engaging contents on the company website.
- Promotion of work-style reforms, including working from home and online work.



we positioned product supply and customer service as particularly important operations, even under a government-declared state of emergency, and put in place a system to facilitate business continuity by taking maximum infection prevention measures and placing priority on thorough management of employees' health.

At the same time, employees involved in staff functions worked from home as a general rule, and by implementing a number of behavioral changes, such as holding meetings on paper, we were able to prevent the spread of infection. As a result, we were able to maintain a steady supply of safe, secure milk and dairy products without wasting a single drop of the good-quality milk that dairy farmers produced. We also provided supplies to a food bank and medical professionals.

Strengthening Efforts to Respect Human Rights

In June 2020, Megmilk Snow Brand signed the United Nations Global Compact, seeking to help create the world envisioned by the United Nations Sustainable Development Goals (SDGs) in which “no one will be left behind” and to further deepen its efforts to contribute to a sustainable world. We are committed to the ten principles of the Global Compact in the four areas of human rights, labor, environment, and anti-corruption, and we will further pursue the sustainability of both society and business.



A Closing Word to All Stakeholders

For the Megmilk Snow Brand Group, the Group Medium-Term Management Plan 2022 represents an important milestone on the road to realizing and embodying the “Three Futures” set out in the Group Long-term Vision 2026: “Create the Future of Food with Milk,” “Contribute to the Future of Dairy Farmers,” and “Create Future Opportunities for Employees.” We are determined to achieve the goals of the Group Medium-Term Management Plan 2022 and make steady progress toward being a “Future Creation Company with Milk” that shares our knowledge and adapts to change, even in the face of upheavals in the business environment.

Remaining dedicated to resolving social issues through our corporate activities, the Megmilk Snow Brand Group aims to be a corporate group capable of generating a cycle of growth as we contribute to the realization of the SDGs and work to improve our corporate value.

We sincerely request the understanding of all our stakeholders for the direction that the Megmilk Snow Brand Group has set out in the Group Long-term Vision 2026, and we ask for your continued support.

September 2020

Keiji Nishio
Representative Director and President

Message from Executive Officer Responsible for Finance



Leveraging the Group's Corporate Functions to Achieve Sustainable Growth and Increase Corporate Value

Takao Nakashima

Managing Executive Officer
Megmilk Snow Brand Co., Ltd.

Looking Back on the Group's Medium-term Management Plan 2019

The Group's Medium-term Management Plan 2019 got off to a smooth start in fiscal 2017, the first year of the plan. Total results for the plan, however, came in below the target, due in part to socio-economic changes as well as the environment affecting the dairy industry in the second year of the plan and beyond. Consolidated operating profit in fiscal 2019, one of the medium-term management indicators, fell short of the target of 22.0 billion yen, and consolidated EBITDA also fell short of the 40.0 billion yen target.

However, we far exceeded our indicators for financial stability, with an equity ratio over 40% and a balance of

interest-bearing debt less than 75.0 billion yen. Moreover, in 2018, our issuer credit rating was raised to A- (stable) by a rating agency, and in light of this, Megmilk Snow Brand issued corporate bonds for the first time ever, raising 10 billion yen directly from capital markets. As a result, we secured capacity for investment by ensuring financial stability and established a foundation for more diverse procurement methods that will enable us to manage our finances so that we can meet demand for capital to invest in our businesses going forward.

Financial Strategy in the Group's Medium-term Management Plan 2022

The Group's Medium-term Management Plan 2022, which is the second stage of the Group Long-term Vision 2026, lays out financial targets with a good balance between capital efficiency, financial stability and shareholder returns, as in the Group's Medium-term Management Plan 2019. Specifically, the Group aims for consolidated ROE of 8% or higher, consolidated equity ratio of 50% or higher, consolidated interest-bearing debt of 78 billion yen or less, and a consolidated dividend payout ratio of 20–30%.

Capital Efficiency

Investment projects will be carefully examined, with capital costs always in mind. In fiscal 2019, ROE was below the target, at 7.1% (up 0.4 points over the previous fiscal year), but we will continue to improve capital profitability through

transformation of our business portfolio and renewal into a production structure that supports business growth, which are strategies in the Group's Long-term Vision 2026. This Vision forecasted 300-400 billion yen in capital investment over 10 years, but after closely examining these investments for their capital costs and profitability, we have revised this to about 280 billion yen in light of the need to maintain necessary investments while adapting to environmental changes. We will constantly monitor capital efficiency so that we can achieve ROE of 8% or higher, our financial target going forward.

Financial Stability

We believe that maintaining financial stability—in other words, observing financial discipline—is essential so that we can

make the necessary investments for our growth and continue with stable management and dividend payments. The equity ratio has continued to increase each year, reaching 47.3% at the end of March 2020 (up 1.0 points over the previous year), and we will work to maintain and improve the financial stability established in the Group's Medium-term Management Plan 2019. In terms of investments, we do not expect to use equity financing,* which could dilute our stocks, and we plan to continue to procure capital through our internal reserves and taking on debt as needed.

We anticipate medium- and long-term changes in the management environment going forward, similar to the impact that the COVID-19 pandemic has had on the economy and financial markets. Given this, we will manage our finances and capital so that it contributes to stable management by raising abundant capital when needed and

preparing for unforeseen circumstances.

* A means of raising capital by issuing new shares or convertible bonds that results in an increase in equity (shareholder equity).

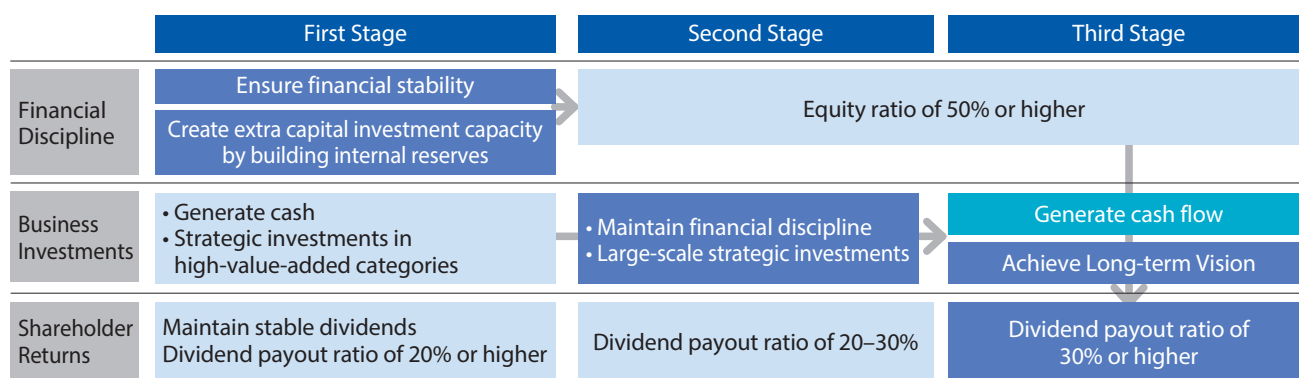
Shareholder Returns

During the period covered by the Group's Medium-term Management Plan 2022, we will prioritize stable, ongoing dividends and will maintain a dividend payout ratio of 20% or more, while aiming for a balance between growth investments that will raise our corporate value and maintaining or improving our financial stability. In the Group Long-term Vision 2026, if the equity ratio trends at levels of 50% or higher while we are making necessary business investments, we intend to raise the dividend payout ratio to 30% or higher.

Cash Flow Distribution Policy

The Group Long-term Vision 2026 lays out an approach that divides the cash flow the Group generates into three areas: internal reserves (financial discipline) to maintain financial stability, business investment for growth, and shareholder returns. For the Group's Medium-term Management Plan 2022, the second stage of the Vision, we plan to use approximately 97 billion yen in revenue from operating cash flow to build a new butter building at the Isobunnai Plant and a new building for camembert production at the Taiki

Plant, covering about 86 billion yen in capital investments and keeping the balance of interest-bearing debt at 78 billion yen or lower. We plan to continue with stable dividends with a target of a dividend payout ratio of 20% or higher, but as I mentioned above, if the equity ratio reaches 50% or higher as we make these necessary business investments, we will consider raising the dividend payout ratio to 30% without waiting for the third stage.



Delivering Sustainable Growth and Higher Corporate Value

With the management environment changing at a dizzying speed, we are determined to reform productivity without getting stuck in preconceived notions. This will ensure that we can achieve transformation of our business portfolio, renewal into a production structure that supports business growth, and evolution of Group management, all of which

are strategic concepts in the Group Long-term Vision 2026. Corporate functions will play a major role in achieving this. The Finance Division will work hand-in-hand with the Group to improve expertise, work to utilize management resources and exercise functions with the aim of achieving sustainable growth and raising corporate value.

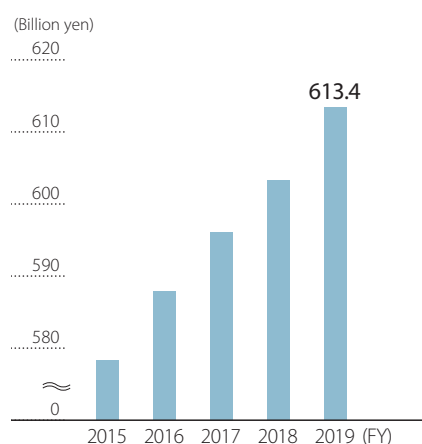
Financial and Non-Financial Highlights

Financial Information [Consolidated]

Net Sales

¥**613.4** billion

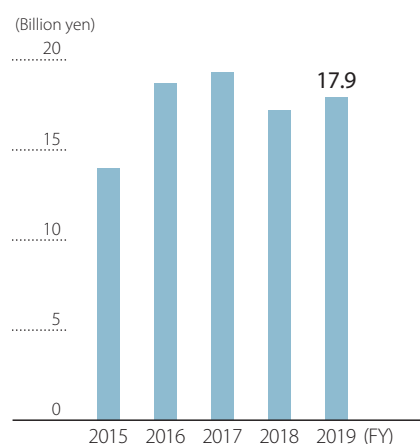
Net sales continued to grow. In fiscal 2019, sales grew particularly for butter in the Dairy Products business, milk and milk-based beverages and yogurt in the Beverages and Desserts business, and functional foods in the Nutrition Business, resulting in an approximately ¥10 billion increase in net sales over the previous year.



Operating Profit

¥**17.9** billion

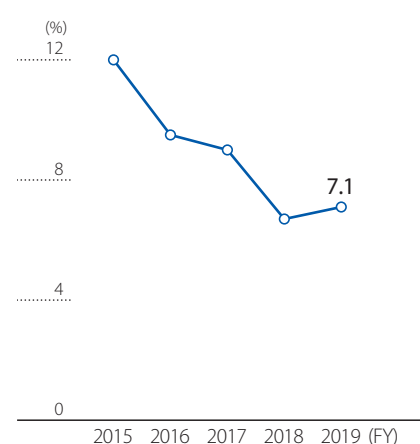
In fiscal 2019, operating profit increased due to price revisions and better efficiency in using advertising and promotional funds. However, costs were incurred by a fire at the subsidiary SI System Corporation, and as a result of this impact, operating profit did not reach fiscal 2016 and fiscal 2017 levels.



ROE (Return on Equity)

7.1 %

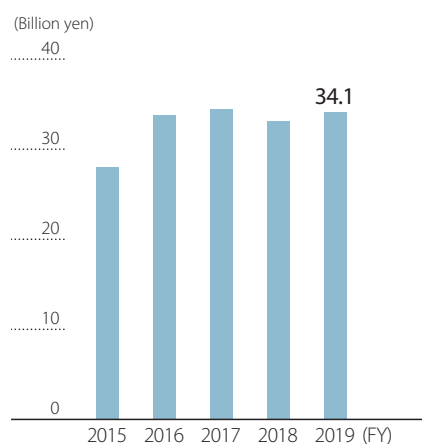
In fiscal 2018, losses on disasters and accidents due to natural disasters, as well as impairment losses in the Feedstuffs and Seed Products Business, lowered profit for the fiscal year, and ROE declined. However, in fiscal 2019, profit increased and ROE also improved.



EBITDA*

¥**34.1** billion

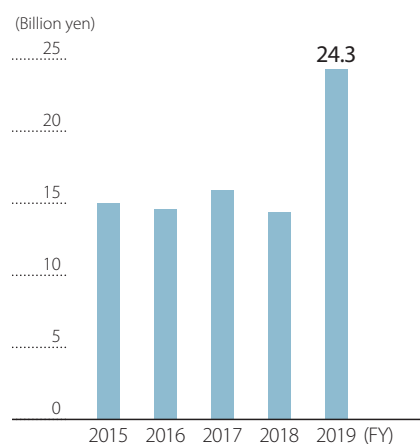
In addition to higher operating profit, growth in capital investment led to an increase in depreciation and amortization costs in fiscal 2019, and as a result, EBITDA recovered to levels on par with fiscal 2016 and fiscal 2017.



Capital Expenditures

¥**24.3** billion

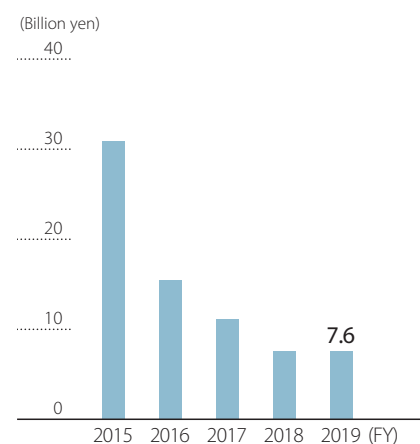
Capital expenditures increased significantly due in part to the start of construction on new buildings for butter production at the Isobunnai Plant, which is a strategic investment.



Free Cash Flow*

¥**7.6** billion

We continue to generate stable cash flow. In fiscal 2019, capital expenditures increased compared to fiscal 2018, which resulted in an uptick in cash flow used in investing activities, but cash flow from operating activities also rose, and thus free cash flow was on par with fiscal 2018 levels.



* Earnings before interest, taxes, depreciation and amortization

* Cash flow from operating activities + cash flow from investment activities.

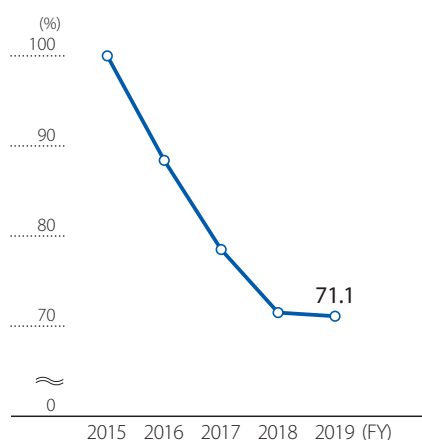
Non-Financial Information [Megmilk Snow Brand Co., Ltd., Non-Consolidated]

Overtime Work Reduction

(Non-Manual Employees, Compared with First Half of Fiscal 2015)

71.1 %

We strive to improve labor productivity by pursuing operational reforms.

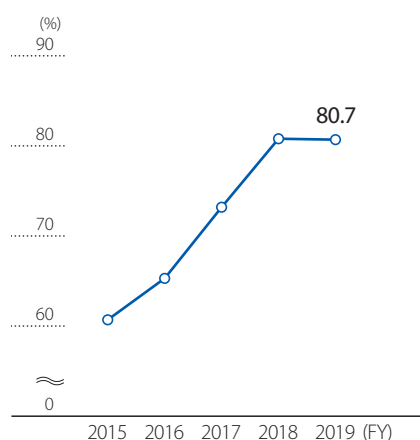


Paid Leave Acquisition Rate

(All Employees)

80.7 %

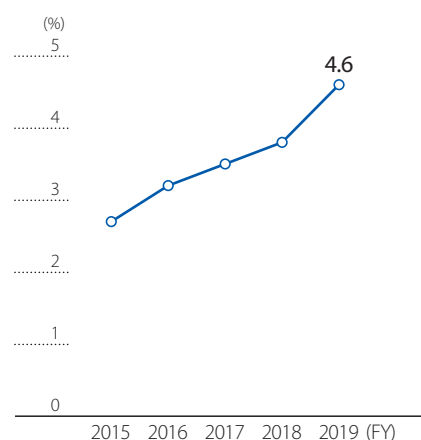
Since there were many national holidays in fiscal 2019, the paid leave acquisition rate was almost unchanged.



Rate of Women in Management Positions

4.6 %

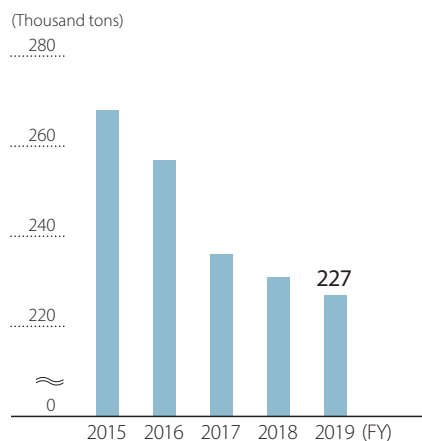
We promote the engagement of women as part of our efforts to ensure human resource diversity and help employees maximize their potential.



CO₂ Emissions

227 thousand tons

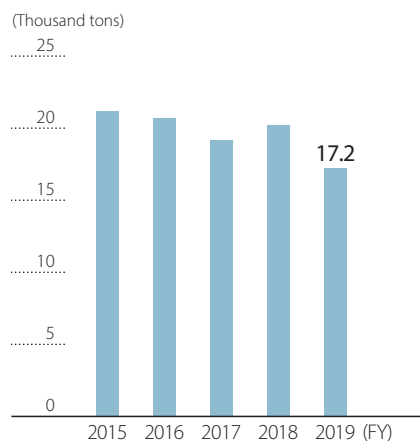
We have worked to stabilize plant operations and are switching from heavy oil to gas as a fuel source, and these efforts are reducing CO₂ emissions.



Waste Product Emissions

17.2 thousand tons

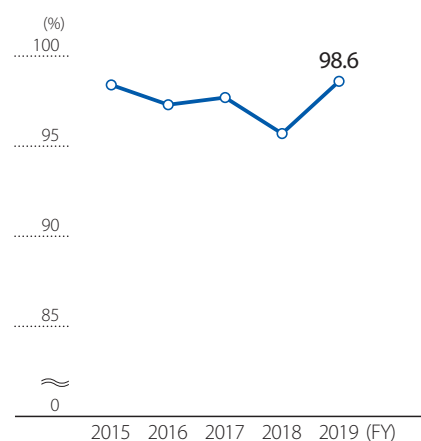
The discharge amount for sludge decreased due to upgrades to the drainage treatment facility and improved processing capacity.



Waste Product Recycling Rate

98.6 %

The waste product recycling rate declined in fiscal 2018 due to a substantial amount of waste that occurred at one time due to the impact of power outages caused by torrential rain in western Japan and the Hokkaido Eastern Iburi earthquake. However, in fiscal 2019 irregular waste decreased and the recycling rate improved.



Group Medium-term Management Plan 2022

The second stage in the achievement of the Group Long-term Vision 2026, namely the Group Medium-term Management Plan 2022, involves advancing productivity improvement and business structure reforms to establish earnings bases in four business sectors. The plan calls for full-fledged renewal of the production structure to accelerate our transformation. The Megmilk Snow Brand Group will pursue management that also addresses social issues such as the SDGs, aiming to become a corporate group that delivers sustainable growth as a “Future Creation Company with Milk.”

Roadmap for Group Long-term Vision 2026

	First Stage	Second Stage	Third Stage
	FY2017-FY2019	FY2020-FY2022	Y2023-FY2026
Positioning	Begin Transformation	Accelerate Transformation	Toward Renewal
	Start and promote Group management	Strengthen development of Group management	Accelerate and renew Group management
Role	Create multiple earnings bases and maximize cash flow	Establish Group earnings bases	Stable creation of earnings through four business sectors
	Begin renewal of the production structure	Begin full-fledged renewal of the production structure	Accelerate renewal of the production structure

Initiative Policies

- ① Advance productivity improvement reforms
- ② Advance business structure reforms
- ③ Promote innovation in the production structure

The strategies for each business are described in detail on the following pages.

Core Function Strategies

- ① Apply business strategy to achieve transformation and renewal to innovate production structure
- ② Strengthen manufacturing (*monozukuri*) and create new value
- ③ Promote Group management to strengthen Group core competency
- ④ Initiatives to achieve sustainable Group development

Performance Indicators (Consolidated)

(Billion yen)

	FY2019	FY2022	Growth Rate (compared with FY2019)
	Result	Target	
Net Sales	613.4	640.0	104.3%
Operating Profit	17.9	22.0	122.2%
EBITDA	34.1	41.0	120.0%



Dairy Products Business

(Billion yen)

Net Sales and Operating Profit

(Includes Nutrition Business)

	FY2019	FY2022	Change	Growth Rate (compared with FY2019)
	Result	Forecasts		
Net Sales	249.0	275.0	+26.0	110.4%
Operating Profit	11.5	14.0	+2.5	121.7%

Expand Production and Sales of Consumer Butter

- Expand production and sales of butter from the updated Isobunnai Plant
- Shift to an increased production system to meet market demand

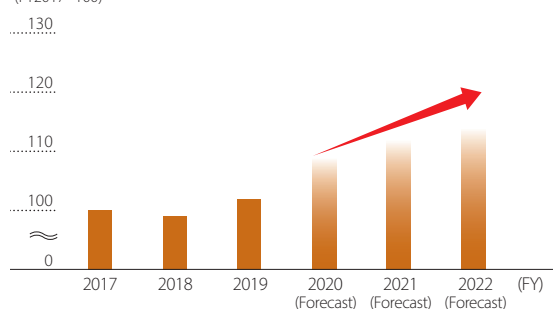
The Isobunnai Plant in Hokkaido will begin full-scale butter production in fiscal 2021. At this facility, currently under renovation, the butter production equipment is being replaced with the latest technology, and an efficient system for boosted production is being created. Since raw milk production is expected to increase and there is an ever-growing demand for butter, the Group plans to steadily increase sales volume every year until fiscal 2022.



Isobunnai Plant under renovation
(in July 2020)

Consumer Butter Sales Volume

(FY2017=100)



Strategic Expansion of Cheese

- Expand sales of highly profitable products for commercial use
- Enhance production facilities to meet growing demand for cheese
- Promote borderless market development for cheese

The Japanese cheese market is expanding due to the recent popularity of drinking at home and a growing demand for wine. Demand for cheese is also rising elsewhere, especially in Southeast Asia. With this market in mind, the Megmilk Snow Brand Group is targeting a strategic expansion of its cheese business.

To ensure the production system in Japan can support this, the Group will strengthen its production foundation by enhancing utility equipment at the core factory (the Taiki Plant in Hokkaido), by improving efficiency using automatic AI inspection of value-added string cheese products (Sakeru Cheese), and by constructing a new wing for producing Camembert cheese. In the area of commercial products, the Group will strengthen sales of highly profitable soft cheese. In addition, the Group will expand the scale of its business outside Japan and further

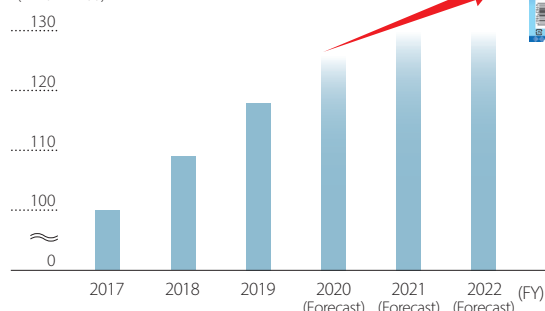
promote a borderless market for cheese.



Taiki Plant

Sakeru Cheese Sales

(FY2017=100)





Beverages and Desserts Business

(Billion yen)

Net Sales and Operating Profit

	FY2019	FY2022	Change	Growth Rate (compared with FY2019)
	Result	Forecasts		
Net Sales	283.9	280.0	(3.9)	98.6%
Operating Profit	5.2	6.0	+0.8	115.4%

Strategic Expansion of Yogurt Business

- Promote highly profitable business development
- Expand business scale by maximizing use of the increased production capacity

Growth of the yogurt market has leveled off over the past few years, but it is expected to continue to grow, supported by the trend toward greater health consciousness, and the Group expects to expand the scale of its yogurt business. For functional yogurt products like *Lactobacillus gasseri* SBT2055 yogurt in particular, we will also increase profitability by offering other high-value-added products such as the *Lactobacillus helveticus* SBT2171 yogurt drink created to alleviate eye and nose irritation (Nyu-San-Kin Helve Yogurt), launched in January 2020.

*1 Foods with function claims: This system was launched in Japan on April 1, 2015 to allow foods to be labeled with their functions. Under the system, companies can label products with their functions by submitting the scientific evidence for the safety and functionality of the foods and other necessary information to the Consumer Affairs Agency before the product is put on the market (at least 60 days in advance), based on new rules stipulated by the government.

*2 Foods for specified health uses: Foods acknowledged under Japanese law to contain ingredients that help to maintain and improve health. Once the effects and safety of these foods are shown in clinical trials, they are screened by Japan's Consumer Commission and Food Safety Commission, after which the Consumer Affairs Agency authorizes products to be labeled as possessing health functions and effects.

Lactobacillus gasseri SBT2055 Yogurt

Food with Function Claims *1

Reduce Visceral Fat



Registration number: A48

Food for Specified Health Uses (FOSHU) *2

Helps to Reduce Visceral Fat



Nyu-san-kin*3 Helve Yogurt Drink

Food with Function Claims *1

Relieving Eye and Nose Discomfort



Entry for the Japanese Yogurt Market

Yogurt for eye and nose conditions

(Note) Completed application as a food with function claims that relieve eye and nose discomfort

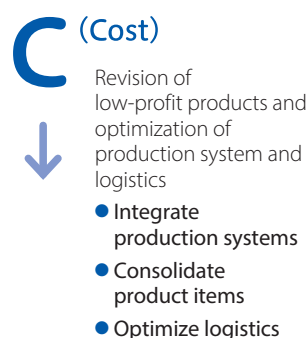
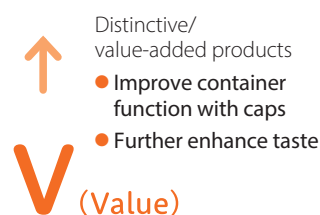
Notification number: E9

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

Structural Reforms for Milk Business

- Develop and adopt distinctive and value-added products
- Review low-profit products and optimize the production system and logistics

In order to generate further profits in the beverages and desserts business, and with the goal of restoring profitability in the core milk business by the end of fiscal 2026, the Group intends to promote full-scale efforts to reform the structure of the business. For this structural reform, the Group will strive to increase product value by developing and introducing differentiated and value-added products, while also lowering their costs by reviewing low-profit products and optimizing the production system and logistics.





Nutrition Business

(Billion yen)

Net Sales

	FY2019	FY2022	Change	Growth Rate (compared with FY2019)
	Result	Forecasts		
Net Sales	18.4	21.0	+2.6	114.1%
[Breakdown]				
Functional Foods	5.4	7.6	+2.1	140.7%
Powdered Milk including Infant Formula	12.9	13.4	+0.5	103.8%

Strengthen Competitiveness of Powdered Milk Business (in and outside Japan)

In the Group's Japanese powdered milk (infant formula) business, the liquid infant formula Sukoyaka M1 was launched in April 2020. The Group intends to promote a unique powdered milk business that leverages the strengths it has built over decades of research into breast milk. In the powdered milk business outside Japan, the Group will work to expand sales mainly in Hong Kong and Taiwan.

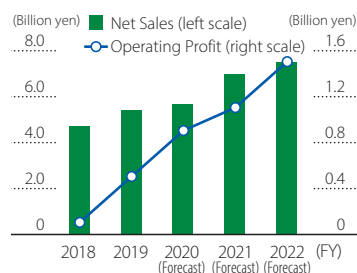


Liquid infant formula
Sukoyaka M1

Generate Income from Functional Foods Business

The Group's functional foods business has steadily expanded, with Mainichi Hone Care MBP® at the core. The Group aims to achieve an operating profit of 1.5 billion yen by 2022 by expanding the scale of this business and enhancing the ability to generate profits.

Functional Foods Sales and Operating Profit



Mainichi Hone Care MBP®



Feedstuffs and Seed Products Business

(Billion yen)

Net Sales and Operating Profit

	FY2019	FY2022	Change	Growth Rate (compared with FY2019)
	Result	Forecasts		
Net Sales	43.7	44.0	+0.3	100.7%
Operating Profit	1.0	1.0	0	100.0%

Optimize and Improve Quality for Feedstuffs Business

In the feedstuffs business, the Group aims to achieve high-quality and low-cost procurement and production systems for even greater efficiency. The establishment of Hokuren Snow Brand Feed Co., Ltd. in April 2019 is also part of this effort to improve efficiency and quality.

Strategic Expansion of Seed Products Business

While solidifying a top-level position in the industry for grass and feed crop seeds, the Group intends to further expand into fields such as vegetables, green manure, and microbes.

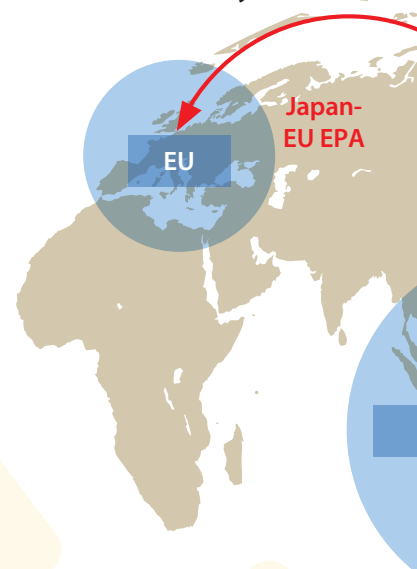
The Megmilk Snow Brand Group Expands Outside Japan

History of Growth

The Megmilk Snow Brand Group's expansion outside Japan began in 1931 with butter exports to Shanghai and Hong Kong. Then, around 1953, the Group began exporting powdered milk to Taiwan. After that, exports were expanded to Malaysia and Hong Kong. In 1992, a powdered milk production site was established in Australia, which was used as a base for exporting to Asian countries. In 1990, the Group acquired an Australian cheese maker, and then established a cheese production and sales company in Indonesia as a joint venture with a local company in 2012. In 2017, a second Australian cheese maker was acquired. Today, the Group continues to expand its business internationally.



Globalization of Dairy Products



Group's Medium-term Management Plan 2022

Demand for dairy products remains strong in Japan, and they are also gaining popularity in other countries. This trend is particularly noticeable in Southeast Asia and Oceania, where the Megmilk Snow Brand Group is active. In addition, the market for dairy products is becoming increasingly global due to successive trade agreements including the TPP11, the Japan-EU Economic Partnership Agreement, and the Japan-US Trade Agreement. Against this backdrop and under the Group's Medium-term Management Plan 2022, Megmilk Snow Brand intends to further expand its overseas business, by focusing on the following.

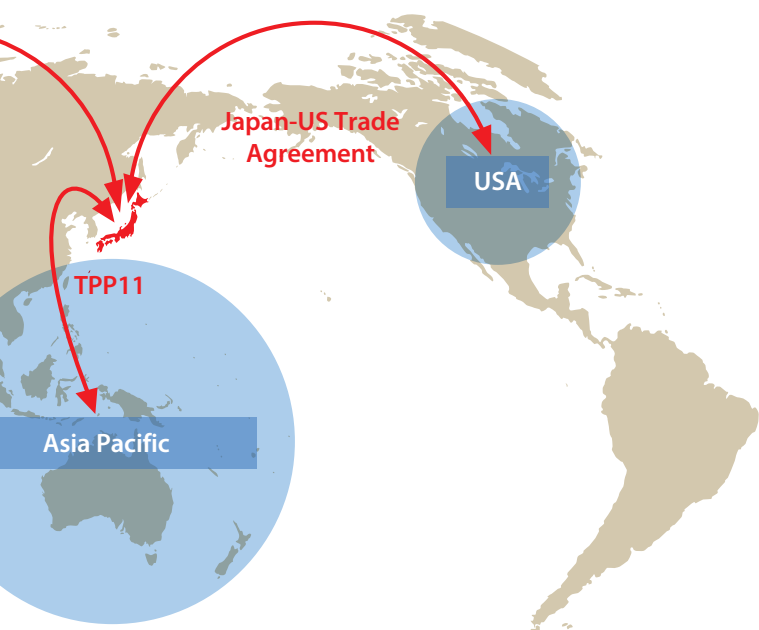
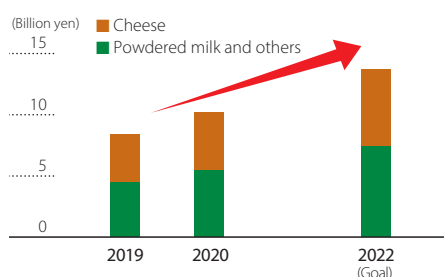


Promote Borderless Expansion of Cheese Products

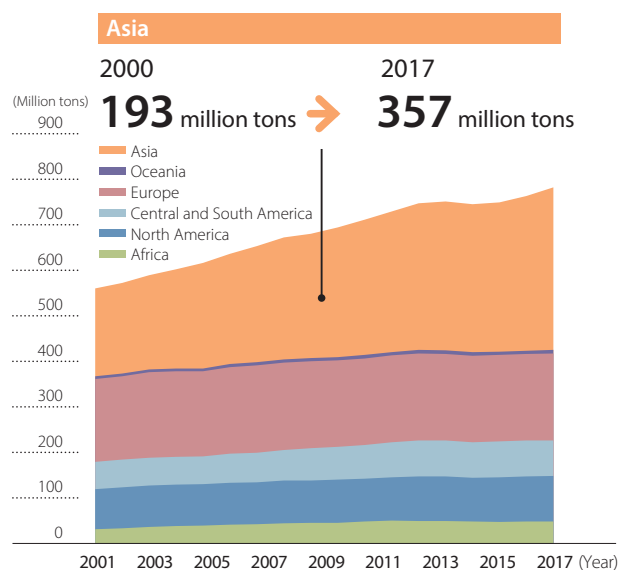


Strengthen Competitiveness of Powdered Milk Business Outside Japan

Megmilk Snow Brand Group Sales Outside Japan



Global Dairy Consumption



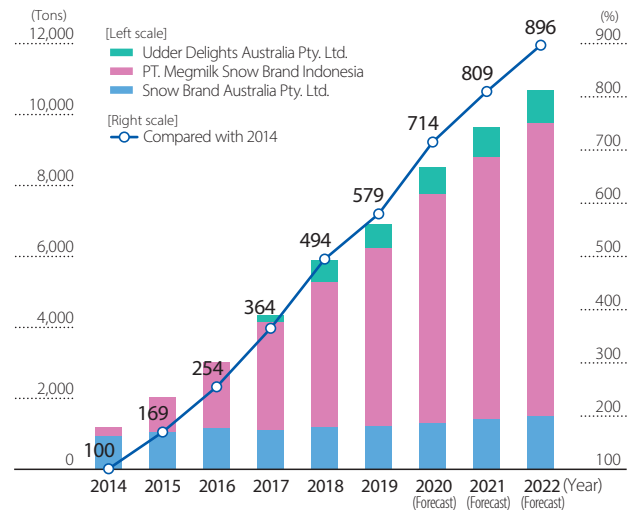
(Note) Raw milk equivalent quantities, excluding butter
(Source) FAOSTAT



Promote Borderless Expansion of Cheese Products

The Group currently has cheese production sites in Japan, Indonesia, and Australia, which mainly supply their respective domestic markets. The Indonesian site is striving to expand sales by developing products that make the most of expertise from Japan, and also by further enhancing the plant's manufacturing technology and quality control. In Australia, the Group has two production sites for high-value-added mold-ripened cheese. In addition to developing and marketing products that take advantage of the strengths of each site, their combined synergy is also being promoted. Furthermore, the Group intends to promote cheese exports from Japan and Indonesia, mainly to Southeast Asian markets. Demand for cheese in the region is expected to grow steadily, and the popularity of Japanese brands in these countries is expected to boost Group sales as well. Through this global expansion, the aim is to establish Megmilk Snow Brand's position as a leading Asian cheese maker.

Cheese Sales Volume (three Group companies outside Japan)



Group Companies Outside Japan

Snow Brand Australia Pty. Ltd.

Founded in 1977, Piam Ltd. was the predecessor of Snow Brand Australia. Piam was acquired by Snow Brand Milk Products Co., Ltd. (now Megmilk Snow Brand Co., Ltd.) in 1990, and was later merged into the cheese division of Snow Brand Australia Pty. Ltd. in 1999. The division produces aged cheeses ripened with white mold, mainly under the Unicorn brand, for sale in the Australian consumer market. In addition to Camembert and Brie, it also makes and sells ash-coated and washed-rind cheeses, while maintaining a broad range of standards to meet market needs. The company's Ash Brie, Washed Rind and Brie cheeses have won numerous awards, for instance at product competitions held by the Dairy Industry Association of Australia.



Udder Delights Australia Pty. Ltd.

In 1999, Trevor Allan Dunford founded the Udder Delights Group (UDG), the predecessor of Udder Delights Australia (UDA). The founder's family is still involved in UDA's management, and the company has continued to produce mold-ripened cheeses. In August 2017, the cheese business was carved out of UDG to establish UDA. In September of the same year, the Megmilk Snow Brand Group acquired a 90% stake in the new company. Members of the founder's family still remain and continue to run the business.



PT. Megmilk Snow Brand Indonesia

Megmilk Snow Brand Indonesia was established in 2012 as a joint venture with a local company. Block cheese represents the largest volume of product sold in the Indonesian consumer processed cheese market. The company has developed a wide range of block cheese products from economical to premium items, and in 2018 it achieved the largest market share by capacity. In the commercial cheese market, the company is working to develop new customers and expand sales of soft cheese, which is a unique product. It will continue to further expand sales of commercial products, including sliced cheese. As of 2019, the company is exporting cheese from Indonesia to Singapore, Thailand, Malaysia, Hong Kong and Myanmar.



Increase in Cheese Exports

The Megmilk Snow Brand Group sells made-in-Japan products in overseas markets. Japanese cheese is exported mainly to Hong Kong, Taiwan and Singapore, where Japanese brands are highly favored by consumers, and where demand for cheese is expected to grow steadily. In 2016, the Group started selling Sakeru Cheese in Taiwan. In 2006, the Group began selling cheese in Hong Kong, where cheese that a 1-year old infant can eat has recently become popular. The Group will continue to expand exports of dairy products from Japan in order to accelerate borderless cheese market development.



Going forward, the Group intends to boost exports from Megmilk Snow Brand Indonesia to countries such as Singapore, Thailand and Malaysia, while also promoting exports from Japan.



Strengthen Competitiveness of Powdered Milk Business Outside Japan

The Megmilk Snow Brand Group has been supplying powdered milk for over 50 years to countries such as Taiwan, Malaysia and Hong Kong. Going forward, it will continue to promote R&D and technological innovation to provide safe high-quality products that contribute to the healthy growth of children in rapidly growing parts of Asia. The Group recently launched functional powdered milk products for adults in Asian countries as well. Using MBP®, an original health-supplement ingredient, Megmilk Snow Brand is promoting products rich in calcium and vitamin D.

Snow Brand Taiwan Co., Ltd.

Snow Brand Taiwan has been providing powdered milk for infant formula in Taiwan since 1964, and the product has been widely popular among parents of young children. In 2017, a functional milk powder for adults was launched there too.



A team at Snow Brand Taiwan Co., Ltd.



Powdered milk for young children

Snow Brand Hong Kong Co., Ltd.

Established in 1992, Snow Brand Hong Kong has sold mainly powdered milk for infants, but in 2016, it also launched functional powdered milk for adults.



A team at Snow Brand Hong Kong Co., Ltd.



Functional powdered milk

Megmilk Snow Brand's History

Carrying on the spirit of our founder,
we pursue the value and possibilities of milk to achieve renewal.
We will continue to provide both delicious taste and health.

The Megmilk Snow Brand Group has continued to advance since its founding as it pursues the value and possibilities of milk and expands its business areas. Going forward, we will seek new value through manufacturing, which always starts with R&D, and deliver delicious taste and health as we aim for sustainable growth.



Background of Megmilk Snow Brand's Establishment

1925

Hokkaido Cooperative Creamery Association



The predecessor of Snow Brand Milk Products Co., Ltd., which is one of the predecessors of Megmilk Snow Brand Co., Ltd., was the Hokkaido Cooperative Creamery Association, which was created as a producers' organization with the aim of saving dairy farming in Hokkaido. This region faced a tough struggle as a result of food policies following the Great Kanto Earthquake of 1923. As soon as it was founded, the Association began producing butter, and once a modern factory was built in 1926, it began manufacturing and selling Snow Brand Hokkaido Butter on a full scale. This was the start of Megmilk Snow Brand.

1972 Established

Zenkoku Nohkyo Milk
Whole Sales Co., Ltd.

1950 Established

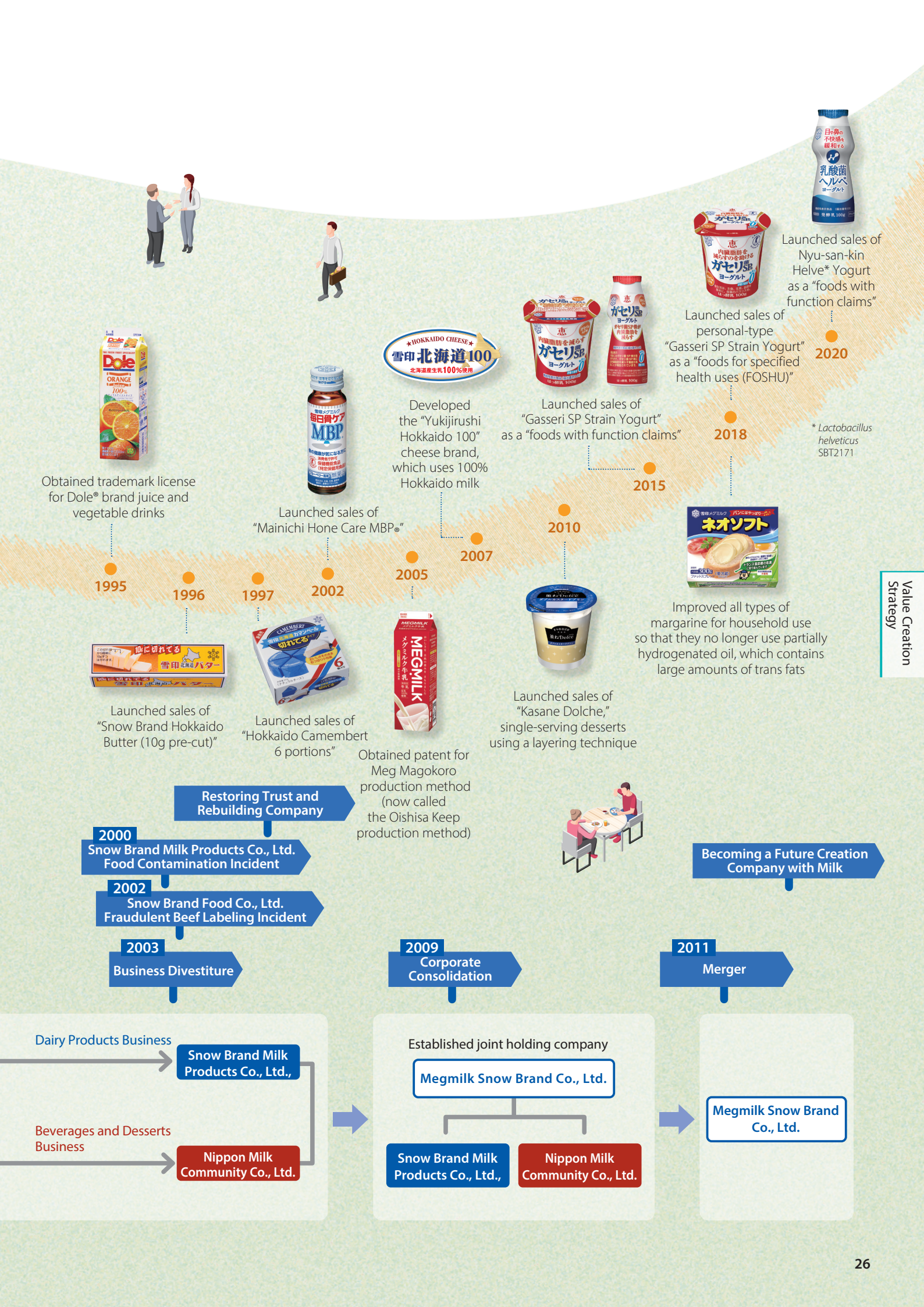
Snow Brand Milk
Products Co., Ltd.,

1974

Changed company name
Zen-Noh Chokuhan
Co., Ltd.

1996 Established

Japan Milk Net
Co., Ltd.

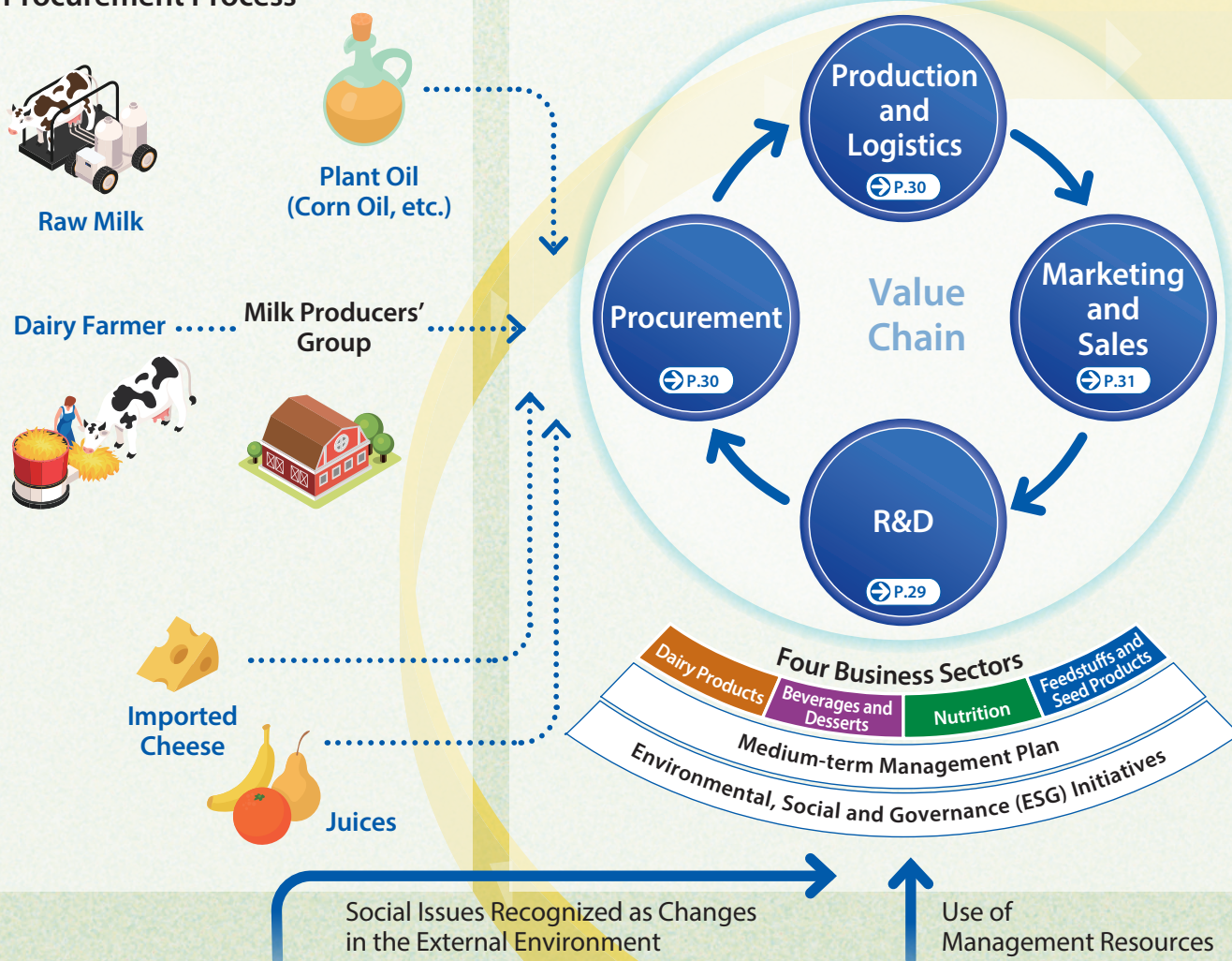


Value Creation Process

At the Megmilk Snow Brand Group, we apply our corporate philosophy to contribute to the realization of a sustainable society through business activities that utilize our Group strengths. We will achieve our Group Long-term Vision 2026 by providing value that contributes to society. We will maximize the corporate value of the Megmilk Snow Brand Group and secure a future in which we achieve sustainable growth. We are concerned about the impact of the COVID-19 pandemic and will respond appropriately as we monitor conditions closely.

Megmilk Snow Brand Business Activities

Procurement Process



Management Environment

- Diversification of consumer values
- Shift from decrease in volume of raw milk production in Japan to increase
- Expansion of Japan's dairy product market
- Expansion of global dairy product consumption
- Start of dairy product globalization

Social Issues

- Declining birth rate and aging population and reduction in working population
- Extending healthy lifespans
- Improving quality of life (QOL)
- Environmental problems such as climate change
- Changes in lifestyle and work styles

Management Resources

Natural Capital

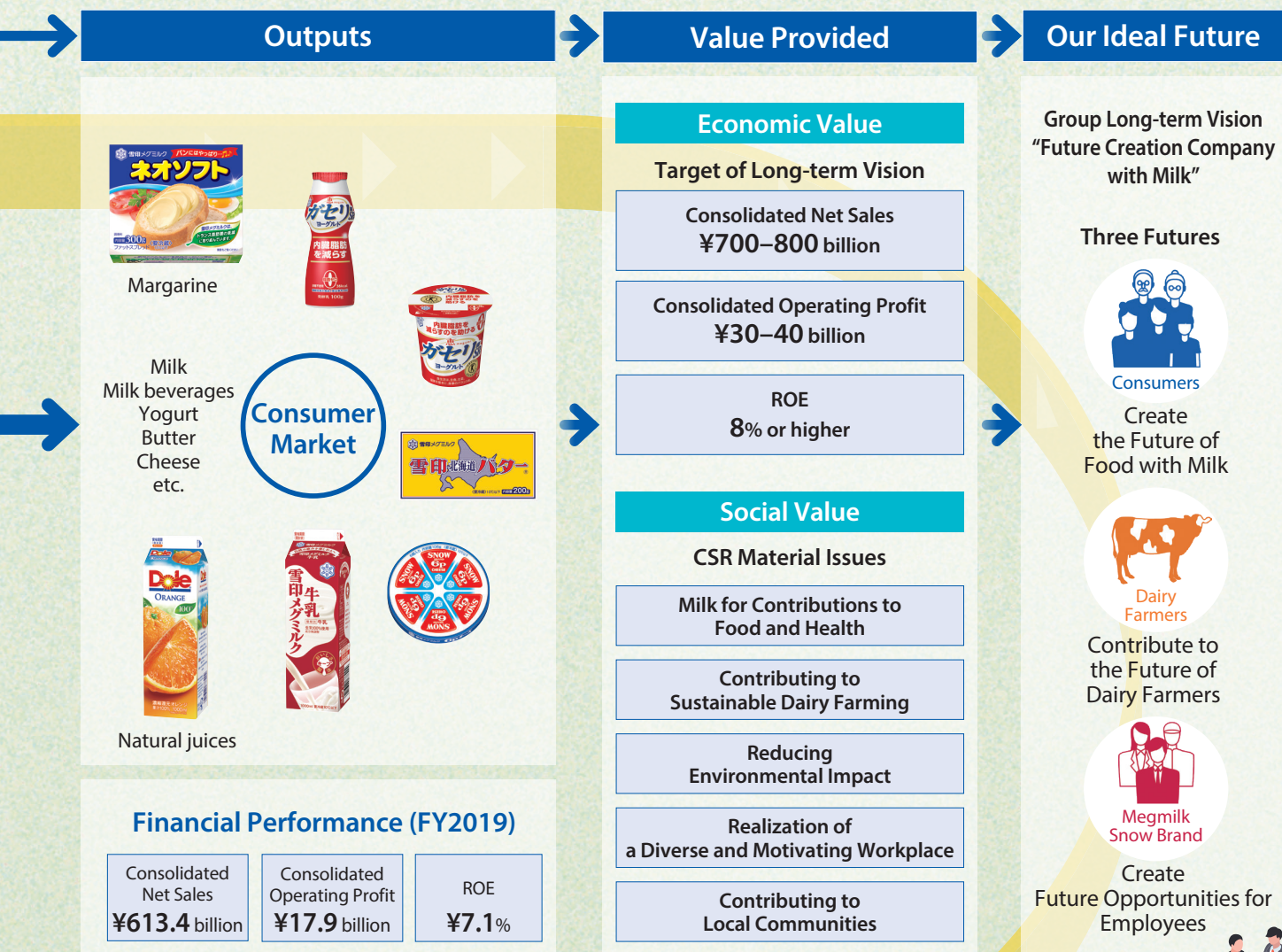
Growth capacity based on the sound foundation of the natural environment and its ecosystem services

Intellectual Capital

Strengths in R&D, production technology and quality management required to provide safe, reliable products

Human Capital

Forward-thinking people who are determined to grow



Manufacturing Capital

Procurement, plant and logistics network for the raw milk and other ingredients that go into making safe, reliable products

Financial Capital

Sound financial position and fund-raising capacity to support corporate activities and drive growth investment

Interpersonal Capital

Trust and relationships with stakeholders

Reinvestment

Megmilk Snow Brand Group's Value Chain

The Megmilk Snow Brand Group is working together to build a solid value chain that extends from R&D to procurement, production, distribution, marketing and sales in order to provide safe and reliable products and help everyone preserve their health.



R&D System



Milk Science Research Institute (Saitama)



Sapporo Research Laboratory



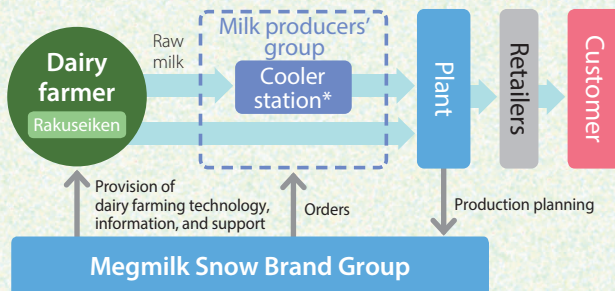
Cheese Research Laboratory

Our R&D organization is comprised of the Milk Science Research Institute, the Product Development Department, and the Research & Development Planning Department. The Milk Science Research Institute consists of three research centers: the Saitama Development Center, the Sapporo Research Laboratory in Hokkaido, and the Cheese Research Laboratory in Yamanashi. Each laboratory is involved in a wide variety of research, including subjects such as the health functions of lactic acid bacteria and milk components, milk and dairy product flavor and texture, and processing technology for dairy products such as cheese, butter, and powdered milk. We also carry out packaging planning and the research on traditional techniques for cheese making.

Procurement

We continue to study, research and spread animal feeding management technology to ensure high-quality raw milk procurement while also diversifying dairy management.

Flow of Milk from Dairy Farms to Consumers



* A cooling facility where raw milk received from dairy farmers is temporarily stored.

The role of the Megmilk Snow Brand Group is to take milk from dairy cattle painstakingly produced by dairy farmers and procured via fair milk trade and process it into various products to add value before delivering these products to consumers.

Distribution

Distribution System that Ensures Consistent Quality

The distribution division works with cargo distributors and warehouses and ensures that distribution quality is a key part of its delivery so that the products shipped from plants are safe and reliable. In October 2019, Megmilk Snow Brand joined the Fair Distribution Promotion Campaign* and submitted a voluntary declaration of action. This declaration requires that companies do the following:

* This campaign encourages companies to provide a fairer work environment in which the productivity of truck transport improves, cargo efficiency rises, and drivers who are female or over the age of 60 are able to work. The aim of the campaign is to ensure the stable transport of goods needed by consumers and in industrial activity and contribute to economic growth.

Actions Required by Megmilk Snow Brand's Voluntary Declaration

- (1) Improve distribution and cooperation
- (2) Use pallets effectively, etc.
- (3) Extend lead time
- (4) Suspend or halt operations during irregular weather

Production and Logistics

[Contributing to the SDGs]



We engage in consumer-focused business operations. We are committed to providing quality that customers and consumers can trust, and to delivering safe and reliable products to them.

Production

Quality Assurance for Megmilk Snow Brand

We are not only dedicated to providing our customers with safe and reliable products. We also proactively reflect consumer feedback in operations, and practice consumer-focused management that ensures a trusted, high-quality system. With this in mind, we have outlined the following Quality Assurance Policy.

[Quality Assurance Policy]

- ① Apply the standards of a consumer-focused quality assurance system and ensure compliance with laws and internal standards to provide safe and reliable products.
- ② Disclose appropriate information to prove worthy of the trust we receive from customers.
- ③ Reflect consumer feedback to pursue satisfactory quality.
- ④ Establish a risk management system to ensure rapid, appropriate responses.

Quality and Hygiene Management Based on Our Unique Quality Assurance System (MSQS)

Megmilk Snow Brand Co., Ltd. conducts quality and hygiene management based on the MSQS. MSQS is the Company's unique quality assurance system that incorporates the concepts outlined in ISO 9001*1 and HACCP*2 and promotes quality assurance activities by employees in all departments.

*1 Refers to international standard quality management system.

*2 Hygiene management method for ensuring food safety.

[Guidelines for Initiatives]

We will strive to improve distribution through mutual understanding and cooperation with business partners, distributors and other relevant parties to ensure highly productive distribution and achieve work-style reforms.

[Attention to Legal Compliance]

We will take the necessary steps so that our business partners' distributors can comply with labor laws and laws related to trucking businesses.

[Clarification of and Compliance with Contracts]

We will clarify the contracts related to transport and operations other than transport, such as cargo handling and cargo inspections, and will ensure compliance while cooperating with business partners, distributors and others involved.

Face customers and consumers with sincerity and make consumers the priority in management

[Contributing to the SDGs]



Marketing and Sales

Customer

The Megmilk Snow Brand Group not only sells safe and reliable products, but we also continuously reevaluate our products after sales launch.

Identify Customers' Health Issues and Carry Out Campaigns and Sales Events that would Lead to Enhanced Health

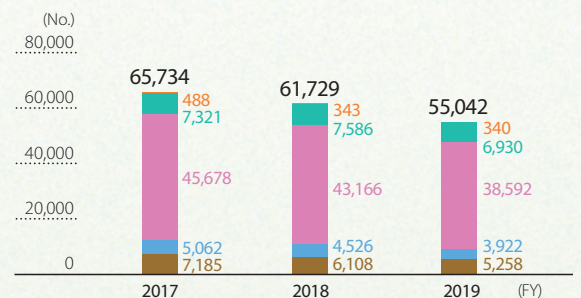
Megmilk Snow Brand cooperated with Professor Michiya Tanimoto (Associate Professor at Kindai University's Faculty of Biology-Oriented Science and Technology) and proposed ways that people could improve their physical health even in their kitchens and living rooms during the stay-at-home advisory and work-from-home periods. Leaflets handed out at stores and videos showed simple muscle strengthening exercises, as well as high-protein, low-sugar diets involving foods such as cheese and yogurt, which are essential for exercise. In addition, recipes for highly nutrition soups full of the calcium and vitamins that Japanese people tend to lack were provided in the dairy sections of supermarkets. Customers were given thirty-six different recipes for easy soups combining milk products and vegetables. At the same time, the Company educated customers about ways to counter the loss of iron, calcium and vitamins, which are depleted when perspiring during hot summers, through products that provide people with large amounts of these vitamins and minerals.



Response at Customer Relations Center and Improving Customer Satisfaction

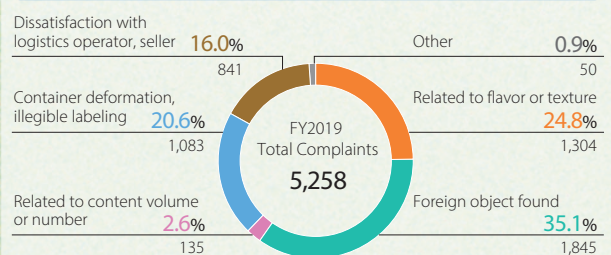
Our Customer Relations Center is open year-round. Customer complaints are addressed promptly together with the regional staff and the Quality Assurance Department. Customers' valuable opinions are passed on to the relevant divisions so that they can be reflected in corporate activities to promote better product development and clearer product labeling. In addition, relevant departments hold monthly meetings on improving customer satisfaction with the aim of improving products utilizing customer opinions.

Customer Relations Center Feedback Received



- Satisfaction: Praise, thanks, encouragement
- Interest, curiosity: Home delivery request, retailer information, sample or material requests
- Inquiries: Questions regarding product raw materials, manufacturing method, storage methods, usage methods, etc.
- Dissatisfaction, suggestions: Requests concerning dissatisfaction with products or services
- Complaints: Complaints requiring product buyback, visit, inspection, etc.

Details of Complaints Received



Wide range of approaches to customers and consumers

Mail Orders

Online Shop



Belle Neige Direct

Belle Neige Direct Co., LTD.

Belle Neige Direct operates Megmilk Snow Brand Direct, which is the Group's mail order business, and sells functional foods of Megmilk Snow Brand Co., Ltd. and Bean Stalk Snow Co., Ltd. These companies are committed to providing firm evidence of product function, based on their many years of research into milk, food and health. Belle Neige Direct sells products that support people in living with vitality.



Sales

Supporting Babies and Mothers



BeanStalk

Bean Stalk Snow Co., Ltd.

Bean Stalk Snow carries out R&D, manufacturing and sales of functional foods and infant products such as infant formula and baby food. This company uses the National Breast Milk Survey, carried out approximately every 30 years since 1960, to research breast milk to determine how the mothers' daily habits and breast milk composition affect babies. Utilizing the most recent research results, Bean Stalk Snow became the first company in Japan to blend osteopontin, a protein that protects breast milk, into Sukoyaka M1 infant formula that was relaunched after a full upgrade in July 2019. The liquid milk version of Sukoyaka M1, launched in April 2020, not only includes osteopontin, but it can also be kept at room temperature, making it very convenient for outings and reserves in the event of a disaster.



Sales

Expanding the Feedstuffs Business



 SNOW BRAND SEED CO., LTD.

Snow Brand Seed Co., Ltd.

Snow Brand Seed sells blended cattle feed, forage crops and vegetable seeds. The merger with Hokuren Cooperative Feed Mills Co., Ltd. in April 2019 resulted in the establishment of a new company, Hokuren Snow Brand Feed Co., Ltd., as a company that manufactures blended feedstuffs. Currently, a new plant for cattle feed is under construction in Tomakomai. This company will use the merits of scale achieved through this merger as well as its cutting-edge manufacturing facilities to provide safe, reliable and high-quality feed at low cost with the aim of contributing to the development of the dairy and livestock industry in Hokkaido.



Signing of merger agreement with Hokuren Cooperative Feed Mills



Business Overview

Main Group Companies

Dairy Products Business



- Representing the history of the Megmilk Snow Brand Group, this business sector includes butter, which we have produced since our founding, as well as other products such as cheese and margarine. Cheese is a core profit driver, and the market is expected to grow moving forward.
- We have numerous long-selling products, and our main products have a top share of the market.

■ Megmilk Snow Brand Co., Ltd. / Kohnan Oils and Fats MFG Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / SI System Corporation / Chesco Ltd. / Snow Brand Australia Pty. Ltd. / PT. Megmilk Snow Brand Indonesia / Nichiraku Machinery Co., Ltd. / Cresco Corporation / SBS Flec Co., Ltd. / Udder Delights Australia Pty. Ltd. / others

Beverages and Desserts Business



- This business sector handles products such as milk, milk beverages, yogurt, juices, and desserts. With a vast product line, we deliver nutrition and enrichment to the dietary lifestyles of our customers.
- As health consciousness grows among consumers, we are expanding our yogurt product lineup with offerings such as Gasseri SP Strain Yogurt and Nyu-San-kin Helve Yogurt (a yogurt containing *Lactobacillus helveticus* SBT2171).

■ Megmilk Snow Brand Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Ibaraku Co., Ltd. / SI System Corporation / Mitsuwa Distribution Industry Co., Ltd. / Chokuhan Haisou Co., Ltd. / Greenservice Co., Ltd. / Cresco Corporation / SBS Flec Co., Ltd. / Luna Bussan / Nichiraku Machinery Co., Ltd. / others

Nutrition Business



- This segment focuses on powdered milk including infant formula and functional food products developed from research into expanding the value of milk. Our functional food products are mainly products containing the milk protein MBP®, which the Company discovered as a component in milk that is beneficial to bone density.
- This business responds to increasing health awareness across a wide range of age groups and is expected to see significant growth in the future.

■ Megmilk Snow Brand Co., Ltd. / Bean Stalk Snow Co., Ltd. / Snow Brand Taiwan Co., Ltd. / Snow Brand Hong Kong Co., Ltd. / Snow Brand Trading (Shanghai) Co., Ltd. / Snow Brand Australia Pty. Ltd. / EN Otsuka Pharmaceutical Co., Ltd. / Amino Up Co., Ltd. / Belle Neige Direct Co., Ltd. / others

Feedstuffs and Seed Products Business



- This business sector focuses on operations by Snow Brand Seed Co., Ltd. that support milk production and environmentally friendly agriculture.
- The feedstuffs business provides blended feed matched to the needs of each specific region. The seed products business is engaged in grass breed improvement and grows numerous types of high-quality seeds.

■ Snow Brand Seed Co., Ltd. / Snow Brand Seed USA, Inc. / Doto Feed Corporation / Royal Farm, Ltd. / RF Penkel Farm Co., Ltd. / RF Aomori Farm Co., Ltd. / others

Main Products

- Butter, margarine, cheese, condensed milk, skim milk, etc.



■ Milk and milk beverages, yogurt, fruit juice and vegetable juice, soft drinks, desserts, etc.



- Powdered milk including infant formula, functional foods, etc.



- Feedstuffs, seeds (grass, feed crops, vegetables), landscaping, etc.



Main Group Companies

Japan



SI System Corporation

Established	January 1997
Capital	400 million yen
Group total equity ratio	100.0%
Head office location	Shinjuku-ku, Tokyo
Representative	Takanobu Saito
Business	Management of vendors, product sales, and joint distribution centers mainly for chilled and frozen foods



Cresco Corporation

Established	August 1948
Capital	38 million yen
Group total equity ratio	100.0%
Head office location	Kita-ku, Tokyo
Representative	Masamichi Suzuki
Business	Purchase and sales of food packaging materials, ice cream cones, etc.



Chesco Ltd.

Established	March 1957
Capital	472 million yen
Group total equity ratio	96.5%
Head office location	Shinjuku-ku, Tokyo
Representative	Hiroshi Uchida
Business	Import, manufacturing, processing, and sales of natural cheese, food products, alcohol, and sundries



Nichiraku Machinery Co., Ltd.

Established	April 1954
Capital	50 million yen
Group total equity ratio	67.6%
Head office location	Saitama City, Saitama
Representative	Masaya Matsunaga
Business	Design, manufacturing, installation, sales, repairs, and maintenance of plants and machinery mainly for food manufacturing



Michinoku Milk Co., Ltd.

Established	October 1996
Capital	466 million yen
Group total equity ratio	100.0%
Head office location	Osaki City, Miyagi
Representative	Toshiyuki Namiki
Business	Contracted manufacturing of milk, milk beverages, fruit and vegetable juices, yogurt, desserts, etc.



Ibaraku Co., Ltd.

Established	January 1959
Capital	117 million yen
Group total equity ratio	100.0%
Head office location	Mito City, Ibaraki
Representative	Hiroshi Kawasaki
Business	Manufacturing and sales of milk, milk beverages, soft drinks, yogurt, and desserts



Greenservice Co., Ltd.

Established	November 1980
Capital	30 million yen
Group total equity ratio	70.0%
Head office location	Hachioji City, Tokyo
Representative	Seiji Masaki
Business	Management of CVS and chilled centers, fresh milk and pasteurized milk transport, Megmilk Snow Brand order center and shipping warehouse administration



Kohnan Oils and Fats Mfg. Co., Ltd.

Established	July 1992
Capital	100 million yen
Group total equity ratio	51.0%
Head office location	Kobe City, Hyogo
Representative	Satoru Endo
Business	Contracted manufacturing of margarine products, shortening, lard, soft cheese, butter, etc.



Chokuhan Haisou Co., Ltd.

Established	April 1980
Capital	30 million yen
Group total equity ratio	70.0%
Head office location	Shibuya-ku, Tokyo
Representative	Makoto Ogawa
Business	Joint distribution center services business, chilled products distribution business, general freight shipment business



Belle Neige Direct Co., LTD.

Established	March 1999
Capital	79 million yen
Group total equity ratio	66.6%
Head office location	Chiyoda-ku, Tokyo
Representative	Tomihisa Kakizaki
Business	Mail order and contracted mail order and publishing, sales, and promotion of books and magazines



Mitsuwa Distribution Industry Co., Ltd.

Established	January 1954
Capital	450 million yen
Group total equity ratio	100.0%
Head office location	Saitama City, Saitama
Representative	Shigeru Yamaguchi
Business	Wholesale business for daily chilled foods, joint distribution center business



Yatsugatake Milk Industry Co., Ltd.

Established	January 1954
Capital	60 million yen
Group total equity ratio	100.0%
Head office location	Chino City, Nagano
Representative	Hitoshi Naito
Business	Manufacturing, purchase, and sales of milk, milk beverages, and yogurt, cheese processing, shipping and handling business

**Snow Brand Kodomo-no-Kuni Ranch**

Established	August 1965
Capital	10 million yen
Group total equity ratio	100.0%
Head office location	Yokohama City, Kanagawa
Representative	Hiroharu Tanaka
Business	Manufacturing and sales of milk, operation of farms, zoos, cafeterias, and shops

**Snow Brand Seed Co., Ltd.**

Established	December 1950
Capital	4,643 million yen
Group total equity ratio	100.0%
Head office location	Sapporo City, Hokkaido
Representative	Mitsuo Takayama
Business	Production and sales of seeds and agricultural products, manufacturing and sales of feedstuffs, landscaping business, seed breed improvement, testing and research

**Snow Brand Parlor Co., Ltd.**

Established	April 1961
Capital	30 million yen
Group total equity ratio	100.0%
Head office location	Sapporo City, Hokkaido
Representative	Toshikazu Nagao
Business	Cafeteria and shop management, sales of dairy products, etc.

**Bean Stalk Snow Co., Ltd.**

Established	August 2002
Capital	500 million yen
Group total equity ratio	80.0%
Head office location	Shinjuku-ku, Tokyo
Representative	Akihiko Uchida
Business	Infant goods business, life sciences business, functional foods business, contracted manufacturing

**YBS Co., Ltd.**

Established	April 1971
Capital	30 million yen
Group total equity ratio	100.0%
Head office location	Shinjuku-ku, Tokyo
Representative	Yasuo Takeda
Business	General building management, security, construction, nonlife insurance services, staffing, sales, management, production quality, and other business support services

**Outside Japan****Udder Delights Australia Pty. Ltd.**

Established	August 2017
Capital	AU\$15 million
Group total equity ratio	90.0%
Head office location	Adelaide (Australia)
Representative	Saul Sullivan
Business	Manufacturing and sales of white mold and blue mold cheese

**Snow Brand Taiwan CO., LTD.**

Established	December 1992
Capital	NT\$7 million
Group total equity ratio	100.0%
Head office location	Taipei (Taiwan)
Representative	Eiichiro Matsumura
Business	Import and sales of powdered milk products for infants and dairy products

**Snow Brand Australia Pty. Ltd.**

Established	December 1992
Capital	AU\$28 million
Group total equity ratio	100.0%
Head office location	Melbourne (Australia)
Representative	Masayuki Eto
Business	Manufacturing and sales of powdered milk products for infants and white mold cheese, and export and import of raw milk materials

**PT. Megmilk Snow Brand Indonesia**

Established	May 2012
Capital	US\$11 million
Group total equity ratio	52.8%
Head office location	Bekasi (Indonesia)
Representative	Nurjadi Thaher
Business	Manufacturing and sales of processed cheese





Dairy Products Business



Business Conditions

Market Environment

- The market for cheese is supported by its effect on health and demand from households (as an appetizer or snack and for use in home cooking), and we expect solid sales going forward as well.
- We expect purchases of butter to increase in the future due to its exposure on television and social media.
- Sales of margarine are now picking up, after a slump that lasted through last year, due to demand as a bread spread and for use in cooking as an alternative to butter.

Strengths

- The Dairy Products business, which includes butter and cheese, is the business with the longest history.
- Long-selling products that have gone through ongoing refinements are still popular today.
- The "Snow Brand Hokkaido 100" brand is committed to using milk 100% sourced from Hokkaido.
- We are applying the cheese manufacturing technology developed in Japan in our overseas expansion as well.

Risks

- Issues with future trends in raw milk production volumes in Japan and ensuring stable procurement of raw ingredients, such as imported cheese.
- The implementation of the Trans-Pacific Partnership Agreement (TPP11) and the Economic Partnership Agreement (EPA) between Japan and the EU in fiscal 2018 could affect the milk product market in Japan.

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Expand Production and Sales of Consumer Butter

- Expand production and sales of butter at the Isobunnai Plant, currently being renovated
- Shift to a system for boosting production in response to market demand

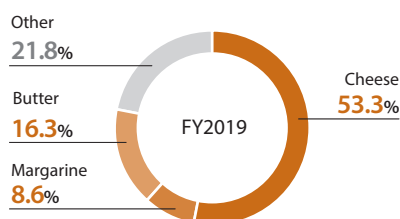


Strategic Expansion of Cheese

- Expand sales of high-revenue products for commercial use
- Strengthen manufacturing facilities to meet growing demand for cheese
- Promote the borderless expansion of cheese

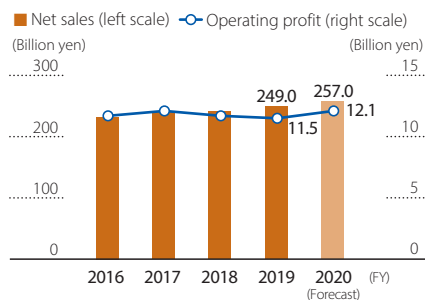


Net Sales Composition (by Category)*



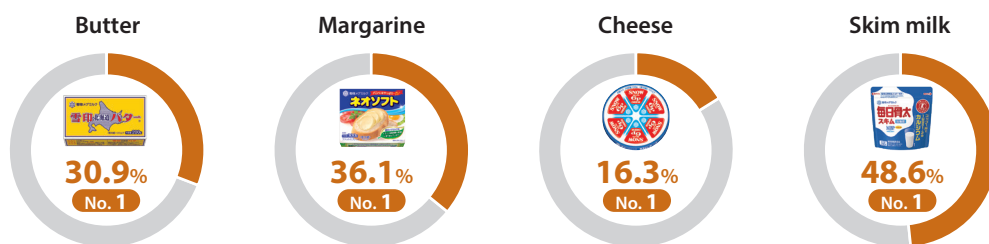
* Megmilk Snow Brand net sales only

Net Sales and Operating Profit*



* Includes Nutrition Business

Share of Japanese Market (Fiscal 2019, Based on Monetary Amount for Household Use) (Source) Intage SCI



Fiscal 2019 Results

The Dairy Products business continued to strive to ensure a stable supply of butter for household use and enjoyed solid results. Although we carried out promotional activities such as campaigns adding more margarine to certain products and introduced new ways of using margarine on our website, the overall market stalled and sales of margarine declined. In cheese for household use, price competition remained harsh, but new products with high added value such as 6P Cheese with a smoked flavor and Sakeru Cheese, which enjoys enduring popularity, were supported by customers and sales grew. Demand for snacks increased, and we launched a baby cheese product containing blue cheese and sliced cheese with a smoked flavor to meet diversifying tastes.

Fiscal 2020 Initiatives

In butter for household use, the new building at the Isobunnai Plant will be completed and begin operating to expand production. In cheese for household use, we will continue to reinforce the promotion of mainstay products such as 6P Cheese and Sakeru Cheese to expand sales. At the same time, we will develop high-value-added products and strive to improve brand strength. In the overseas sector, we will expand our business with an emphasis on profit.

Spotlight

New Product and TV Advertisement in 6P Cheese Series

In autumn 2019, we launched 6P Cheese with a smoked flavor as a new product in the processed cheese line. When eating this new product, a smoky flavor suffuses the palate. It employs a mellow gouda cheese full of *umami* that was matured using Megmilk Snow Brand's own lactobacillus. This is one of the 6P Cheese products with the highest added value. In addition, in the new 6P Cheese TV advertisement, we introduced a delicious way of placing this cheese on *nori* (seaweed) and microwaving it for an easy, delicious snack with a totally new taste sensation. With the image of children eagerly waiting for the snack to finish cooking in the microwave, this became a media sensation.



6P Cheese



6P Cheese with a smoked flavor



6P Cheese TV advertisement



Beverages and Desserts Business



Business Conditions

Market Environment

- The yogurt market performed below the previous year's levels through the third quarter in fiscal 2019, but began to grow significantly in the fourth quarter. Annual total sales were in line with the previous year's levels.
- The milk and milk-based beverage market was solid and surpassed the previous year. These beverage products continue to receive high praise for their nutritional value.
- The dessert market was almost unchanged over the previous year.

Strengths

- Milk and yogurt are a familiar presence that have contributed to the health of Japanese people on a daily basis for a long time.
- Brands that have been popular with consumers for a long time, such as Snow Brand Coffee, Makiba no Asa, CREAM SWEETS Coffee Jelly, remain strong.
- The yogurt category has a wide range of unique products, led by products that use *Lactobacillus gasseri* SBT2055, Megmilk Snow Brand's proprietary lactobacillus strain, as well as *Lactobacillus helveticus* SBT2171 and the *Bifidus* SP strain, all of whose functions have been scientifically confirmed.

Risks

- Raw milk production remains in a downward trend because, although Hokkaido is leading growth in production and production is on the rise nationally, dairy farmers are leaving the business in other prefectures in Japan.
- Distribution costs and other costs are rising due to the characteristics of our products, which must be shipped frequently.

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Strategic Expansion of Yogurt and Desserts Business

- Expand businesses with high profitability
- Expand scale of business by using increased production capacity to the maximum extent

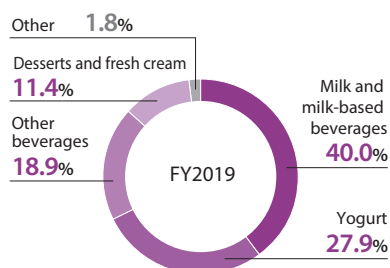


Structural Reforms for Milk Business

- Develop and introduce differentiated and value-added products
- Review products with low profitability and optimize the production system and logistics

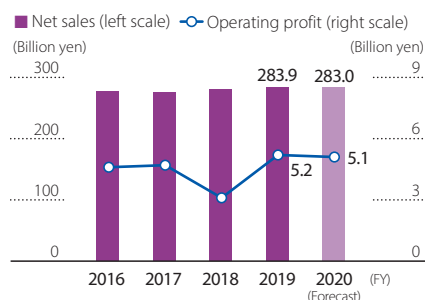


Net Sales Composition (by Category)*

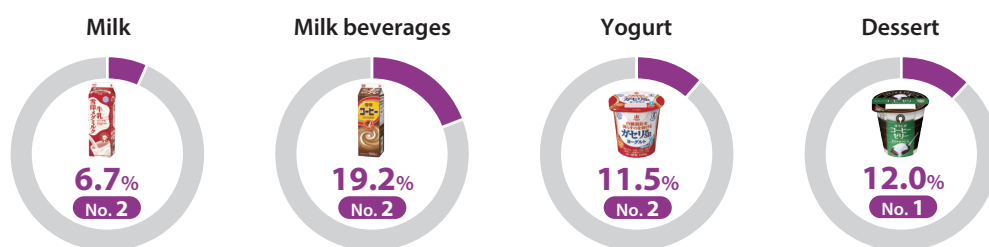


* Megmilk Snow Brand net sales only

Net Sales and Operating Profit



Share of Japanese Market (Fiscal 2019, Based on Monetary Amount for Household Use) (Source) Intage SCI



Fiscal 2019 Results

In addition to higher prices for raw materials for beverages, distribution costs and personnel costs rose, and these higher costs could not be absorbed through the company's efforts alone. As a result, we raised some prices in April, primarily for milk and yogurt for household use. However, this did not result in a significant drop in sales. Sales increased for yogurt due to efforts to emphasize the value of our yogurt products, including ongoing sales promotions conveying the role that *Lactobacillus gasseri* SBT2055 yogurt plays in reducing visceral fat. In January 2020, we launched Nyu-san-kin Helve Yogurt drink, a new food with functional claims, and started off the year strong. In desserts, we launched new products and reinforced product strengths,

with sales on par with the previous year. In addition, we strived to strengthen the Cheese Meets Sweets series, sweets made using cheese that are served in a cup.

Fiscal 2020 Initiatives

In the household beverage market, we will continue to ramp up efforts to grow yogurt sales, particularly foods with functional claims. In the spring, we launched new products that not only provide a more delicious taste but also use new containers with a drink opening. This was as part of our efforts to develop and introduce differentiated and value-added products to reform the structure of the milk business. We will strive to improve profit by strengthening sales of these products.

Spotlight

Nyu-san-kin*¹ Helve Yogurt drink

The Nyu-san-kin Helve Yogurt drink, launched in January 2020, is the first food with functional claims in the yogurt market to ease unpleasant feelings in the eyes and nose. This food will help to improve quality of life (QOL) and create a new market.

*¹ Nyu-san-kin is Japanese for Lactic Acid Bacteria

- Functional drink-type yogurt — A food with function claims that relieve eye and nose discomfort
- First entry for the Japanese yogurt market*²
Yogurt for eye and nose conditions
- Contribute to improving QOL and create new markets

*² Completed application as a food with function claims that improve eye and nose discomfort

[Submission claim] This product contains *L. helveticus* SBT2171 (Nyu-san-kin Helve), which relieves eye and nose discomfort.

[Functional substance] *L. helveticus* SBT2171 (Nyu-san-kin Helve)



Foods with Function Claims

Notification number: E9

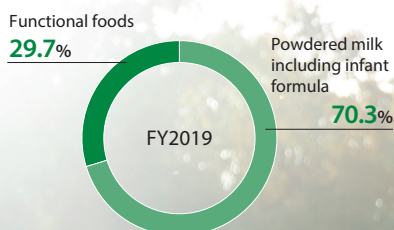
(Note) This product is not intended to diagnose, treat, cure, or prevent any disease. However, unlike Foods for Specified Health Uses, this product has not been individually evaluated by the Secretary-General of the Consumer Affairs Agency. We recommend a balanced diet based on a staple food, a main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



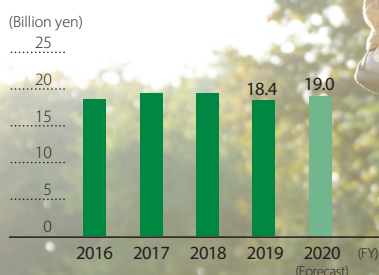
Nutrition Business



Net Sales Composition (by Category)



Net Sales



Business Conditions

Market Environment

- We expect further growth in this business, which primarily markets functional foods and powdered milk, due to the public's heightened interest in health.

Strengths

- We have developed infant formula that is close to breast milk, developed after about 60 years of research related to breast milk and based on the resulting knowledge.
- In this business, we offer functional products using proprietary ingredients, such as Mainichi Hone Care MBP®, which contains MBP®, a component of milk that helps increase bone density, which was discovered through many years of research.

Risks

- A decline in the birth rate in Japan could reduce sales volume of products for infants.
- The increase of new entrants to the health foods market, including companies from different industries, is heightening competition.

Group Medium-term Management Plan 2022 [P.20](#)

Strengthen Competitiveness of Powdered Milk Business (Japan/Overseas)

Generate Income from Functional Foods Business



Fiscal 2019 Results

Sales of products for infants decreased due to a drop in the birth rate and an increasingly harsh competitive environment, but sales increased in the functional foods line due to ongoing aggressive marketing investments made in MBP®-related products such as Mainichi Hone Care MBP® and the launch of new products. We launched Guun Up MBP®, a powdered drink that dissolves in milk and provides a good balance of nutrients appropriate to growth periods, in cocoa and strawberry milk flavors.

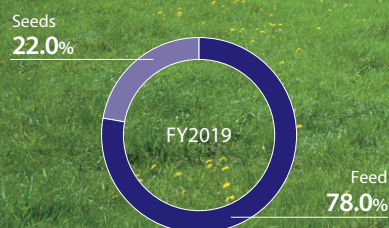
Fiscal 2020 Initiatives

In infant goods, we will popularize and provide education on Sukoyaka M1, a liquid milk launched in April 2020. In the functional foods business, we will further expand the MBP® product line with ongoing aggressive marketing investments while also further deepening our alliance with Belle Neige Direct Co., Ltd. (which we have made a subsidiary) to strengthen the mail order system.

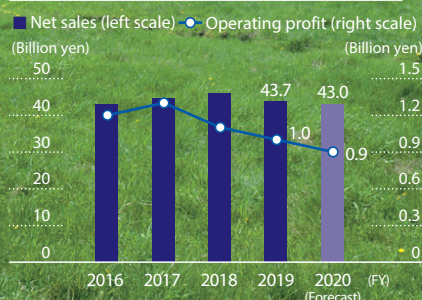


Feedstuffs and Seed Products Business

Net Sales Composition (by Category)



Net Sales and Operating Profit



Business Conditions

Market Environment

- The need for feedstuffs produced in Japan is rising, and feedstuffs production work is becoming increasingly outsourced and specialized.
- We expect the market for vegetable seeds to expand due to growing demand for environmentally friendly cultivation and produce grown in Japan.
- Expectations for lawns and greenery are rising due to growing awareness of the environment and interest in sports events.

Strengths

- In this business, we utilize feed management technology and self-supplied feed cultivation technology in affiliation with the R&D division to make recommendations aligned to needs.
- In addition to prime grass breeds aligned with climate conditions, we offer vegetable seeds that we have developed ourselves, such as *daikon* radish and *edamame* (immature soy bean) seeds, including our popular Hojuku no Ajiwai series.
- Our technical capacity, built up in every step from land development to maintenance and management for parks, roadside trees and sports facilities, is one of our key strengths.

Risks

- The increase in people leaving farming due to a shortage of producers is an issue.
- Natural disasters and weather conditions hurt the growth of raw materials and can reduce sales volume.

Group Medium-term Management Plan 2022 [P.20](#)

Optimize and Improve Quality for Feedstuffs Business Strategic Expansion of Seed Products Business

Lactobacillus for use with pre-dried grass silage



Fiscal 2019 Results




Sales and income declined in the feedstuffs and seed products business because the sales volume of seeds for grass feedstuff and feedstuffs fell and major landscaping projects decreased as well. Moving forward, however, in April 2019 Hokuren Cooperative Feed Mills Co., Ltd. and Snow Brand Seed Co., Ltd. established a joint venture, Hokuren Cooperative Snow Brand Feed Mills Co., Ltd., in Tomakomai, Hokkaido with the aim of manufacturing blended feeds. The company aims to leverage economies of scale resulting from the merger and the cutting-edge manufacturing facility to create a system for procuring and producing safe, secure and high-quality feedstuffs at low cost.

Fiscal 2020 Initiatives

The feedstuffs business will strive to develop high-value-added products and reinforce competitiveness by building an efficient procurement, production and distribution system. The seed products business will focus on improving the cost of pasture grass, strengthening its development, production and procurement system, concentrating resources on carefully selected development landscaping products, and rebuilding its sales system.

CSR Material Issues

The Megmilk Snow Brand Group's CSR Policy indicates its commitment to maintain communication with stakeholders and fulfill its corporate social responsibilities. Based on internal and external study and discussion, the Group has identified social issues with significant impact on both society and its business operations, and it has set key performance indicators (KPI) to address these issues. By reporting achievement progress each year to the CSR Committee and at the group-wide environmental meeting, while also identifying issues and utilizing the plan-do-check-act (PDCA) cycle, the Megmilk Snow Brand Group is enhancing its sustainability and helping to solve social issues.

CSR Domain	CSR Material Issues	Core Activity Themes	Target Fiscal Year
 Food and Health	Milk for Contributions to Food and Health    	Providing safe products and services	2022
		Contributing to extending healthy life expectancy	2022
			Every year
 Dairy Farming	Contributing to Sustainable Dairy Farming     	Working to strengthen the dairy farming production platform	Every year
		Preventing global warming	2030
 Environment	Reducing Environmental Impact      	Sustainably using resources	2022
			2026
			2030
		Building a recycling-based society	Every year
			Every year
			2030
 People and Society	Realization of a Diverse and Motivating Workplace     	Diversifying and developing human resources	2025
		Achieving work-life balance and improving labor productivity	Every year
	Contributing to Local Communities     	Partnering with local communities	Every year

CSR Policy

In accordance with our corporate philosophy,^{*1} we promote operations that through our business activities support sustainable development for our company and society.

<Basic Approach>

- Grounded in compliance,^{*2} engage in activities with the highest priority on securing product and service safety (quality assurance).
- Focus on all stakeholders, including customers and consumers, and conduct operations that reflect the social conscience.
- Designate our CSR material issues and work to resolve social issues in order to achieve a sustainable society.

^{*1} Megmilk Snow Brand Corporate Philosophy: Focus on consumers, contribute to dairy farming production, and put our hearts into milk. Our corporate slogan is, "Make the Future with Milk."

^{*2} Compliance includes legal compliance as well as adherence to internal and societal rules, and adherence to the ethical values of society.

KPI (Key Performance Indicator)	Fiscal 2019 Results
<ul style="list-style-type: none"> By fiscal 2022, 75% or more of the food facilities in and outside Japan that manufacture Megmilk Snow Brand products will be certified under an international food safety scheme (such as FSSC or SQF) recognized by GFSI, and thereafter continuing efforts will be made to increase GFSI certifications. (G) 	<ul style="list-style-type: none"> 69% of facilities at home and abroad that produce Megmilk Snow Brand products have been certified
<ul style="list-style-type: none"> Train certified sensory evaluation technicians with the ability to evaluate flavor by fiscal 2022 (number of certified sensory evaluation technicians: 110% or more compared to fiscal 2017 levels) 	<ul style="list-style-type: none"> Number of certified sensory evaluation technicians in fiscal 2020: 1,479 (978 at level 1 and 501 at level 2); 14% higher than in fiscal 2017
<ul style="list-style-type: none"> Carry out research and development, product development, service provision and information transmission to contribute to the extension of healthy lives through milk (G) 	<ul style="list-style-type: none"> Launched new products: Nyu-San-Kin Helve Yogurt Drink, a food with function claims, Guun Up MBP[®] powdered drink mix, which gives children the nutrition they need to grow, and Glucosamine & Chondroitin, a health supplement tablet Conducted a campaign to promote the adding of cheese to salads (promoting consuming all five major nutrients in one dish) Launched projects to promote consumer health by eating nutritious soups and improving bone strength through cheese-based calcium intake Between April 2019 and March 2020, delivered 13 presentations (one of which was award-winning) to relevant academic societies on Group research and development that could help extend healthy life expectancy, and published 11 papers in academic journals
<ul style="list-style-type: none"> Carry out food education activities based on the key theme of contributing to the extension of healthy lives and aim for an average of 45,000 participants every year in fiscal 2019-2026 	<ul style="list-style-type: none"> Fiscal 2019 participants: 38,618 (85.8% of target) (Activities suspended from February 20 to March 31 due to the COVID-19 pandemic) In addition to the KPI goal, Bone/MBP Seminars were held for 9,415 participants
<ul style="list-style-type: none"> Provide administrative and technical support for sustainable dairy farm management through operational support for Rakuseiken and the activities of the Research & Development Center for Dairy Farming (G) 	<ul style="list-style-type: none"> Provided support for the 71st Japan Dairy Farmer's Research Association Conference sponsored by Rakuseiken Held the Fiscal 2019 Research & Development Center for Dairy Farming Symposium
<ul style="list-style-type: none"> Reduce CO₂ emissions by 30% from the fiscal 2013 level by fiscal 2030 	<ul style="list-style-type: none"> Compared to fiscal 2013: 18.8% reduction
<ul style="list-style-type: none"> Make sure that all paper used is made of 100% eco-friendly materials by fiscal 2022 	<ul style="list-style-type: none"> Eco-friendly raw material usage rate: 63.1%
<ul style="list-style-type: none"> Procure 100% certified palm oil by fiscal 2026 	<ul style="list-style-type: none"> Certified palm oil usage rate: 10%
New KPI <ul style="list-style-type: none"> Develop and use eco-friendly packaging and containers to reduce the quantity of petroleum-based plastics used (per unit of sales) by 25% compared to fiscal 2018 	
New KPI <ul style="list-style-type: none"> Use paper or bioplastic containers, whenever possible 	
New KPI <ul style="list-style-type: none"> Encourage Group personnel to use their own reusable cups and bottles to reduce the amount of disposable plastic bottle use 	
<ul style="list-style-type: none"> Cut waste generation by 30% from the fiscal 2013 levels by fiscal 2030 	<ul style="list-style-type: none"> Compared to fiscal 2013: 19.3% reduction
<ul style="list-style-type: none"> Raise the waste recycling rate to 98% or more by fiscal 2030 	<ul style="list-style-type: none"> Waste recycling rate: 98.6%
<ul style="list-style-type: none"> Raise the food waste recycling rate to 95% or more by fiscal 2019 	<ul style="list-style-type: none"> Food waste recycling rate: 88.6%
<ul style="list-style-type: none"> Pursue eco-friendly product development (extend the expiration date on existing and new products, and actively promote the labeling of the month and year for expiration dates) 	<ul style="list-style-type: none"> Product expiration date extension for Snow Brand Hokkaido 100 Powdered Cheese, Brown Rice Crackers for Cheese, and Smoked Flavor Cheese Slices (7 slices)
<ul style="list-style-type: none"> Promote the effective use of water resources (quantitative targets will be set by the end of fiscal 2020) 	
<ul style="list-style-type: none"> Increase the share of management positions held by women to 10% or more by fiscal 2025 	<ul style="list-style-type: none"> Percentage of management positions held by women: 4.6% (as of April 1, 2020)
<ul style="list-style-type: none"> Obtain METI recognition under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 	<ul style="list-style-type: none"> Gathered information and listed issues for certification in March 2022
<ul style="list-style-type: none"> Work with the community to help resolve social issues (G) 	<ul style="list-style-type: none"> In collaboration with Ibaraki Prefecture, the Group developed recipes using vegetables and dairy products from around the prefecture; the recipes are used by the prefectural office cafeteria and local supermarkets to promote the consumption of vegetables and calcium, which are often lacking in people's diets Participated in a Community Comprehensive Care System set up by the Urban Renaissance Agency (UR), and signed an agreement to revitalize UR-owned housing estates and their local neighborhoods through food education and awareness activities

"(G)" indicates a KPI for the Group; other KPIs are for Megmilk Snow Brand Co., Ltd. only.



Milk for Contributions to Food and Health

The Megmilk Snow Brand Group promotes health and contributes to enriched lifestyles by providing dairy products and information. We also listen to customer feedback and reflect that feedback in products and services to practice consumer-focused management and we work to provide safe, reliable products and services.

Creating New Value Helps to Improve QOL

Relieving Eye and Nose Discomfort

Nyu-San-Kin Helve



Our researchers have revealed that consumption of yogurt containing *Lactobacillus helveticus* SBT2171 for 12 weeks significantly relieved eye and nose discomfort while also significantly decreasing the number of sneezes. The Group is helping to promote consumer health by creating products with the new value of alleviating eye and nose discomfort.

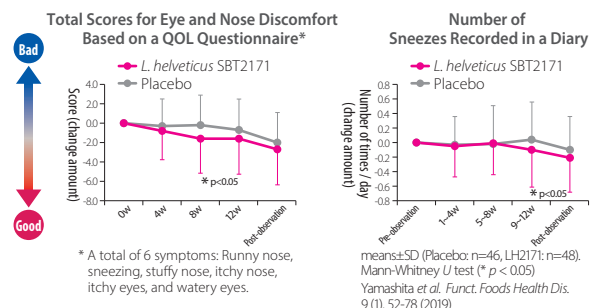
Research Results (Fiscal 2019)

Confirmed Inhibitory Effect of *Lactobacillus helveticus* SBT2171 on Allergic Reactions

Previous studies have shown that the consumption of *Lactobacillus helveticus* SBT2171 (*L. helveticus* SBT2171) can control excessive immune response. We recently evaluated its effect on allergic reactions in a human clinical trial. A sample of 100 healthy adult men and women (average age of 39.6 years), who regularly experience eye and nose discomfort and who tested positive for antigen-specific antibodies*1 against house dust or mites, were divided into two groups. One group ate yogurt containing *L. helveticus* SBT2171, while the other group (the control group) ate a placebo yogurt that did not contain this bacteria. The yogurt was consumed in single portions of 100 milliliters, once daily for 12 weeks. It was found that compared to the control group, the group eating the *L. helveticus* SBT2171 yogurt showed significant improvement in their eye and nose discomfort scores, while also reporting a significant reduction in the number of sneezes.

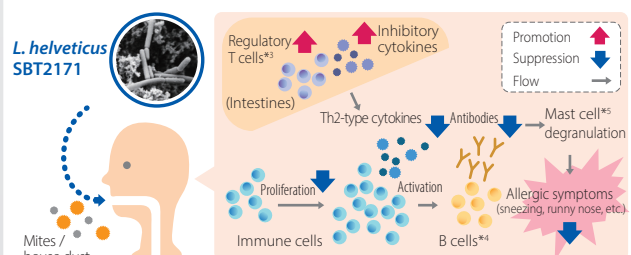
To clarify the mechanism of action, we investigated the immune response by administering *L. helveticus* SBT2171 cells using a mouse model for pollen allergies. The results showed that when introduced through the intestinal immune system, *L. helveticus* SBT2171 may produce an allergy alleviation effect by suppressing the production of antigen-specific antibodies that cause allergic reactions and the production of Th2-type cytokines.*2

Verification of Effect in a Human Trial



Consumption of yogurt containing *L. helveticus* SBT2171 significantly reduced eye and nose discomfort compared to placebo.

Presumed Mechanism of Action



It was shown that when introduced through the intestinal immune system, *L. helveticus* SBT2171 can reduce eye and nose discomfort by suppressing the production of Th2-type cytokines and antibodies.

*1 Antigen-specific antibodies: Produced specifically by B cells that recognize antigens such as house dust and pollen. They target antigens that have invaded the body, causing an allergic reaction.

*2 Cytokines: Humoral immunity factors secreted by cells to mediate signal sending between cells. Interleukins are a group of cytokines that are mainly secreted by cells in the immune system, and are important for normal immune system functioning because they promote the proliferation or suppression of immune cells.

*3 Regulatory T cells: A type of immune cell that suppresses excessive immune response and maintains immune system balance.

*4 B cells: A type of immune cell that supports the body's defense by producing antibodies.

*5 Mast cells: A type of immune cell that has numerous granules in its cytoplasm. The cells are stimulated by an antigen-specific antibody-antigen complex, releasing histamine from the granules, and causing various allergic symptoms.

Food Education Activities*

We have assigned dedicated staff in six locations in Japan to support people's health through food, primarily by providing seminars, cooking classes and health education classes at local elementary and junior high schools. In these activities, we convey the importance of food and the value of milk and dairy products across the generations. In fiscal 2019, 38,618 people participated.



Food education event for children during summer vacation



Food education in the school class

* Food education activities and plant tours have been suspended since February 2020 to prevent the spread of COVID-19. Food education activities, however, resumed in June.

Plant Tour*

The Megmilk Snow Brand Group has established tour routes for the general public at eleven of its plants in Japan. We are proactively engaged in disseminating information on our corporate activities, including safe and reliable information such as production hygiene management and inspection structures. In fiscal 2019, 65,608 people visited. Since the Ebina and Ami Plants began plant tours in 2014 and 2015, respectively, the total number of visitors to these sites has reached 50,000.



Ebina Plant



Ami Plant

Developing and Supplying Special Milk for Treatment of Congenital Metabolic Disorders

Special milk is infant formula for people who were born with the inability to sufficiently metabolize amino acids. Special milk is used in combination with normal milk and food as a method of nutritional therapy to improve conditions. The Megmilk Snow

Brand Group developed special milk for the first time in Japan for such patients and has continued to manufacture and supply such special milk since 1963.



Special Formulas We Produce and Supply

Product	Target illnesses
Pharmaceutical products (2 products)	Snow Brand Phe-free Milk Compound: Phenylketonuria Snow Brand Leu, Ile, and Val-free Milk Compound: Maple syrup urinary disease
Registered special milk (6 products)*	Phe-free synthetic amino acid powder: Phenylketonuria
	Met-free special formula: Homocystinuria
	Phe, Tyr-free special formula: Hypertyrosinemia
	Protein-free special formula: Hyperammonemia
	Ile, Val, Met, Thr, Gly-free special formula: Methylmalonic acidemia
	Lys, Trp-free special formula: Glutaric acidemia type I
	Protein / amino acid metabolism abnormality
	Organic metabolic syndrome

* Manufactured and supplied in accordance with directive by the Special Milk Secretariat of the General Health Center for Women and Children, Imperial Gift Foundation, Boshi-Aiiku-Kai



Contributing to Sustainable Dairy Farming

The Megmilk Snow Brand Group contributes to the growth of dairy farming in Japan by providing management and technical support and carrying out initiatives to foster understanding of dairy farming among consumers in order to ensure sustainable management of dairy farms.

Megmilk Snow Brand Group Dairy Farmer Contribution Initiatives

Group Companies

1950– Snow Brand Seed Co., Ltd.

The company conducts business activities aimed at promoting environmentally conscious agriculture through a dairy livestock business. Snow Brand Seed sells mixed feed, operates a dry field farming/ horticultural agriculture business, develops and produces seeds and saplings for feed crops and vegetables, and operates an environmental greening business that specializes in rooftop greenification. In 2017, we completed development of a new agricultural research facility in Hokkaido.



New agricultural research facility in Hokkaido at Snow Brand Seed Co., Ltd.

1954– Nichiraku Machinery Co., Ltd.

This company manufactures production equipment for plants that manufacture milk, milk products and other food. It provides small manufacturing equipment and technical guidance to dairy farmers that run cheese-making facilities, and helps to improve dairy farmers' technology for milk product manufacturing and processing.

Organization that Contributes to Dairy Farm Management Research and Development

1948– Japan Young Dairy Farmers Research Association (Rakuseiken)

Megmilk Snow Brand, Snow Brand Seed, Yatsugatake Milk Industry companies serve as liaisons to support activities.

1976– Research and Development Center for Dairy Farming

Established as the only private R&D facility for dairy farming. Currently serving as the internal research facility for Megmilk Snow Brand Co., Ltd., the R&D Center conducts research, provides dairy farming support, and holds annual symposiums.

2009– Dairy Farming Advisory Committee

This committee receives opinions and recommendations from dairy farmers and expert committees with advanced knowledge and vast experience.



Dairy Farming Advisory Committee

PR Facility for Promoting Understanding of Dairy Farming

1965– Snow Brand Kodomo-no-Kuni Ranch (Children's Land)

This facility offers various experiential activities to convey the connection between food and life and to foster better understanding of dairy farming.



Snow Brand Kodomo-no-Kuni Ranch (Children's Land) (Yokohama)

1977– Megmilk Snow Brand Museum

This museum presents history to promote further understanding of and interest in dairy farming. Registered as a Hokkaido Heritage Site and a Heritage of Industrial Modernization Site.



Megmilk Snow Brand Museum (Sapporo)

71st Japan Dairy Farmer's Research Association Conference

During the turmoil after World War II, Torizo Kurosawa* was inspired by the proactive efforts of the dairy farmers who were working to restore dairy farming in Hokkaido. Due to his tireless support, the Japan Young Dairy Farmer's Research Association (Rakuseiken) was established in 1948. The organization is comprised of approximately 1,700 dairy farmers across Japan and today exists as Japan's oldest research group for practical dairy farming. The Megmilk Snow Brand Group has served as the administrative office since the organization's founding and continues to support various local activities as well as national activities.

The 71st Japan Dairy Farmer's Research Association Conference, convened by Rakuseiken, was held in Narita City, Chiba, with about 310 participants from all over the country. Six dairy farmers selected from across Japan gave presentations on dairy farming, while five individuals provided opinions and case studies. It was a very worthwhile opportunity for the participants to exchange valuable information while learning about optimal dairy farming methods.

Moreover, as part of human resource development and efforts to enhance the corporate culture, young employees of the Megmilk Snow Brand Group attended the conference as observers. This was a good opportunity for them to deepen their understanding of Japan's dairy farming and appreciate how their work can contribute to it.

* Born in 1885. Founder of the Hokkaido Cooperative Creamery Association, from which the Megmilk Snow Brand Group was partially derived, and the Hokkaido Dairy Farming School (currently the Rakuno Gakuen University). Kurosawa dedicated his life to the development of Hokkaido and the Japanese dairy farming industry.



Research and Development Center for Dairy Farming Symposium

In addition to promoting research and support activities related to dairy farming, the Research and Development Center for Dairy Farming (established in 1976) has been holding its symposium every year since 1978.*

The annual themes for the Research and Development Center for Dairy Farming Symposiums are chosen without influence from the latest fads. Farmers and others involved in dairy farming provide suggestions, knowledge, and information concerning topics ranging from systems and measures to the technologies used on actual farms. Thanks to the comprehensive discussions among participants, the symposiums foster a common understanding of the situation faced by farmers, help to share useful knowledge and technology, and promote the success of dairy farms.

For fiscal 2019, a new series theme was chosen for the symposium: "Risk Management for Dairy Farms." The event was held under the banner of "Adapting to Climate Change," and about 210 dairy farmers attended from all over Japan. Addressing the topic of climate change from the dairy farming perspective, three experts delivered a lecture entitled, "Risk Management for Climate Change, Mainly Through Self-Sufficient Feed Production." This was followed by an exchange of views with audience members.

The organization intends to keep holding Research and Development Center for Dairy Farming Symposiums to promote the sustainable development of dairy farming in Japan.

* At that time, the group's name was the Dairy Farming Conference.



Voice

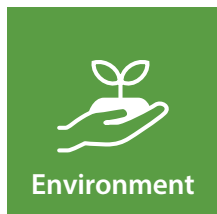


Katsuya Kojima

Representative
Agricultural Union
Corporation Milky Way

Developing Hand in Hand—The Megmilk Snow Brand Group and the Dairy Farms of Okoppe Town

The relationship between Okoppe Town, Hokkaido, where I am a dairy farmer, and Megmilk Snow Brand goes back many decades. The Hokkaido Cooperative Creamery Association, the predecessor of Snow Brand Milk Products, began operations at the site of the Okoppe Plant in 1934. All raw milk produced in Okoppe Town is delivered to the Okoppe Plant, Megmilk Snow Brand's only condensed milk facility. The product is then shipped to consumers across Japan. There are 53 members of the Okoppe division of Rakuseiken, and last year we held a cooking class using condensed milk. The Megmilk Snow Brand Group and the dairy farms of Okoppe Town have developed together throughout the years. This can be seen in efforts such as survey research into farmers and fields piloting different kinds of management conducted by the Research and Development Center for Dairy Farming until fiscal 2019, yielding excellent results. This year the activity was postponed due to the COVID-19 pandemic, but I sincerely hope that the 72nd Japan Dairy Farmer's Research Association Conference will be held in Sapporo next year and that many farmers will be able to get together again.



Reducing Environmental Impact

At the Megmilk Snow Brand Group, each employee is dedicated to environmentally friendly business practices, effectively utilizing limited resources, and contributing to a sustainable global environment.

Environmental Management

The Company's environmental management is based on the Megmilk Snow Brand Environmental Policy. Comprehensive management is carried out via an environmental management system headed by the Managing Environment Director serving as the Supervising Environment Manager, with the President serving as the Chief Environment Officer. Appointing an environmental management manager for each organization, the Company is involving all employees and maintaining an environmental management system that complies with ISO 14001.

Megmilk Snow Brand Environmental Policy

We work to reduce environmental impact through the establishment of an environmental management system (EMS)* in accordance with the Megmilk Snow Brand Conduct Standards. We practice business activities centered on milk created in a natural environment and promote coexistence with the global environment.

1. Legal Compliance

Adhere to environmental laws and ordinances, and rapidly respond to legal revisions.

2. Environmental Consciousness

Properly manage energy conservation and waste products, and make continuous improvements.

3. Increase Environmental Awareness

Promote awareness of environmental conservation among all employees and proactively promote environmental education.

4. Disclosure of Environmental Information

Proactively disclose environmental information to promote transparent environmental conservation activities.

* Drafting and implementation of environmental policy, environmental goals and plans, and the process of monitoring and measurements, audits, and reviews.

Environmental Management Organization Chart

Chief Environment Officer: Representative Director and President

- ① Establish and review environmental policy
- ② Implement management reviews (review by management team)
- ③ Designate managing environment director
- ④ Convene corporate environment meetings

Supervising Environment Manager: Managing Environment Director

- ① EMS general management
- ② Approval of Group environmental goals
- ③ Provide information to Chief Environment Officer
- ④ Management of corporate environment meetings

Corporate EMS Office Director (General Manager of the CSR Department)

- ① Supervision of corporate EMS office administration
- ② Assistant to Supervising Environment Manager

Corporate EMS Office (CSR Department Environment Planning Group)

- ① EMS management, administration, and external environment inspection response
- ② Internal environment audit response

Corporate Environment Meetings



Committee that deliberates on corporate environmental goals, manages progress, decides on required measures, and confirms that the EMS is functioning appropriately and effectively.

ISO 14001 Certification

The Megmilk Snow Brand Group proactively engages in environmental conservation to reduce the environmental impact resulting from its business activities. To objectively present the results of these initiatives, several group companies have acquired ISO 14001 certification. At present, Megmilk Snow Brand Co., Ltd., Michinoku Milk Co., Ltd., Ibaraku Co., Ltd. and Yatsugatake Milk Co., Ltd. have earned this certification.



Inspection (Ami Plant)



Inspection (Noda Plant)



Inspection (interviews with top management)

Environmental Audit System

Environmental audits include external inspections conducted by an inspection agency and an internal audit conducted internally. These inspections are used to comprehensively confirm the status of EMS operations and legal compliance. Internal environmental audits at Megmilk Snow Brand Co., Ltd. are a combination of a first-party audit conducted by the Production Department and a second-party audit conducted by the CSR Department. Through the first-party audit, auditors closely familiar with the relevant tasks enable workflow improvements, while the second-party audit involves a legal check from an objective perspective that helps to identify problems.



Internal environmental audit (Tohoku Regional Sales Office)

Environmental Education

Megmilk Snow Brand Co., Ltd. works to improve environmental awareness using various environmental education systems, including e-learning as well as internal environmental auditor development training conducted by the corporate EMS office and individual education conducted by each department. For position-based e-learning, the Company requires all executives and employees (about 4,100 people) to complete the general education course, and each year there is a 100% participation rate.



Environmental training (head office)

Initiatives by Each Section

The Megmilk Snow Brand Group uses significant amounts of natural resources and energy during every phase of its product life cycle, and in response each section implements various initiatives to reduce the resource losses and environmental impact generated through these processes as much as possible.

Administration Section	Reducing energy required for heating and cooling by practicing “cool biz” and “warm biz,” shifting to a paperless business using IT, other
R&D Section	Environmentally conscious product design, other
Procurement Section	Changes to containers such as shifting to thin plastic containers and environmentally responsible containers, other
Production Section	Optimizing energy use, treating wastewater, other
Marketing Section	Promoting eco-driving and active introduction of hybrid vehicles, other
Logistics Section	Modal shift* in raw materials and product shipment, improvements to load rates, joint delivery with other companies, other

* Shifting cargo transport from vehicles to rail and marine transport to reduce CO₂ emissions and reduce environmental load.

Active Participation in Environmental Events

In August, the Kyoto Plant exhibited at the Kyoto Tamba Smart Environmental Learning Fair at the Nantan Public Health Center in Kyoto Prefecture. The aims of the event were to promote greater awareness of the environment and the SDGs among children, and to encourage the citizenry to think and take action independently. Enjoying panel displays, DVDs, and other exhibits, the young visitors learned about the production process and wastewater treatment facility at the Kyoto Plant, as well as paper carton recycling. They also learned more about environmental conservation efforts and the importance of carton recycling.

The Group also exhibited at EcoPro 2019 in December as a member of the Committee for Milk Container Environmental Issues. In collaboration with this committee that promotes the reuse of milk cartons across Japan, the Group communicated the importance of milk carton recycling to visitors by offering hands-on activities for reusing milk cartons, handmade postcard making, and workshops.



Kyoto Tamba Smart Environmental Learning fair (Kyoto Plant)



EcoPro 2019 (Tokyo Big Sight)

Release of Scope 3 Emissions Data

Scope 3 emissions refer to the CO₂ emitted throughout a company's entire value chain, including phases such as procurement of raw materials, as well as product distribution, sales, and consumption. To prevent global warming, companies are expected to calculate their Scope 3 emissions at each stage and work to reduce them efficiently throughout the supply chain. Megmilk Snow Brand has calculated CO₂ emissions for its entire supply chain based on the Scope 3 Standard, an internationally accepted method for emissions calculation, and began publicly releasing this data in 2020.

Promotion of Environmental Conservation Activities (in Japanese)
<https://www.meg-snow.com/csr/environment/burden.html>

Fiscal 2019 Results* * Categories 8-11 and 13-15 were not calculated.		
Upstream	Company Scope 3	Downstream
Category 1 Purchased goods and services 1,673 thousand t-CO ₂ Category 2 Capital goods 69 thousand t-CO ₂ Category 3 Fuel- and energy-related activities not included in Scope 1 or Scope 2 35 thousand t-CO ₂ Category 4 Upstream transportation and distribution 108 thousand t-CO ₂ Category 5 Waste generated in operations* 1 thousand t-CO ₂ <small>* Emissions from transport and treatment</small>	Other indirect emissions Category 6 Business travel 1 thousand t-CO ₂ Category 7 Employee commuting 3 thousand t-CO ₂ Scope 1 Direct emission of greenhouse gases by the Company (fuel combustion and construction processes) 114 thousand t-CO ₂ Scope 2 Indirect emissions from the use of electricity, heat and steam supplied by other companies 113 thousand t-CO ₂	Category 12 End-of-life treatment of sold products 31 thousand t-CO ₂ Scope 3 total 1,921 thousand t-CO ₂

Prepared using the Supply Chain Emission Calculation Method (Ministry of the Environment, Japan)

Reduction of Energy Consumption

Megmilk Snow Brand is taking energy-saving measures by steadily replacing its older freezers with new energy-saving types. It is also improving operations by reducing the number of freezers used at night. At the Nakashibetsu Plant, new freezers in the cooler station for raw milk were installed in February. By placing the freezers nearer the cooler station, the milk pipeline was shortened and energy loss due to milk warming was reduced. This design is expected to reduce the freezers' energy consumption by about 10%.



Freezers (Nakashibetsu Plant)

Carbon Offsetting Initiatives

Carbon offsetting is the practice of purchasing credits for CO₂ emissions reduced through forest preservation efforts such as tree-planting or clean energy businesses to indirectly offset a part of the CO₂ emissions generated through corporate activities. Megmilk Snow Brand Co., Ltd. has purchased "Nakashibetsu Town J-Credits" from Nakashibetsu Town in Hokkaido and "J-Credit for Project to Introduce Woody Biomass Boiler for Bansei Hot Spring" from Taiki Town in Hokkaido. In fiscal 2020, the Company purchased "Hokkaido Prefectural Forest Offset Credits," contributing to the preservation of forests in Hokkaido.



Nakashibetsu Town carbon offset certificate



Taiki Town carbon offset certificate



Hokkaido Prefectural Forest Management Division carbon offset / credit certificate

Reduction of Waste (Sludge) Generation

Most of the waste emitted by plants is in the form of sludge remaining after wastewater treatment. Megmilk Snow Brand has been working to reduce the amount of sludge it generates by updating wastewater treatment equipment at the Isobunnai Plant and enhancing treatment capacity at the Taiki Plant. In fiscal 2019, the Company reduced sludge emissions of all plants by 6% compared to the previous year.



Wastewater treatment facilities (Isobunnai Plant)

Procurement Activities

In accordance with the Megmilk Snow Brand Group Procurement Policy, we practice procurement activities that promote social responsibilities such as fair trade, human rights, and the environment, as well as work to procure sustainable raw materials. We also conduct regular inspections regarding the details of initiatives conducted by our business partners.

Megmilk Snow Brand Group Procurement Policy

Megmilk Snow Brand Group applies its Group corporate philosophy and the Megmilk Snow Brand Group CSR Policy to take a leading role in working with business partners to promote socially responsible procurement activities and contribute to the realization of an enriched and sustainable society.

1. Legal Compliance and Respect for Social Norms

- Conduct procurement activities that adhere to the relevant laws and respect the social norms of relevant countries.
- Conduct socially responsible procurement activities, including respecting basic human rights and working to improve the labor environment.

2. Ensure Quality and Safety

- Conduct procurement activities that ensure high quality and safety of our products.
- Conduct procurement activities that enable us to provide products at stable and appropriate pricing.

3. Conduct Fair Trade

- Conduct fair trades with business partners.
- Appropriately manage personal information and confidential information related to procurement transactions.

4. Environmental Consciousness

- Dairy farming, the foundation of our business, is only possible with a vast natural environment. To contribute to the realization of a sustainable society, respect biodiversity and conduct environmentally conscious procurement activities.

■ Using Forest-Certified Paper

With respect to the use of paper, to the extent possible the Megmilk Snow Brand Group is gradually switching to paper from certified forests that are sustainably managed. Paper certified by FSC™ (Forest Stewardship Council™) or PEFC (Programme for the Endorsement of Forest Certification), which are international forest certification programs for responsibly managed forests and their products, is used in packaging for Megmilk Snow Brand Milk and other products. This paper is used not only for product containers and cardboard boxes used for exterior packaging, but also for printing paper, handouts and store promotional materials.



Products using forest-certified paper



FSC™
certification
mark



PEFC
certification
mark

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■ Membership in the Roundtable on Sustainable Palm Oil (RSPO)

The burning of tropical rain forests, primarily in Malaysia and Indonesia, to develop plantations for palm oil, an oil extracted from the fruit of the oil palm tree, has become a serious social issue. To address these problems, the RSPO was established to serve as a certification organization in 2004 to bring together stakeholders from seven sectors related to the palm oil industry, including palm oil producers, retailers and environmental NGOs. Supporting the mission to strive for healthy palm oil industry development, Megmilk Snow Brand Co., Ltd. joined the RSPO in July 2018 and began using certified palm oil in some of its products.

Reduction of Plastic Usage

Amount of plastic usage reduced is one of the KPIs the Megmilk Snow Brand Group uses to show progress on its material CSR issues. Therefore, the Group is working to reduce the weight of its product containers. The Noda Plant worked to reduce the weight of the plastic container used for its Nachure Megumi Fruit Yogurt, and achieved a weight reduction of 6% in fiscal 2019. This achievement is expected to reduce annual plastic usage by 23 tons.

FY2019

Year

6% lighter

➔ 23 tons*

Reduction of usage
(anticipated)

* Estimated from FY2019
production volume



Recycling Plastic Bottles into Work Clothes

The fabric in each uniform worn at all 16 plants of Megmilk Snow Brand and Ibaraku Co., Ltd. contains plastic from about 18 to 29 used PET bottles.



Ecology Wear® trademark



Realization of a Diverse and Motivating Workplace

The Megmilk Snow Brand Group recognizes the respective individuality of all persons, regardless of gender, age, nationality, or whether or not that person has physical disabilities. We strive to be a corporate group that generates synergy by encouraging individuals to reach their potential. We are focused on creating an environment that supports diverse workstyles, including supporting childcare and family care.

Workstyle Reforms to Promote Work-Life Balance

The Company launched workstyle reforms in fiscal 2016 and they are steadily producing results. There has been a 28.9% reduction in overtime hours for non-managerial employees, compared to the first half of fiscal 2015. Megmilk Snow Brand is working to promote more efficient meetings by expanding Web conferencing, introducing paperless meeting and document management systems, and improving labor productivity by streamlining operations.

Thanks to these efforts, 80.7% of employees used their paid leave. The number of days taken was 1.3 times higher than in fiscal 2015 for all employees. The telecommuting program introduced in fiscal 2018 is being used by employees with responsibilities such as childcare and elder home care, providing effective support for their lifestyles.

Major Initiatives		Overtime Work Reduction / Paid Leave Acquisition Rate P.16
Labor Productivity Improvements and Workstyle Reform	Enhancing time management (End FY2019 goal: Overtime work reduction rate of 20% (vs. 1H/FY2015))	<ul style="list-style-type: none"> Using PC login/logoff time records to increase awareness Department-specific overtime work status analysis and establishment of reduction goals Provision of incentives to employees in accordance with company-wide target achievement rate
	Promoting paid leave acquisition (End FY2019 goal: Acquisition rate of 70% or higher)	<ul style="list-style-type: none"> Making leave easier to take by revising shifts Introducing half-day paid leave system
	Challenge 3/4 Activities	<ul style="list-style-type: none"> Promoting efficiency and streamlining operations in each department Target setting and confirmation of progress
	Linking with results analysis	<ul style="list-style-type: none"> Reflecting initiative results in personnel reviews
Creating Work Environment	Efficient meeting operations	<ul style="list-style-type: none"> Optimization by improving meeting progression
	Shift to paperless operations	<ul style="list-style-type: none"> The use of conference room equipment, videoconferencing systems, and digital documents will lead to more efficient meetings and the diversification of workplace locations.
	Telecommuting program	<ul style="list-style-type: none"> Development of flexible and efficient work environments, and promoting workstyles that suit employee lifestyles
	Satellite offices	<ul style="list-style-type: none"> Improving time efficiency and productivity for sales representatives by using rented external offices (Tokyo metropolitan area)

Voice



Miyako Nakajima

Planning Section,
East Japan Sales Office
Bean Stalk Snow Co., Ltd.

Balancing My Work and Family Life by Using the Workstyle Reform Programs

My work mainly involves the promotion of infant formula and childcare products to pregnant women at obstetrics hospitals. After taking maternity and childcare leave twice, I am currently using the program for shortened working hours and also working from home to balance my professional and family responsibilities. In order to perform my job within shorter working hours, it is essential to have the understanding and cooperation of my superiors and colleagues as well as access to various support systems. I am also grateful to them for creating an environment that allows me to easily request suitable meeting times as well as work assistance and adjustments. In April 2020, my duties changed to planning for the Kanto region, with a focus on dietician activity planning and promotion. I would like to actively take on the challenge of creating videos and online training in order to help establish new workstyles for the pandemic era.

Human Resource Development

The Megmilk Snow Brand Group conducts human resource education for all Group employees based on the philosophy that people are its greatest assets. The Group is providing programs focused on skill development, offering career development support aimed at securing human resource diversity, and promoting participation in Group company training.

■ Skill Development

The Group conducted employee training to enhance the business skills, mindsets, and concepts needed for each role and rank, while also deepening specialized knowledge and skills for those in functional departments and divisions. Since fiscal 2019, the Group has also held seven training sessions for interested employees on topics such as logical thinking and accounting. About 200 Group employees have participated.

■ Career Development

In fiscal 2018 and 2019, Group employees received career counseling from qualified HR department personnel, along with career planning interviews with superiors. In fiscal 2019, the Group began holding special career planning workshops for all employees aged 30 and 38, as well as voluntary career planning workshops for employees of any age. These programs gave Group members opportunities to think about their careers and plot out their future course. About 200 people participated in the workshops.

Working Hard to Ensure Respect for Human Rights

In June 2020, Megmilk Snow Brand signed the United Nations Global Compact and announced its support for the Compact's principles. The Group will strengthen its efforts to help build a sustainable world by specifically addressing the Compact's 10 principles in the four areas of human rights, labour, environment, and anti-corruption.

Until now, respect for human rights has been promoted in each department based on the Megmilk Snow Brand Group Code of Conduct and the Megmilk Snow Brand Code of Conduct. Going forward, the Group as a whole will also strive to identify, prioritize, prevent and mitigate the negative impacts of its business activities on human rights across the supply chain.



Initiatives to Promote the Diversity of Human Resources

In order to adapt to various changes in the environment and grow sustainably, the Group is committed to creating workplaces where diverse human resources can demonstrate their abilities equally.

■ Promoting Human Resource Diversity, Utilizing Questionnaires

Every three years the Group conducts an employee awareness survey to promote the diversity of human resources and working styles. The previous survey in 2016 highlighted issues regarding employee understanding of human resource diversity

initiatives, gender-based role-allocation awareness, human resource development, and workstyles. Under the three-year plan established to address these issues, about 20 measures were implemented. The measures included information provision to all levels, skill acquisition training, creation of a career development support system, productivity improvement, and support for balancing childcare and work responsibilities. The 2019 survey revealed resulting improvements in many areas such as understanding of human resource diversity benefits, gender differences when entrusting important tasks, a corporate culture that favors long working hours, and providing training and educational opportunities.

■ Supporting Work and Home Life Balance for Childcare Leave Takers

We provide programs that support a balance between work and having/raising children. These programs, available to male and female employees taking childcare leave, include systems for remaining connected and carrying out self-development during leave, as well as pre-return interviews. In addition, the superiors or department heads of leave-takers complete e-learning modules to better understand the workstyles and methods available to support employees who are raising children. The percentage of male employees taking childcare leave in 2019 was almost double that of fiscal 2017.

■ Enhancing the Leadership of Women

To promote further career advancement for women, the Company provided training designed to raise the awareness of women in the workforce of the importance of being proactive while boosting their ability to enhance organizational results. The Company also invited women in the workforce to participate in external training, where they were able to build their external networks. This enabled them to gain an awareness of roles and careers that they could not have gained within their own companies. In all these ways, the Company is working to strengthen the awareness, skills, and thinking techniques these women need to advance their careers.



Follow-up workshop for women taking on the challenge of leadership positions

■ Providing e-learning on LGBT Issues to Create Supportive Workplaces

All managers (1,005 people) completed an e-learning module to acquire basic knowledge about LGBT issues. They also learned about the consideration and behavior necessary to allow LGBT employees and their colleagues to work comfortably and produce good results without any unnecessary stress.



Contributing to Local Communities

The Megmilk Snow Brand Group interacts and partners with our local communities through our business activities to promote harmony with people and society, and to contribute to the local communities.

Hokkaido Comprehensive Partnership Agreement

The Megmilk Snow Brand Group signed a comprehensive partnership agreement with the Hokkaido Prefectural Government in 2007.* Taking advantage of the technology it has developed in dairy product manufacturing, the Group is working to help revitalize the Hokkaido economy in the areas of dairy farming and food.

* The agreement signed in 2007 was between the Hokkaido Prefectural Government and Snow Brand Milk Products Co., Ltd., Snow Brand Seed Co., Ltd., and Snow Brand Parlor Co., Ltd.

Specific Initiatives

1. Initiatives related to Stimulating Dairy Farming

- Supporting dissemination of cheese manufacturing technology

2. Initiatives related to Food Safety and Reliability, Producer/Consumer Partnerships*

- Support for initiatives related to food safety and reliability for Hokkaido produce

3. Initiatives related to Childcare and Health

- Support for local activities related to childcare
- Support related to food education and health
- Support related to sports promotion

4. Initiatives concerning Promoting Attractive Hokkaido Tourism

- Support related to flower tourism
- World Heritage Sites
- Promotions related to Hokkaido Heritage
- Hokkaido tourism PR at the Megmilk Snow Brand Museum

5. Other Initiatives Deemed Necessary

- Environmental initiatives
- Disaster prevention initiatives
- Cooperation with Hokkaido PR activities

* Local consumers and producers cooperate on the consumption and utilization of local resources and produce to increase regional recycling (flow of people, things, money) and help stimulate the local economy.

Sapporo Urban Development Partner Treaty

Sapporo City and Megmilk Snow Brand Co., Ltd. signed a Sapporo Urban Development Partner Treaty. The Company donates to the Support Hotto Fund based on the number of visitors to the Megmilk Snow Brand Museum to support activities supporting healthy childrearing. In FY2019, we donated 10 yen for each person who visited the Megmilk Snow Brand Museum.



Megmilk Snow Brand Museum (Sapporo)

Initiative with Ibaraki Prefecture to Extend Healthy Life Expectancy

Megmilk Snow Brand and the Sales Strategy Department of the Ibaraki Prefectural Government are collaborating on a campaign to address the shortage of vegetables and calcium in the diets of many people in Japan. The team developed recipes that contain half the daily recommended intake of vegetables (175 grams) and the amount of calcium that is usually missing from the daily Japanese diet (223 milligrams), all in one dish. The idea is to boost consumption of vegetables and dairy products from Ibaraki Prefecture. The first recipe released was "Japanese-style Lotus Root and Mizuna au Gratin." The plan is to release new recipes once every two months and to serve them as lunch menu items in the cafeteria of the Ibaraki Prefectural Office. The team is also focusing on developing recipe cards for local supermarkets. This campaign shows how Megmilk Snow Brand is helping to solve social issues through its business activities, in this case by promoting the consumption of vegetables and calcium, which are dietary issues for Japanese people today.



Press conference for campaign launch with Ibaraki Prefecture officials



Japanese-style Lotus Root and Mizuna au Gratin

Partnership with Local Communities through Disaster Preparedness

Megmilk Snow Brand's Nakashibetsu, Ami, Ebina, and Kobe Plants have signed memorandums of understanding with their respective local districts. In the event of a large-scale disaster, the affected plant will cooperate with its local community to provide evacuation sites and relief supplies, and work to minimize damage. Moreover, SI System Corporation has installed disaster relief vending machines at its operation centers across Japan. These machines can dispense free beverages to local companies and residents during an emergency such as a natural disaster, if there is a power failure.

Support for Food Bank Activities

In December, Megmilk Snow Brand signed an agreement to donate food products to Second Harvest Japan, a certified NPO that conducts food bank activities for families in need and welfare facilities. The Company is contributing to society by donating products that cannot be shipped due to deadline expiration, or product revisions and discontinuations, as well as due to measures to reduce food product loss. The Company donated Noko Milk Jitate Fromage Milk in December, and Bean Stalk Snow Co., Ltd. donated Platinum Milk for Balance in March.



Regional Cooperation through Food Education Activities

With the aim of helping to develop communities where different generations can live actively together in good health, Megmilk Snow Brand and the Urban Renaissance Agency (UR) signed an agreement for regional cooperation in March. Targeting certain UR rental housing complexes and their neighborhoods in Osaka Prefecture and the surrounding region, Megmilk Snow Brand will carry out food education activities such as bone, calcium and cheese seminars for the residents.



Signing ceremony for agreement on regional cooperation with UR

Promoting Local Consumption of Local Products

To promote consumption of local products, in January Snow Brand Parlor Co., Ltd. released parfait and mini parfait desserts featuring Mashu Ruby, a brand of strawberry from Teshikaga, Hokkaido. These strawberries are cultivated in the town of Teshikaga using methods that help conserve the global environment, including the use of geothermal heat and electricity produced from renewable energy sources. By using Mashu Ruby strawberries in its products, the Megmilk Snow Brand Group is supporting sustainable agriculture, promoting local consumption of local products, and contributing to regional revitalization.



Mashu Ruby Parfait

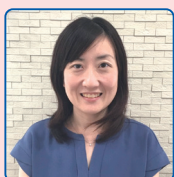
Events for Local Residents

Snow Brand Seed Co., Ltd. has set up a study team to promote greater interaction with local residents. The team discovered that many local residents near the company's headquarters in Sapporo, Hokkaido, are interested in seeing the company's historic locations and buildings. In response, it was decided to offer a history tour of Snow Brand Seed, and 83 lottery participants were accepted. The tour included Snow Brand Butter Memorial Hall, Keiteiso, Rakuren Birthplace, the former Uno Farm Silo, and the Sapporo Seed Center, all on the premises of the company's head office. The participants got to see sites that are not usually open to the public, and the company had a good opportunity to interact with local residents.



Company tour for local residents

Voice



Yuko Haruta

Marketing Planning Group,
Marketing Department
(stationed at
Tohoku Regional Sales Office)
Megmilk Snow Brand Co., Ltd.

Helping People in Miyagi and the Tohoku Region to Enjoy Their Lives More Fully, Now and in the Future

The Tohoku Regional Sales Office supports efforts to resolve social issues in the region as a corporate supporter for the Smart Miyagi Health Conference, organized by Miyagi Prefecture. A collaboration between industry, government, and academia, the conference focuses on helping citizens overcome metabolic syndrome, exercise more, and eat more vegetables. The Tohoku office is helping to promote this effort while coming up with new ideas to improve the health of citizens in Miyagi. Last year, at a seminar held in the prefecture, we shared muscle exercises that can be done at home, along with functional foods that help reduce visceral fat. Working with local companies, we also came up with healthy recipes that contain protein and calcium, and distributed them to local stores. We will keep striving to help the people of Miyagi and the Tohoku region to enjoy their lives more fully, now and in the future.

Corporate Governance: Management Team

(As of June 24, 2020)

		Area of Responsibility	Birth Date (Age)	Date of Appointment as Director	Period Serving as Director (Years)	Attendance at Board of Directors Meetings	
	Keiji Nishio Representative Director and President	Overall management	February 19, 1959 (61)	June 2013	7	18/18	
	Shigeru Nishibaba Representative Director and Executive Vice President	Overall management and assistant to the President Responsible for Internal Audit and Logistics	October 16, 1956 (63)	June 2018	2	18/18	
	Hideki Motoi Representative Director and Executive Vice President	Overall management and assistant to the President Responsible for General Affairs, Secretarial Dept. and Personnel	December 20, 1961 (58)	June 2016	4	18/18	
	Toshio Itabashi Director and Managing Executive Officer	Responsible for Marketing, Dairy Foods Marketing, and Milk Beverages & Desserts Marketing	July 9, 1961 (58)	June 2020	New appointment	—	
	Takehiko Inoue Director and Managing Executive Officer	Responsible for Production, and Production Technology	December 15, 1965 (54)	June 2020	New appointment	—	
	External Independent Officer Hisa Anan External Director	—	February 17, 1950 (70)	June 2015	5	18/18	
	Shinya Kosaka Director serving as Audit & Supervisory Committee Member	Audit & Supervisory Committee Member	September 15, 1957 (62)	June 2020	New appointment*	18/18	
	External Independent Officer Ikuo Nishikawa External Director serving as Audit & Supervisory Committee Member	Audit & Supervisory Committee Member	July 1, 1951 (68)	June 2016	4	18/18	
	External Independent Officer Akito Hattori External Director serving as Audit & Supervisory Committee Member	Audit & Supervisory Committee Member	November 28, 1958 (61)	June 2018	2	18/18	

* Director and executive operating officer through June 2020

	Reason for Appointment
	Mr. Nishio possesses abundant experience and wide-ranging insight as a corporate manager and is familiar with the Company's business including management planning, sales planning, and product planning; he has shown leadership as a top executive by setting forth clear management policies and others. The Company determined that he possesses experience and ability fitting of a Director of the Company and appointed him as Director.
	Mr. Nishibaba possesses abundant experience and wide-ranging insight as a corporate manager and is familiar with management planning, marketing divisions, and others; he has shown leadership as a management executive. The Company determined that he possesses experience and ability fitting of a Director of the Company and appointed him as Director.
	Mr. Motoi possesses abundant experience and wide-ranging insight as a corporate manager and is familiar with fields such as management planning, personnel, finance, information systems, and others; he has shown leadership as a management executive of the Company. The Company determined that he possesses experience and ability fitting of a Director of the Company and appointed him as Director.
	As Mr. Itabashi has abundant experience in the sales division, and is particularly familiar with the fields of sales strategy, product planning, and marketing, the Company determined that he possesses experience and ability fitting of a Director of the Company and appointed him as Director.
	As Mr. Inoue has abundant and wide-ranging experience in the production division and is particularly familiar with the fields of production technology and production control, the Company determined that he possesses experience and ability fitting of a Director of the Company and appointed him as Director.
	Although Ms. Anan has not been previously involved in corporate management directly, she has abundant experience in consumer organizations and has served in such positions as Secretary-General of Consumer Affairs Agency. She is particularly familiar with the field of consumer lifestyle and others, and the Company determined that she can draw on her background to provide guidance, recommendations and supervision for the Company's management and appointed her as External Director.
	As Mr. Kosaka has abundant experience in the administration division and has extensive and deep knowledge and insight based on his management experience at the Company, the Company determined that he possesses experience and ability fitting of an individual who supervises and audits Directors' business execution and appointed him as Director.
	Although Mr. Nishikawa has not been previously involved in corporate management directly, he has a specialized and high degree of knowledge and wide-ranging experience regarding finance and accounting as a certified public accountant. The Company determined he is able to draw on his background in the supervision and auditing of Directors' business execution and appointed him as Director Serving as Audit and Supervisory Committee Member.
	As Mr. Hattori is well-versed in corporate law as an attorney, the Company determined that he can utilize his highly specialized background in the supervision and auditing of Directors' business execution and appointed him as Director Serving as Audit and Supervisory Committee Member.

Executive Officer

Managing
Executive
Officer

Masato Koitabashi

Responsible for Dairy

Ryoichi Sueyasu

Responsible for International Dept.,
Functional Food Marketing, and Purchasing

Yoshihiro Kawasaki

Responsible for Research & Development
Planning, Products Development,
Milk Science Research Institute, and
Quality Assurance

Kohei Ogai

Responsible for Institutional Foods Dept.

Shigeru Watanabe

Responsible for PR, IR and CSR, and
Deputy General Manager responsible for
Affiliated Company Control

Takao Nakashima

Responsible for Accounting and IT Planning,
and Deputy General Manager responsible for
Corporate Planning Div.

Seiji Tobe

Responsible for Research & Development
Center for Dairy Farming, and Deputy General
Manager responsible for Dairy Farming
(General Manager responsible for Research &
Development Center for Dairy Farming)

Satoshi Inaba

Responsible for Corporate Planning Div.,
Administration, and Affiliated Company Control

Masatoshi Sato

Responsible for Household Products Sales
and National Chain Store Sales,
Deputy General Manager responsible for
Household Products Division, and
Responsible for Hokkaido Headquarters
(General Manager, Hokkaido Headquarters)

Yuji Kuramochi

Senior General Manager,
Kanto Regional Sales Headquarters

Toshihiro Nakamura

Senior General Manager,
Kansai Regional Sales Headquarters

Executive
Officer

Takahiro Shibata

General Manager, Personnel Dept.

Toshiya Kobayashi

General Manager,
Milk Science Research Institute

Corporate Governance

Basic Policy on Corporate Governance

Basic Approach

Our basic policy is to enhance our corporate value by ensuring transparency in management, strengthening oversight functions from outside the Company, and establishing a management structure that can respond swiftly to changes in the market. In accordance with this basic policy, we actively work to strengthen governance in order to fulfill all our responsibilities to our shareholders and stakeholders. We have adopted a structure as a Company with an Audit and Supervisory Committee in order to strengthen the oversight functions of the Board of Directors and to improve flexibility in the execution of business.

Corporate Governance Reports

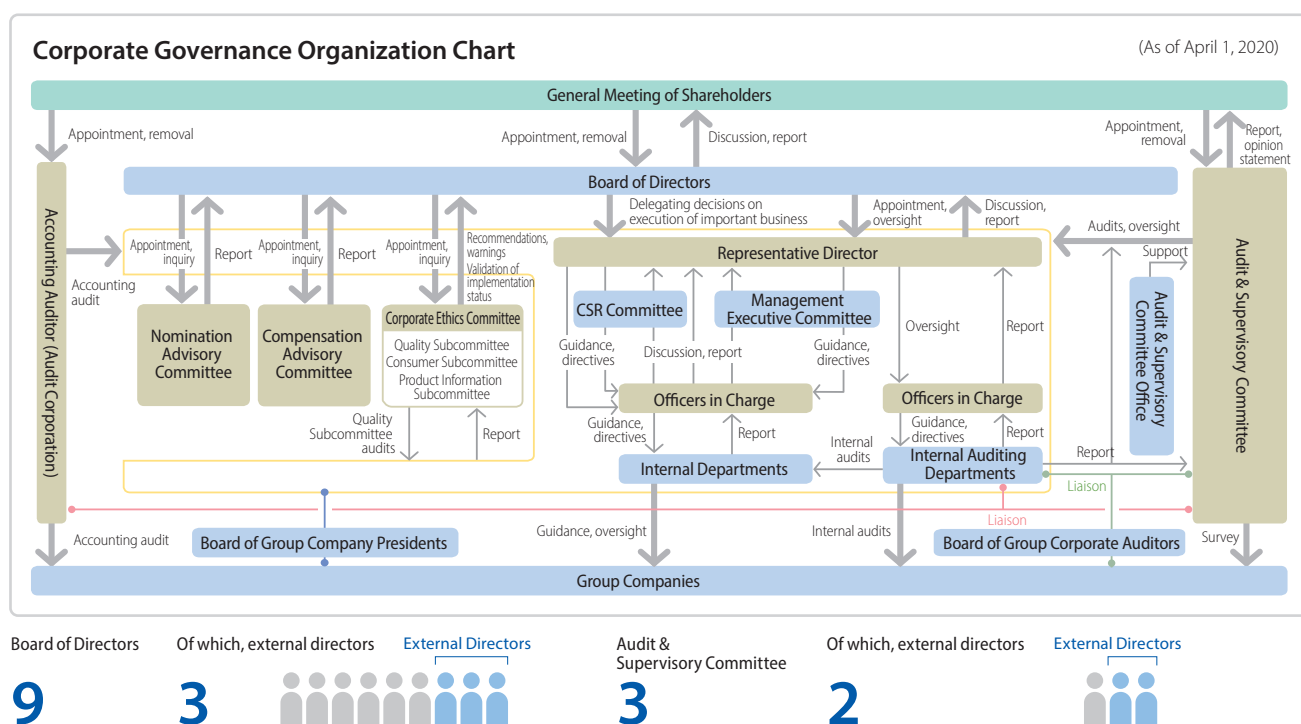
These general reports on Megmilk Snow Brand governance are created in accordance with the regulations of domestic stock exchanges. The report is formatted to comply with the principles of Japan's Corporate Governance Code and details the Megmilk Snow Brand corporate governance structure and status of response.

Basic Policy on Corporate Governance (in Japanese)

<https://www.meg-snow.com/ir/governance/>

Corporate Governance Report (in Japanese)

<https://www.meg-snow.com/ir/governance/pdf/governance.pdf>



Corporate Governance Organization

Board of Directors

The Board of Directors of Megmilk Snow Brand Co., Ltd. consists of six directors (excluding directors also serving as Audit & Supervisory Committee members) and three directors who are concurrently Audit & Supervisory Committee members. Out of the total of nine directors, three are external directors. In principle, the Board of Directors convenes once per month (twice during months when there is a quarterly Board of Directors meeting) to promote rapid decision-making and information sharing.

The Company stipulates in its Articles of Incorporation that the Board of Directors may resolve to consign all or a part of the execution of important business (excluding matters outlined in the paragraphs of Companies Act Article 399, Section 13, No. 5). Furthermore, the Company adopted an executive officer system to separate the execution and oversight of business operations. Excluding certain important issues that have a significant impact to management, the Board of Directors consigns the execution of business to executive directors and executive officers to ensure dynamic business execution.

The Board of Directors devises management strategy in accordance with our corporate philosophy. It is the responsibility of the Board of Directors to ensure fulfillment of these strategies; to conduct appropriate evaluations of corporate performance and appropriately reflect the results of those evaluations in decisions regarding personnel serving in corporate management positions; to continuously monitor the effectiveness of the internal control and risk management systems; to consult with the Nomination Advisory Committee in advance when decisions are made over the appointment and dismissal of chief executive officers and to make final decisions based on the results of these consultations; and to ensure appropriate oversight of the plan of succession for the Company's chief executive officer. In doing so, the Board of Directors works toward the sustainable growth of the Megmilk Snow Brand Group and strives to increase corporate value.

Audit & Supervisory Committee

The Megmilk Snow Brand Audit & Supervisory Committee consists of three members — two external directors and one full-time Audit & Supervisory Committee Member. External directors serving as Audit & Supervisory Committee Members are selected from among experts in fields such as finance, accounting, or legal affairs.

Audit & Supervisory Committee Members attend important meetings, including Board of Directors, Corporate Ethics Committee, and Executive Committee meetings, where they provide opinions and gather information as needed.

The Audit & Supervisory Committee coordinates as appropriate with corporate management and external directors to promote information sharing. Furthermore, the Audit & Supervisory Committee holds regular meetings with the accounting auditor and internal audit department to gain information beneficial to conducting effective audits. The Audit & Supervisory Committee also conducts effective and efficient audits of all business execution, including business conducted at Group companies.

Nomination Advisory Committee and Compensation Advisory Committee

The Company has set up a Nomination Advisory Committee and Compensation Advisory Committee. These voluntary advisory bodies for the Board of Directors are intended to strengthen the corporate governance system by ensuring the objectivity and transparency of decisions on director appointments and director compensation. They will also enhance the independence and objectivity of the Board of Director's functions and accountability.

The Nomination Advisory Committee consists of three external directors and two executive directors. At the request of the Board of Directors, the Committee considers guidelines and procedures when nominating candidates for director positions, standards for the appointment and dismissal of directors, plans of succession for the Company's chief executive officer (president), drafts of motions

for the appointment and dismissal of directors for discussion at general shareholders' meetings, and drafts of motions for the appointment and dismissal of representative directors.

The Compensation Advisory Committee consists of three external directors and two executive directors. At the request of the Board of Directors, the Committee discusses guidelines when deciding on compensation for directors, drafts of agenda items related to the compensation of directors for discussion at general shareholders' meetings, and the content of compensation and performance-linked compensation by director level.

Corporate Ethics Committee

The Corporate Ethics Committee was established in 2002 as an advisory body to the Company's Board of Directors and is comprised of external experts, a representative of the Megmilk Snow Brand Labor Union, and internal committee members. The Corporate Ethics Committee holds regular meetings, and it serves as an external oversight entity for all aspects of business management. The validation work and recommendations conducted by the Corporate Ethics Committee are applied to the Company's business activities. In addition to regular committee meetings, members of the Corporate Ethics Committee also meet in its three subcommittees.



Corporate Ethics Committee

[Quality Subcommittee]

A group of external experts in quality and hygiene management conducts plant audits and exchanges opinions with employees. Plants draft and implement improvement proposals in response to audit recommendations and issue reports to the Corporate Ethics Committee. During fiscal 2019, audits were conducted at six plants in Japan.



Audit by Quality Subcommittee (Kobe Plant)

[Consumer Subcommittee]

Megmilk Snow Brand Group initiatives are presented to consumer group representatives and experts on consumer issues to receive evaluations and opinions from a consumer perspective. During fiscal 2019, the subcommittee held meetings in the Kanto and Kansai regions in July, receiving evaluations and opinions regarding the KPI plan for CSR material issues.

[Product Information Subcommittee]

External experts in the field of labeling apply a consumer perspective while performing strict checks of product package labeling, an important source of information for consumers, to ensure product labeling is easily comprehensible and proper information is being provided. As necessary, the subcommittee also reviews voluntary standards. During fiscal 2019, the subcommittee met six times.

Consultation 1 Management that Prioritizes Consumers

Recommendation	Initiatives
1. In addition to enhancing dialogue with consumers, strive to provide them with helpful information.	• Consumer Subcommittee meetings were held to hear opinions on KPI plans for CSR material issues.
2. Continue to listen attentively to consumers' voices, opinions and requests and respond with sincerity	• Meetings on improving customer satisfaction were held, customers' opinions with the relevant departments were shared, and improvements to products and labeling were made. • Twenty improvements on products were made in response to customer feedback.
3. In product labeling and advertising, appropriately assess the information that consumers want and the information that should be conveyed to them, and ensure accuracy in labeling to prevent consumer errors and misunderstandings.	• A legal check of product packaging, advertising leaflets and POP signage was carried out, and in addition to confirming that there were no erroneous labels, misleading representation or favorable misidentification, the Product Information Subcommittee confirmed that labels on product packages were in line with manuals. • The "product information" section of our Japanese website was revised to make the labeling of allergens more clear and ensure traceability.

Consultation 2 Thorough "Food Safety and Reliability (Quality Management)" and "Corporate Ethics (Compliance)"

Recommendation	Initiatives
1. Thoroughly implement quality assurance education and carry out quality assurance activities with all employees. Improve not only education on sanitation management and manufacturing techniques at plants, but also education related to quality assurance in other workplaces.	• All employees were tested for the extent of their understanding of quality guarantees. • Employees at all plants received food sanitation training. • Training in line with the training system was given, and individual employees' technical and management skills were raised.
2. Share product problems and product and service complaints with employees, and pursue countermeasures that will be effective in terms of product characteristics and the consumer's perspective to resolve quality issues.	• All plants shared information on the causes of quality problems and examples of countermeasures, examples of good solutions, and progress with quality issues. • Voluntary inspections were carried out based on quality management voluntary inspection plans. • Information on customer opinions was shared with employees via intranet and email.
3. As 5S is the foundation of quality management, continue to participate in activities aligned with 5S guidelines	• 5S inspections were carried out at Megmilk Snow Brand Group plants. • The status of improvements carried out to address points noted and recommendations made by the Quality Subcommittee was confirmed.
4. Ensure that the entire Group has a thorough understanding of compliance, such as ensuring familiarity with the Code of Conduct at Group companies.	• The Code of Conduct was read through in all group activities on CSR.

Consultation 3 Corporate Climate and Energizing the Organization and Employees

Recommendation	Initiatives
1. Raise awareness and take steps to deepen internal communication	• The Group management meetings were shared with employees via videos and reading materials. • "Costs for strengthening teamwork" was added to the budget to strengthen internal communication, and this funding was used for internal events.
2. Pursue initiatives so that each employee can achieve the Megmilk Snow Brand Values (self-motivated, challenge and teamwork)	• The Value Book was read through in group activities on CSR and discussed by the groups in order to ensure understanding of and familiarity with the Megmilk Snow Brand Values, and examples of values were introduced in internal publications. A survey was given to all employees to confirm understanding of and familiarity with the values. • Information was shared with Group companies with the aim of taking initiatives to boost understanding and familiarity.
3. Raise work productivity to improve work-life balance	• Work-style reforms were carried out, reducing overtime hours and improving the paid leave acquisition rate. • The work environment was improved by upgrading and setting up IT tools and pursuing paperless systems. Work-at-home was recommended, primarily for offices in the Tokyo metropolitan area.
4. Create an environment in which all employees can perform with energy and pursue diversity	• Job grade-based training and education for female employees were provided. • A survey on human resource diversity was carried out to examine employees' awareness thereof. • e-learning was given to managers with the aim of deepening understanding of initiatives that encourage the participation of female employees. • Management programs for diversity in human resources were introduced in career support workshop and new appointment training.

Consultation 4 Other Issues, and the Three CSR Issues (Economy, Environment and Society)

Recommendation	Initiatives
1. Continue and expand initiatives to resolve social issues through business activities to meet social responsibilities	• All Group managers were given explanations on KPIs to deepen understanding, and Group companies were asked to set KPIs by fiscal 2020. • Progress on the fiscal 2019 KPIs was reported at the corporate environment meetings and CSR Committee.
2. Pursue management in which the company and local communities can develop sustainably in affiliation with local communities	• Cooperation with a program featuring Ibaraki Prefecture recipes that promote health using locally grown vegetables was provided and publicized on both the prefecture's and the Company's websites and social media sites. • Participation was undertaken in the Comprehensive Regional Care System advocated by the Urban Renaissance Agency, and an agreement was signed to revitalize communities in western Japan through food education activities.

Board of Directors' Efficacy Assessment

The Company's Board of Directors conducts an annual self-assessment to ensure and improve the efficacy of the Board of Directors and a summary of the self-assessment results is made public. An overview of the results of an assessment of fiscal 2019 is as follows:

Summary of the Fiscal 2019 Assessment

Assessment Details

A survey of all directors (including Audit & Supervisory Committee Members) was conducted and responses on the following topics were received from every director. The results of this self-assessment were discussed by the Board of Directors and the countermeasures were discussed.

Survey Topics

- (1) Structure of the Board of Directors
- (2) Director operations
- (3) Participation stance
- (4) Roles and responsibilities of Board of Directors
- (5) Relationship with stakeholders

Summary of Analysis and Assessment Results

- (1) Self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2019. In addition, the results confirmed that ongoing efforts have been made to improve the issues recognized in the previous fiscal year.
- (2) At the same time, we also confirmed that the following points are issues to address going forward and that they will continue to be considered to further improve the Board of Directors' efficacy:
 - 1) diversity, including specialized fields, of the Board members;
 - 2) initiatives to streamline the amount of materials and to further stimulate deliberations;
 - 3) enhanced discussions on Group companies' governance;
 - 4) enhanced discussions on plans of succession for the Company's chief executive officer;
 - 5) enhanced discussions that take the perspective of stakeholders and address non-financial information.

Future Initiatives

The Board of Directors will endeavor to further enhance its efficacy and work to raise corporate value continually by resolving confirmed issues in a process of analysis and discussion of evaluation results and by reviewing its administration based on directors' opinions and other information. It will also take steps to ensure the functioning of the voluntary Nomination Advisory Committee and Compensation Advisory Committee set up in December 2019.

Decisions on Compensation for Directors and Corporate Management and Process

The policies used to determine the compensation of directors (excluding directors who are Audit & Supervisory Committee Members) are as follows. Resolutions by the Board of Directors concerning the compensation of directors (excluding directors who are Audit & Supervisory Committee Members) are first referred to the Compensation Advisory Committee and then finalized based on the results of the committee's deliberations.

The compensation for directors (excluding directors who are Audit & Supervisory Committee Members) consists of base compensation and performance-linked bonuses. Base compensation consists of a salary for oversight as compensation for overseeing management and an executive salary component for the execution of operations. This compensation is benchmarked against compensation at other companies

of a similar size and amounts are determined based on the Company's performance.

Performance-linked bonuses consist of a short-term incentive (cash bonus) that are determined based on the consolidated operating income for the Megmilk Snow Brand Group and a long-term incentive (stock-based compensation) based on the financial indicators in the Group's Medium-term Management Plan. The ratio of the base compensation, short-term incentive (cash bonus) and long-term incentive (stock-based compensation) is approximately 6:3:1. Compensation for directors serving as Audit & Supervisory Committee Members is the base compensation only. Furthermore, there is no retirement bonus system for directors.

Standards for Appointing and Dismissing Officers

The guidelines for nominating candidates for directors are as follows. Resolutions by the Board of Directors concerning the appointment of directors are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee's deliberations.

Candidates for director (excluding directors who are Audit & Supervisory Board Members) are appointed based on the prerequisite that they are not subject to any of the reasons for disqualification set out in Japan's Companies Act. The candidate must not only have the excellent character, insight, skills and wealth of experience needed to monitor management overall and supervise the execution of operations, but also possess a high sense of ethics. Candidates for director positions who are Audit & Supervisory Board Members are appointed based on the prerequisite that they are not subject to any of the reasons for disqualification set out in the Companies Act. They are also selected based on whether they can remain independent from executive officers and can remain unswervingly impartial from among a pool of candidates with the excellent character, insight, skills and wealth of experience needed to monitor management overall

and supervise the execution of operations, while possessing a high sense of ethics. Furthermore, candidates for director positions who are Audit & Supervisory Board Members shall include one or more people with knowledge of finance and accounting.

Directors (including the Chief Executive Officer) shall be subject to a proposal of dismissal in the event that they meet any of the following conditions: acknowledged to have a relationship with anti-social forces subject to criticism by society; caused the Group large losses or hindered the performance of business duties by violating laws, regulations, the Articles of Incorporation, or other regulations of the Group; or caused significant hindrance to the execution of duties, or it is revealed they no longer satisfy the conditions of policies for nomination of candidates. Resolutions by the Board of Directors concerning dismissal of directors (including the Chief Executive Officer) are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee's deliberations. If a proposal of dismissal is approved, the Company shall disclose the information in a timely and proper fashion.

Strategic Shareholdings

The Company does not hold the shares of related parties and business partners unless it determines that there is a strategic need to maintain shareholdings for the purpose of strengthening the Company's business and functions. Every year, the Board of Directors examines the shares of listed companies that it owns to verify the qualitative reasons for holding each individual stock (background of purchase, stable supply of raw materials or use of distribution routes, joint development, and other

transactional plans, etc.) and the quantitative benefits anticipated from acquisition (confirmation of economic rationale), to comprehensively verify the rationale and need to own these shares. To verify the economic rationale for holding the shares, the Company compares the business revenues, the increase in BPS and dividends of the issuer whose shares have been acquired to the Company's targeted ROE benchmark of 8% and evaluates these factors.

Takeover Defense Measures

 https://www.meg-snow.com/ir/governance/pdf/baishu_boei.pdf (in Japanese)

The Company has introduced a response policy concerning actions involving the mass purchase of the Company's shares (hereinafter, "Takeover Defense Measures") with the purpose of securing and increasing corporate value and the joint interests of shareholders. The Takeover Defense Measures are valid until the Company's 12th Ordinary General Meeting of Shareholders to be held in June 2021. The Takeover Defense Measures are an advance warning purchase defense package, which set out rules concerning large-scale purchases of the Company's shares, including requirements that sufficient information be provided regarding the large-scale purchase from the purchaser and that the Board of Directors evaluate and consider the information and then provide said information to shareholders along with the

opinion of the Board of Directors on the large-scale purchase, in order for shareholders to evaluate the large-scale purchase. If sufficient information is provided following these rules, in principle, the Company will allow shareholders to determine to approve or disapprove of the large-scale purchase by public tender offer. However, if the purchaser does not follow the large-scale purchase rules or even if it does follow the large-scale purchase rules but the large-scale purchase could significantly damage the Company's corporate value or the common interests of shareholders, the Company plans to invoke defense measures, including the allotment of stock acquisition rights without contribution.

Message from External Director



Ikuo Nishikawa

External Director serving as
Audit & Supervisory Committee
Member

Fulfilling My Role as an External Director to Ensure Sound and Sustainable Management

As the COVID-19 pandemic dramatically impacts the world, we have had to face extremely difficult economic conditions. In times like these, the role that the Megmilk Snow Brand Group plays in reliably manufacturing and supplying milk and milk products, which are basic foods that protect the health of the public, is immeasurably important. With a mission to ensure the safety of food, the Group is constantly working to improve its manufacturing and distribution system, and it also addresses the problem of food loss as well as environmental issues. As an external director who also serves as an Audit & Supervisory Committee member, I will continue to monitor the Group to ensure that it is fully compliant, practices appropriate governance to ensure sound management, and discloses information on these corporate activities broadly and appropriately to consumers, shareholders, manufacturers, employees and others.



Akito Hattori

External Director serving as
Audit & Supervisory Committee
Member

Continuing to Deepen My Understanding of the Worksite and Striving to Help Raise Corporate Value

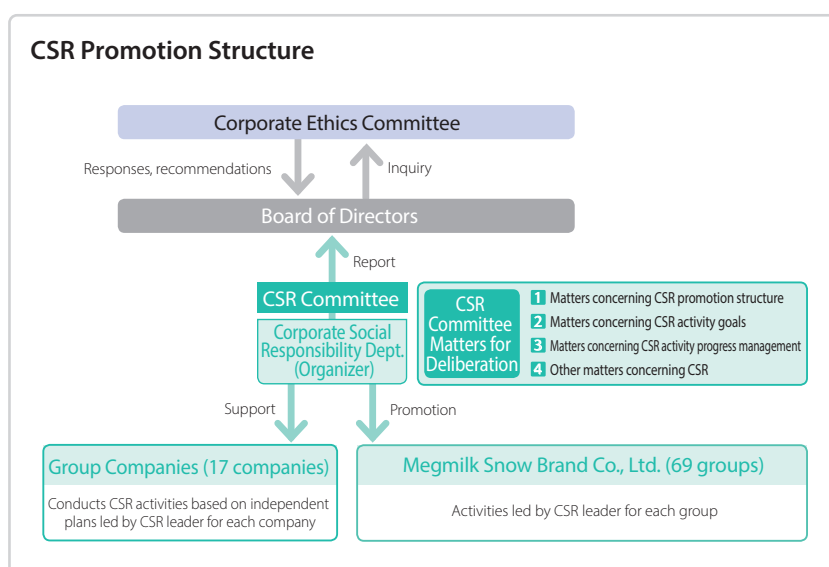
I have been privileged to serve as an Audit & Supervisory Committee member for two terms now. During these two years, I have visited plants, branches and Group companies to listen to as many employees as possible, with the aim of learning about the Megmilk Snow Brand Group from the basics on up. However, I still have much to learn. My short experience here has convinced me that the Group's single-minded dedication to manufacturing, its sincere humility concerning its responsibilities in food production, based on past incidents, and a corporate culture of integrity are essential assets for its sustainable growth and harmonious coexistence with society. Meeting the needs of diverse stakeholders, including customers, dairy farmers, investors and society, is no easy task, but I believe that we can achieve this step by step if each employee refines their common knowledge and balance and takes up the challenge of continuing to improve and transform the workplace culture.

CSR Promotion

CSR Promotion Structure

The Megmilk Snow Brand Group has established the CSR Committee as a management-level governance entity for promoting CSR throughout the Group. The President serves as chairman, and the committee is comprised of all full-time directors as well as executive officers and the General Manager of the Corporate Social Responsibility Department. In principle, the committee convenes twice per year and confirms progress in achieving groupwide indicators such as KPI.

Also, CSR leaders designated within each department and Group company fulfill a central role in activities, including implementing planned CSR Group Activities and communicating CSR-related information.



CSR Group Activities

The Megmilk Snow Brand Group has carried out CSR Group Activities since fiscal 2003 as a means of deepening employees' understanding of CSR and providing opportunities for exchange of ideas that lead to action. The CSR leaders appointed in each division play the central role in these activities. Fiscal 2019 marked the seventeenth year of these activities, which are held at each workplace. All employees participate, regardless of employment type.

In these annual activities, Megmilk Snow Brand Co., Ltd. pursues either company-wide standardized themes or themes specific to the workplace, changing every month. In the months with company-wide themes in fiscal 2019, participants gained a better understanding of Megmilk Snow Brand Group's Long-Term Vision 2026 and the Megmilk Snow Brand Report, helping to build awareness of the Company's direction, while also discussing issues such as promoting CSR in the workplace. In June and January, remembering the Snow Brand Milk Products food contamination incident and the Snow Brand Food fraudulent beef labeling incident, employees looked back on the causes and background, and also watched a video report including an overview of these incidents and interviews with the employees who handled each incident. Exchanging views about this renewed their sense of responsibility and ethics as employees of a food provider. In months devoted to

workplace-specific themes, employees shared and discussed issues and information related to operations, such as knowledge of SDGs, response to human resource diversity, information on CSR activities at other companies, and harassment training. In all Group Activities, employees read the conduct standards aloud to reinforce compliance awareness. These activities have the secondary benefit of providing employees with the opportunity to interact with people in different jobs and positions, thereby stimulating the workplace in a way that differs from everyday activities.

Group companies also conduct CSR Group Activities that are based on compliance and other issues relevant to each company.



CSR Group activities (Snow Brand Kodomo-no-Kuni Ranch)

Compliance

Megmilk Snow Brand Group Code of Conduct and Each Company's Conduct Standards

The Megmilk Snow Brand Group Code of Conduct defines the basis for conduct by the Megmilk Snow Brand Group as it strives to fulfill its social responsibilities. Companies in the Megmilk Snow Brand Group also outline conduct standards to define the Code of Conduct and compliance matters specific to each company. The Code of Conduct and conduct standards define the basis for all activities by the Company's directors and employees.

Megmilk Snow Brand Group Code of Conduct

As members of the Megmilk Snow Brand Group, we fully understand our responsibilities to society and shall act in accordance with the following to promote growth together with society.

- We promise to value the feelings of all our stakeholders and conduct ourselves in a way that earns the trust of all members of society.
- We promise to reinforce quality management and provide safe, high-quality products and services.
- We promise to reinforce compliance and practice fair and transparent corporate activities.
- We promise to reinforce the conservation and management of corporate assets and information, and to respect the rights of third parties.
- We promise to work proactively towards social contributions and environmental conservation through our business activities.
- We promise to build a corporate culture that promotes freedom and innovation, and to provide a safe and motivating workplace environment.

Two Incidents

Snow Brand Milk Products Food Contamination Incident

In the year 2000, there was a food poisoning incident linked to low-fat milk manufactured at the Osaka Plant of Snow Brand Milk Products Co., Ltd. On June 27 of that year, the Osaka Public Health Office received an initial report regarding a consumer suffering from food poisoning. An investigation showed that powdered skim milk had become contaminated after manufacturing due to a power outage at Snow Brand Milk Products' Taiki Plant, and that this powdered skim milk was then used in part to manufacture low-fat milk at the Osaka Plant. The food poisoning was the result of the powdered skim milk containing enterotoxins produced by staphylococcus aureus. The response by Snow Brand Milk Products immediately following the incident was mishandled, and it took time for the company to conduct a product recall and notify consumers and the general public. As a result, 13,420 people suffered from food poisoning. Not only did this incident cause great distrust among consumers regarding milk, dairy products, and processed foods in general, it also had a great impact on society as numerous issues came to light, including the milk industry's interpretation of the Ministerial Ordinance on Milk and Milk Products Concerning Compositional Standards,*¹ and the apparent gap with society.

Snow Brand Food Fraudulent Beef Labeling Incident

In the year 2002, there was an incident of fraud in which Snow Brand Food Co., Ltd., at the time a subsidiary of Snow Brand Milk Products, manipulated Japan's national BSE Countermeasures Program*² to register cheap imported beef as domestically produced beef, thereby fraudulently receiving subsidies through the program. The incident came to light in a newspaper article published on January 23 of that year. In the background of this incident was the BSE outbreak that occurred during the previous year, which caused widespread consumer pessimism towards beef. This left the entire meat industry faced with excessive inventory. However, the ultimate cause was the unethical thinking of the employees and their supervisors, who instructed them to engage in such practices. Snow Brand Food was forced to dissolve as a company at the end of April that year, three months after the fraud was discovered.

*1 The Ministerial Ordinance on Milk and Milk Products Concerning Compositional Standards is based on Japan's Food Sanitation Act.

*2 Program implemented by the Japanese government to purchase domestic beef prior to herd inspections. The program was implemented in response to an outbreak of bovine spongiform encephalopathy (BSE), a type of disease that affects cattle.

Violation of the Plant Act, Breed Falsification and Concealment by Snow Brand Seed

[Overview]

In February 2018, Snow Brand Seed Co., Ltd., a consolidated subsidiary of Megmilk Snow Brand Co., Ltd., received a Report Collection Order from Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) in accordance with Article 65 of the Plant Variety Protection and Seed Act. An investigation by a third-party committee discovered improper certificate labeling and other violations of the Plant Variety Protection and Seed Act. Additionally, it was discovered that the company had conducted breed falsification and attempted to conceal those acts.

[Reoccurrence Prevention Measures]

Snow Brand Seed devised specific measures to prevent reoccurrence in line with recommendations from the third-party committee and implemented these measures as laid out in the plan by the end of March 2020. In April of the same year, Snow Brand Seed submitted the Report on Status of Implementation of Reoccurrence Prevention Measures to the Ministry of Agriculture, Forestry and Fisheries; the report was received in May.

Going forward, the company will work together to reform its corporate culture, ensure thorough management of labeling, and strengthen internal controls to restore trust. Megmilk Snow Brand has reinforced its support and oversight of management at Snow Brand Seed to prevent reoccurrence, and is enhancing its system of checking for legal violations in the Group, reaffirming its commitment to compliance.

1. Reforms to Corporate Culture and Awareness

- ① Augment HR development and training
- ② Review HR system and the staff and organizational system
- ③ Invigorate communication and ensure thorough sharing of information
- ④ Ongoing, repetitive implementation of compliance activities

2. Thorough Management of Labeling

- ① Regular checks of labeling
- ② Set rules for product labeling and enforce
- ③ Eradicate labeling mistakes on certificates by building a seed production management system
- ④ Thoroughly manage labeling and quality for contract manufacturing products

3. Strengthen Internal Controls

- ① Rebuild internal controls
- ② Carry out business audits by Megmilk Snow Brand's Audit Department and Audit Office and improve operations
- ③ Audit status of implementation of measures to prevent reoccurrence
- ④ Improve work procedures (work standards) through quality audits performed by the Quality Assurance Office
- ⑤ Use quality audits by the Quality Assurance Office to confirm quality management system and pursue measures to address quality issues

4. Follow Up on Reoccurrence Prevention Measures and Assessment

- ① Thorough use of PDCA cycle and dependable implementation

5. Thorough Prevention of Reoccurrence and Ongoing Initiatives

- ① Reform corporate culture and awareness
- ② Thorough labeling and quality management
- ③ Strengthen internal controls

Activities to Ensure that Incident Is Not Forgotten and Passing on Accounts of Incident

The Group carries out activities to ensure that the food contamination incident at Snow Brand Milk Products and the fraudulent beef labeling incident at Snow Brand Food are not forgotten and to strengthen awareness of the responsibilities involved in handling food. These activities have been carried out every year in June and January since June 2003, the respective months in which the two incidents occurred, and were held for the 34th time in fiscal 2019.

In June, Kazuo Takeshita, a former elementary school principal who advocates a Bento Day on which children make their own lunches, came to give a talk on the theme of "What can we do beginning today for our children's future?" In January, Masahiro Nojima, General Manager of the Environmental Protection Office for the Food Industry at the Ministry of Agriculture, Forestry and Fisheries gave a talk in which he discussed the problem of food loss and gave examples of efforts to address this problem as well as future issues. After these talks, participants exchanged opinions and asked questions. These talks are part of the Group's effort to raise awareness of social issues around food, consider the role that Megmilk Snow Brand should play through its business, and create an ethical awareness that encourages employees to independently consider and address their

responsibilities in handling food.

As of September 2019, 60% of the Company's employees had joined the Company after the Snow Brand Milk Products food contamination incident, so in order to ensure awareness of the fundamental problems in these two cases as well as an understanding of food responsibility and corporate ethics, the Group created a set of videos consisting of an Incident Records section and an Interview Library section. The videos are important materials that pass down the lessons of the incidents to future generations, and are also tools used in CSR Group Activities that encourage employees to see, think and act as if the incident were their own issue.



Talk by Masahiro Nojima, the Ministry of Agriculture, Forestry and Fisheries

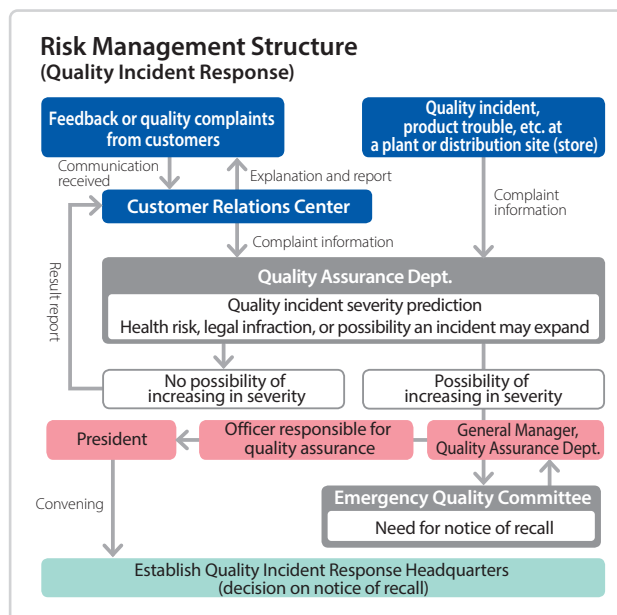
Risk Management

Risk Management Structure

Megmilk Snow Brand addresses incidents and problems with its products and services promptly and appropriately, and it also manages Group companies' risks.

Quality Incident Response

Information related to product quality received via daily customer feedback and trouble and complaint information received from plants and stores are conveyed to the Quality Assurance Dept. When there is a possibility of a problem growing in seriousness, including health risks, legal infractions, or the possibility the incident may expand, the Emergency Quality Committee is convened to ascertain the facts and rapidly implement necessary response. If the results of the committee assessment indicate the need to issue a notice of recall or other response requiring rapid decision-making by corporate management, a Quality Incident Response Headquarters is established and the President serves as the Response Headquarters General Manager, overseeing the response.



Risk Liaison Committee

In principle, Risk Liaison Committee meetings are held weekly at the Company's headquarters to manage risks and issues throughout the entire Group. The meetings are attended by the President, Executive Vice President, Audit & Supervisory Committee Members, the respective directors in charge and General Managers of the General Affairs Dept., Quality Assurance Dept., Corporate Social Responsibility Dept., Public Relations

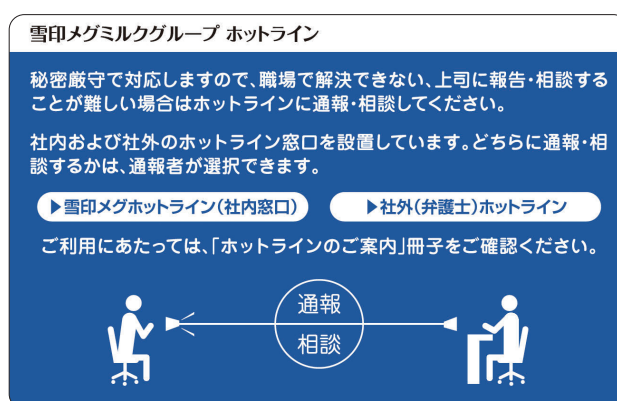
& Investor Relations Dept., and Personnel Dept. In addition to product quality, the committee also promotes the rapid sharing of information concerning other trouble and risk incidents, and checks on the response to risk incidents. The meetings among managers responsible for group crises are held regularly to confirm the response to any crises facing the Megmilk Snow Brand Group overall.

Whistleblowing System

The Megmilk Snow Brand Group has established both an internal whistleblowing hotline, the Megmilk Snow Brand Hotline, and an external hotline (attorney) for external whistleblowing consultations, both of which are available to the entire Group. Both hotlines serve to address all matters, not only serious incidents such as legal infractions, violations of internal regulations, and harassment claims, but also issues such as consultation regarding work-related questions and proposals. Whistleblowing claims brought to the hotlines are investigated with a focus on prioritizing the protection and privacy of the whistleblower. We use our internal CSR Information Journal and other media to encourage employees to utilize the hotline. We distributed a revised version of the employee pamphlet and portable hotline card in March.

Number of hotline calls (in Japanese)

<https://www.meg-snow.com/csr/policy/risk/>



Hotline card

Operating Results and Financial Analysis (FY2019)

Analysis of Operating Results

Status of Operations

In accordance with the Megmilk Snow Brand Group Medium-term Management Plan 2019, the Group endeavored to create multiple earnings bases and maximize cash flow. It did this through product mix improvement accompanying sales growth from high-value-added products such as functional yogurt and from cheese and other mainstay products, as well as through scale expansion from continued marketing investment in the Nutrition business. In addition, the Group endeavored to fortify its overall strengths by maximizing the use of Group management resources and the value chain.

As a result, for the fiscal year under review, consolidated net sales were up 1.7% year on year to 613.4 billion yen, operating profit was up 4.5% to 17.9 billion yen, ordinary profit was up 3.5% to 19.6 billion yen, and profit attributable to owners of parent was up 13.1% to 12.1 billion yen.

Net Sales

Net sales in the Dairy Products segment (the Dairy Products business and Nutrition business) were up 3.4% year on year to 249.0 billion yen as the result of ongoing marketing investments that led to growth in the sales of Mainichi Hone Care MBP®, a functional foods product that is also a food for specified health use.

In the Beverages and Desserts segment, net sales were up 1.5% to 283.9 billion yen. This was due to efforts to raise the appeal of each product's value, including ongoing promotional activities to familiarize consumers with the functions of our *Lactobacillus gasseri* SBT2055 yogurt, which reduces visceral fat.

In the Feedstuffs and Seed Products segment, net sales fell 5.1% to 43.7 billion yen due to lower sales volume for grass, feed crop seed and feedstuffs as well as a decline in large landscaping projects.

The Other segment, which includes real estate rental and joint distribution center services, contributed 36.6 billion yen, up 0.2%, bringing total consolidated net sales to 613.4 billion yen, a 1.7% increase of 10.0 billion yen over the previous fiscal year.

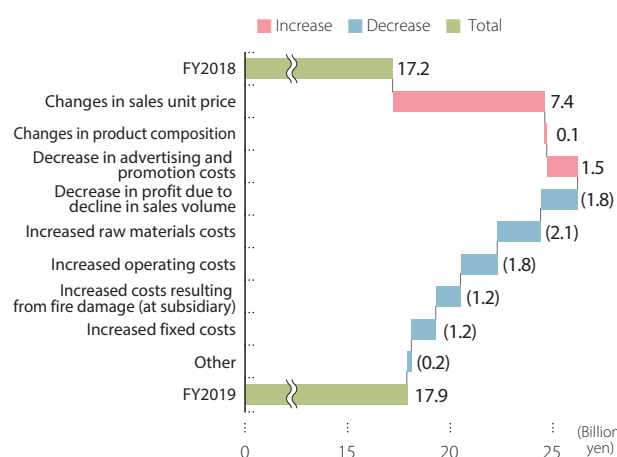
Operating Profit

The cost of raw materials and operating costs increased, and the fire in the merchandise warehouse of the subsidiary SI System Corporation that occurred in September 2019 resulted in added costs. However, the efficient use of the advertising and promotion budget and price revisions in the Beverage and Dessert segment resulted in a 4.5%, or 700 million yen, increase in operating profit, to 17.9 billion yen.

Consolidated Net Sales and Operating Profit by Segment

	FY2018	FY2019	Change
(Unit: billion yen)			
Net Sales	603.3	613.4	10.0
Dairy Products	241.0	249.0	8.0
Beverages and Desserts	279.7	283.9	4.2
Feedstuffs and Seed Products	46.0	43.7	(2.3)
Other	36.6	36.6	0
<Reference>			
Net Sales in Nutrition Business (Reported under Dairy Products Segment)			
Nutrition	19.4	18.4	(1.0)
Operating Profit	17.2	17.9	0.7
Dairy Products	11.7	11.5	(0.2)
Beverages and Desserts	3.1	5.2	2.0
Feedstuffs and Seed Products	1.1	1.0	(0.1)
Other	1.0	0.1	(0.8)

Causes of Net Changes in Consolidated Operating Profit



Analysis of Financial Status

Assets

Total assets at the end of this consolidated fiscal year were up 10.9 billion yen compared to the end of the previous fiscal year, to 370.4 billion yen. This was primarily because, although notes and accounts receivable–trade fell, property, plant and equipment, merchandise and finished goods, and intangible assets increased.

Liabilities and Net Assets

Total liabilities as of the end of the consolidated fiscal year were up 1.6 billion yen year on year to 192.3 billion yen. This was primarily due to an increase in accounts payable–other, offsetting a decrease in notes and accounts payable–trade and liabilities related to the acquisition of non-current assets included in “other.”

Total net assets as of the end of the consolidated fiscal year were up 9.3 billion yen year on year to 178.0 billion yen. This was mainly attributable to an increase in retained earnings.

Cash Flow Analysis

Cash Flows from Operating Activities

Net cash provided by operating activities was 24.3 billion yen (compared to 21.9 billion yen in the previous fiscal year). The 2.3 billion yen increase over the previous fiscal year was mainly attributable to lower notes and accounts receivable–trade and notes and accounts payable–trade.

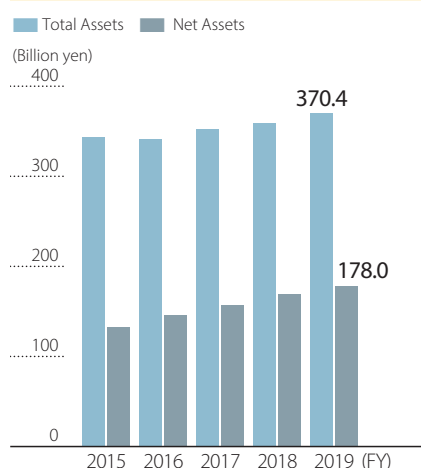
Cash Flows from Investing Activities

Net cash used in investing activities was 16.6 billion yen (compared to 14.2 billion yen in the previous fiscal year). The 2.3 billion yen increase was mainly attributable to a decrease in proceeds from the sale of investment securities and an increase in the purchase of property, plant and equipment and intangible assets.

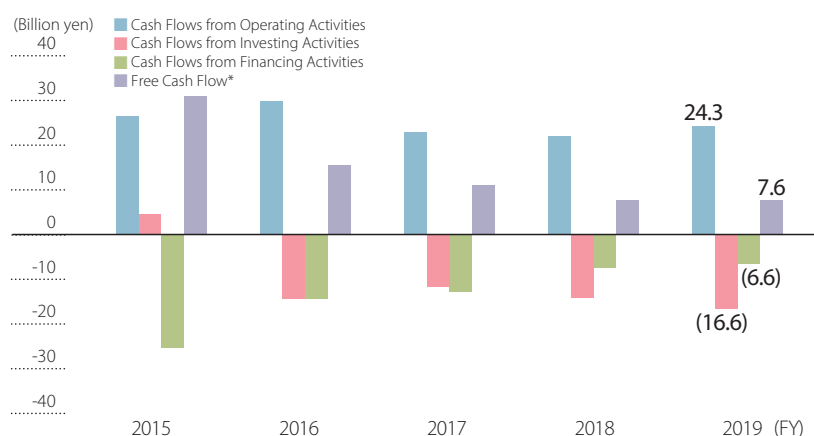
Cash Flows from Financing Activities

Net cash used in financing activities was 6.6 billion yen (compared to 7.3 billion yen in the previous fiscal year). The 700 million yen decrease was primarily due to a decrease in repayment of long-term loans payable and an increase in short-term loans payable, offsetting a decrease in proceeds from long-term loans payable and proceeds from issuance of bonds.

Total Assets / Net Assets



Cash Flow



* Cash flows from operating activities + cash flows from investing activities

Consolidated Financial Statements

Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	14,366	15,536
Notes and accounts receivable–trade	74,727	71,880
Merchandise and finished goods	40,673	42,998
Work in process	991	1,044
Raw materials and supplies	14,026	14,954
Accounts receivable–other	2,562	3,505
Other	1,883	1,678
Allowance for doubtful accounts	(368)	(410)
Total current assets	148,863	151,187
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,970	46,497
Machinery, equipment and vehicles	53,225	54,136
Tools, furniture and fixtures	3,906	3,914
Land	49,849	49,910
Lease assets	5,165	4,917
Construction in progress	3,186	11,654
Total property, plant and equipment	162,304	171,031
Intangible assets		
Lease assets	50	253
Software	2,433	1,854
Right of using facilities	677	658
Goodwill	—	719
Other	45	241
Total intangible assets	3,206	3,727
Investments and other assets		
Investment securities	35,491	34,807
Long-term prepaid expenses	420	364
Net defined benefit assets	2,163	2,246
Deferred tax assets	2,925	3,006
Other	4,455	4,317
Allowance for doubtful accounts	(384)	(255)
Total investments and other assets	45,072	44,487
Total non-current assets	210,582	219,246
Total assets	359,445	370,434

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	58,930	55,354
Electronically recorded obligations–operating	5,091	5,436
Short-term loans payable	16,731	16,514
Current portion of long-term loans payable	3,226	1,626
Lease obligations	1,238	910
Accounts payable–other	12,218	19,843
Income taxes payable	1,848	3,740
Accrued expenses	7,886	7,752
Deposits received	490	561
Provision for bonuses	4,990	5,212
Other	5,273	3,366
Total current liabilities	117,924	120,319
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	35,835	35,129
Long-term deposits received	5,084	4,997
Lease obligations	4,673	5,212
Deferred tax liabilities	1,291	858
Deferred tax liabilities for land revaluation	3,956	3,959
Provision for directors' retirement benefits	20	20
Provision for gift token exchange	88	79
Net defined benefit liabilities	9,396	10,017
Asset retirement obligations	1,713	1,298
Other	677	446
Total non-current liabilities	72,738	72,019
Total liabilities	190,662	192,339
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,586	17,606
Retained earnings	116,474	125,489
Treasury stock	(4,942)	(4,961)
Total shareholders' equity	149,117	158,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,471	10,747
Deferred gains or losses on hedges	(154)	(88)
Revaluation reserve for land	8,818	8,815
Foreign currency translation adjustment	8	(142)
Remeasurements of defined benefit plans	(1,966)	(2,354)
Total accumulated other comprehensive income	17,177	16,977
Non-controlling interests	2,487	2,982
Total net assets	168,782	178,094
Total liabilities and net assets	359,445	370,434

Consolidated Statements of Income

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net sales	603,378	613,405
Cost of sales	460,868	470,209
Gross profit	142,510	143,196
Selling, general and administrative expenses		
Selling expenses	107,188	106,174
General and administrative expenses	18,091	19,022
Total selling, general and administrative expenses	125,279	125,197
Operating profit	17,230	17,998
Non-operating income		
Interest income	18	9
Dividend income	755	748
Equity in earnings of affiliates	961	1,085
Other	1,154	978
Total non-operating income	2,889	2,821
Non-operating expenses		
Interest expenses	488	346
Other	616	793
Total non-operating expenses	1,105	1,140
Ordinary profit	19,014	19,680
Extraordinary income		
Gain on sales of non-current assets	25	13
Gains on sales of investment securities	391	94
Other	115	—
Total extraordinary income	533	107
Extraordinary loss		
Loss on sales of non-current assets	0	2
Loss on retirement of non-current assets	1,216	1,707
Impairment loss	1,690	576
Loss on fire damage	—	550
Other	1,366	66
Total extraordinary loss	4,273	2,903
Profit before income taxes	15,273	16,885
Income taxes - current	3,788	5,057
Income taxes - deferred	554	(464)
Total income taxes	4,343	4,593
Profit	10,930	12,291
Profit attributable to non-controlling interests	176	126
Profit attributable to owners of parent	10,754	12,165

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Profit	10,930	12,291
Other comprehensive income		
Valuation difference on available-for-sale securities	4,157	135
Deferred gains or losses on hedges	9	65
Foreign currency translation adjustment	(393)	32
Remeasurements of defined benefit plans	(350)	(405)
Share of other comprehensive income of entities accounted for using the equity method	(8)	150
Total other comprehensive income	3,414	(20)
Comprehensive income	14,345	12,271
(Breakdown)		
Comprehensive income attributable to owners of parent	14,172	12,146
Comprehensive income attributable to non-controlling interests	172	124

Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	(Millions of yen)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of term	20,000	17,585	108,186	(4,643)	141,128
Changes during term					
Cash dividends			(2,712)		(2,712)
Profit attributable to owners of parent			10,754		10,754
Purchase of treasury stock				(300)	(300)
Disposal of treasury stock		0		0	1
Change in scope of equity method			113		113
Reversal of revaluation reserve for land			133		133
Net changes other than shareholders' equity					
Total changes during term	—	0	8,288	(299)	7,989
Balance at end of term	20,000	17,586	116,474	(4,942)	149,117

	(Millions of yen)							
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	6,322	(163)	8,951	382	(1,600)	13,892	2,317	157,338
Changes during term								
Cash dividends								(2,712)
Profit attributable to owners of parent								10,754
Purchase of treasury stock								(300)
Disposal of treasury stock								1
Change in scope of equity method								113
Reversal of revaluation reserve for land								133
Net changes other than shareholders' equity	4,148	9	(133)	(374)	(365)	3,285	170	3,455
Total changes during term	4,148	9	(133)	(374)	(365)	3,285	170	11,444
Balance at end of term	10,471	(154)	8,818	8	(1,966)	17,177	2,487	168,782

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)	(Millions of yen)				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of term	20,000	17,586	116,474	(4,942)	149,117
Changes during term					
Cash dividends			(2,708)		(2,708)
Profit attributable to owners of parent			12,165		12,165
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		0		0	0
Change in scope of equity method		20	(442)		(422)
Net changes other than shareholders' equity					
Total changes during term	—	20	9,014	(18)	9,017
Balance at end of term	20,000	17,606	125,489	(4,961)	158,134

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of term	10,471	(154)	8,818	8	(1,966)	17,177	2,487	168,782
Changes during term								
Cash dividends								(2,708)
Profit attributable to owners of parent								12,165
Purchase of treasury stock								(19)
Disposal of treasury stock								0
Change in scope of equity method								(422)
Net changes other than shareholders' equity	276	65	(2)	(150)	(388)	(200)	495	294
Total changes during term	276	65	(2)	(150)	(388)	(200)	495	9,311
Balance at end of term	10,747	(88)	8,815	(142)	(2,354)	16,977	2,982	178,094

Consolidated Statements of Cash Flows

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	15,273	16,885
Depreciation and amortization	15,901	16,157
Impairment loss	1,690	576
Equity in (earnings) losses of affiliates	(961)	(1,085)
Amortization of goodwill	—	92
Increase (decrease) in allowance for doubtful accounts	(256)	(86)
Increase (decrease) in provision for bonuses	(215)	221
Decrease (increase) in net defined benefit asset	(642)	(341)
Increase (decrease) in net defined benefit liability	224	249
Increase (decrease) in provision for gift token exchange	(101)	(9)
Loss (gain) on sales and retirement of non-current assets	1,191	1,704
Interest and dividend income received	(773)	(758)
Interest expenses	488	346
Decrease (increase) in notes and accounts receivable—trade	(5,545)	3,271
Decrease (increase) in inventories	(2,187)	(2,864)
Increase (decrease) in notes and accounts payable—trade	(399)	(3,422)
Other	1,780	(4,024)
Subtotal	25,468	26,911
Interest and dividend income	1,086	1,039
Interest expenses paid	(444)	(388)
Income taxes paid	(4,171)	(3,239)
Net cash provided by (used in) operating activities	21,938	24,322
Cash flows from investing activities		
Payments into time deposits	(22)	—
Proceeds from withdrawal of time deposits	502	50
Payments of loans receivable	(177)	(66)
Collection of loans receivable	91	44
Purchase of property, plant and equipment and intangible assets	(15,881)	(16,705)
Proceeds from sales of property, plant and equipment and intangible assets	84	100
Purchase of investment securities	(258)	(109)
Proceeds from sales of investment securities	1,036	123
Other	376	(67)
Net cash provided by (used in) investing activities	(14,248)	(16,629)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,043)	(523)
Proceeds from long-term loans payable	11,972	920
Repayment of long-term loans payable	(22,052)	(3,226)
Proceeds from issuance of bonds	9,936	—
Purchase of treasury stock	(300)	(19)
Cash dividends paid	(2,711)	(2,708)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(1,195)	(1,091)
Net cash provided by (used in) financing activities	(7,396)	(6,651)
Effect of exchange rate on cash and cash equivalents	(65)	9
Net increase (decrease) in cash and cash equivalents	227	1,052
Cash and cash equivalents at beginning of period	14,076	14,303
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	168
Cash and cash equivalents at end of period	14,303	15,524

Corporate and Investor Information

Megmilk Snow Brand Corporate Overview

(As of March 31, 2020)

Corporate name	MEGMILK SNOW BRAND Co., Ltd.	Established	October 1, 2009
Business	Production and sales of milk, dairy products, beverages, and other foods	Representative Director and President	Keiji Nishio
Registered head office	1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido	Capital	20 billion yen
Head office	5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo	Fiscal year closing date	March 31
		No. of employees (consolidated)	5,367
		Stock exchange listing	Tokyo Stock Exchange, Sapporo Securities Exchange
		Securities code	2270
		Shareholder ledger trustee	Mizuho Trust & Banking Co., Ltd.



Status of the Company's Stock (As of March 31, 2020)

Total number of shares	280,000,000 shares
Total number of issued shares	70,751,855 shares
Number of shareholders	43,737

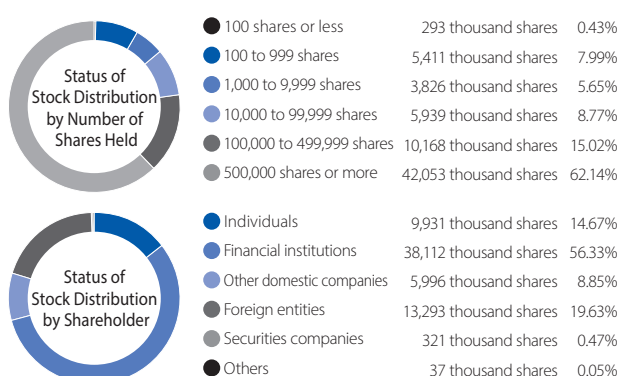
Major Shareholders (Top 10) (As of March 31, 2020)

Shareholder Name	Shares Held (1,000 shares)	Investment Ratio (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237	13.64
The Norinchukin Bank	6,728	9.93
Japan Trustee Services Bank, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	3,703	5.47
The Master Trust Bank of Japan, Ltd. (Trust account)	3,212	4.74
Japan Trustee Services Bank, Ltd. (Trust account)	2,901	4.28
STATE STREET BANK AND TRUST COMPANY 505001	1,268	1.87
Megmilk Snow Brand Employee Shareholding Association	1,141	1.68
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,125	1.66
MUFG Bank, Ltd.	1,083	1.60
HOKUREN Group	1,074	1.58

(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.

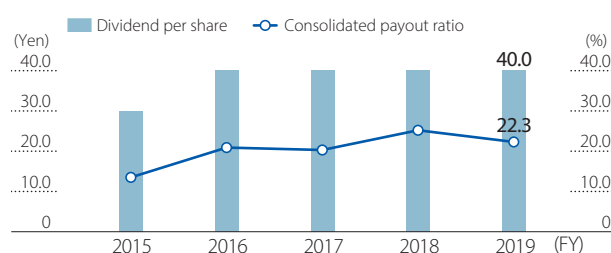
(Note 2) Although the Company holds 3,058,747 shares of common stock, the Company is excluded from the above list of major shareholders.

Status of Stock Distribution (As of March 31, 2020)

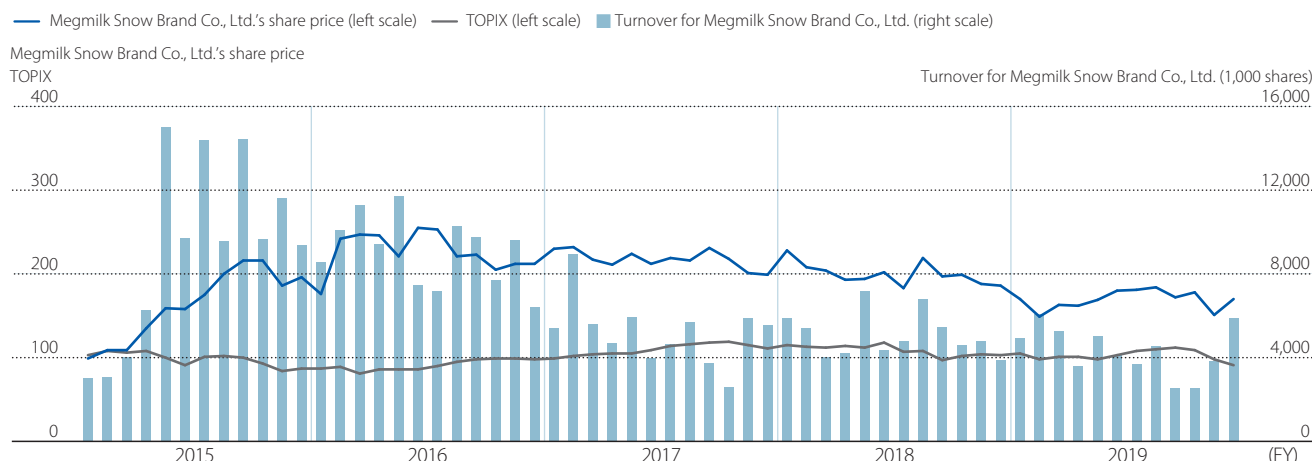


(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although the Company holds 3,058,747 shares of common stock, the Company is excluded from the above list.

Shareholder Returns

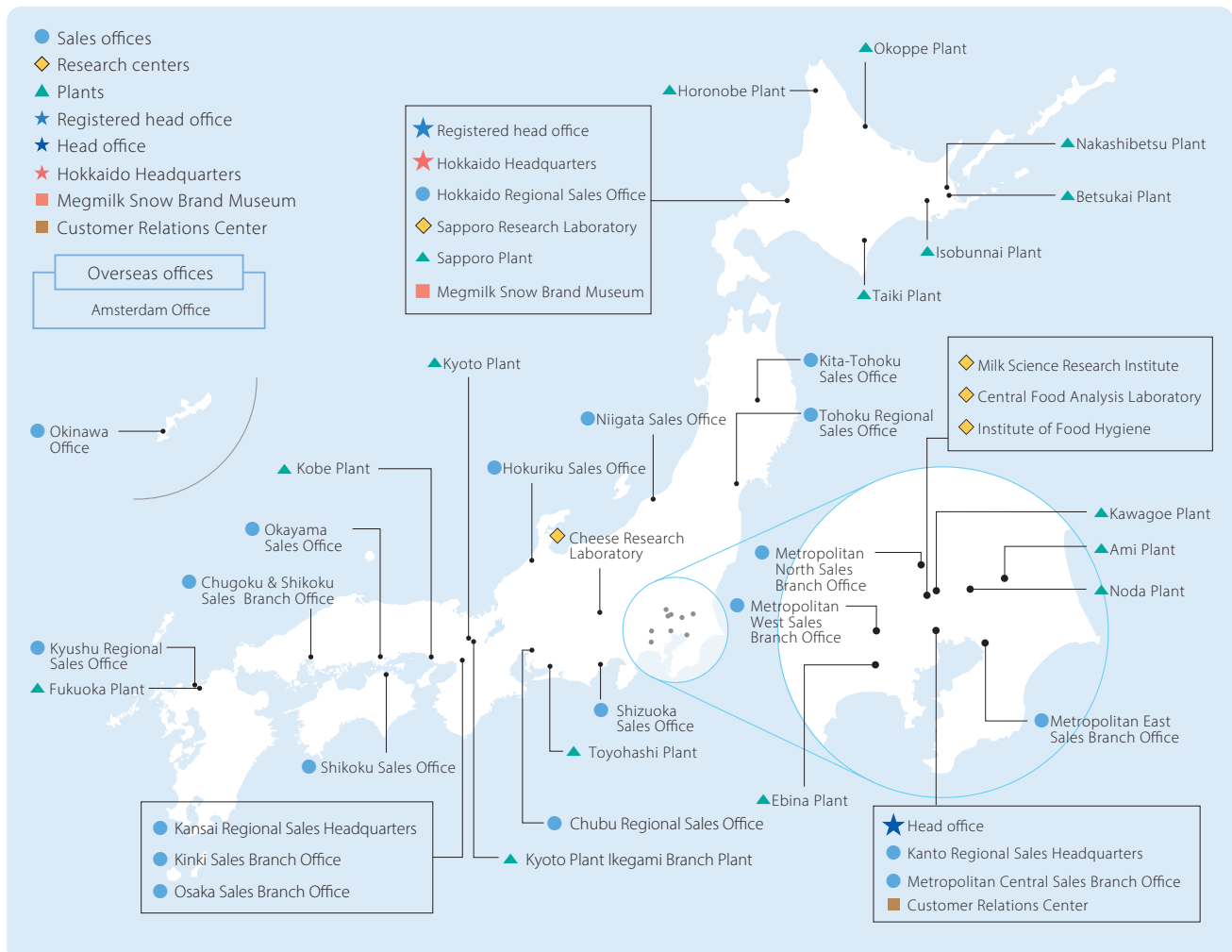


Trends in Share Price and Turnover



Megmilk Snow Brand List of Offices

(As of April 30, 2020)



Main Group Companies [P.35](#)

Megmilk Snow Brand Overseas Group Companies

(As of April 30, 2020)

