



Megmilk Snow Brand Report

2022

Integrated Report

2022

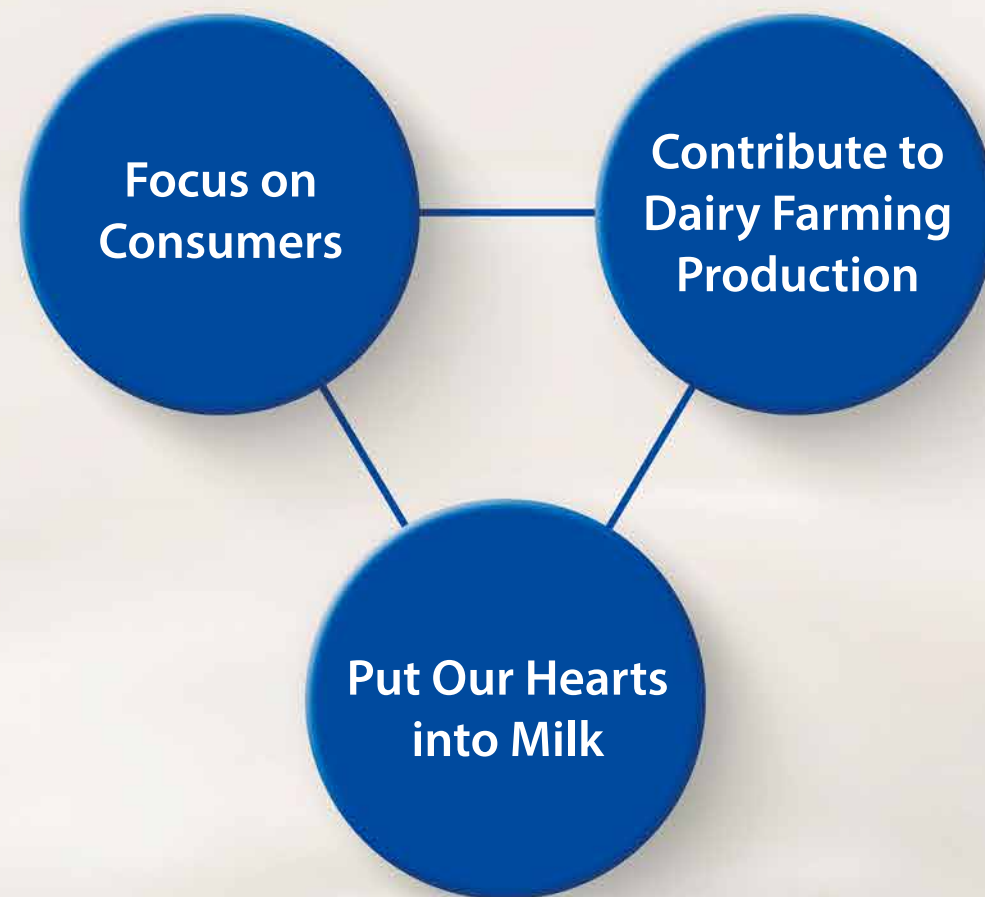
Integrated Report

Make the Future with Milk

Megmilk Snow Brand Group Corporate Philosophy

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

Our Three Missions



Corporate Slogan
Make the Future with Milk

Our Three Missions

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 ▶ P. 3 Our Approaches to 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.

Kendo Kenmin (a healthy earth ensures human health)

Aim for a sustainable society that can be passed on to future generations

The phrase *Kendo Kenmin* (a healthy earth ensures human health) was proposed by Torizo Kurosawa, one of the founders of Snow Brand Milk Products Co., Ltd. which was one of the predecessors of Megmilk Snow Brand. The phrase means that dairy farming strengthens the soil, and the milk and dairy products produced from this rich earth are the ultimate nutritious food that can foster healthy spirits and resilient bodies for human being.

Torizo Kurosawa also worked hard to spread "circular farming" as an actual way to achieve *Kendo Kenmin*. This desire for sustainable agriculture, which is also applicable to modern sustainability, has been carried on in the Megmilk Snow Brand Group for about 100 years since our founding.

The Megmilk Snow Brand Group's sustainability management inherits the founding spirit of *Kendo Kenmin* as the starting point of our corporate philosophy, and aims to solve social issues through the business of dairy farming, to preserve a healthy and abundant environment, and to build a sustainable society that can be passed on to future generations.



■ Calligraphy of *Kendo Kenmin* by Torizo Kurosawa (owned by the Megmilk Snow Brand head office)

What is Circular Farming?

Circular farming is an agricultural method in which people and nature live in harmony and make cyclic use of materials and energy, "from soil to grass, from grass to cow, and then the waste from cows again back into the soil."

■ Circular farming diagram (exhibited at the Megmilk Snow Brand Museum)



Contents

About the Megmilk Snow Brand Group

Group Corporate Philosophy and <i>Kendo Kenmin</i>	P.1
Contents / Our Approaches to Consumers	P.3
Growth Strategy	P.4
Megmilk Snow Brand Group Charter of Corporate Behavior	P.5
History of Megmilk Snow Brand	P.7

Message from the President

Message from the President	P.9
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Value Creation by the Megmilk Snow Brand Group

Value Creation Process	P.17
Value Chain	P.19
Business Overview	P.23
Main Group Companies	P.24
Conditions by Business	P.27
Performance Highlights	P.33
Message from the Executive Officer Responsible for Finance	P.35

Foundation and Sustainability to Support Growth

Material Issues	P.37
Message from the Executive Officer in Charge of Sustainability	P.39
Milk for Contributions to Food and Health	P.40
Reducing Environmental Impact	P.42
[Feature] Initiatives for the Task Force on Climate-Related Financial Disclosures (TCFD)	P.43
Contributing to Sustainable Dairy Farming	P.48
Message from the Executive Officer Responsible for Personnel	P.49
Realization of a Diverse and Motivating Workplace	P.50
Human Rights	P.52
Contributing to Local Communities	P.54
Promotion of Sustainability	P.56

Corporate Governance

Corporate Governance	P.57
Board of Directors	P.62
Message from an External Director	P.65
Compliance	P.66
Risk Management	P.68

Company Information, Etc.

Operating Results and Financial Analysis	P.69
Consolidated Financial Statements	P.71
Corporate and Investor Information	P.73
Editorial Policy	P.76

Growth Strategy

In 2017, the Megmilk Snow Brand Group formulated the Group Long-term Vision 2026 as our vision for the Group in 10 years. In fiscal 2022, we will promote growth strategies centered on three initiatives: advancing productivity improvement reforms, advancing business structure reforms, and promoting innovation in the production structure.

Group Long-term Vision 2026

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

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 (10 years from 2017) to establish a competitive platform.
3. Create new value by engaging in manufacturing (*monozukuri*) grounded in R&D.
4. Respect and leverage 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.

Roadmap for the Group Long-term Vision 2026

	First Stage	Second Stage	Third Stage
	FY2017-FY2019	FY2020-FY2022	FY2023-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*1
	Begin renewal of production structure	Begin full-fledged renewal of the production structure	Accelerate production structure innovation

Initiative Policies

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

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

*1 Dairy products, beverages and desserts, nutrition, feedstuffs & seed products business sectors

Performance Indicators	Group's Medium-term Management Plan 2019	Group's Medium-term Management Plan 2022				Long-term Vision
	FY2019	FY2020	FY2021	FY2022	FY2026	
	Result	Result	Result	Forecast	Target	
Net sales (billion yen)*2	613.4	615.1	558.4	575.0	700-800*3	
Operating profit (billion yen)	17.9	19.7	18.0	14.0	30-40	
Operating margin (%)*2	2.9	3.2	3.2	2.4	4.3-5.0	
EBITDA (billion yen)	34.1	35.6	35.0	31.5	—	
					Target	
Capital expenditures (billion yen)	Approx. 64 (3-year total)	26.6	18.7	25.0	Approx 280 (10-year total)	
Return on equity (ROE) (%)	7.1	8.1	6.0	—	8% or higher	
Equity ratio (%)	47.3	49.0	51.5	50% or higher	50% or higher	
Payout ratio (%)	22.3	18.1	33.6	43.6	30% or higher	
Interest-bearing debt (billion yen)	69.3	79.3	72.2	—	—	

*2 The figures for FY2020 and before are prior to the application of the "Accounting Standard for Revenue Recognition," while the figures for FY2021 and beyond are after the application.

*3 The figure does not apply the "Accounting Standard for Revenue Recognition." When applied, the figure would be expected to decrease by about 10%.

Approaches to Consumers

Our Focus on Consumers Based on the Basic Consumer Act

The Megmilk Snow Brand Group will fulfill our business responsibilities through initiatives based on our four basic approaches to respect the eight basic rights of consumers and fulfill our business responsibilities as stipulated in the Basic Consumer Act.

Basic Consumer Act

* Numbers added for clarification of content

Fundamental Principles (Eight Basic Rights)

Article 2

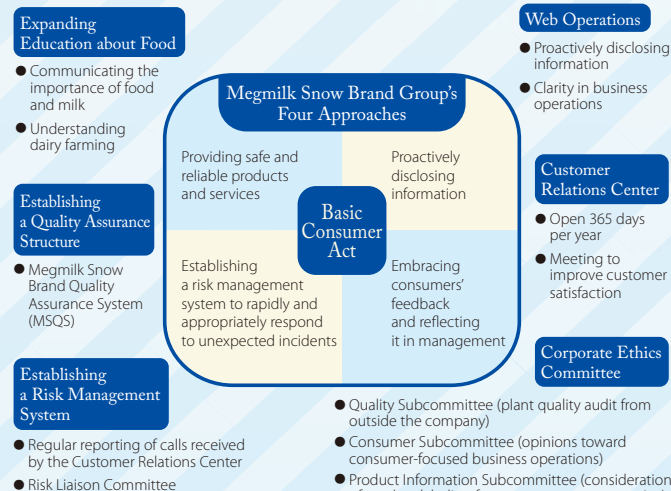
- (1) When implementing comprehensive policies (hereinafter referred to as "Consumer Policies") with regard to the protection and advancement of the interests of consumers,
1. the satisfaction of the basic demands of consumers
 2. a healthy living environment,
 3. consumer safety, and
 4. the opportunity 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
 6. 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.

Responsibilities, etc. of Business Operators

Article 5

- (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.
- (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.

Megmilk Snow Brand Group's Initiatives



Megmilk Snow Brand Group Charter of Corporate Behavior

The Megmilk Snow Brand Group's philosophy and basic approach to responding to various demands from society and further promoting sustainability management are expressed in the Megmilk Snow Brand Group Charter of Corporate Behavior.

Message on the Establishment of the Megmilk Snow Brand Group Charter of Corporate Behavior

Snow Brand Milk Products Co., Ltd., one of Megmilk Snow Brand's predecessors, got its start way back in 1925 with the establishment of the Hokkaido Cooperative Creamery Association, a producers' organization formed by dairy farmers to support their industry. The founders launched the association with the inspiring idea of "a healthy earth ensures human health." This phrase captures core truths: dairy farming strengthens the soil, and the milk and dairy products produced from this rich earth are the ultimate nutritious food that can foster healthy spirits and resilient bodies.

In the years since then, our organization has worked closely with dairy farmers and diversified its product portfolio, mainly in the fields of milk and dairy products. Today, the Megmilk Snow Brand Group is one of Japan's leading comprehensive food manufacturers. However, our brand lost decades of carefully won trust with consumers due to a food contamination incident in 2000 and a fraudulent beef labeling incident in 2002. We faced a grave crisis, and our very survival was in doubt. Thankfully, with the support of dairy producers, related government bodies and business partners, we were able to overcome many challenges to rebuild. In October 2009, Nippon Milk Community Co., Ltd. and Snow Brand Milk Products Co., Ltd. were merged to form the joint holding company, Megmilk Snow Brand Co., Ltd. Then, in April 2011, three companies were merged to create today's Megmilk Snow Brand Co., Ltd.

The Megmilk Snow Brand Group Corporate Philosophy is to fulfill three 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. Our corporate slogan, "Make the Future with Milk," sums up all of these aims. We are determined to carry on the spirit of "a healthy earth ensures human health," the aspiration that guided the founding of Snow Brand Milk and the point of origin of the Megmilk Snow Brand Group's corporate philosophy today. With this commitment as our unshakeable foundation, we will continue to be a company that takes responsibility for the future with sincere regret for those two past incidents.

The world around us faces numerous social problems, such as climate change and other increasingly severe environmental problems, poverty and widening disparities, and expanding human rights problems. It is our goal to help solve social issues through the dairy business. We will work to preserve a healthy, prosperous environment and build a sustainable world that can be passed on to future generations. The Megmilk Snow Brand Group has established the Megmilk Snow Brand Group Charter of Corporate Behavior to serve as the guide for our conduct as we seek to achieve these goals.

Megmilk Snow Brand Co., Ltd.
Representative Director and President
Masatoshi Sato
Established on June 1, 2021

Megmilk Snow Brand Group Charter of Corporate Behavior

The Megmilk Snow Brand Group respects the letter and spirit of applicable laws and international rules at all stages of the supply chain, in accordance with the Megmilk Snow Brand Group Charter of Corporate Behavior. We act honestly and in good faith, living up to high ethical standards.

1. Sustainably Improving Corporate Value and Resolving Social Issues

The Megmilk Snow Brand Group works to improve corporate value by engaging in business activities to achieve its Corporate Philosophy, while striving to help build a sustainable world by working to solve social issues.

2. Trusting Relationship with Consumers

The Megmilk Snow Brand Group strives to ensure quality management and provide society with effective and safe products and services. Based on Japan's Basic Consumer Act, we recognize consumer rights and our responsibilities as a business operator, and we provide accurate information on products and services and communicate in good faith to ensure consumers' satisfaction and earn their trust. In the event that an accident does occur with a product we have provided, we respond appropriately, with consumer safety as our top priority.

3. Equitable Business Activities

The Megmilk Snow Brand Group maintains a high sense of morals and responsibility, observes corporate ethics, strives to ensure compliance throughout the Group, and carries out business activities based on fair, transparent and free competition. Moreover, we do not tolerate any transactions or relationships with organized criminal groups or other anti-social forces.

4. Fair Information Disclosure and Dialogue with Stakeholders

The Megmilk Snow Brand Group proactively, effectively and appropriately discloses information in a timely manner to earn the understanding and trust of all stakeholders, including consumers, dairy producers and shareholders. In addition, we implement transparent management by engaging in ongoing dialogue with stakeholders in order to raise corporate value.

5. Workstyle Reforms and Enhancement to Work Environment

The Megmilk Snow Brand Group approaches work in a way that raises employees' skills and respects personal attributes, diversity and individuality. Moreover, we build a corporate culture that offers freedom and vitality and establish workplace environments that are motivating and take health and safety into full consideration.

6. Initiatives on Environmental Issues

The Megmilk Snow Brand Group views environmental issues such as addressing climate change, effectively using water resources, and appropriately managing waste, as shared issues for humankind. We practice environmental conservation by working with everyone in the supply chain to develop environmentally friendly technologies, products and services.

7. Respect for Human Rights

Throughout its supply chain, the Megmilk Snow Brand Group respects basic human rights, bans discrimination on the basis of race, nationality, gender, religion, ideology or other such characteristics, prohibits human trafficking and child labor, and strives to provide safe, healthy work environments.

8. Thorough Crisis Management

The Megmilk Snow Brand Group has made thorough preparations for the possibility of emergencies. In the event of emergencies such as fires, natural disasters and accidents, the Group prioritizes human life and then strives to maintain, sustain, and quickly restore its business activities. We value the company's assets and respectfully manage confidential information, including personal information.

9. Partnerships with Local Communities

The Megmilk Snow Brand Group actively participates in society and promotes communication at all of its business sites as a good corporate citizen. This helps to build ties of trust and contributes to local community development.

10. Thorough Implementation of This Chart

Those involved in the management of the Megmilk Snow Brand Group embrace as their own role ensuring that the Group lives up to this Charter, taking the lead to ensure that it is fully implemented by all Group companies. In addition, all involved in the supply chain are encouraged to take action based on this Charter.

Solving Social Problems by Drawing Out Milk's Potential While Maintaining the Founder's Spirit of *Kendo Kenmin*

Message from the President

PRESIDENT MESSAGE

On Taking Up the Position of President

Clarifying and responding to pressing problems based on our experience

I am Masatoshi Sato, the Representative Director and President of Megmilk Snow Brand. I would like to once again express my appreciation to all stakeholders who have always provided massive support.

Megmilk Snow Brand was launched in 2011 through the merger of Snow Brand Milk Products and Nippon Milk Community, which had merged their management in 2009. Going back even further, Snow Brand Milk Products (Hokkaido Cooperative Creamery Association), the predecessor to Megmilk Snow Brand, was founded in 1925, and thus the Company has a history of almost 100 years. We are now steadily moving forward to achieve the vision touted in the Group Long-term Vision 2026 (see p. 4), which was created as a new compass for the ten years starting in 2017. For the Group Long-term Vision 2026, we formulated a medium-term management plan by breaking the ten years from 2017 into three stages. In

addition to being my first year as President, this fiscal year is the last fiscal year of Medium-term Management Plan 2022, the second stage. Recently, in addition to changes in the structure of society due to the COVID-19 pandemic and environmental problems, an issue that impacts the whole world, the price of resources and energy have risen as a result of the situation in Ukraine and exchange rates have been volatile.

Under these various difficult conditions, I would like to make this a year in which we clearly indicate and are sure to respond to issues that should be resolved considering our performance through fiscal 2021 and move forward with formulating a new medium-term management plan for the third stage to respond to the new social environment.

Founder's Spirit, *Kendo Kenmin*

The unchanging spirit that forms the core of the Group

What should we make management decisions and execute business under this environment in which the correct answer is not evident, conditions are uncertain, it is also difficult to predict what will happen. I think that precisely because things are unclear and it is difficult to predict what will happen, I think it is important to return to our origins, reconfirm the reason for our existence with all Group employees, and continue to possess that spirit. That is *Kendo Kenmin* (a healthy earth ensures human health), the founding spirit of Snow Brand Milk Products, the predecessor to Megmilk Snow Brand. This spirit that has been passed down for almost a century is not only our core mind-set that stays the same regardless of the era or management but also the foundation of Megmilk Snow Brand Group's corporate philosophy.

Based on the spirit of *Kendo Kenmin*, the idea that "dairy farms strengthen the soil, and that the milk and dairy products produced from this rich earth are the

ultimate nutritious food that can foster healthy minds and resilient bodies," we want to become a "company that society needs regardless of the age" as it solves social problems.

Torizo Kurosawa, one of the founders of the Company, worked to spread "circular farming" as an actual way to achieve *Kendo Kenmin*. This is an agricultural method in which people and nature live in harmony and make cyclic use of materials and energy, "from soil to grass, from grass to cow, and then the waste from cows becomes fertilizer for the soil." I think that the dairy farming business not only solves social problems and preserves a sound, rich environment but can also contribute to the construction of a sustainable society that we can pass on to future generations. In addition, I would like to face the next century after reconfirming that this is the Group's DNA and the source of value we create.

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

Masatoshi Sato

Masatoshi Sato

About the Megmilk
Snow Brand Group

Message from the President

Value Creation by the
Megmilk Snow Brand Group

Foundation and Sustainability
to Support Growth

Corporate Governance

Company Information, Etc.

Potential of Milk

Potential that has yet to be fully realized

One of the Company's strengths is in the milk value chain that we have constructed over the years and the potential of milk. Our corporate slogan is "make the future with milk." Based on the technology we have acquired, we have introduced numerous products that consumers are familiar with, including Snow Brand Hokkaido Butter, 6P Cheese, and Torokeru Sliced Cheese, and built a robust value chain centered on milk. The milk value chain includes everything related to the Group promoting its business. This is a broad field that starts with the feedstuffs and seed products business, continues on to chilled distribution for the transportation of milk, and ends with the delivery of products to customers through such assets such as facilities and the production know-how and software of our plants. This also includes knowledge of development possible only by the Group and the potential of milk that has yet to be fully realized. The Group's Milk Science Research Institute has conducted research on not only lactic-acid bacteria, which we hold more than 3,000 strains of, but also milk's functional ingredients. One of those is the ingredient MBP, our unique substance that increases bone density, and while this substance accounts for a mere 0.005% of milk, we have learned that it is a valuable ingredient for human bones.

I would like to develop products with customers by leveraging our technical capabilities, incorporating, at times, knowledge and information from outside the Company through open innovation, and accelerate their development and market launch. Furthermore, as we reinforce our overseas expansion, it will be possible to find new knowledge and innovations that were not possible within Japan.



Milk and Dairy Products that Are Part of Your Lives

Our lineup of products that can be found everywhere in daily lives

Another one of our strengths is that the Company's milk and dairy products are a part of consumers' daily lives. When I joined Snow Brand Milk Products, the predecessor to Megmilk Snow Brand, in 1985, what I felt the most was that the line up of the Company's products could be found everywhere in our daily lives. People drink milk during breakfast. Children drink milk during school meals. People eat yogurt and custard pudding for snacks and dishes prepared with butter and cheese for dinner. I feel that a major strength of ours is that regardless of time of day or age of consumer, our products, such as infant

formula for babies and products with MBP for healthy bones for the elderly, are right there.

Our products are also important tools for communicating with customers. It is important, therefore, to increase the value added of our products and strengthen their functions. Our mission is always to supply fresh products, including milk, the most basic of our products, butter, cheese, and yogurt to customers. When I played on the the ice hockey team I belonged, I was hospitalized with major injuries in two consecutive years. For about one and a half months I could not

eat solid food, and when I examined the nutritional supplements supplied by the hospital, I saw that they were enteral nutrition introduced by the then Snow Brand Milk Products' pharmaceutical product business. I remember that I was really surprised, at the same time I felt happy. The fact that our products are used in employees' daily lives is a point of pride for them, and I want to continue to create a world in which our products are sure to be in stores and in your family's refrigerator.

On the other hand, I am aware that because our products are such an integral part of consumers' lives, we have a great responsibility. The food contamination incident caused by Snow Brand Milk Products in 2000 and the fraudulent beef labeling incident involving Snow

Brand Food Co., Ltd., in 2002 were major betrayals of the trust that customers had in the Company as our products were part of their lives. This made me think deeply about what we should be like as a company. Because of the weight of our responsibility for undermining food safety and reliability and the strong desire to ensure that such incidents never occur again, we hold Days of Pledging to Strongly Recognize and Fulfill Food Responsibility twice a year so that the memory of those incidents never fades. While ensuring that new members who were not around when those incidents occurred learn of them, it is also a time for all employees, including those of Group companies, to think about what they can do for customers.

Creating a Corporate Culture that Inspires a Spirit of Challenge

History and tradition should be recreated by each generation and passed on to the next generation, not simply protected

While we will pass on the spirit of *Kendo Kenmin* and initiatives to ensure that the memory of these incidents does not fade, we must also foster a spirit of challenge.

Dairy farming is done in harsh nature, and our founder surely possessed an adventurous and frontier spirit as he started such as a business. We must be sure to fully demonstrate this spirit of challenge even though it is a tradition over a hundred years old. Therefore, I want to transform our corporate culture so that it is one in which both people who take on challenges and those who take on a challenge but fail are actively praised. My role as the leader is to draw out the potential possessed by each person as much as possible. I want to cultivate the soil in which numerous buds that draw the attention of and receive the support of stakeholders grow.

Even the Megmilk Snow Brand Values, the stance and values that we should cherish, include the keyword "challenge," but the elements that I think people should be most conscious of are not only "challenge" but also "speed" and "empathy." When you move forward and take on major challenges on your own in this world of rapid change while protecting history and tradition, you sometimes find yourself in unexpected situations. If you think something is wrong, it is important to quickly pull back. At any rate, speeding up decision-making,

judgment, and action is indispensable for future growth. Another is empathy. When people around someone doing their utmost to achieve a goal feel that person's passion, they are transformed into a supporter of that person. That is empathy. If you have clear ideas and vision, you will find that more people have empathy with you. People with empathy focus on the process of how far you got, even if you fail. Then, if the person with empathy takes it one step further or the two of you share new ideas and advice, they will give you the power to move closer to your goal. You can achieve not only goals that are impossible on your own but even greater results. Be self-motivated and take your own action that draws empathy by fully demonstrating a spirit of challenge. Such action creates strong teamwork.

Team Management Learned through Ice Hockey

Leadership that supports action by respecting discussions among members and autonomy

I learned a lot about team building from ice hockey. For eleven years after joining the company, I belonged to the ice hockey team and was able to play in the Japan Ice Hockey League. During my final two years with the team, I was entrusted with managing the team and organization as a player-coach, and every day, I dealt with issues on a trial-and-error basis while experiencing the feeling of not only a player but also management, which includes the company and staff. In fact, the experiences I had during those two years form the foundation for my present management style.

For teams in the top league, leading athletes who have fought for 1st or 2nd place mentally struggle if they are continually not permitted to play at games. Management wants to give all members a chance by finding opportunities. For example, there were times when even if it was a foregone conclusion that we would lose, I would suddenly put someone in at the end of the game. Some substitute players do not prepare at all as if it has nothing to do with them, but others think about the meaning of being put in the game at that time and use that limited opportunity to do all they can to change the flow of the game. It is just like Thomas Edison said, “Opportunity is dressed in overalls and looks like work,” and whether you catch an opportunity or let it escape depends on you. If I had not understood the feelings

of each person supporting the team, I would not have noticed this.

When I was young, I wanted to be a captain that stood at the front and served as a role model, but after being a player-coach, I wanted to become a different type of leader. The leadership I want is to clearly indicate a vision of our future, make it possible for individual members to make the most of their abilities to realize that vision, and support actions by respecting discussions among and the independence of members. You cannot create a strong team if individual players are weak. As for my thoughts on human capital, in order to create a powerful organization, I want to focus on fostering leaders who pursue strong individuals but at the same time bind those individuals when cooperation is necessary.



Review of Fiscal 2021 and Issues to Solve

Responding to dramatic increase in costs, such as materials and transportation

Looking back at fiscal 2021, net sales rose but profit fell with consolidated net sales increasing 0.7% year on year to 558.4 billion yen, but operating profit declining to 18.0 billion yen on account of the greater-than-expected increase in raw material and operation costs.

Although consolidated net sales are trending upward and hit a ten-year high, net sales for Megmilk Snow Brand only continued to fall. This is because of a decline in volume due to structural reforms, and in fiscal 2022, the final year of Medium-term Management Plan 2022, we will focus on increasing sales volume while

responding to the dramatic increase in such costs as raw materials and logistics. Because of this, we will work to increase sales volume through the use of restrutured production facilities and reinforce our competitiveness by cutting inventory of raw material dairy products and capturing a larger market share. At the same time, we are working to establish a profit platform for our four business fields by moving forward with the three pillars of Medium-term Management Plan 2022—advancing productivity improvement reforms, advancing business structure reforms, and promoting innovation in the

production structure.

Turning to fiscal 2022 earnings, sales are forecast (as of August 2022) to rise but profit to fall because of the dramatic increase in the cost of raw materials and operations and aggressive investments in marketing.

The Medium-term Management Plan includes the targets of a capital ratio of 50% or more and dividend

payout ratio of 30% through the third stage, and for fiscal 2021, we recorded an equity ratio of 51.5% and dividend payout ratio of 33.6%, which was earlier than expected. Because of the previous fiscal year’s performance, the dividend per share for shareholders was raised 20 yen to 60 yen. We will continue to stress shareholder return and expect the dividend to remain at 60 yen for fiscal 2022.

Toward Stage 3

Pursuing potential starting with but not limited to milk and creating new demand

In the third stage of the Group Long-term Vision 2026, we will generally move forward with making thorough use of our business foundation and expanding new growth fields and acquire resilience to changes in the environment. Of these, we are currently broadly examining three pillars to the growth strategy.

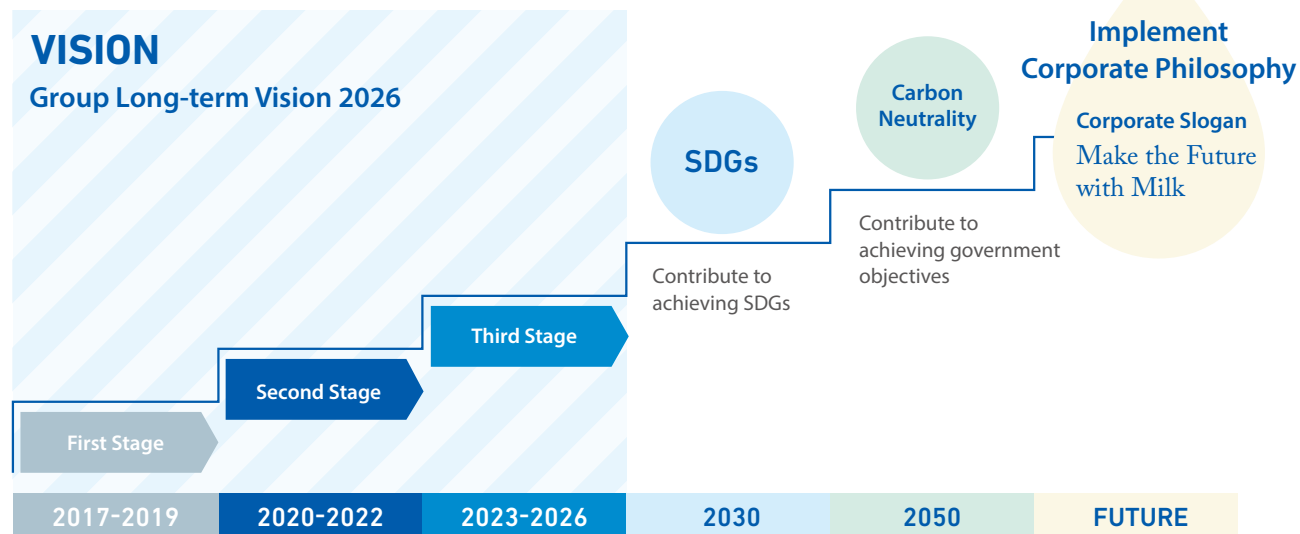
The first is maximizing the volume of our mainstay products through the use of our production platform, which we have made more efficient. As for dairy products, we will expand sales volume of butter made at the Isobunnai Plant, processed cheese made at the Ami Plant, and natural cheese made at the Taiki Plant. As for milk and beverages, we will expand sales volume of products in new containers that offer value added for the milk market. In the spring of 2023, we will launch a new Sakeru cheese production line at the Taiki Plant, which will reinforce our expansion of volume.

The second involves strengthening overseas business for economic growth. For this too, we have expanded production bases for cheese and infant formula in Indonesia and Australia, respectively, and opened a new Asian strategic hub in Singapore to expand business in the Asia/Oceania region and coordinate future business. The hub will open in fiscal 2022. Boasting a massive market with a population of 2.3 billion people and GDP of 26 trillion yen, Asia/Oceania accounts for around 30% of the global market and is forecast to see additional population and economic growth. We will accelerate our business expansion with an eye on M&As too, particularly for the Cheese Business and Nutrition Business.

The third is creating new value. We are working to renovate the R&D facilities of the Milk Science Research Institute (Kawagoe City, Saitama) and transform it into the Megmilk Snow Brand Innovation Center, construction of which is expected to be completed in January 2023. This development hub will integrate knowledge and

result in co-creation. By concentrating R&D facilities, which used to be dispersed, and working to integrate technologies, we will create new value and move forward with launching products through the integration of miraculous milk, which much is still unknown, and functional materials and lactic-acid bacteria, which there are more than 3,000 strains of.

We will also expand into plant-based foods, which can be expected to grow in the future. Despite holding up “creating a food future through milk,” we are not limiting our business fields to milk. For plant-based materials and food technology, too, we are broadly moving forward with research based on the idea that it is not in conflict with our milk business but could complement the milk business, generate synergies, and result in the creation of new demand by advanced technology. Plant-based food are not new at all. For example, Neo Soft, which boasts the top market share for margarine, is plant-oil-based food, an alternative to butter. Since its introduction in 1968, it has played an important role as it was provided to customers as an alternative when there were shortages of butter and supports the stable supply of milk and dairy products, for which there is said to be little surplus supply capacity. As for global environmental problems, it is expected that the dairy farming industry will have to confront various issues, such as cow burps being considered a problem as they contribute to global warming. Discovering as much as we can about milk, we should pursue the possibilities offered by providing milk’s outstanding value—that is, nutrition, deliciousness, and function—to customers in a new form. This is because we are examining entering new fields, such as plant-based foods, and our work on alternative products will also draw out the goodness of milk.



Resolving Social Problems through Business

Our major mission is to stimulate stable demand by adding value to raw milk

Society now faces many problems. Having set material issues and key performance indicators (KPI) in order to solve social issues, the Megmilk Snow Brand Group is working to achieve those targets. As we become an ultra-aging society, what we are aiming for with the material issue of "milk for contributions to food and health" is to extend healthy lifespans and improve the quality of life (QOL) through the stable supply of nutritious milk and dairy products and spread of functionality. Furthermore, our goal for "contributing to sustainable dairy farming" is maintaining and developing the whole dairy farming industry so that the stable supply of milk and dairy products never ends. There has been much talk of the issue of food security as a result

of international conflicts and other developments. Even for dairy products, Japan relies on imports for about 40% of domestic demand. It is said that the current world population of 7.8 billion will grow to 9.7 billion by 2050, and it has been pointed out that milk production places a heavy burden on the environment, primarily through greenhouse gas emissions, and expanding production is forecast to be difficult.

Considering Japan's current state where it covers about 40% of demand with imports, it will become even more difficult to undertake purchasing, and it is our important mission to stimulate stable demand by adding value to raw milk in order to reinforce and then maintain the dairy farming production foundation in Japan.

Working to Achieve Sustainability Management

Creating a system for group-wide decision making while ensuring effectiveness

Our founder aimed to create sustainable dairy farming through the spread of circular farming, and this same idea can be found in present-day sustainability. To promote this sustainability, the Company has created a system to make prompt decisions through cross-sectional deliberation of issues by establishing both the Group Sustainability Committee, which is under the Board of Directors and chaired by me, and a Sustainability Promotion Workgroup, which the executive in charge of sustainability chairs. The Sustainability Promotion Workgroup is moving forward with monthly deliberations by various study groups on the three topics of decarbonization, plastic reduction, and human rights. Furthermore, after expressing our support for the Task Force on Climate-related Financial Disclosure (TCFD) in October of last year, we are disclosing climate change related-information in line with TCFD recommendations through this report.

In July of last year, we also joined the Hokkaido Hydrogen Business Platform, which aims to build a hydrogen supply chain in Hokkaido, and are working to realize a hydrogen society in Hokkaido and carbon neutrality. Furthermore, in February 2022, we announced that the Taiki Plant was able to extract a useful ingredient from whey created during the cheese making process. By transforming that byproduct and other items into methane gas, it could be used as energy, which will lead

to reductions in both CO₂ emissions and water use. We are also moving forward with initiatives to achieve decarbonization on various fronts, such as concluding an 8.0 billion yen syndicated loan agreement with the Norinchukin Bank in March 2022. The agreement stipulates a fiscal 2030 target of 50% reduction in CO₂ emissions compared to fiscal 2013 as a sustainability performance target.

After identifying human rights risks, a priority issue, in March 2022, we will conduct a survey regarding work conditions for non-Japanese workers and at small-scale palm farms in the supply chain starting in fiscal 2022.

Even regarding governance, the foundation for promoting sustainability, we are working to increase transparency by having four of the twelve directors on the Board of Directors external directors in order to strengthen diversity and the supervisory function of the Board of Directors. We will also continue to work to build an effective governance system.

Solving social problems through business activities that leverage the strengths of the Company and creating a governance system to support that is tied to our sustainable growth, which in turn makes it possible to promote solutions to other social problems. This kind of "creating cycles" is the sustainability management that we are aiming for.

For Stakeholders

Transforming into a company that can contribute even more to extending healthy lifespans in an ultra-aging society and improving quality of life (QOL)

By signing the United Nations Global Compact in June 2020 and implementing other measures, we have strived to deepen our efforts to contribute to realizing a world in which we "leave no one behind," a goal touted in the SDGs, and a sustainable society. Our sustainability management involves running through the PDCA cycle to solve problems based on corporate ethics (compliance). We will pursue sustainability for both society and the Company while working to implement the ten principles in the four fields of human rights, labor, environment, and

anti-corruption of the UN Global Compact. Then we will evolve the founder's spirit of *Kendo Kenmin* into the sustainability management that the present era requires.

Milk possesses many functions and appealing aspects that have yet to be discovered. We want to transform the Company into one that can make greater contributions to "extending health lifespans" and "improving QOL" by steadily drawing out this potential of milk. I hope for the continued support of all stakeholders for the Megmilk Snow Brand Group.





Value Chain

R&D



Procurement



Production

Overview

- We conduct R&D through a network of three research institutes (Milk Science Research Institute, Sapporo Research Laboratory, and Cheese Research Laboratory).
- We are striving to conduct R&D to create new value for milk, provide deliciousness and health to customers, and reduce environmental impact.
- We conduct joint research by offering an industry-academia course at Nagoya University.

Strengths

- Extensive dairy products and raw milk material production know-how.
- Hold more than than 3,000 strains of lactic acid bacteria.
- Production technology for such products as yogurt and processing technology for dairy products.

Issues (risks)

- Main purchasers growing old as society ages.
- Response to social issues, such as SDGs, ESG investing, etc.
- Response to changes in demand for milk and dairy products.

PROGRESS

Current Initiatives and Issues

- Conducting R&D that contributes to extending healthy life expectancy
- Proposing products that differentiate the Company to capture new purchasers.
- Developing product containers and packaging to reduce environmental impact.
- Developing production technology appropriate for dairy product demand-supply conditions.
- Will newly establish the Megmilk Snow Brand Innovation Center. (expected to launch operation in 2023)



Milk Science Research Institute

Overview

- To stabilize volume and quality, we procure fresh raw milk in collaboration with entities such as local regional producers' groups and national producers' group.

Strengths

- In addition to the three dairy farming offices (Hokkaido, East Japan, and West Japan), we conduct education activities related to issues such as milk quality that are closely tied to local communities in collaboration with agricultural cooperatives in the regions we have plants.
- We conduct business with producer groups in regions in Japan, which makes it possible to coordinate fresh raw milk supply and demand over large areas.

Issues (risks)

- Unstable procurement due to impact of abnormal weather in recent years on milk production (decline in production due to extreme heat, disruption in fresh milk distribution network caused by typhoons and other natural disasters).
- Response to social issues, such as SDGs, ESG investing, etc.

PROGRESS

Current Initiatives and Issues

- As for our response to SDGs, ESG investing, and similar issues, we participate in the Strategic Vision Promotion Special Committee, created by the Japan Dairy Association and other industry organizations, and are examining other responses.
- Through symposiums sponsored by the Megmilk Snow Brand Research and Development Center for Dairy Farming and Rakuseiken, which serves as the secretariat, we share and spread knowledge for solving problems and undertake support activities for producers, which include providing support to dairy farms to avoid risks presented by dairy farming worksites, such as heat countermeasures and preventing communicable livestock disease.



Discussion held through online symposiums by Research and Development Center for Dairy Farming

Overview

- By providing products that offer consumers safety and peace of mind, listening to the opinions of consumers, and reflecting those opinions, we conduct consumer-focused management and aim to achieve reliable quality.

Strengths

- Our own assurance system MEGMIL SNOW BRAND Quality Assurance System (MSQS)
 - ◆ System for objective evaluations and continual improvements through not only internal audits but also external audits to evaluate the effectiveness of the quality assurance system at plants.
 - ◆ Product inspection certification system, sensory evaluation technician system, and internal precision management and inspection analysis training system as mechanisms to ensure the reliability of the various quality inspections.
 - ◆ System to teach the basics of quality assurance to all employees and sanitation and technical training tailored to the workplace.
 - ◆ Appropriate process to conduct inspections and checks from an outside perspective in addition to our internal contents check system for such items as product packages, pamphlets, and website.
 - ◆ Method to thoroughly implement and manage strict quality requirements that extend from design, development, procurement, production, and logistics, to sales through ISO9001 and HACCP ideas.
 - ◆ System for continual improvements that reflect consumer opinions
 - ◆ Established risk management structure. Quick, precise response.

- Acquire certification for international food safety scheme approved by Global Food Safety Initiative (GFSI).^{*1}
 - ◆ At Megmilk Snow Brand, we are actively moving forward with acquiring GFSI-approved international food product safety scheme certification and introducing world-class advanced food safety management system at Megmilk Snow Brand food facilities^{*2} in Japan and overseas.

^{*1} A global food safety platform that food related companies throughout the world are collaboratively promoting to continually improve the food safety system, and includes several certification standards such as FSSC 22000 and SQF.

^{*2} Food facilities that produce Megmilk Snow Brand products (Megmilk Snow Brand's own and affiliated companies' plants in Japan and overseas)

Issues (risks)

- Response to stricter Japanese and overseas laws and regulations and demand for quality by consumers
- Need to raise labor efficiency for such operations as inspections to improve quality management because it will become more difficult to secure necessary workers in the future.

PROGRESS

Current Initiatives and Issues

- Moving forward with acquiring GFSI-approved international food product safety scheme certification and have obtained certification for 27 of 29 (93%) food facilities in Japan and overseas that produce Megmilk Snow Brand products as of April 2022. Expect to have 100% of facilities certified during fiscal 2022.
- Systematically introducing new inspection equipment and moving forward with increasing labor efficiency and accelerating operations.



Taiki Plant (obtained FSSC 22000 certification in November 2019)



Logistics

Overview

- With 29 inventory bases throughout Japan, we support a stable supply chain and offer customers a stable supply.
- We conduct regular logistics quality inspections and work to manage logistics quality at our various inventory bases.
- As for transportation, we are working to increase transport efficiency by reworking transportation routes to make them optimal and conducting joint distribution, and for some core transportation, we are working to reduce our environmental impact by introducing modal shift that makes use of railways and ships.

Strengths

- Stable supply system based on 29 inventory bases throughout Japan.
- Logistic system optimized for 3 temperature areas—room-temperature, chilled, and frozen.

Issues (risks)

- Shortage of drivers, which is growing more serious.
- Impact of more serious natural disasters on logistic functions.
- Increase in logistics costs because of growing fuel and labor costs, etc.

PROGRESS

Current Initiatives and Issues

- Moving forward with initiatives to increase the efficiency of logistics in order to ensure sustainable logistics.
 - Promoting joint distribution and use of pallets.
 - Moving forward with modal shift, such as obtaining approval as a company undertaking Eco Rail Mark initiatives.



Marketing and Sales

Overview (marketing and sales)

- We undertake planning, proposal, and communication activities related to promoting product sales and consumer education.
- We develop advertisements and designs that communicate the appeal and value of our products to consumers in an easy-to-understand way.
- We conduct market and consumer research and analysis to develop business policies and product development.

Strengths

- Working to solve social problems and conduct promotions centered on contributing to “realization of sustainable, better society” by providing milk and dairy products.

[Concrete examples]

- ◆ Launched website that provides information to increase interest in bone health, contains educational content in the form of quizzes, and explains the function of the functional protein MBP.
- ◆ Propose products and meal situations that lead to extended healthy lifespans in order to achieve “physical fitness to remain mobile until the end” and a “life that is physically and mentally satisfying.”

Overview (customer service)

- We offer customer service year-round
- We have expanded various types of information, such as that on products and frequently asked questions, and promptly respond to inquiries from customers.
- We hold a monthly consumer satisfaction improvement meeting and link that to product improvements that make use of customer opinions.

See website for details.

For details on product improvements based on customer opinions,

use the following URL or QR code to access the relevant website. (Japanese only)
<https://www.meg-snow.com/customer/center/voice/>



Strengths

- System to detect serious process-caused problems brought to light by customer complaints, even just one, and whether there are multiple similar complaints for the same product and a system to prevent product problems from growing more serious or larger in scale.



Customer Service

- ◆ Products that take into consideration SDGs and the environment.
- ◆ Research and analysis of consumer insights into milk and dairy products

Issues (risks)

- Consumer hesitancy to make purchases due to higher food prices caused by global political uncertainty and jumps in the price of food and crude oil.
- Living with COVID-19 and growing awareness of the pleasure of spending time with friends and family due to loosening restriction on movement.
- Shift to purchasing behavior that takes into consideration health, society, and the environment as a result of greater awareness of health and contributions to society
- Promotion of DX among retailers and response to digital natives (generation Z and generation alpha)

- System to promptly and appropriately respond to complaints and inquiries from throughout Japan in collaboration with the Quality Assurance Dept. and responsible departments throughout Japan.

Issues (risks)

- Learning how to explain the distinguishing features of our diverse products to customers in an easy-to-understand way.
- Examining the introduction of methods to have contact with customers using communication tools other than phones, such as chat function.

PROGRESS

Current Initiatives and Issues

- Conducting training to improve phone skills offered by outside instructors and working to raise the quality of responses.
- Creating a database of customer opinions, demands, etc., that customer service representatives judge should be shared throughout the Company and building a mechanism to view those.

PROGRESS

Current Initiatives and Issues

- Added new bone-related content, such as Adult Bone Density Quiz and Bone Density Measurement Experience Report to the bone health support website Bone Good Story. Through the Adult Bone Density Quiz, you can have fun learning about bones with a ten-question quiz.



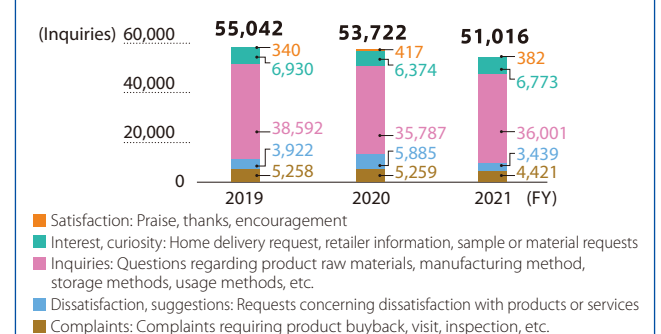
See website for details.

The bone health support website
Bone Good Story

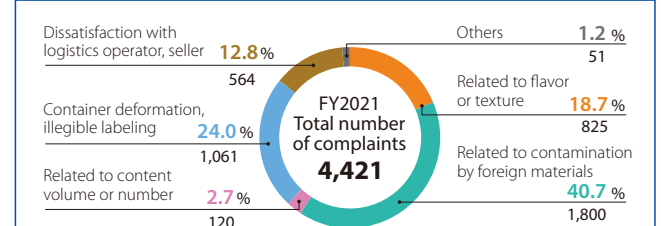
can be accessed from the following
URL or QR code. (Japanese only)
<https://www.meg-snow.com/hone-goodstory/>



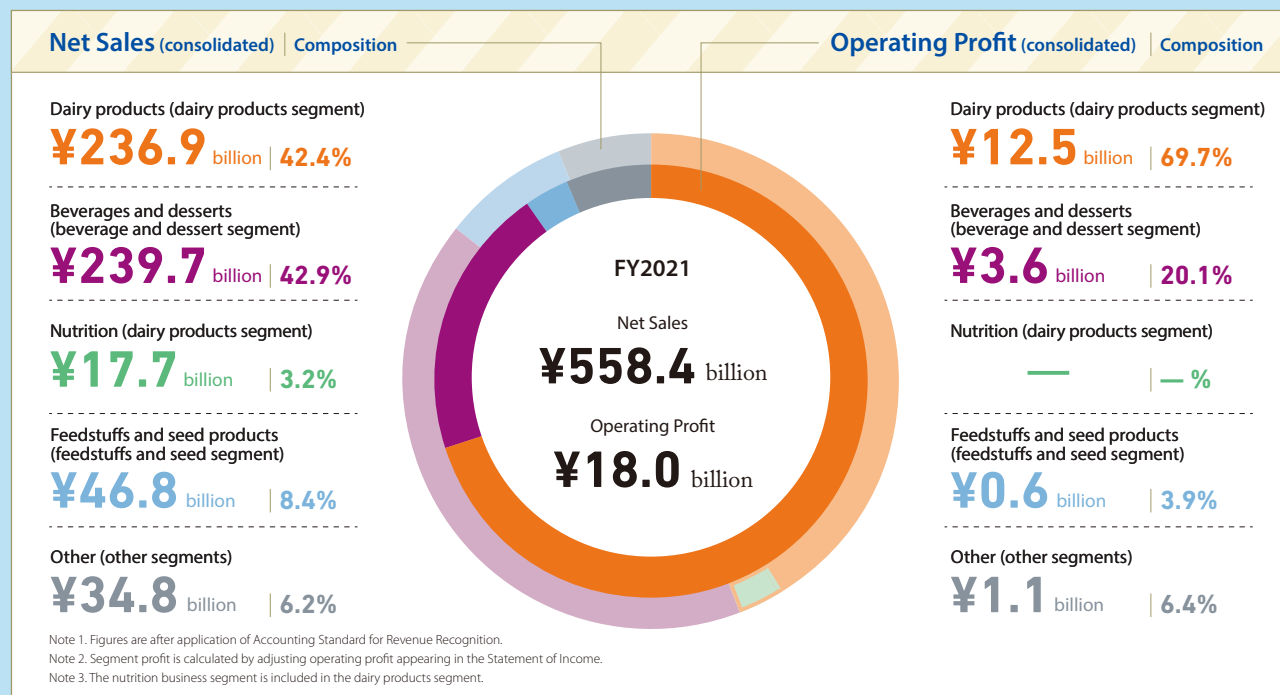
Number of Inquiries Received by Customers Relations Center



Details of Complaints Received



Business Overview



Dairy Products Business

P.27

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

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. We have many profit-driving products, and the market, especially for cheese, is expected to grow in coming years.



Nutrition Business

P.31

Powdered milk including infant formula, functional foods, etc.

This segment focuses on powdered milk, including infant formula, and functional food products developed from research into expanding the value of milk. This business targets growing interest in health across a wide range of age groups and is expected to see significant growth in the future.



Beverages and Desserts Business

P.29

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

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 highly profitable product lineup with a focus on foods with function claims.



Feedstuffs and Seed Products Business

P.32

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

Among our business sectors, this one is most proximate to dairy farming. Centered on operations by Snow Brand Seed Co., Ltd., the business supports 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.

Main Group Companies

Japan

Segment: ■ Dairy products ■ Beverages and desserts ■ Nutrition ■ Feedstuffs and seed ■ Other

Business	Topics
Ibaraku Co., Ltd. <p>Established January 1959 Capital 117 million yen Group total equity ratio 100.0% Head office location Mito City, Ibaraki Representative Toshiyuki Kitagawa</p>	Contributing to Local Communities through Children's Cafeterias <p>We contribute to local communities by providing three welfare organizations with Hitachinosato Yogurt 70g and Megmilk Snow Brand products (yogurt and juices) about once a month through milk retailers to support children's cafeteria, projects to provide meals.</p> 
SI System Corporation <p>Established January 1997 Capital 400 million yen Group total equity ratio 100.0% Head office location Shinjuku-ku, Tokyo Representative Toshio Itabashi</p>	Supporting and Streamlining Product Development Tailored to Changes in the Time <p>Through the vendor business, we offer support for product development tailored to changes in consumer lifestyles due to the COVID-19 pandemic, while for the joint distribution business, we worked to absorb the rise in fuel prices by implementing various streamlining measures. In addition, the head office strives to improve fire and disaster prevention awareness, which involves conducting evacuation drills.</p> 
Greenservice Co., Ltd. <p>Established November 1980 Capital 30 million yen Group total equity ratio 70.0% Head office location Hachioji City, Tokyo Representative Seiji Masaki</p>	Newly Launched Transportation of Dairy Products Between Bases <p>To improve safety and transportation efficiency through the introduction of a vehicle movement management system, we newly launched transportation of dairy products between bases this time. Starting in fiscal 2022, we reduced the number of annual working hours as one part of our efforts related to workstyle reforms. As for human resource development, with the introduction of e-learning, we now also offer local employees training that used to be only for full-time employees.</p> 
Cresco Corporation <p>Established August 1948 Capital 38 million yen Group total equity ratio 100.0% Head office location Kita-ku, Tokyo Representative Fuminori Miyazaki</p>	Providing Safe, Reliable Products <p>We continued to uniformly propose products and materials with less of an environmental impact to all of our customers just as we did in the previous fiscal year. In addition to contributing to the development of a sustainable society through business activities, we will provide safe and reliable products through the services of certified packaging professionals by leveraging our knowledge and know-how of food packaging material acquired over the years.</p> 
Kohnan Oils and Fats Mfg. Co., Ltd. <p>Established July 1992 Capital 100 million yen Group total equity ratio 51.0% Head office location Kobe City, Hyogo Representative Takahiro Shibata</p>	CSR Becomes Part of Routine Operations <p>The COVID-19 pandemic continues to impact the world, and this was a year in which we struggled to ensure contracted manufacturing volume. As for CSR activities, we are focusing on strengthening communication, reducing our environmental impact, and training human resources. By incorporating CSR activities into routine operations, we are working to solve problems with the help of all employees.</p> 
Chesco Ltd. <p>Established March 1957 Capital 472 million yen Group total equity ratio 96.5% Head office location Shinjuku-ku, Tokyo Representative Hiromi Uchida</p>	Contributing to the Wider Consumption of Cheeses from Throughout the World <p>As a shop where customers can obtain quality, delicious cheese from throughout the world, we not only offer products at brick-and-mortar stores but also launched the online store Cheese Shop Chesco in January 2022. We will continue to provide many customers with information on how to eat and enjoy imported cheese, as well as about food culture.</p> 
Chokuhan Haisou Co., Ltd. <p>Established April 1980 Capital 30 million yen Group total equity ratio 70.0% Head office location Shibuya-ku, Tokyo Representative Yuji Kuramochi</p>	Reinforcing Initiatives to Eliminate Vehicle Accidents and Work-Related Commuting Accidents <p>We created the Safety Management Department in June to further promote transportation safety management. We are reinforcing initiatives to eliminate vehicle accidents and work-related commuting accidents.</p> 
Nichiraku Machinery Co., Ltd. <p>Established April 1954 Capital 50 million yen Group total equity ratio 67.6% Head office location Saitama City, Saitama Representative Masaya Matsunaga</p>	Increasing Our Ability to Propose Value with Newly Developed Products <p>We launched sales of the tank-type dissolving unit iMix-PRIM, which includes an independently developed high-shear mixer. We also make proposals that help manufacturers of such products as milk, beverages, and ice cream that use powder ingredients increase productivity.</p> 

Business		Topics	
Belle Neige Direct Co., LTD.		Mail order business and contracted mail order, advertising agency services	Creating a Mail Order Business that Satisfies Each and Every Customer Stuck-at-home demand, a tailwind for the mail order business, is fading, but sales of functional food products are firm. In 2022, we not will not only move our logistics center, the finishing touch to efforts to strengthen our mail order function, but also launch initiatives to win customer satisfaction and link that to new customers through mail order sales and the optimal provision of information and communication for each and every customer.
Established	March 1999		
Capital	79 million yen		
Group total equity ratio	66.6%		
Head office location	Chiyoda-ku, Tokyo		
Representative	Tomihisa Kakizaki		
Michinoku Milk Co., Ltd.		Contracted manufacturing of milk, milk beverages, fruit and vegetable juices, yogurt, desserts, etc.	Continuing to Promote Michinoku Milk Health Challenge Because Miyagi Prefecture is the prefecture with the second largest percentage of residents who suffer from or are close to developing metabolic syndrome, we are moving forward with efforts to maintain and improve the health of employees by offering individual health consultations and nutrition guidance through a program titled Michinoku Milk Health Challenge with the strong support of the local Osaki Health Promotion Section.
Established	October 1996		
Capital	466 million yen		
Group total equity ratio	100.0%		
Head office location	Osaki City, Miyagi		
Representative	Atsushi Yamamoto		
Mitsuwa Distribution Industry Co., Ltd.		Wholesale business for daily chilled foods, joint distribution center business	Promoting Creation of Environment Conducive to Work and Health Improvement Activities As we handle Japanese and Western chilled products, including regional products, we deliver deliciousness and health to customers with the greatest freshness through integrated sales and delivery. We also promote the creation of an environment conducive to work and health improvement activities for employees as is evident by being designated a Diverse Workstyle Company in August and Health Management Business in October 2021.
Established	January 1954		
Capital	450 million yen		
Group total equity ratio	100.0%		
Head office location	Saitama City, Saitama		
Representative	Shigeru Yamaguchi		
Yatsugatake Milk Industry Co., Ltd.		Manufacturing, purchase, and sales of milk, milk beverages, and yogurt, cheese processing, shipping and handling business	Construction of New Distribution Center In October, we launched operation at the Yokouchi Distribution Center, which is located near the Chino Plant, in order to expand the refrigerated product storage space. This has made it possible to flexibly handle incoming and outgoing shipments for mass retailers and retailers. We will continue to work to further increase the quality of logistics.
Established	January 1954		
Capital	60 million yen		
Group total equity ratio	100.0%		
Head office location	Chino City, Nagano		
Representative	Hitoshi Naito		
Snow Brand Kodomo-no-Kuni Ranch		Manufacturing and sales of milk, operation of farms, zoos, cafeterias, and shops	Promoting Dairy Education and Maintaining Natural Environment As a certified dairy education farm, we run Fureai Farm School, accept students for practical training, and hold regular hands-on milking sessions. We also place importance on interacting with animals other than cows and maintaining natural environments including flower gardens.
Established	August 1965		
Capital	10 million yen		
Group total equity ratio	100.0%		
Head office location	Yokohama City, Kanagawa		
Representative	Hiroharu Tanaka		
Snow Brand Seed Co., Ltd.		Production and sales of seeds and agricultural products, production and sales of feedstuffs, landscaping business, seed breed improvement, testing and research	Promoting Increased Production and Use of Self-Supplied Feed To achieve stable growth of sustainable dairy farming that uses self-supplied feed, we are moving forward with initiatives that contribute to dairy farming by developing quality self-supplied feedstuff breeds and spreading technologies that use these to dairy farming. In 2021, we launched sales of the early-harvest Timothy grass seed Maoi, which generally has superior characteristics, such as high glucose content, yield, regenerative power, and lodging resistance.
Established	December 1950		
Capital	4,643 million yen		
Group total equity ratio	100.0%		
Head office location	Sapporo City, Hokkaido		
Representative	Koichi Kasamatsu		
Snow Brand Parlor Co., Ltd.		Cafeteria and shop management, sales of dairy products, etc.	Expanding Business that Contributes to Local Hokkaido In addition to offering parfaits made using Mashu Ruby (type of strawberry), a local product, as one of our initiatives to contribute to the local community, we plan to launch sales of new products. We are also working to expand the EC channel through links with Group companies and sales routes to souvenir stores in Hokkaido.
Established	April 1961		
Capital	30 million yen		
Group total equity ratio	100.0%		
Head office location	Sapporo City, Hokkaido		
Representative	Toshihiro Nakamura		
Bean Stalk Snow Co., Ltd.		Manufacture and sales of infant formula, stocking and sales of infant products and oral health care products, and contracted manufacturing of skim milk and other products	Leveraging Digital Tools We are working to provide support information for child rearing and handle consultations through our member's website Mame-komi. As the points of contact with customers at hospitals and birth centers fell due to the COVID-19 pandemic, we launched various initiatives such as holding seminars and providing online guidance related to baby formula by nutritionists using digital tools.
Established	August 2002		
Capital	500 million yen		
Group total equity ratio	100.0%		
Head office location	Shinjuku-ku, Tokyo		
Representative	Akihiko Uchida		

Business

Topics

MEGMILK SNOW BRAND Business Solution Co., Ltd.
(formerly YBS)

Established

April 1971

Capital

30 million yen

Group total equity ratio

100.0%

Head office location

Chiyoda-ku, Tokyo

Representative

Yasuo Takeda

General building management, security, construction, non-life insurance services, staffing, sales, management, production quality, and other business support services

Change in Company Name and Environmental Initiatives

On April 1, 2022, we changed the name of the company to MEGMILK SNOW BRAND Business Solution Co., Ltd. We will use this opportunity to further increase the value of the company. As for CSR activities, we will continue to undertake initiatives such as reducing the use of paper by having insurance policy terms available on line.

雪印メグミルク

雪印メグミルクビジネスソリューション株式会社

Other Group Companies

■ Dairy products ■ Beverages and desserts: SBS Flec Co., Ltd. ■ Beverages and desserts: Luna Bussan

■ Nutrition: Amino Up Co., Ltd. / EN Otsuka Pharmaceutical Co., Ltd.

■ Feedstuffs and Seed: RF Aomori Farm Co., Ltd. / RF Penkel Farm Co., Ltd. / Doto Feed Corporation / Royal Farm, Ltd

■ Other: HOKUMO-TRANSPORTATION CO., LTD., Nihon Nyuhin Boeki Co., Ltd.

Outside Japan

Business

Topics

Udder Delights Australia Pty. Ltd. ■

Established

August 2017

Capital

AU\$15 million

Group total equity ratio

100.0%

Head office location

Adelaide (Australia)

Representative

Tadaki Fukusaku

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

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

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 Taher

Manufacturing and sales of processed cheese

Focusing on Expanding High-Value-Added Products Handled

In 2021, we focused on expanding the products we handle from white mold cheese to other high-value-added-products, such as truffle-infused cheese, organic cheese, and blue cheese. Valuing our relationship with local dairy farmers in southern Australia, we will continue to produce delicious products at our cheese plant located in the beautiful traditional area of Adelaide Hills.

Launch of Organic Powdered Milk

In fiscal 2021, we expanded our product lineup by launching sales of organic powdered milk. We will continue to work to contribute to the health of our Taiwanese customers. As for CSR initiatives, we will continue to donate powdered milk to NPOs and public-service companies.

Focusing on Expanding Product Sales

In addition to focusing on expanding sales of products other than Camembert and Brie, the main products manufactured and sold in Australia, we were able to dramatically increase the number of stores carrying truffle-infused brie and ash brie. As part of our CSR activities, we also provide whey produced during the cheese-making process to local dairy farmers.

Completing Production Line Expansion and Expanding Sales of New Products

In fiscal 2021, we completed the expansion of a production line, and made steady progress in introducing new products and expanding sales. In fiscal 2022, we aim to further increase sales by not only leveraging our technical capabilities related to making delicious cheese at a reasonable price and development capabilities related to creating products that meet customer needs but also focusing on such activities as expanding sales outlets, particularly commercial ones, and increasing exports to neighboring countries.

Other Group Companies

■ Dairy products ■ Nutrition: MEGMILK SNOW BRAND SINGAPORE PTE. LTD. (launched operation in fiscal 2022)

■ Nutrition: Snow Marketing Sdn. Bhd., Snow Brand Trading (Shanghai) Co., Ltd., and Snow Brand Hong Kong Co., Ltd.

■ Feedstuffs and Seed: Snow Brand Seed USA, Inc.



Dairy Products Business



Business Conditions

Market Environment

- In fiscal 2021, overall demand fell slightly year on year due to a reactionary decline in household demand.
- Demand for butter was firm, but the market for margarine was weak.
- Market conditions for cheese leveled off after household demand rose in fiscal 2020, and demand in Japan is expected to continue to grow.

Risks and Opportunities

- Risks**
- Raw milk production volume, which had been trending downward, started to increase for the whole of Japan since 2020, driven by increased production in Hokkaido. The inventory of dairy products, however, rose because of a decline in commercial demand due to the COVID-19 pandemic, and this continues to be an issue for the overall industry.
 - Raw material and energy costs have risen globally, and this will dramatically impact profit. However, part of the price increase will be passed on through price revisions.

- Opportunities**
- As raw milk production has recently increased in Hokkaido, we will meet the demand for butter by fully launching operation at a new building in the Isobunnai Plant, the core plant for Megmilk Snow Brand household butter.
 - On account of changes in communication methods, such as social media, we will quickly and broadly communicate the diverse ways to eat our products to consumers. We will use social media to further increase sales.

Group's Medium-term Management Plan 2022

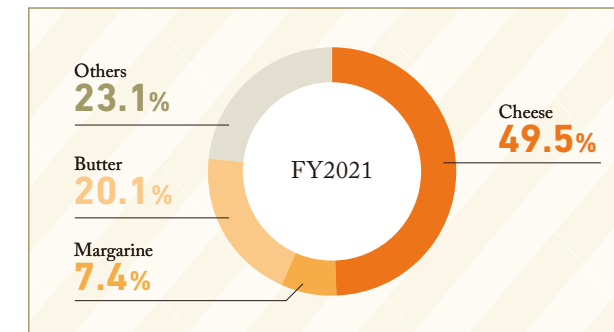
Expand Production and Sales of Household Butter

- We reinforced the production structure for household butter, and we will increase profitability by further expanding sales.

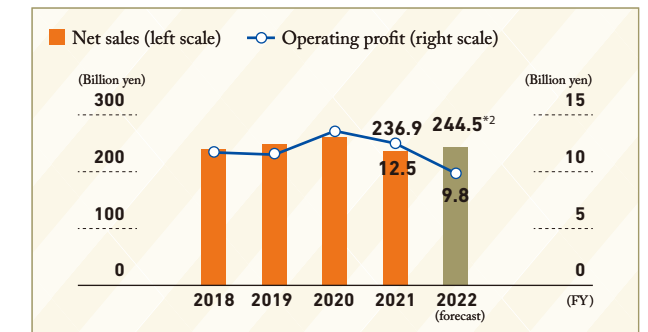
Strategically Expand the Cheese Business

- As demand for cheese in Japan remains solid, we will continue to increase sales of natural cheese, which is performing particularly well. As for the overseas cheese business, we will further increase sales because of expected strong demand even though the COVID-19 pandemic had an impact during the second half of fiscal 2021.

Net Sales Composition [Megmilk Snow Brand, non-consolidated]



Net Sales and Operating Profit^{*1} [Consolidated]



^{*1} Includes Nutrition Business.
^{*2} Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Share of Japanese Market (Fiscal 2021, Based on monetary amount for household use) Source: Intage SRI+



Fiscal 2021 Results

Net sales of products for household use through 1Q were firm, but since 2Q, they have been lackluster because of changes in consumption trends. There was also a recovery in products for commercial use, so overall net sales rose year on year. As for household butter, we continued to offer a stable supply as we did last year, but the market for margarine has cooled dramatically, resulting in a decline in sales. Despite firm sales of Sakeru Cheese, net sales of processed cheese fell year on year due to a decline following the rebound in last year's in-home consumption demand due to the COVID-19 pandemic.

Operating profit declined year on year due to depreciation and amortization expenses following capital investment in the Isobunnai Plant.

Fiscal 2022 Initiatives

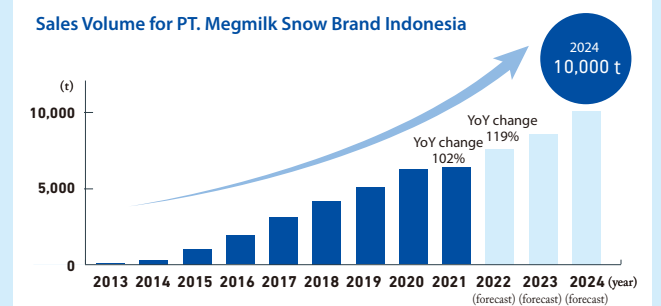
Business was impacted by various developments, including the prolonged COVID-19 pandemic and a global rise in raw material prices because of the conflicts throughout the world. In particular, the rise in the price of items such as imported raw material cheese had a major impact, and logistics and other costs rose. In response to these cost increases, we raised the price of household cheese and some other products on April 1. While it is hard to predict future trends amid this difficult situation, we will expand sales of household products, focusing in particular on domestically produced butter, along with domestically produced natural cheeses including Sakeru Cheese and camembert cheese. As for overseas, we will expand the business in Asia and Oceania through the subsidiary in Singapore, which launched business this fiscal year, and grow sales of cheese in Southeast Asia, particularly in Indonesia, where we already operate.

Overseas Expansion of Cheese

Overseas production sites for cheese are located in Indonesia and Australia.

In Indonesia, we have continued to steadily expand operations since launching them, on account of the strong economic growth in Asia.

Although the COVID-19 pandemic had an impact in fiscal 2021, we see a path for continued strong growth. Through our overseas expansion, we will establish a position as an cheese producer in Asia.





Beverages and Desserts Business



Business Conditions

Market Environment

- Fiscal 2021 saw a modest year on year downturn due to a reactionary decline in household demand.
- As for the yogurt market, competition grew fiercer as the number of products making functional appeals rose.
- Turning to milk, milk used for school meals, supply of which declined due to the nation-wide closure of schools in the second half of fiscal 2020, recovered to almost its normal level in fiscal 2021. On the other hand, after reactionary decline last year, household demand for milk was weak because of unseasonable weather during summer.
- Supported by firm demand, the market for chilled desserts was strong all year round.

Risks and Opportunities

Risks		Opportunities
	<ul style="list-style-type: none"> Driven by increased production in Hokkaido, total raw milk production volume is trending upward. Even for individual prefectures, production continued to increase in fiscal 2021, but fresh milk demand and supply are softening because of changes in consumption trends. 	<ul style="list-style-type: none"> We will support the daily lives of consumers with highly nutritional products, including milk and yogurt.
	<ul style="list-style-type: none"> Global increases in costs and changes in consumption as a result of the prolonged COVID-19 pandemic have made the future uncertain. 	

Group Medium-term Management Plan 2022

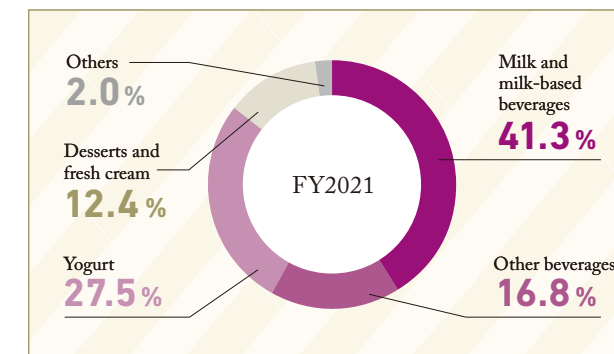
Strategically Expand the Yogurt and Dessert Business

- Despite continuing growth for functional yogurt, there has been greater volatility in consumption as a result of the COVID-19 pandemic. An important issue is increasing the earnings power of the overall business by expanding the lineup of high-value-added products.

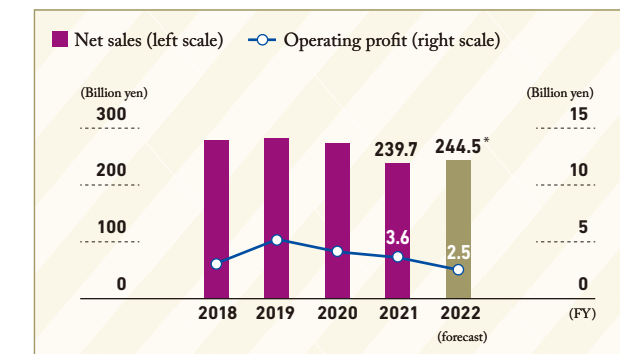
Create Value Added for Beverage Business

- We moved forward with sales of high-value-added products, including new small containers and MBP drinks, and optimized the production system and logistics. It is necessary, however, to respond to the prolonged COVID-19 pandemic and burden of higher energy, logistics, and material costs. Our goal is to continue to increase sales volume through the introduction of new high-value-added products and stronger promotions.

Net Sales Composition [Megmilk Snow Brand, non-consolidated]

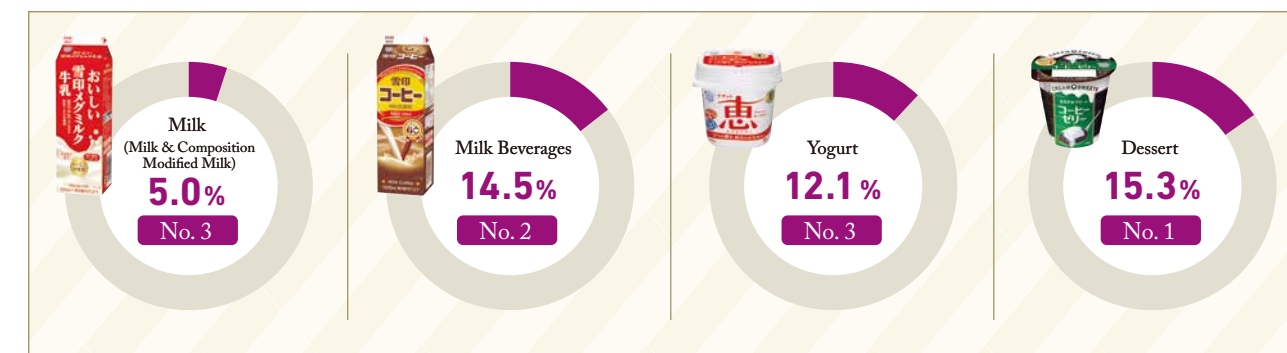


Net Sales and Operating Profit [Consolidated]



* Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Share of Japanese Market (Fiscal 2021, Based on monetary amount for household use) Source: Intage SRI+



Fiscal 2021 Results

With regard to beverages, new products such as MBP Drink, Japan's first beverage-type food with a function claim for increasing bone density, contributed to increased sales. However, overall beverage sales were down year on year due to lower sales during peak demand season brought about by lower temperatures in summer and a lengthy rainy season, as well as a drop in household demand resulting from the prolonged COVID-19 pandemic. With regard to yogurt, while sales of both firm yogurt and plain yogurt, the target of an increased-volume campaign implemented in the first half of the year, rose year on year, overall yogurt sales declined year on year due to a the prolonged COVID-19 pandemic and slowing growth in the functional yogurt market. On account of efforts to bolster our product lineup, including the launch of new products,

and greater sales of single-serving products and other products, the results for desserts were strong. Operating profit fell because of the increase in raw material and operating cost, despite several positive developments, such as high-value-added products accounting for a larger percentage of sales.

Fiscal 2022 Initiatives

There are concerns about the continuing COVID-19 pandemic and increase in raw material prices throughout the world. In fiscal 2022, we aim to increase sales of functional yogurt and expand sales of Oishii Megmilk Snow Brand Milk, which was renewed in March 2022. We will also appropriately respond to various cost increases.

Adding Biomass Plastics to Straws

Biomass plastics are plastics made from recyclable organic raw materials such as plants. Using plants that absorb CO₂ as they grow as a raw material makes it possible to restrain total CO₂ emissions compared to when using petroleum-derived plastics.

In March 2022, we switched straws used for fruit juices to ones that include 5% biomass plastics. We will steadily make the switch for other beverages.



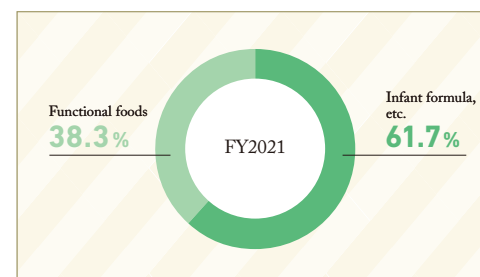
● Partially using plant-derived biomass plastics for straws.



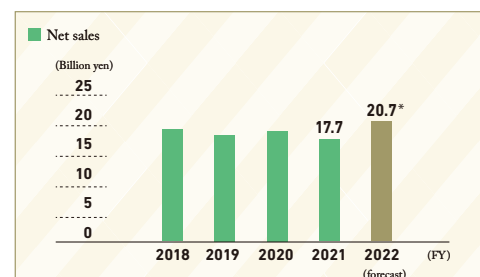
Nutrition Business



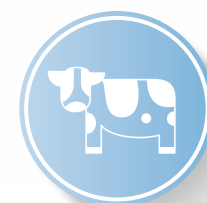
Net Sales Composition [consolidated]



Net Sales [Consolidated]



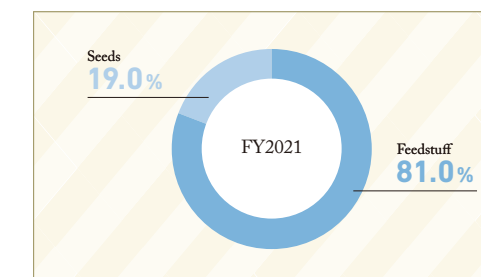
* Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.



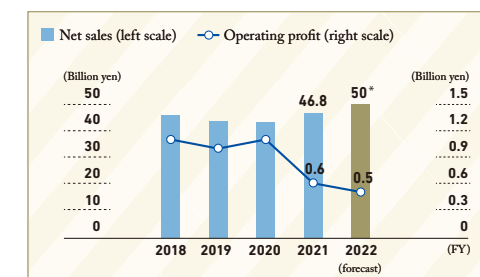
Feedstuffs and Seed Products Business



Net Sales Composition [Consolidated]



Net Sales and Operating Profit [Consolidated]



* Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Business Conditions

Market Environment

- Functional food products are expected to see further growth due to the strong interest in health.
- The market environment for infant formula and similar products is growing fiercer as the number of births in Japan continues to decline.

Risks and Opportunities

Risks	While continuing to rapidly grow, the market for foods with functional claims has grown beyond the market for foods for specified health uses, and competition is growing fiercer as the number of products increases.
	In Japan, the market is contracting due to the decline in the number of births, and the environment is expected to grow harsher as a result of the increase in the price of raw materials and energy. Overseas, competition with European and U.S. manufacturers is growing fiercer.
→	
Opportunities	Demand for foods that can claim health effects and functions is high, and we expect further growth in the health food market.
	We can contribute to child rearing with our strengths from approximately sixty years of breastmilk research and products tailored to lifestyles.

Group's Medium-term Management Plan 2022

Generate Profit from Functional Foods Business

- Steadily growing sales by expanding the online mail order market and greater health consciousness, we are generating operating profit that exceeds initial projections.

Fiscal 2021 Results

The functional foods business, which is centered on direct mail order sales, experienced growth in both sales and profit last year, too, due to greater health consciousness.

As for powdered milk, including infant formula, the business is struggling for such reasons as the declining number of children in overseas countries that we conduct business, but in Japan, sales rose as we focused on sales of Sukoyaka M1, a core product.

Strengthen Competitiveness of Powdered Milk Business (Japan and Overseas)

- In Japan, we will develop products that leverage the results of our breastmilk research over many years and undertake initiatives based on Group synergies. Overseas, we will focus on not only infant formula but also powdered milk for adults.

Fiscal 2022 Initiatives

For the functional foods business, in addition to generating even greater sales and profit by continuing to invest in marketing and newly launching mail order sales, we are working to further increase profit by reinforcing and moving forward with measures to maintain existing regular customers.

In addition, for powdered milk including infant formula, we will strive to build a new business model to strengthen profit, increase productivity, and thoroughly manage quality.

Business Conditions

Market Environment

- The price of feed grain has risen because of international conflicts and other factors, and the yen continues to weaken, which has resulted in a dramatic increase in the price of blended feed in Japan.
- There is not only growing demand for self-sufficient feed but also a greater trend toward outsourcing the production of feed (specialization) for dairy farmers.
- Vegetables and green manure seeds are expected to increase due to environmentally-friendly cultivation and stronger demand in Japan.
- Expectations for lawns and greenery are rising on account of greater environmental awareness and interest in nature.

Risks and Opportunities

Risks	The rise in the price of compound feedstuffs due to the increase in the cost of grain is impacting the dairy farming management.
	The number of dairy farms is falling every year for various reasons, including owners growing old, shortage of successors, and labor shortage.
→	
Opportunities	In response to growing demand for self-sufficient feed, we can propose increased production of self-sufficient feed by rejuvenating and properly managing pasture land using seeds developed by Snow Brand Seed Co. Ltd.
	In response to the growing size of dairy farms and more diverse management forms, such as of division of operations using contractors ¹ and TMR factories, ² we can propose optimal solutions, such as providing our own blended feed or lactic acid products that increase silage fermentation quality and offering technical support.

¹ Organizations that have the agricultural equipment and manpower to take on the harvesting of feedstuffs and other work.
² Facilities dedicated to preparing feed that dairy farmers invest in to ensure a stable supply of quality feed and reduce workloads.

Group's Medium-term Management Plan 2022

Improve the Efficiency and Quality of the Feedstuffs Business

- We will work to increase efficiency by launching operations at new plants owned by Hokuren Cooperative—Snow Brand Feed Mills Co., Ltd.

Fiscal 2021 Results

Although sales rose due to higher selling price following increases in the price of raw materials, profit fell for several reasons, including higher cost of sales and increase in contributions to the Blended Feed Price Stabilization Fund.

Strategically Expand Seed Products Business

- In addition to strengthening R&D, we will work to spread the use of outstanding grass and nursery seeds.

Fiscal 2022 Initiatives

For the feedstuffs business, we expect the business environment to be harsh this fiscal year for various reasons, including not only greater purchasing costs due to higher grain market prices, greater fuel costs, and the weaker yen but also dramatic increase in contributions to the Blended Feed Price Stabilization Fund.

Turning to the seed business, we will move forward with increasing production of self-supplied feed by expanding sales of grass and feed crop seeds, particularly seeds developed by the Snow Brand Seed Co. Ltd.

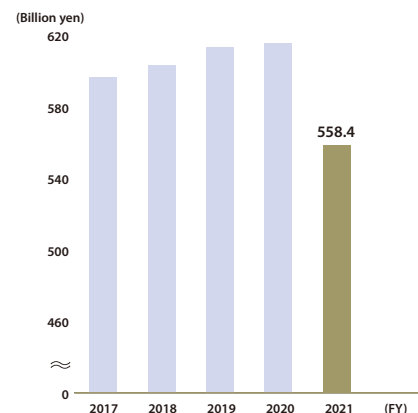
Performance Highlights

Financial Information [Consolidated]

Net Sales

¥558.4 billion

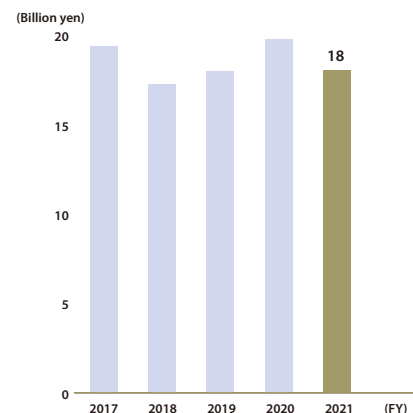
In fiscal 2021, sales fell due to the application of Accounting Standard for Revenue Recognition. Ignoring that impact, net sales continued to rise.



Operating Profit

¥18.0 billion

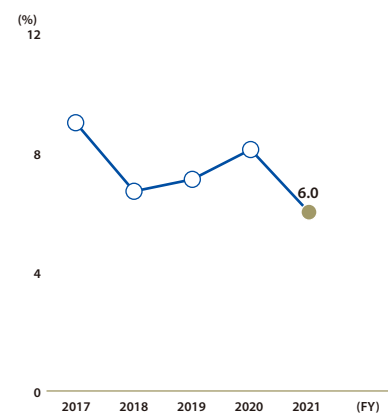
In fiscal 2021, profit fell as a result of higher raw materials costs and increase in operating costs, such as energy expenses for plants, and other developments.



ROE (Return on Equity)

6.0 %

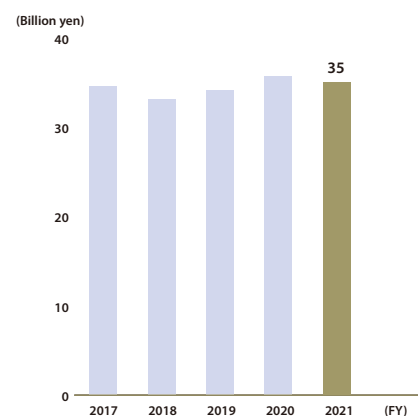
Equity continued to grow. On the other hand, profit fell and ROE declined in fiscal 2021 for such reasons as a decline in both operating profit and extraordinary income.



EBITDA*

¥35.0 billion

In fiscal 2021, despite a decline in operating profit, we continued to record strong EBITDA on account of an increase in depreciation and amortization.

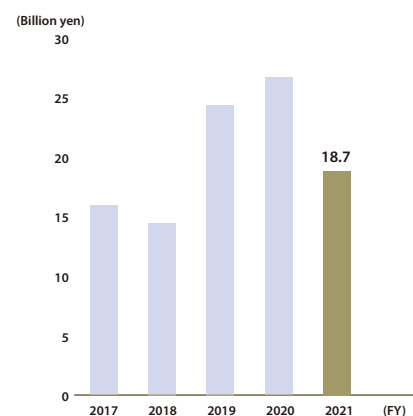


* Earnings before interest, taxes, depreciation and amortization

Capital Expenditures

¥18.7 billion

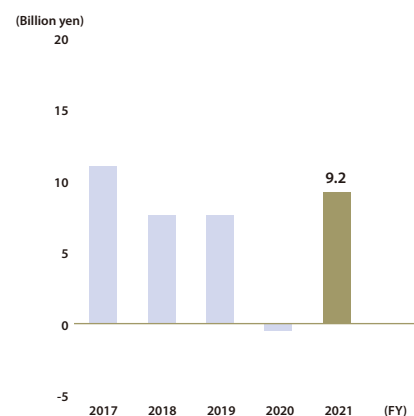
In both fiscal 2019 and 2020, capital expenditures rose dramatically for reasons, including the construction of a new butter building at the Isobunnai Plant, a strategic investment.



Free Cash Flow*

¥9.2 billion

Although free cash flow was negative in fiscal 2020 because of an increase in cash flow from investing activities driven by capital expenditures, we are still able to generate a stable free cash flow.



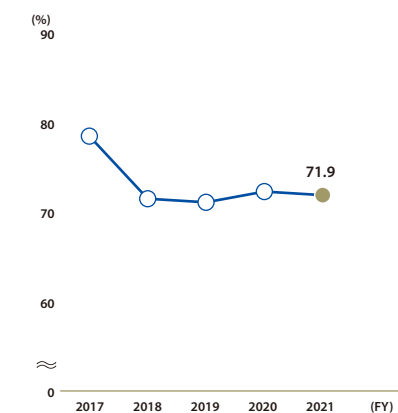
* Cash flow from operating activities + cash flow from investment activities.

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

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

71.9 %

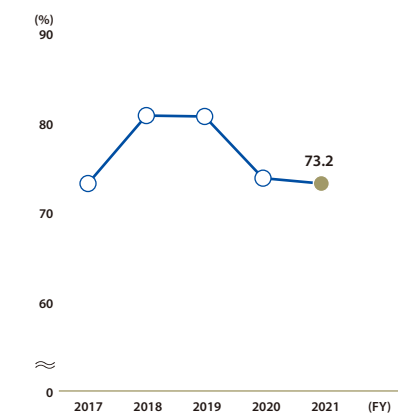
The amount of overtime work was about the same (slightly less) compared to fiscal 2020 as a result of initiatives to increase labor productivity by continuing to promote operation reforms.



Paid Leave Acquisition Rate (All Employees)

73.2 %

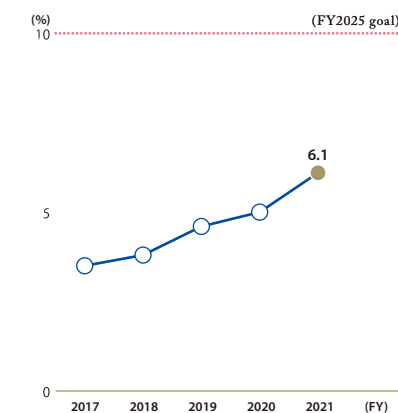
There were fewer opportunities to use paid leave in fiscal 2020 because of calls to stay at home and restrictions on movement due to the COVID-19 pandemic, and the paid leave acquisition rate fell compared to fiscal 2019, the fiscal year before COVID-19 pandemic.



Rate of Women in Management Positions

6.1 %

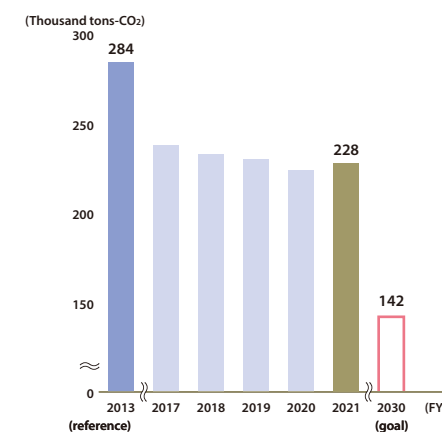
By moving forward with ensuring diversity of human resources and creating an environment in which employees can demonstrate their abilities, we are aiming to further promote the active participation of women.



CO₂ Emissions (Scope 1, 2)

228 thousand tons-CO₂

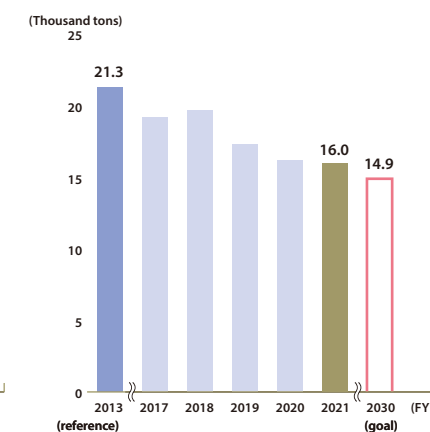
In fiscal 2021, we fell further from our goal because we revised the goal to a 50% reduction in CO₂ emissions compared to fiscal 2013. CO₂ emissions have increased since fiscal 2020 as a result of our response to demand and supply of fresh milk from Hokkaido. In order to achieve our goal, we will accelerate efforts to decarbonize.



Waste Product Emissions

16.0 thousand tons

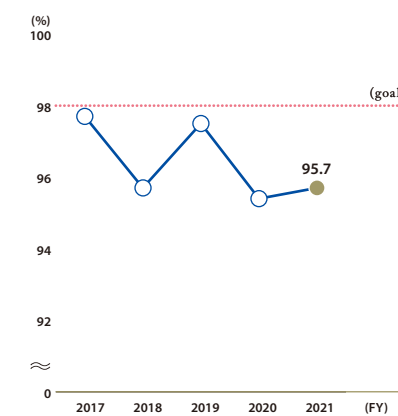
In fiscal 2021, we reduced waste product emissions to 16.0 thousand tons and have almost achieved our goal. We will continue to work to limit waste through stable operation of production facilities.



Waste Product Recycling Rate (Industrial Waste and Valuables)

95.7 %

For the plant in Hokkaido, we failed to achieve our goal as we generated waste dairy products. We are confident, however, that we can recycle food, which is the issue, as we have created a system to do that.



Message from Executive Officer Responsible for Finance

Stressing a Balance between Financial Health, Growth Investment, and Shareholder Returns and Providing Financial Support for Implementing the Management Strategy



MEGMILK SNOW BRAND Co., Ltd.
Managing Executive Officer
IT Planning, and Deputy General Manager
Responsible for Corporate Planning Div.
Seiki Todaka

Review of Fiscal 2021

In the Megmilk Snow Brand Group Long-term Vision 2026 (Long-term Vision), we set the three years starting from 2020 as the second stage, and in the Group Medium-term Management Plan 2022 (Management Plan 2022), we positioned this as the stage to accelerate our transformation and start to renew the production system by establishing a profit platform while expanding group management.

On the other hand, because of major changes in the environment unforeseen when the long-term vision was created, including the COVID-19 pandemic and its continuation, the food industry in fiscal 2021 saw a decline in stay-at-home demand and signs of a recovery in dining industry demand.

Under these conditions, in fiscal 2021, net sales rose to 558.4 billion*1 yen. However, profit fell at all levels with operating profit declining 8.7% year on year to 18.0 billion yen; ordinary profit, 7.7% to 19.9 billion yen; and profit attributable to owners of parent, 19.1% to 12.0 billion yen, as costs rose dramatically for higher raw material and energy prices on account of exchange rate changes since the second half of the fiscal year.

*1 Figures are after applying Accounting Standard for Revenue Recognition, etc.

In the Medium-term Management Plan 2022, we have set several financial targets—ROE of at least 8%, equity ratio of at least 50%, balance of interest-bearing debt of no more than 78.0 billion yen, and dividend payout ratio of 20%–30%.

As of March 31, 2022, ROE was 6.0%, down 2.1 percentage points compared to the previous fiscal year, the equity ratio was 51.5%, up 2.5 percentage points since the end of the previous fiscal year, and we kept the balance of interest-bearing debt at 72.2 billion yen, less than 78.0 billion yen.

The Accounting & Finance Department flexibly raises funds as needed, and thus contributes to the stability of management and maintenance of and improvement in financial health.

As for shareholder returns, we announced that if we are able to maintain a stable equity ratio of 50% or more, we will raise the dividend payout ratio to at least 30% without waiting for the third stage of the Long-term Vision, the initial projection. In line with this policy, for fiscal 2021, we raised the dividend per share to 60 yen, a 20 yen increase from the previous 40 yen, and thus achieved a dividend payout ratio of 33.6% and increased shareholder returns earlier than planned.

Basic Policy Underlying Financial Strategy

In the Long-term Vision, we set the targets of 700.0–800.0 billion yen*2 in net sales and 30.0–40.0 billion yen in operating profit in fiscal 2026, the final year for the vision. To achieve the vision, we have set the following as the basic policy for the financial strategy: strive to make strategic growth investments with cost of capital in mind and pay stable shareholder returns while maintaining and improving financial stability—that is, allocate cash flows generated from business to financial stability, growth investments, and shareholder returns in a balanced manner.

Investment plans entail about 280.0 billion yen over the ten years of the Long-term Vision. Although some revisions have been made taking into consideration changes in the environment after the plans were set and results until now, there has still been no change in the total amount as of now. Investments included not

*2 Without applying Accounting Standard for Revenue Recognition, etc.
If applied, projected to be about 10% less.

Contributing to SDGs

As awareness of SDGs grows throughout the world, widely disclosing how Megmilk Snow Brand Group's initiatives contribute to achieving SDGs for the whole of society will lead to further increases in corporate value.

We identified Megmilk Snow Brand's material issues (materiality) in 2018 and expanded the scope that updated and added key performance indicators (KPI) are applied to, to all group companies in 2021. Updated KPI include reducing fiscal 2030 CO₂ emissions 50% compared to fiscal 2013, and in March 2022, we concluded a sustainability-

For Stakeholders

The Megmilk Snow Brand, aims to increase corporate value by not only moving forward with its business portfolio transformation and renewal of the production structure, which are included in the Long-term Vision, but also strengthening Group management and generating growth. As for concrete plans for the third stage and after, we will announce them as the next medium-term

only capital expenditures that are made in a systematic fashion after formulating an annual budget with the goal of maintaining and improving stable operation, safety and quality, environment, productivity, and other factors, but also growth investments made strategically by prioritizing resource allocation and judging and reflecting market trends and profitability of individual proposals. As for growth investments, keeping in mind the ROE target of 8%, we make decisions regarding individual investments based on profitability and capital efficiency. In the Long-term Vision, the main guidelines are transforming our business portfolio and renewing our production structure to support business growth, and even amid the difficult management environment we are currently facing, we are placing value on maintaining financial discipline and increasing corporate value for the future through growth investments.

linked loan agreement, the first for the Company, as a sustainability performance target (SPT). Because the loan scheme is such that the degree that SPT are achieved is linked to the lending terms, it will support the Megmilk Snow Brand Group's overall initiatives to achieve a decarbonized society and can contribute to greater corporate value. It is also extremely significant that we are winning praise for our initiatives and expanding the disclosure of non-financial information by conducting fund raising that contributes to these SDGs.

management plan starting in fiscal 2023, but we will unflinchingly make forward progress while maintaining the basic financial policy of contributing to an increase in corporate value through financing that balances financial stability, growth investments, and shareholder returns. I would like to ask for the continued support of all our stakeholders.

Foundation and Sustainability to Support Growth

Material Issues

In 2021, the Megmilk Snow Brand Group revised the Megmilk Snow Brand Group Sustainability Policy, updated and added to its key performance indicators (KPIs), and expanded their scope in order to encompass all of its stakeholders and deepen its commitment to address material issues. The Group promotes sustainability management and strives to improve sustainability while helping to resolve social issues.

Megmilk Snow Brand Group Sustainability Policy

All of us in the Megmilk Snow Brand Group pursue sustainability management as outlined below in order to achieve sustainable growth together with society through our business activities, in line with the Megmilk Snow Brand Group Charter of Corporate Behavior. This is intended to achieve the Megmilk Snow Brand Group Corporate Philosophy.

- 1 We identify material issues and designate specific targets, while also regularly disclosing the status of our initiatives.
- 2 The Group Sustainability Committee and Corporate Environment Meetings are regularly convened to establish plans for initiatives related to sustainability management, confirm progress with the KPIs, and pursue sustainability management on an ongoing basis by using the PDCA cycle.
- 3 Sustainability leaders are assigned to the Megmilk Snow Brand divisions and Group companies, and sustainability Group activities in which all employees participate are held to ensure thorough compliance and resolve material issues.
- 4 In order to ensure compliance and resolve social issues for the future, and based on our regret for the incidents caused by the Megmilk Snow Brand Group in the past, activities are carried out with the participation of all employees twice yearly in which participants reaffirm their responsibility in handling food and pledge to fulfill this responsibility.
- 5 The Code of Conduct has been established within each Group company and efforts have been made to ensure familiarity with these standards in order to translate the Megmilk Snow Brand Group Charter of Corporate Behavior into action.

■ Process for Identifying Material Issues (2018)



Legend

Scope	Fiscal Year Achieved
KPI content	
FY2021 Results	
Figures and initiatives	

Material Issues

Food and Health

2 GOOD HEALTH AND WELL-BEING

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Core Activity Themes

Providing Safe Products and Services

C	FY2022	A	FY2022
	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 recognized by GFSL		Train certified sensory evaluation technicians with the ability to evaluate flavor.
	110% or more (compared to fiscal 2017 levels)		
FY2021 Results		FY2021 Results	
	93% have earned certification (As of April 2022)		1,601 43 certified sensory evaluation technicians + 929 at grade 1 + 629 at grade 2
			124% higher than in fiscal 2017

Core Activity Themes

Contributing to Extending Healthy Life Expectancy

A	Every year	D	FY2026
	Carry out research and development, product development, service provision and information transmission to contribute to the extension of healthy lives through milk.		Number of participants in food education activities: 45,000 (annual average)
FY2021 Results		FY2021 Results	
	Presented 10 research papers at conferences, published six papers in academic journals Revamp of related websites, enhancement of information communication, and advertising to increase consumers' interest in bone care Launch of two products containing the functional ingredient β-lactolin and two products containing N-acetylglucosamine		44,376 (98.6% of target) Hybrid activities were actively carried out online and in-person

Scope (partly revised from fiscal 2021)

A Megmilk Snow Brand **B** Snow Brand Seed Co., Ltd. **C** Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. / Snow Brand Australia Pty. Ltd. / PT. Megmilk Snow Brand Indonesia / Kyodo Milk Industry Co., Ltd. / Luna Bussan / Miruku no Sato Co., Ltd. **D** Megmilk Snow Brand / Bean Stalk Snow Co., Ltd. **E** Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Chokuhon Haisou Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. **F** Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. **G** Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. **H** Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd.

Dairy Farming

2 CLEAN WATER AND SANITATION

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

15 LIFE ON LAND

Core Activity Themes

Activities to Strengthen the Dairy Farming Production Platform

A	Every Year	B	FY2030
	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		In order to promote self-sustaining feedstuff dairy farming, increase the area of land planted with Snow Brand Seed feedstuff seeds by fiscal 2030 by 3% compared to fiscal 2019 levels.
FY2021 Results		FY2021 Results	
	Provided operational support for research, a seminar, and a web-based course on improving management capacity held by Rakuseiken Held the Japan Dairy Farmer's Research Association Conference online with over 250 viewers		0.2% increase (compared to fiscal 2019) Cleared base year level due to willingness to increase self-sustaining feedstuff production due to soaring imported feedstuff prices

Environment

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

Core Activity Themes

Preventing Global Warming

E	FY2030
	CO ₂ emissions 50% reduction (compared to fiscal 2013)
FY2021 Results	
	18.4% reduction (compared to fiscal 2013)

Core Activity Themes

Sustainably Using Resources

A	FY2022	A	FY2026	F	FY2030	A	Every Year
	Use 100% environment-friendly raw materials in paper used		100% Procured from certified palm oil		reduction in use of petroleum-derived plastic (basic sales unit) 25% (compared to fiscal 2018)		■ Priority given to use of paper and biomass plastic containers. ■ Encouragement of use of personal cups and bottles in office to reduce the amount of plastic bottles used.
FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results	
	87.1% Rate of use of raw materials friendly to environment		20.4% Certified palm oil usage rate		2.5% reduction (compared to fiscal 2018)		■ Conducted awareness-raising activities through the group newsletters and other efforts ■ Multiple departments set up "Bring Your Own Reusable Bottle Day" Implementation of visualization of amount of plastic bottles used

Core Activity Themes

Formation of a Recycling-based Society

G	FY2030	G	FY2030	F	FY2021	A	Every Year	A	FY2030	H	Every Year
	30% reduction in waste emissions (compared to fiscal 2013)		Maintain waste recycling rate at 98% or higher		Food waste recycling rate of 95% or higher		Pursue product development that considers the environment. Extend expiration dates for existing products and new products, actively promote labeling of expiration date by year and month		9% reduction in amount of water used at manufacturing sites (compared to fiscal 2013)		Confirm water risk at manufacturing sites and assess risk to business continuity.
FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results	
	23% reduction (compared to fiscal 2013)		95.2%		86.2%		■ Extended expiration for 12 products for household use and eight commercial products ■ Started switching straws for household products to use 5% biomass plastic		8.2% reduction (compared to fiscal 2013)		Confirmed water risk and assessed risk to business continuity

People and Society

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Core Activity Themes

Realization of a Diverse and Motivating Workplace

A	FY2025
	Percentage of female managers of 10% or higher
FY2021 Results	
	6.1% (as of April 1, 2022)

Core Activity Themes

Achieving Work-life Balance and Improving Labor Productivity

A	Every Year
	Certified as a Health & Productivity Management Outstanding Organizations Recognition Program
FY2021 Results	
	Recognized as a Health & Productivity Management Outstanding Organizations 2021

Core Activity Themes

NEW Respect for Human Rights

A	Every Year
	Conduct due diligence and awareness-raising activities on human rights based on the "Megmilk Snow Brand Group Human Rights Policy" to identify, prevent, and reduce human rights risks in business activities.
FY2021 Results	
	Determination of KPIs and start of surveys and initiatives in FY2022

Core Activity Themes

Contributing to Local Communities

A	Every Year
	Work with the Community to Help Resolve Social Issues
FY2021 Results	
	■ Megmilk Snow Brand conducted "Natural Cheese Production Training" online with a focus on quality control, based on the Hokkaido Comprehensive Partnership Agreement ■ We promoted local collaboration with Ibaraki Prefecture, developed five collaborative dishes with vegetables and dairy products produced in the prefecture, posted them on the websites of Ibaraki Prefecture and Megmilk Snow Brand, served them at the Ibaraki Prefectural Government Office cafeteria, and set up recipe POP displays at retail stores

• NEW "New" indicates new KPIs from FY2022.



Material Issues

Milk for Contributions to Food and Health

Message from the Executive Officer Responsible for Sustainability

We will Accelerate Initiatives for Decarbonization, Plastic Reduction, and Human Rights under the New Sustainability Promotion Structure

Kendo Kenmin (a healthy earth ensures human health), the founding spirit of Snow Brand Milk Products, the predecessor to Megmilk Snow Brand, means to contribute to people's health through highly nutritious dairy products. Together with the concrete method of "circular farming," it epitomizes modern sustainability. We believe that our efforts to solve the problems of modern society while leveraging our strengths through our dairy-based business are the embodiment of the Megmilk Snow Brand's *Kendo Kenmin* in our modern age, and promote sustainability management. Since last year, we have established a new structure for highly effective management, and will accelerate our sustainability management going forward.

On the other hand, there has been no change to the fact that ensuring compliance remains the basis of the management of Megmilk Snow Brand today, 20 years after the two incidents. In fiscal 2021, we established the Megmilk Snow Brand Group Charter of Corporate Behavior, which systematizes the philosophy and basic approach of the Megmilk Snow Brand Group. In this fiscal year, we revised the Megmilk Snow Brand Code of Conduct.



**Managing Executive Officer
in Charge of Sustainability**
Megmilk Snow Brand Co., Ltd.

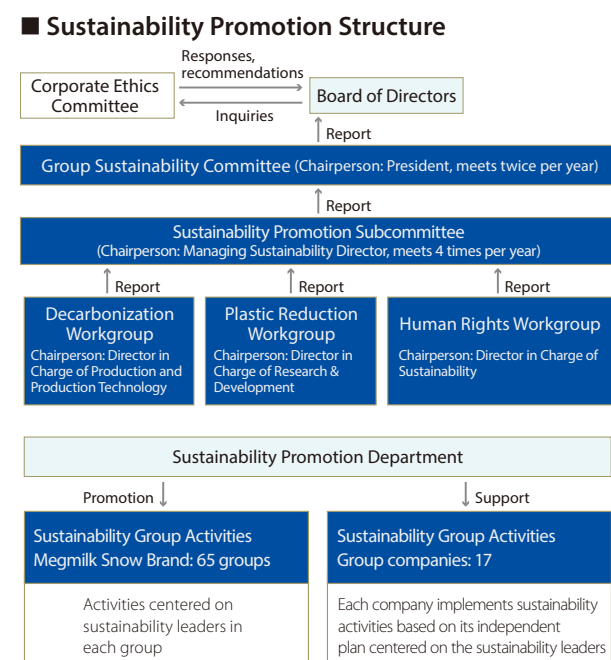
Fumi Hatamoto

The former CSR Department has been renamed to become the Sustainability Promotion Department, and we will continue to maintain our position on emphasizing compliance.

While leveraging the new sustainability promotion structure, we will focus on formulating more concrete action plans and roadmaps, as well as external public relations activities. In fiscal 2021, we began efforts for due diligence related to human rights to examine human rights issues in our supply chain. While engaging in dialogue with our stakeholders, we will strive to contribute to a sustainable global environment and solve social issues through our business.

Establishment of the Sustainability Promotion Structure

In June 2022, the Megmilk Snow Brand CSR Department was renamed to become the Sustainability Promotion Department, and the Group Sustainability Committee, chaired by the President of Megmilk Snow Brand, was established to promote sustainability of the entire Group at the management level. The Sustainability Promotion Department and Group Sustainability Committee confirm the progress of KPIs for material issues, conduct discussions on achieving them, and report to the Board of Directors. The Sustainability Promotion Subcommittee has been established under the Group Sustainability Committee to examine specific measures to resolve material issues based on reports from the workgroups on decarbonization, plastic reduction, and human rights. In addition, we promote understanding of the concept of sustainability among employees and other specific initiatives, including the sustainability Group activities which are led by sustainability leaders assigned to each department and Group company of Megmilk Snow Brand.



Food Education Activities

In fiscal 2021, we conducted food education classes and various seminars for about 45,000 people. In addition, as new initiatives, we supported children's learning through the online "Summer Vacation Research Project Milk Class" and "Collaboration Project with Factory Tour," as well as the development and provision of on-demand content that can be used during school lunch time amidst the COVID-19 pandemic.



Holding Online Cheese Seminars

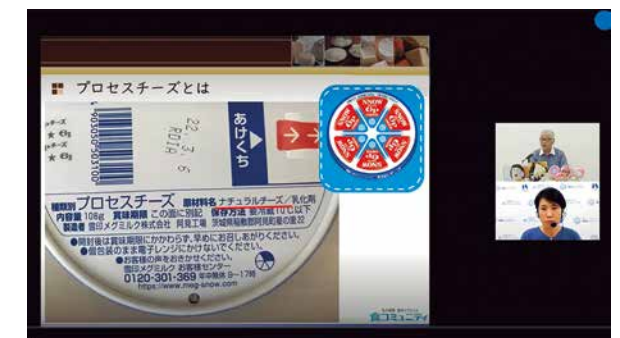
Megmilk Snow Brand offers free online cheese seminars for consumers via live streaming. In fiscal 2021, Hozumi Tanaka, former head of the Megmilk Snow Brand Cheese Research Laboratory and current technical advisor to Chesco Ltd., was invited as a lecturer for four sessions titled "Cheese is More Delicious and Fun When You Learn About It!" The seminar focused on representative products of Megmilk Snow Brand such as "6P Cheese," "Snow Brand Hokkaido 100 Natural Cheese," "Sliced Cheese," and "Sakeru Cheese," providing clear explanations of their features, the development processes, production methods, particulars on flavor and texture, and the appeal of cheese.

The first session had the theme "Secrets of 6P Cheese" and explained the secrets behind its long-time bestseller status since its launch in 1954. With videos of factory production and recipes, Tanaka introduced little-known information on how 6P Cheese is made and how it is blended to achieve a mild flavor suited to the Japanese palate.

Through seminars, Megmilk Snow Brand is working to increase consumer interest in cheese in order to raise demand for dairy products, and to promote cheese by introducing dishes using it as an ingredient and ways to eat cheese.



Filming the seminar



Online video

About the Megmilk
Snow Brand Group

Message from the President

Value Creation by the
Megmilk Snow Brand Group

Foundation and Sustainability
to Support Growth

Corporate Governance

Company Information, Etc.



Reducing Environmental Impact

Developing and Supplying Special Milk for Treatment of Congenital Metabolic Disorders

Special milk is powdered milk for people who were born with the inability to sufficiently metabolize amino acids. Babies undergo blood tests four to five days after birth. If the tests reveal metabolic abnormalities, babies are given special milk under the doctor's direction. For more than half a century, including the time of Snow Brand Milk Products Co., Ltd., Megmilk Snow Brand has been manufacturing and supplying special milk for the healthy development of such patients.

By continuing nutritional therapy with special milk, the number of patients reaching adulthood has gradually increased, and the amount of special milk required has also increased over the years. In response to this situation, Megmilk Snow Brand is operating a plant dedicated to the production of special milk to ensure quality and a stable supply.

As the first company in Japan to develop special milk, and based on our social responsibility that we must fulfill, Megmilk Snow Brand will keep working to ensure that patients can continue their nutritional therapy using special milk with peace of mind.

■ Special Formulas We Produce and Supply

Product		Main Target Illnesses	
Pharmaceutical products (2 products)	Snow Brand Phe-free Milk Compound	Phenylketonuria	Protein / amino acid metabolism abnormality
	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	Protein / amino acid metabolism abnormality
	Met-free special formula	Homocystinuria	
	Phe, Tyr-free special formula	Hypertyrosinemia	
	Protein-free special formula	Hyperammonemia	Organic metabolic syndrome
	Ile, Val, Met, Thr, Gly-free special formula	Methylmalonic acidemia	
		Propionic acidemia	
	Lys, Trp-free special formula	Glutaric acidemia type I	

* 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



Receiving the Paper Award from the Japanese Society of Microscopy

In June, Megmilk Snow Brand received the Paper Award from the Japanese Society of Microscopy for its paper on electron microscopy of casein, the major protein in milk.

Changes in the state and structure of casein micelles in milk affect the manufacturing process and product characteristics of various dairy products. In this paper, it was found that 1) the diameter of colloidal calcium phosphate (CCP) in casein micelles with an average diameter of 140 nm is about 2 to 3 nm, 2) the average distance between CCP is about 5.4 nm and their distribution is non-uniform, and 3) there is an area in the casein micelles that does not contain CCP, with an average size of about 19.1 nm.

By clarifying the microscopic structure inside casein micelles, we understand how the physical properties of dairy products are formed, which will lead to the development of new technologies and products that leverage these characteristics and contribute to the development of delicious flavor and improved health.

(Summary of the awarded paper)

Title: Microstructural observation of casein micelles in milk by cryo-electron microscopy of vitreous sections (CEMOVIS)

Authors: Takamichi Kamigaki¹, Yosiko Ito², Yuri Nishino² and Atsuo Miyazawa²

¹ Milk Science Research Institute, MEGMILK SNOW BRAND Co., Ltd.

² Graduate School of Life Science, University of Hyogo

Journal of publication: *Microscopy*, 67(3), 164-170, (2018)



Casein micelles observed by electron microscopy

Megmilk Snow Brand Group Environmental Policy

Based on the Megmilk Snow Brand Group Charter of Corporate Behavior, the Policy was revised in 2021 by adding initiatives such as “curb the emission of global warming gases and waste” and “conserve biodiversity.” All of our employees are committed to conducting business activities in an eco-friendly manner, making effective use of limited resources, and contributing to a sustainable global environment.

Megmilk Snow Brand Group Environmental Policy

The Megmilk Snow Brand Group practices business activities centered on milk created in a natural environment and promotes coexistence with the global environment. To achieve this, we have established the Megmilk Snow Brand Group's Environmental Policy, in accordance with the Group's Charter of Corporate Behavior, and strive to effectively use sustainable resources.

1. Legal Compliance

Comply with environmental laws and ordinances as well as voluntary standards, and rapidly respond to legal revisions.

2. Environmental Consciousness

Effectively use limited resources, curb the emission of global warming gases and waste, and continue to recycle and reuse by identifying important material issues and achieving KPI.

3. Increase Environmental Awareness

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

4. Conserve Biodiversity

Conserve biodiversity and contribute to the creation of future society by using resources in a sustainable way in business activities.

5. Disclosure of Environmental Information

Proactively disclose environmental information to promote transparent environmental conservation activities.

Environmental Management Organization

The Company's environmental management is carried out comprehensively via an environmental management system (EMS) headed by the Managing Sustainability Director serving as the Supervising Environment Manager, with the President serving as the Chief Environment Officer. By 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: 2015*.

* International criteria for creating systems to address environmental conservation within an organization

Environmental Management Organization

Chief Environment Officer: Representative Director and President

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

Supervising Environment Manager: Managing Sustainability 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 Sustainability Promotion Department)

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

Corporate EMS Office (Sustainability Promotion 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 Industry Co., Ltd. have earned this certification.



Inspection (interviews with top management)



Inspection (Head Office)



Inspection (Fukuoka Plant)



Inspection (Kyushu Regional Sales Office)

Feature

Initiatives for the Task Force on Climate-Related Financial Disclosures (TCFD)

Continuous emissions of greenhouse gases are causing further global warming. The Megmilk Snow Brand Group is engaging in initiatives related to the TCFD for disclosure of the impact of climate change on the Earth.

1. Endorsement of the TCFD Recommendations and Membership in the TCFD Consortium

In October 2021, Megmilk Snow Brand endorsed the TCFD*1 recommendations and joined the TCFD Consortium*2. Based on the TCFD's recommendations, the Megmilk Snow Brand Group is assessing the risks and opportunities posed by climate change to its business and promoting information disclosure from four perspectives: Governance, Strategy, Risk Management, and Metrics and Targets.

2. Information Disclosure from Four Perspectives Based on the TCFD Recommendations

Governance

- The Megmilk Snow Brand Group firmly maintains its "reason for existing and purpose" expressed by *Kendo Kenmin* (a healthy earth ensures human health), which is the starting point of its corporate philosophy. We promote sustainability management with the aim of becoming a "company that society needs regardless of the age" which solves social issues in all areas of its value chain extending from our dairy farming origin.
- Megmilk Snow Brand has established three workgroups for each important theme (decarbonization, plastic reduction, and human rights) to discuss measures on an ongoing basis. The Sustainability Promotion Subcommittee receives reports from each workgroup and discusses general details related to climate change and sustainability at Megmilk Snow Brand. The Group Sustainability Committee manages the progress of KPIs for the entire Group and sets targets for sustainability management. The contents are reported to the Board of Directors for prompt decision-making and management strategies.
▶ P. 39 Sustainability Promotion Structure

	Manager	Frequency	Discussion Content
Board of Directors			Receives reports from the Group Sustainability Committee and exchanges views twice per year
Group Sustainability Committee	President	2 times/year in principle	Setting Group-wide sustainability management goals and managing progress, including climate change response
Sustainability Promotion Subcommittee	Managing Sustainability Director	4 times/year in principle	Discussion of the details of the Group's overall sustainability management measures, including climate change response
Decarbonization Workgroup	Director in Charge of Production and Production Technology	1 time/month in principle	Planning of measures to reduce greenhouse gas emissions
Plastic Reduction Workgroup	Director in Charge of Research & Development	1 time/month in principle	Planning of measures for plastic reduction
Human Rights Workgroup	Managing Sustainability Director	1 time/month in principle	Planning of measures related to human rights

Strategy

- This fiscal year, in accordance with the TCFD recommendations, we evaluated transition and physical risks for 18 items with a 3-point scale of importance for our main businesses (Dairy Products Business as well as the Beverages and Desserts Business), and identified 6 items as important items. Moreover, of the six items, four items with significant financial impact are listed in "3. Risks and Business Impact."
- Furthermore, for the important items, two scenarios (1.5°C increase scenario and 4°C increase scenario) were set based on information from the IPCC*3 and the IEA*4, and mid-to long-term climate change impacts were analyzed using 2030 and 2050 as timelines to select risks and opportunities and assess business impacts.
- In terms of risks and opportunities, we have established KPIs and are sequentially addressing risks. We will also further discuss opportunities and enhance our resilience.
▶ P. 68 Risk Management

Metrics and Targets

- Key Performance Indicators (KPIs) are set for each identified risk, and the status of efforts for these KPIs is disclosed on a regular basis.

Items	Assessment Details	KPIs	▶ P. 38 Material Issues
Carbon Price	• Promotion of decarbonization measures ▶ P. 46 Preventing Global Warming	• 50% reduction in CO ₂ emissions by FY2030 (compared to FY2013)	
Shifts in Consumer Preferences	• Promotion of plastic reduction measures • Use of environment-friendly raw materials for paper • Procurement of certified palm oil ▶ P. 47 Sustainably Using Resources	• 25% reduction in use of petroleum-derived plastic by FY2030 (compared to FY2018) • Use 100% environment-friendly raw materials for paper used • 100% procurement of certified palm oil by FY2026	
Increasing Average Temperature	• Reduction in amount of water used at manufacturing sites • Activities to strengthen the dairy farming production platform	• 9% reduction in amount of water used at manufacturing sites by FY2030 (compared to FY2013) • 3% increase in the area of land planted with our feedstuff seeds by FY2030 (compared to FY2019)	
Increase in Frequency and Severity of Extreme Weather Events (Torrential Rains, Floods, etc.)	• Confirmation of water risks at manufacturing sites • Introduction of emergency power generators at seven plants in Hokkaido ▶ P. 68 Installation of Emergency Power Generators	• Confirm water risks and assess risk to business continuity (every year)	

*1 The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board (FSB) in response to the wishes of the G20 finance ministers and central bank governors.
*2 The Consortium provides an opportunity for discussion on effective disclosure of information by companies endorsing the TCFD and efforts to link disclosed information to appropriate investment decisions by financial institutions and others.
*3 Acronym for the Intergovernmental Panel on Climate Change. The IPCC was established in 1988 by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) to conduct comprehensive assessments of anthropogenic climate change, impacts, and measures for adaptation and mitigation from scientific, technical, and socio-economic perspectives.
*4 Acronym for the International Energy Agency. The IEA is a sub-organization of the Organisation for Economic Co-operation and Development (OECD) whose purpose is to ensure energy security, particularly oil. It is an organization on the side of oil-consuming countries and aims to compete with the Organization of the Petroleum Exporting Countries (OPEC). It was established in 1974, following the first oil crisis, at the suggestion of the then-Secretary of State of the United States.

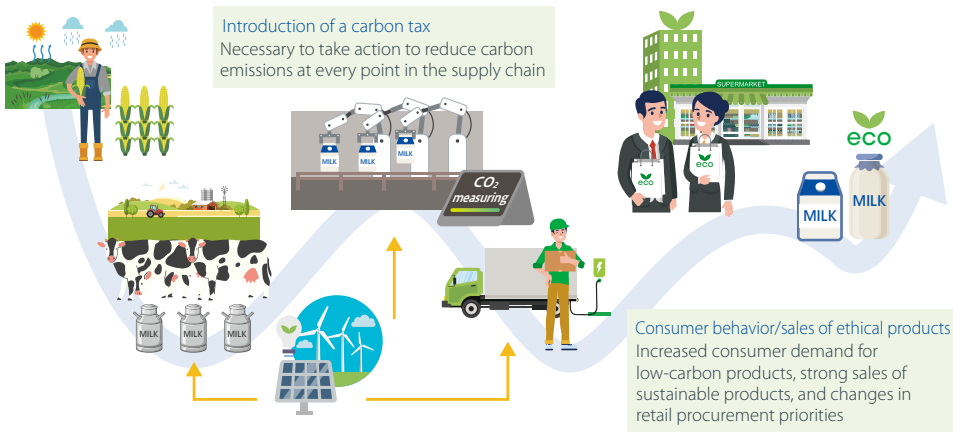
3. Risks and Business Impact

The impact of the most important risks was analyzed under two temperature increase scenarios (1.5°C scenario and 4°C scenario). Under the 1.5°C scenario, the transition risks of "cost increase due to carbon price" and "loss of demand due to delay in responding to ethical consumption" had a significant impact. Under the 4°C scenario, the physical risks of "impact on milk production and costs due to higher average temperature" and "suspended operations due to natural disasters such as torrential rains and floods" had a significant impact.

Risk Items			Business Impact Around FY2050		
Category	Broad Category	Narrow Category	Study	Level of Impact*5	
				1.5°C	4°C
Transition Risks	Policies and Law	Carbon Price	■ The introduction of a carbon tax would impose a tax on fuels used in plants and the transportation of goods, which would increase manufacturing and transportation costs. In addition, manufacturing costs at plants in countries and regions with high carbon taxes may increase, resulting in higher cost of sales.	Large	
	Reputation	Consumer Preferences (Response to Ethical Consumption*6, etc.)	■ Consumers may become more interested in the use of natural materials, packaging recycling, CO ₂ emissions, and other such matters, and purchase products from companies that are proactive in climate change initiatives, leading to increased or decreased sales.	Medium	Small
Physical Risks	Chronic	Increasing Average Temperature	■ As the production of fresh milk, a major raw material, decreases due to the increasing average temperature, dairy farmers will need to take more heat-related measures (feeding management, barn environments) than before, which may increase raw material procurement costs, resulting in higher cost of sales. ■ Water resource shortages due to the increasing average temperature could adversely affect the supply of raw materials that consume large amounts of water as well as operations at manufacturing and processing sites, creating increased water risks and higher costs to operate facilities due to tighter regulations, resulting in higher cost of sales and SG&A expenses.	Small	Medium
	Urgent	Increase in Frequency and Severity of Extreme Weather Events (Torrential Rains, Floods, etc.)	■ Natural disasters (torrential rains, floods, etc.) brought about by climate change may cause significant damage to manufacturing sites and distribution channels, with the potential for suspended operations and delivery disruptions. In addition, yields of biological resources such as pasture grass and feedstuffs may decrease, leading to higher procurement costs. Furthermore, costs may be incurred for restoration of manufacturing and logistics facilities, as well as insurance premiums for facilities in high-risk areas. As a result, this could lead to a decrease in sales, an increase in SG&A expenses, losses, and other adverse effects.		Small

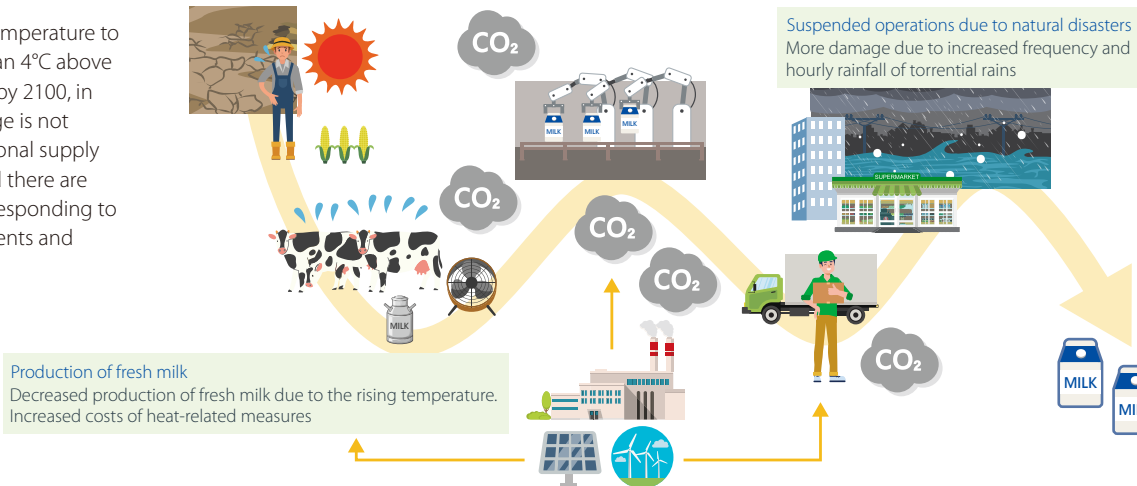
1.5°C Increase Scenario

Society has kept the temperature increase to below 1.5°C by 2100 compared to pre-industrial levels, for which costs are required to address climate change and reduce carbon emissions, while at the same time there is increased demand for more sustainable products, including through ethical consumption



4°C Increase Scenario

Society allows the temperature to increase by more than 4°C above pre-industrial levels by 2100, in which climate change is not addressed, conventional supply chains continue, and there are necessary costs for responding to extreme weather events and natural disasters



*5 The financial impact of each risk listed in the risk items column is indicated as being large, medium, or small according to the degree of impact.
*6 Consumption behavior that takes into account people, society, the community, and the environment, including community revitalization, employment, and other aspects.

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 Sustainability Promotion 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 (Cheese Research Laboratory)

Environmental Education

Environmental education conducted by the corporate EMS office helps improve environmental awareness using various environmental education systems, including environment-related e-learning, basic environmental training for sales and management staff to learn the basics of ISO 14001 and environmental laws and regulations, and internal environmental auditor training to develop internal environmental auditors. For the environment-related e-learning, all Megmilk Snow Brand Co., Ltd. executives and employees are required to complete the general education course. In addition, environment-related e-learning for Group companies was started last fiscal year.



Environmental training (online)

Procurement Activities to Achieve a Sustainable Society

We will procure raw materials and the like with attention to fair trade, social responsibility such as human rights and the environment, and sustainability, in line with the Megmilk Snow Brand Group Procurement Policy. We also regularly carry out surveys on our business partners' initiatives.

Megmilk Snow Brand Group Procurement Policy

The Megmilk Snow Brand Group applies its Group corporate philosophy and the Megmilk Snow Brand Group Sustainability 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.

Preventing Global Warming

Energy Conservation Through Installation of Free Cooling Facilities

Megmilk Snow Brand has been working to install free cooling facilities that leverage the cold climate at its Taiki Plant as a new energy conservation measure for the existing brine cooling system. Free cooling involves facilities that utilize natural energy to cool brine with outside air using cooling fans and heat exchangers when outside temperatures drop. The cooler the outside temperature, the more effective it is. Its operating efficiency is about three times higher than that of conventional cooling equipment. The cooling system with free cooling has reduced electricity consumption by about 30% compared to the previous system during the cold winter season.



Free cooling facilities

Energy Conservation Through Hybrid Operation of CO2 Cooling Equipment

In recent years, amid global calls for measures to combat ozone layer depletion and global warming, attention is increasingly focusing on natural refrigerant gases used in refrigeration and cooling equipment. At the Noda Plant, the product refrigerators were upgraded to CO2 chillers, a first for the Megmilk Snow Brand. CO2 chillers are characterized by their higher efficiency compared to existing R410A chillers when outside temperatures are high. They are also more efficient when outside temperatures are low. In renewing the existing R410A chillers, the CO2 chillers were combined with the R410A chillers to create a hybrid system so that the higher-efficiency chillers can always be operated first, depending on the season. As a result, electricity consumption was reduced by approximately 40% compared to before the upgrade.



CO2 chillers

Energy Conservation Through Upgrading Ice Builder

Ibaraku Co., Ltd. took energy conservation measures to decrease energy consumption in order to reduce its impact on the environment. The ice builder (ice thermal storage tank), which was upgraded in March, has an ice thermal storage unit about 1.7 times larger than before. The chiller is operated by maximizing the use of nighttime electric power to improve the ice storage capacity during nighttime hours. The improved nighttime ice thermal storage capacity of the coolant water used for cooling products and other purposes has made it possible to significantly reduce daytime chiller operation time compared to the past. In addition, the use of inverters for the chillers and water pumps has reduced electricity consumption by about 13% compared to before.



Ice builder



Dairy Farming

Material Issues

Contributing to Sustainable Dairy Farming

Formation of a Recycling-based Society

Reduction of Water Consumption by Backwash Water Membrane Treatment at a Filtration Facility

Megmilk Snow Brand uses well water at its Fukuoka Plant, and has installed a filter to remove impurities. If water continues to pass through the filter, the filter media will become blocked, so the filter must be backwashed periodically to remove impurities attached to the filter media. The water used for backwashing accounts for about 5% of the well water pumped, which is a large portion. In order to make effective use of the backwash water, a new membrane filtration facility that can treat the water up to potable level was installed to save water. As a result, water consumption was reduced by about 14,000 m³ per year.



Membrane filtration facility

Food Product Recycling for Individually Packaged Cheese

Megmilk Snow Brand is working to curb the generation of food waste at each of its plants. In the event of food waste generation, we promote efforts to recycle as much of the food as possible.

The Ami Plant and a pig farming company jointly developed a technology to separate aluminum from cheese individually packaged in aluminum. This waste, which previously had to be incinerated, is now successfully reused as pig feed. As a result, the Ami Plant's food product recycling rate has improved significantly, reaching 99% as of March 2022.



Machine for separating cheese and aluminum

Sustainably Using Resources

Energy Conservation and Plastic Reduction Through Changing a Shrink-wrapping Style

The Megmilk Snow Brand has adopted a new "tight wrapper" machine which does not require heat shrinking at its Toyohashi Plant, and has reduced plastic usage by 37.5% compared to before. Conventional shrink-wrapping machines cover the entire cardboard case with shrink film and heat-shrink it, so it is necessary to wrap a large film around the cardboard case. However, the tight wrapper machine does not require film shrinkage, making it possible to shrink-wrap cardboard cases with the minimum amount of film required. In addition, heat, which used to be required to shrink the film, is no longer necessary, which improves the working environment and saves energy.



Tight wrapper packaging machine

Research and Development Center for Dairy Farming Symposium

The Megmilk Snow Brand Research and Development Center for Dairy Farming (established in 1976) carries out field research and business management support activities related to dairy farming, and has held the Dairy Farming Symposium every year since 1978.* The Dairy Farming Symposium contributes to dairy farming production by providing proposals, knowledge, and information from experts on everything from institutional policies to technologies used in production, fostering common understanding through discussions with participants, and utilizing and spreading knowledge and technologies.

In fiscal 2021, three lecturers spoke on "Protecting Farms from Invisible Enemies" as the third installment of the "Risk Management for Dairy Farms" theme from fiscal 2019. The Symposium was held online like in the previous fiscal year in light of the COVID-19 pandemic, and over 200 people participated. Through such efforts, the Research & Development Center for Dairy Farming will continue to contribute to the sustainable growth of dairy farming.

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

■ Outline of the Dairy Farming Symposium in Fiscal 2021

Subject	Increased risk of communicable and infectious diseases in dairy farming (factors: progress of globalization, changes in animal feeding patterns, rapid promotion of livestock production in emerging countries, etc.)
Description of lectures	Lecture 1: Message from Miyazaki Dairy Farmers: Communicating the Threat of Hoof-and-Mouth Disease Lecture 2: The Vaccination Frontlines to Protect Farms Lecture 3: Factors Causing Mastitis at Dairy Farms and Their Countermeasures.

See the website for details

Details on the Research and Development Center for Dairy Farming
Viewable at the link below or by scanning the code on the right.
<https://www.rakusouken.net/>



Japan Young Dairy Farmers Research Association (Rakuseiken)

Established in Hokkaido in 1948, Rakuseiken is the oldest research organization of dairy farmers in Japan. Led by Torizo Kurosawa, it began its activities in the postwar period when dairy farming was revived.

Today, it has expanded its activities nationwide and is composed of about 1,600 dairy farmers. The Snow Brand Megmilk Group has served as the secretariat of Rakuseiken since its establishment and continues to support its activities.

The Japan Dairy Farmers Research Association Conference, in which dairy farmers present their management achievements, is held by Rakuseiken once per year. It was held for the 72nd time during fiscal 2021. The Kurosawa Award, the grand prize, was conferred to Ryuichi Murasaki of Taiki Town, Hokkaido.

*Kurosawa was born in 1885. He founded Snow Brand Milk Products (Hokkaido Cooperative Creamery Association), one of the predecessors of Megmilk Snow Brand, and Rakuno Gakuen University (Hokkaido Dairy Farming School). He worked hard for the development of Hokkaido as well as dairy farming in Japan.

■ Theme of the Kurosawa Award Aiming for Self-sustaining, Flexible, and Sustainable Dairy Farms

Initiatives	<ul style="list-style-type: none"> Management philosophy: "Maximize performance with existing resources, without putting undue burdens on people or cows" Collection and visualization of field data for high-quality feedstuff production A halt in large investments, including the installation of ICT equipment and construction of free stall barns
Results	<ul style="list-style-type: none"> Production of high milk quality and stabilized management from high-quality pasture grass Decentralization of the workforce and more flexible working hours in conjunction with the grass harvesting season Reduction of the burden on the next generation through curbed investment



Ryuichi Murasaki

Voice

Dispatch From Nishiyama Farm! Conveying the Appeals of Dairy Farming to Consumers

My ideal is to have a non-burdensome dairy farm with natural harmony between the cows, people, community, and stores, where the cows are milked at the beginning and end of the day.

We started an ice cream factory 22 years ago as a 6th industry effort. We always endeavor to keep the farm organized and tidy so that consumers will have a good impression of dairy farming.

Following on from ice cream, we currently operate a cheese factory and a pizza restaurant, and also offer ranching and butter-making experiences. We also actively participate in delivery programs to nearby elementary schools and others. Amidst the COVID-19 pandemic, we have conveyed information through social media and our website, and also took on the challenge of offering remote farming experiences.

I would like to continue my lifework of conveying the appeals of dairy farming in my hometown of Yokawa-cho (Hyogo Prefecture), and conducting activities that make people love cows and milk more.



Yokawa-cho, Miki City,
Hyogo Prefecture
Dairy Farmer
Minori Nishiyama
Recipient of the Honorable
Mention at the 72nd Japan Dairy
Farmers Research Association
Conference

About the Megmilk
Snow Brand Group

Message from the President

Value Creation by the
Megmilk Snow Brand Group

Foundation and Sustainability
to Support Growth

Corporate Governance

Company Information, Etc.

Message from the Executive Director Responsible for Personnel

We will Ensure Sustainable Corporate Growth by Having a Diverse Workforce that Embodies the Megmilk Snow Brand Values and Feels Fulfilled by and Grows with Their Work

Approach to Human Resources Strategy

In the midst of major environmental changes with an uncertain future, it is essential for our core human resources to grow and be active in order to realize our corporate philosophy and achieve sustainable growth. Due to the fact that people nurture companies and companies can also nurture people, it is important for organizational growth to have all employees act on their own intrinsic motivation* to proactively put the philosophy into practice and grow.

Among the various management resources, human capital is the only form of capital that has emotions. Depending on employees' feelings and awareness, there are times when human capital is lively, and other times when it is not. In operating businesses that draw on the strength of our employees, we focus on creating a "motivating" work environment where employees can work with feelings and awareness of pride, joy, and hope in their own business activities.

*A state of being motivated by one's own interests, feelings, and wants

The Core Human Resources That We Seek

The core human resources that the Megmilk Snow Brand Group seeks are those who possess the three "self-motivated, challenge, and teamwork" qualities that are set forth in the Megmilk Snow Brand Values. Diversity is also an essential requirement. We believe that we cannot grow without taking on challenges, so we are seeking human resources who do not set limits on their own potential, but rather work proactively to achieve their goals in cooperation with those around them, while also taking a positive view of changes in the environment and enjoying their work.

Taking on challenges is essential to develop the still unlimited potential of milk. Our founders, who took on the challenge of selling Hokkaido-produced butter in Tokyo at a time when there were no refrigerators, had strong aspirations to improve the health of the people and contribute to dairy farming production. Inheriting this DNA, we will take on the challenge of expanding the possibilities of dairy products, increasing their added value, and delivering them to people not only in Japan but also in countries where there is little culture of eating dairy products.



**Representative Director and Executive Vice President
Overall Management and Assistant to the President
In Charge of Personnel and Internal Audit
Deputy Manager of Accounting & Finance
Megmilk Snow Brand Co., Ltd.**

Hideki Motoi

Increased Investment in Human Capital

With regard to human resource development, we have systematized the conduct, skills, and knowledge required at each position and have focused on skill acquisition for the purpose of leadership development. We have strengthened our investment in human capital centered on skills training for interested employees and career planning, expanding our program more than three times since five years ago when the Long-Term Vision started, and providing over 100 items of e-learning content.

For young and mid-career employees, we provide a wide range of growth opportunities, such as global human resource development through in-house recruitment and participation in cross-section projects. For the next generation of leaders, we develop them through external schools, strategic dispatches to group companies, and experience with tough assignments in large-scale projects.

Toward Securing Core Human Resources

Our focus going forward will be on three areas: promotion of diversity, human resource development, and health management. At the core of diversity is the promotion of women's active participation in the workplace. As we have established systems to support work-life balance, we will focus on support for women's activities that provides more detailed opportunities and development, aiming to achieve an over 10% rate of women in management positions by the end of March 2026. With regard to health management, in April 2021, we set forth the Megmilk Snow Brand Health Declaration and launched it as a full-fledged company-wide initiative. We will continue to strive to achieve work-life balance and improve labor productivity, and aim to be continuously recognized as a Health & Productivity Management Outstanding Organization. Through these efforts, we will continue to make Megmilk Snow Brand an appealing company where people from diverse backgrounds want to work.



People and Society

Material Issues

Realization of a Diverse and Motivating Workplace

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. As such, the Group provides programs focused on skill development and offers career development support aimed at raising employees who take the initiative in their own work and take up challenges.

■ Skill Development

We held training to enhance the business skills, mindsets, and concepts needed for each role and rank and training aimed at reinforcing specialized knowledge and skills for interested employees on topics such as accounting and logical thinking. These training programs were held online to curb the spread of COVID-19.



Accounting business skill training for proposed interested employees

■ Career Development

In addition to special career planning workshops for all employees aged 30 and 38 which were aimed at helping participants actively and independently shape their future careers by reflecting on their past work experiences and organizing their own strengths and treasured values, we also held special career planning workshops for all employees aged 45 and 50. Moreover, we implemented the "Career Support" program for newly appointed management personnel to help them design their own careers as well as to develop the skills to support their subordinates in independently designing their own careers and growing.

(Some programs only had participation from Megmilk Snow Brand and Bean Stalk Snow)

Diversity and Inclusion

Megmilk Snow Brand works to ensure diversity in human resources and create an environment that enables them to demonstrate their abilities, and has positioned and promoted women's active participation in the workplace at the core of its efforts.

■ Promoting Human Resource Diversity, Utilizing Questionnaires

We conduct an employee awareness survey every three years on the diversity of human resources and working styles. We are analyzing the results of a survey conducted in May 2022 to address issues related to ensuring a diverse environment inclusive of employees providing nursing care to family and LGBTQ+ employees, and supporting independent career development.

■ Support for Childcare Leave Takers

We provide programs that support a balance between having/raising children and work. These programs, available to male and female employees taking childcare leave, include systems for remaining connected and carrying out self-development and pre-return interviews during leave. We have continuously held the "Mirai Café for after Childcare Leave" online since 2021 for female employees who took childcare leave and are now raising preschool age children while working in order to share concerns about balancing work and child-raising and experiences with and ideas on child-raising. 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. From fiscal 2022, in anticipation of the October revision of the Child Care and Family Care Leave Law, we introduced an e-learning program for all management positions to support the promotion of male employees taking childcare leave.

■ Enhancing the Leadership of Women

To promote further career advancement for women, we dispatched female employees who responded to an open call for external career development 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.

This enabled them to gain an awareness of new values that they could not have gained within their own companies and also strengthened the awareness, skills, and thinking techniques these women need to advance their careers. These programs also helped women build their external networks.

■ Understanding of Unconscious Bias

We are working to provide basic knowledge of unconscious bias to reduce stress in the workplace and enable working in a more successful manner. An e-learning course on consideration, speech, and behavior was taken by all managers, senior staff, and deputy senior staff through fiscal 2020, as well as 71 new managers, senior staff, and deputy senior staff personnel. In November, an online seminar was held for all management personnel, featuring Tomotaka Moriya, President of the Unconscious Bias Laboratory, as the lecturer.

■ Diversity and Inclusion Initiatives

The Chokuhan Haisou Co., Ltd. Tomisato Center utilizes assist suits, which were adopted at the suggestion of a female delivery worker.

At the convenience stores, one container carried from the delivery truck weighs about 20 kg, which is heavy work for women. As she wanted to continue working for a long time, she proposed to her supervisor the introduction of assist suits for work that would prevent back pain and injury, and selected one after trying several different types. Employees appreciate the suits' effects of preventing injury and supporting posture even after long hours of driving, and the suits are now beginning to be widely used by non-female delivery workers and other delivery centers.

In addition to this initiative, female employees of the Center have discussed and proactively initiated efforts to reduce the environmental impact of their workplace and promote the SDGs. They are actively engaged in activities such as registration with the Chiba Prefecture "CO2CO2 (Kotsukotsu) Smart" Declaration Workplace Premium Course, registration with the "Chiba SDGs Partner Registration System," and pull-tab and plastic bottle cap donations.



Chokuhan Haisou Co., Ltd. Tomisato Center

Spreading the Megmilk Snow Brand Values / Megmilk Snow Brand Awards 2021

Megmilk Snow Brand launched the Megmilk Snow Brand Awards, a new system to recognize outstanding initiatives that demonstrate our values, with the aim of spreading the Megmilk Snow Brand Values.

In 2021, the first year of the awards, the President's Award, Vice President's Award, and Judges' Special Award were selected from among 55 entries, and the awards ceremony was held online in October.



President's Award winner: Automation of Sakeru Cheese Inspection Work Using AI

Achieving Workstyle Reform and Work-life Balance

Megmilk Snow Brand has been addressing workstyle reforms since fiscal 2016 by promoting web conferencing, streamlining operations through the introduction of IT tools, and introducing a telecommuting program. This has played a major role in addressing the increase in telecommuting and ensuring employee safety during the COVID-19 pandemic. In June 2020, we began the New Workstyle Project to consider workstyles going forward in response to changes in workstyles caused by the pandemic. We developed rules to prepare for the arrival of a remote work society (YMR) and began initiatives that would allow employees to work in a way that both raises corporate value while improving employee satisfaction.

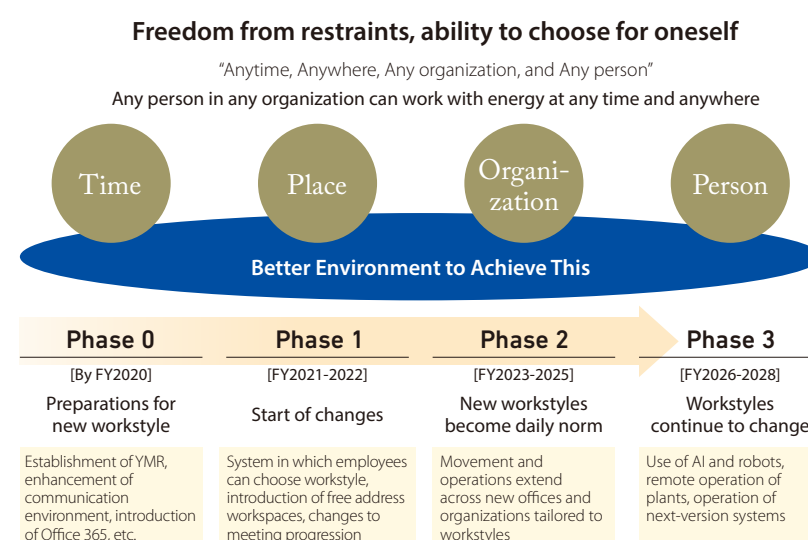
In addition, based on the results of internal monitoring on YMR conducted in January and August 2021 and other factors, we are considering further expansion of the remote work environment and other necessary measures after clarifying them. Furthermore, our efforts to reduce overtime hours (general employees, 28.1% reduction compared to the first half of fiscal 2015) and to increase the rate of paid leave utilization by employees (all employees, 73.2% utilization rate, 121% compared to FY2015), which we have been working on for some time, are also steadily producing results.

Introduction of Megmilk Snow Brand Remote Work Management (YMR)

- Establish rules and start implementing them to prevent work stoppage and loss of productivity even with a certain number of remote workers (From October 2020)
- Conduct periodic monitoring to recognize changes in the social environment and new issues, update rules, etc. (Implemented in January and August 2021)

New Workstyle Initiatives

- Work together to increase corporate value and employee satisfaction
- Aim for workstyles that can be chosen by employees, toward realizing workstyles filled with diversity



Office 365 is a registered trademark or trademark of Microsoft Corporation in the United States and other countries.

Human Rights

Megmilk Snow Brand Group Human Rights Policy

In recent years, corporate activities have become more global, and companies are asked to take specific actions to respect human rights along the supply chain. The Megmilk Snow Brand Group believes that it is extremely important to respect human rights in order to resolve social issues and grow sustainably with society through its business activities. Following its signing of the United Nations Global Compact in June 2020, Megmilk Snow Brand established the Megmilk Snow Brand Group Human Rights Policy, in line with the UN's Guiding Principles on Business and Human Rights, in June 2021 in order to address human rights issues in its supply chain.

See the website for details

Details on the Megmilk Snow Brand Group Human Rights Policy

Viewable at the link below or by scanning the code on the right.
<https://www.meg-snow.com/english/about-us/respectinghumanrights/>



Preparation for Implementation of Human Rights Due Diligence

In order to promote programs to respect the human rights stipulated in the Megmilk Snow Brand Group Human Rights Policy, we follow human rights due diligence to identify the risk of human rights violations resulting from business activities and plan for measures to prevent and alleviate such risks. In order to add the perspective of human rights issues that are being emphasized in the international community and to ensure that our efforts are legitimate and objective, we are receiving advice from Caux Round Table, an organization specializing in human rights issues.

In fiscal 2021, we made the following efforts to identify and specify human rights risks.

- ① We received a preliminary interview from CRT regarding the business model of Megmilk Snow Brand. (September)
- ② We held a workshop with the participation of the Managing Sustainability Director and related departments (Personnel Department, Public Relations & Investor Relations Department, Sustainability Promotion Department, Internal Audit Department, Production Department, National Chain Store Sales Department, Logistics Department, Dairy Department, and Purchasing Department) of Megmilk Snow Brand. After a lecture by CRT on global trends in business and human rights, participants discussed human rights issues in their business activities and identified potential human rights risks in the supply chain. (November)
- ③ Analysis was conducted by CRT on the potential human rights risks identified. (December)
- ④ We received a report from CRT on human rights risks with high impact on Megmilk Snow Brand and society, and identified the "priority human rights risks." (January-March 2022)



Workshop to identify potential human rights risks

Priority Human Rights Risks

- Foreign workers in plants
- Foreign workers at dairy farming production sites
- Small-scale palm farms



People and
Society

Material Issues

Contributing to Local Communities

Human Rights Impact Study

For each human rights risk identified, the following study was conducted.

Foreign Workers in Plants

In July 2022, CRT, as a third party, conducted a human rights impact study in the form of in-person interviews respectively with 10 foreign employees, the Ami Plant general manager, deputy general manager, and head of the General Affairs Section in order to ascertain the actual working conditions of foreign employees with "specified skill" status at Megmilk Snow Brand's Ami Plant. The assessment was as follows, as confirmed by the Dhaka Principles for Migration with Dignity*.



In-person interviews

- No negative impacts were observed on the human rights of foreign employees, such as forced long working hours, non-payment of wages, or working under hazardous conditions.
- Relationships between foreign and Japanese employees were good, and a stance of mutual respect was observed.
- The company's commitment to creating a favorable work and living environment was clear, as evidenced by the fact that the Ami Plant provides single rooms for foreign employees among other measures, positioning them as important human resources for the plant.
- The plant has an environment where open communication is encouraged and any concerns can be discussed with workplace leaders. It is expected that the plant will enhance the relationship of trust through more even more courteous management in the future.

*Announced by the Institute for Human Rights & Business (IHRB) in December 2012 after a series of consultations with companies, NGOs, labor unions, and governments. 10 principles are established under the two core principles of "All workers are treated equally and without discrimination" and "All migrant workers enjoy the protection of employment law."

Foreign Workers at Dairy Farming Production Sites

In June 2022, CRT, as a third party, conducted a human rights impact study in the form of in-person interviews respectively with four foreign employees, managers, and supervisors, in order to ascertain the working conditions of foreign workers with "technical internship" and "specified skill" status employed by dairy farmers in areas where Megmilk Snow Brand receives raw milk supplies. Using the same methodology as in the study at the Ami Plant, the following assessment was made after the interviews.

- There were no human rights issues (such as long working hours, discrimination, etc.) related to "technical internship" and "specified skills" status that are generally considered to be of concern.
- The study showed an awareness of the importance of foreign employees as an indispensable part of the labor force and human resources.
- The managers and supervisors are trying to create a good working environment, such as by providing opportunities to have meals among employees, including foreign workers, and actual efforts were observed to build a good relationship of trust.

Small-Scale Palm Farms

Palm oil is oil obtained from the fruit of the oil palm, and demand for palm oil has been increasing worldwide in recent years. As a result, it has been pointed out that many tropical rainforests have been illegally logged and burned due to plantation development, particularly in Malaysia and Indonesia, and have also become a hotbed of human rights abuses such as forced labor and child labor. In response to these problems, Megmilk Snow Brand has created and disclosed a mill list that consolidates the names and locations of oil mills in order to improve the traceability of palm oil.

See the website for details

Mill List

Viewable at the link below or by scanning the code on the right.
https://www.meg-snow.com/csr/pdf/mill_list.pdf



In-House Initiatives for Spreading Understanding

In January 2022, an online lecture was given by Hiroshi Ishida, Executive Director of CRT, as a way to spread understanding of the concept of respect for human rights based on the "Megmilk Snow Brand Group Human Rights Policy."

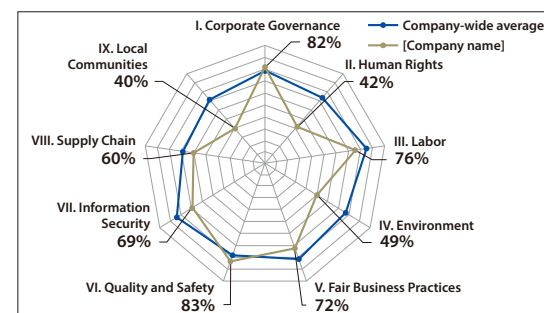
► P. 67 Activities to Ensure that Incident is not Forgotten and Passing on Accounts of the Incident



The Megmilk Snow Brand SDGs Action Awards Implementation Category, Grand Prize

The Purchasing Department conducted a CSR Procurement Assessment consisting of 114 questions in nine categories, including corporate governance, human rights, and the environment, for 245 suppliers. The results of the comparison between the overall average and the company's points were provided as feedback to each company to encourage their efforts. The department was recognized for its activities to build a better society in cooperation with its suppliers.

► P. 56 The Megmilk Snow Brand SDGs Action Awards



Example of feedback

Collaboration with 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.

See the website for details

Details of the Hokkaido Comprehensive Partnership Agreement

Viewable at the link below or by scanning the code on the right. (Japanese only)
<https://www.meg-snow.com/csr/link/>



Sapporo Urban Development Partner Treaty

Sapporo City and Megmilk Snow Brand signed a Sapporo Urban Development Partner Treaty in 2012. The Company donates to the Support Hotto Fund based on the number of visitors to the Megmilk Snow Brand Museum to support activities encouraging healthy childrearing. It also provides a wide range of support and cooperation, including the provision of milk to health center staff and others during the COVID-19 pandemic.

Regional Revitalization Through Sports (Sapporo City)

Megmilk Snow Brand will present the Megmilk Snow Brand Sports Promotion Donation to Sapporo City for 10 years from fiscal 2021 to 2030 to help realize a vibrant society through sports. Megmilk Snow Brand and Sapporo City will use the donation to jointly work on expanding the number of people who play winter sports which has been declining, improving the technical skills of athletes, and promoting health through food.



From left: Director Okabe of the Megmilk Snow Brand Ski Team, General Manager Harada, President Masatoshi Sato, Sapporo Mayor Katsuhiko Akimoto, and then-Sapporo Sports Affairs Bureau Director General Nakata

Initiatives with Miyagi Prefecture

Megmilk Snow Brand is a company that supports the Smart Miyagi Healthy Citizen Council (unofficial translation). We promote co-creation with Miyagi Prefecture and the local community to realize the health and happiness of the people of Miyagi Prefecture. In a tie-up with Miyagi Television Broadcasting, tips and recommended recipes for losing weight from dietary habits were introduced in the informational television program "Let's Try! Health Project Corner for Everyone." In addition, we jointly developed recipes with a local company and introduced them in stores on how to make cheese rich and tasty while taking into account the salt content.



Salmon "Camembert Fondue"

■ Joint Initiatives with Ibaraki Prefecture and Mass Retailers in the Prefecture

Megmilk Snow Brand and Ibaraki Prefecture are cooperating to address the issues of vegetable and calcium deficiency among Japanese people, and are working together to increase consumption of vegetables and dairy products produced in Ibaraki Prefecture. In January 2022, as a further initiative, we conducted a joint campaign with Ibaraki Prefecture and mass retailers in the prefecture. An original menu of dishes using vegetables produced in Ibaraki Prefecture and dairy products was published for two weeks in the flyers of mass retailers. It was also widely distributed in stores to promote the food and health benefits of milk.



White Fish with Green Sauce

■ Support for Food Banks and Food Pantries

The Megmilk Snow Brand Group provided six kinds of milk, cheese, and other items (about 38,000 pieces weighing 28 tons) to Second Harvest Japan, a food bank. The milk, which did not need to be cooked, was especially appreciated. In addition, in the Fukuoka area, we provided 24 kinds of milk, yogurt, cheese, and other items (about 37,000 pieces weighing 11 tons) to various food bank organizations that are members of the Fukuoka Food Bank Conference. In support of the Saitama Food Pantry Network, a non-profit organization that distributes free food to families such as those with single parents raising children, the Megmilk Snow Brand Kawagoe Plant donated 10 kinds of yogurt, desserts, and other items (about 7,200 pieces weighing 0.7 tons) to an organization in Kawagoe City. The spread of COVID-19 has led to an ever-increasing demand for food banks and food pantries, and many people are happy to receive our nutrient-rich dairy products.



Making a delivery to a food bank



The Megmilk Snow Brand SDGs Action Awards Category on Spreading Understanding, Grand Prize

▶ P. 56 The Megmilk Snow Brand
SDGs Action Awards

The Public Relations & Investor Relations Department's "Megmilk Snow Brand Museum" invited support groups for people with hearing and visual disabilities to visit the museum. Through dialogue with people with disabilities, we have compiled materials and visitation methods that are easy to understand and enjoy during the visit. The concrete approach to the SDG philosophy of "leave no one behind" will serve as a model for the entire Group.



Sustainability Promotion

Sustainability Group Activities

The Megmilk Snow Brand Group has carried out sustainability Group Activities (formerly called CSR Group Activities) since fiscal 2003 as a means of deepening executives' and employees' understanding of sustainability and providing opportunities for exchange of ideas. The sustainability leaders appointed in each division play the central role in these activities. Fiscal 2021 marked the 19th year of these activities, which are held 10 times in each division. All employees participate, regardless of employment type.

The Megmilk Snow Brand sustainability Group activities, including the activities that are carried out with the participation of all employees twice yearly in which participants reaffirm their responsibility in handling food and pledge to fulfill this responsibility, are designed to foster a compliance mindset and work toward achieving the SDGs and solving social issues. Participants think deeply about the theme and engage in a lively exchange of views. The sharing of ideas and experiences among employees helps to strengthen communication.

Other Group companies are also engaged in sustainability Group activities, focusing on compliance and tailored to each company's awareness of the issues it faces.



Megmilk Snow Brand



Snow Brand Seed Co., Ltd.

The Megmilk Snow Brand SDGs Action Awards

The Megmilk Snow Brand Group has been holding the Megmilk Snow Brand Group SDGs Action Awards since fiscal 2020.

This award system recognizes activities to achieve the KPIs for material issues and encourages all Group employees to promote and expand SDG activities as an issue that personally matters to them.

In fiscal 2021, the second year of awards, a total of 156 entries were received from 15 Group companies and all divisions of Megmilk Snow Brand.

The activities were conducted with an even higher understanding of the essence of the SDGs than the previous fiscal year, including partnerships with external organizations and the implementation of the SDG philosophy of "leave no one behind."

Our President, Managing Sustainability Director, and the Sustainability Promotion Department selected activities that would serve as a model for the Group, and the 11 workplaces recognized for their outstanding activities were conferred awards online in May 2022.



Poster



Screenshot from the online awards ceremony, showing Megmilk Snow Brand President Masatoshi Sato

Corporate Governance

Corporate Governance

Management Organization (As of June 28, 2022)

Directors	1	2
	Area of Responsibility	Number of Megmilk Snow Brand Shares Held
	Date of Appointment as Director	Period Serving as Director



Masatoshi Sato
Representative Director and President

- 1 Overall management
- 2 1,865 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Sato possesses abundant experience in the consumer Dairy Foods Business and Milk Beverages and Desserts Business, and he has also fulfilled important responsibilities at the core of management, such as within the Corporate Planning Division. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Tomomi Ishii
Representative Director and Executive Vice President

- 1 Overall management and assistant to the President, in charge of General Affairs and Secretariat Dept.
- 2 234 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Ishii possesses abundant experience and wide-ranging insight as a manager and is familiar with fields such as farming, feedstuffs, and others. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Hideki Motoi
Representative Director and Executive Vice President

- 1 Overall management and assistant to the President, in charge of Personnel and Internal Audit, Deputy Manager of Accounting & Finance
- 2 6,023 shares
- 3 June 2016
- 4 6 years
- 5 18/18

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. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Takehiko Inoue
Director and Managing Executive Officer

- 1 In charge of Production and Production Technology
- 2 1,459 shares
- 3 June 2020
- 4 2 years
- 5 18/18

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. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Satoshi Inaba
Director and Managing Executive Officer

- 1 In charge of Marketing, Dairy Foods Marketing, and Milk Beverages & Desserts Marketing
- 2 3,264 shares
- 3 June 2021
- 4 1 year
- 5 13/13

Mr. Inaba has experience as a president of a Group company and is familiar with the Corporate Planning Division, Group management, the nutrition business and the dairy foods business. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Ryoichi Sueyasu
Director and Managing Executive Officer

- 1 In charge of International Dept., Functional Food Marketing and Purchasing
- 2 7,241 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Sueyasu possesses extensive experience in logistics, procurement, and overseas business, and has made a significant contribution to forging a foundation for the growth of Megmilk Snow Brand through the expansion of its functional food products business and overseas cheese business. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Teiji Iwahashi
Director and Managing Executive Officer

- 1 In charge of Affiliated Company and Control, Deputy Manager of General Affairs
- 2 1,169 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Iwahashi possesses abundant experience in the consumer dairy foods business and milk beverages and desserts business, and he has also handled responsibilities core to Group management. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Kumiko Bando
External Director

- 1 —
- 2 0 shares
- 3 June 2022
- 4 New appointment
- 5 —

Although Ms. Bando has not been previously involved directly in corporate management, given her abundance of experience dealing with administrative, consumer, and other issues from a consumer perspective, she is expected to provide important advice and supervision to help maintain our focus on consumers. She also possesses a great deal of experience and knowledge about various sustainability issues. Accordingly, the Company determined that she can provide constructive advice on important management issues for Megmilk Snow Brand Group and appointed her as Independent Officer.



Hiroshi Fukushima
External Director

- 1 —
- 2 0 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Fukushima has an abundance of multifaceted experience, including overseas and business management experience, research and development experience, and promotion of corporate reforms as CDO. He is expected to provide advice on the growth strategy of the Megmilk Snow Brand Group. The Company also believes that he can provide guidance based on his knowledge as an experienced manager of a company that is making leading efforts toward sustainability, and thus appointed him as Independent Officer.



Shinya Kosaka
Director serving as Audit & Supervisory Committee Member

- 1 Full-time Audit & Supervisory Committee Member
- 2 14,157 shares
- 3 June 2020
- 4 2 years
- 5 18/18

As Mr. Kosaka has abundant experience in the Management section 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 befitting an individual who supervises and audits Directors' business execution and appointed him as a Director serving as an Audit & Supervisory Committee Member.



Ikuo Nishikawa
External Director serving as Audit & Supervisory Committee Member

- 1 Audit & Supervisory Committee Member
- 2 1,909 shares
- 3 June 2016
- 4 6 years
- 5 18/18

Although Mr. Nishikawa has not been previously involved directly in corporate management, he has specialized 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 an External Director serving as Audit and Supervisory Committee Member.



Akito Hattori
External Director serving as Audit & Supervisory Committee Member

- 1 Audit & Supervisory Committee Member
- 2 956 shares
- 3 June 2018
- 4 4 years
- 5 18/18

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.

Board of Directors Skill Matrix

Name and Role	Position	Corporate Management Management Strategy	Global	Financial Accounting	Legal Affairs Risk Management	Consumer Perspective Sustainability	Sales Marketing	Production and Technology R&D SCM	Dairy Farming and Procurement Management Foundation	Personnel Management and Labor Relations Human Resources Development
Masatoshi Sato	Representative Director and President	●				●	●		●	
Tomomi Ishii	Representative Director and Executive Vice President	●					●		●	
Hideki Motoi	Representative Director and Executive Vice President	●		●	●	●				●
Takehiko Inoue	Director and Managing Executive Officer					●		●		
Satoshi Inaba	Director and Managing Executive Officer	●					●			
Ryoichi Sueyasu	Director and Managing Executive Officer		●				●	●	●	
Teiji Iwahashi	Director and Managing Executive Officer				●		●			
Kumiko Bando	Director (External)				●	●				●
Hiroshi Fukushima	Director (External)	●	●			●	●	●		
Shinya Kosaka	Director serving as Audit & Supervisory Committee Member	●		●	●		●			
Ikuo Nishikawa	External Director serving as Audit & Supervisory Committee Member			●						
Akito Hattori	External Director serving as Audit & Supervisory Committee Member				●					

Executive Officer

Managing Executive Officer

Masato Koitabashi In charge of Dairy Farming	Yoshihiro Kawasaki In charge of Research & Development Planning, Products Development, Milk Science Research Institute, Quality Assurance	Shigeru Watanabe In charge of PR, IR and Deputy Manager of Affiliated Company Control, Personnel	Seiji Tobe In charge of Research & Development Center for Dairy Farming, Deputy General Manager in Charge of Dairy Farming (General Manager in Charge of Research & Development Center for Dairy Farming)
Seiki Hori In charge of Logistics	Takashi Mori In charge of Corporate Planning Div. (General Manager, Corporate Planning Div.) and Administration	Seiki Todaka In charge of Accounting and IT Planning, and Deputy General Manager responsible for Corporate Planning Div.	Fumi Hatamoto In charge of Sustainability
Yoshirou Ohta In charge of Supervising Household Products Division, National Chain Store Sales, Deputy Manager of Household Products Dept., Deputy Manager of Marketing Dept. (General Manager, Marketing Dept.), Hokkaido Headquarters (General Manager, Hokkaido Headquarters)	Tomihiko Tagawa In charge of Institutional Foods Dept.	Yukihiro Yamamoto Senior General Manager, Kanto Regional Sales Headquarters	Hiromi Tamura Senior General Manager, Kansai Regional Sales Headquarters
*As of September 1, 2022			

Main Group Companies (In Japan) Representative Director and President (As of June 29, 2022)

Ibaraku Co., Ltd.	SI System Corporation	Greenservice Co., Ltd	Cresco Corporation	Kohnan Oils and Fats Mfg. Co., Ltd.	Chesco Ltd.
Toshiyuki Kitagawa	Toshio Itabashi	Seiji Masaki	Fuminori Miyazaki	Takahiro Shibata	Hiromi Uchida
Chokuhan Haisou Co., Ltd.	Nichiraku Machinery Co., Ltd.	Belle Neige Direct Co., LTD.	Michinoku Milk Co., Ltd.	Mitsuba Distribution Industry Co., Ltd.	Yatsugatake Milk Industry Co., Ltd.
Yuji Kuramochi	Masaya Matsunaga	Tomihisa Kakizaki	Atsushi Yamamoto	Shigeru Yamaguchi	Hitoshi Naito
Snow Brand Kodomo-no-Kuni Ranch	Snow Brand Seed Co., Ltd.	Snow Brand Parlor Co., Ltd.	Bean Stalk Snow Co., Ltd.	MEGMILK SNOW BRAND Business Solution Co., Ltd.	
Hiroharu Tanaka	Koichi Kasamatsu	Toshihiro Nakamura	Akihiko Uchida	Yasuo Takeda	

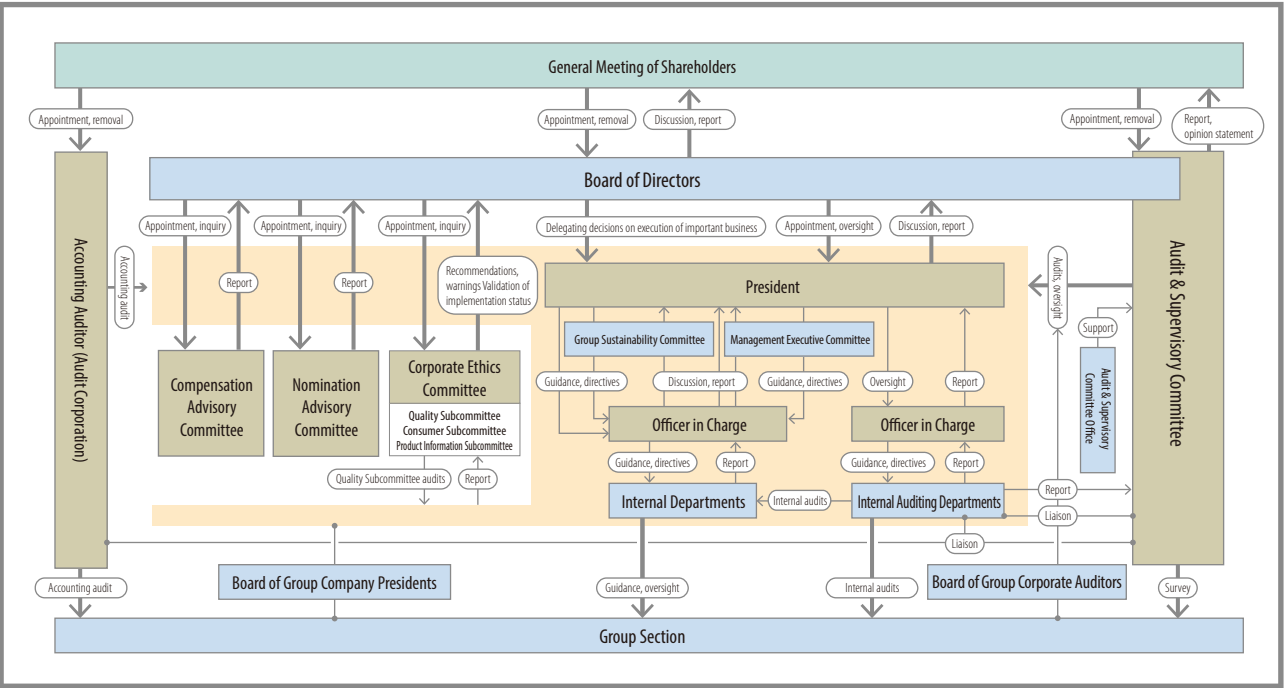
Corporate Governance Basic Policy

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 Organization Chart

*Revised June 28, 2022



Board of Directors

The Board of Directors of Megmilk Snow Brand Co., Ltd. consists of 9 directors (excluding directors also serving as Audit & Supervisory Committee members) and 3 directors who are concurrently Audit & Supervisory Committee members. Of the total of 12 directors, 4 are external directors. In principle, the Board of Directors meets once per month (twice during months in which there is a quarterly results Board of Directors meeting).

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 addition, the Megmilk Snow Brand Group endeavors to achieve sustainable growth and improve corporate value by continuing with initiatives aimed at reinforcing the functions of the Board of Directors. These include efforts to improve the

quality of discussions at Board of Directors meetings by enhancing communication and the exchange of opinions with representative directors and external directors. This is done by strengthening the flexibility of the execution of supervisory functions due to the shift to a "Company with an Audit & Supervisory Committee" structure in 2016, the establishment of the aforementioned Nomination Advisory Committee and Compensation Advisory Committee, and the holding of meetings of External Directors.

Audit & Supervisory Committee

The Committee aims to establish company supervision that allows for healthy and sustainable growth and meet social trust by supervising the Board of Directors and auditing the execution of directors' responsibilities.

The 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 obtain information beneficial for 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 four external directors, two executive directors, and one Director serving as Audit & Supervisory Committee Member. 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 four external directors, two executive directors, and one Director serving as Audit & Supervisory Committee Member. 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, etc., by director level.

Corporate Ethics Committee

The Corporate Ethics Committee was established in 2002 to serve 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.



Regular meeting

The Corporate Ethics Committee holds regular meetings bimonthly, 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.

[Quality Subcommittee]

This subcommittee comprises external experts in quality and hygiene management and 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 2021, audits were conducted at five plants in Japan, including Group company plants.



Kyoto Plant

[Consumer Subcommittee]

This subcommittee introduces Megmilk Snow Brand Group's various initiatives to representatives of consumer groups and influential people working on consumer issues, and receives evaluations and opinions from the consumer's perspective. In fiscal 2021, meetings were held in the Kansai area in November and in the Kanto area in December to confirm the contents of the Megmilk Snow Brand Report 2021 (Integrated Report), to evaluate Megmilk Snow Brand's corporate activities, and to receive feedback on the video footage created to provide information about the two incidents that occurred at Snow Brand.

[Product Information Subcommittee]

This subcommittee comprises external experts in the field of labeling and applies a consumer perspective while performing checks (external oversight) of product package labeling to ensure it is easily comprehensible to consumers and information is being properly conveyed. As necessary, the subcommittee also shares information about internal labeling rules and reviews and updates the "Voluntary Product Labeling Manual." In fiscal 2021, the subcommittee met six times.

Consultation 1 Material Issue Initiatives

Recommendation	1. Contribute to the realization of the SDGs by achieving KPIs as a Group while steadily managing progress semi-annually and paying attention to trends with social issues and demands from society.	Initiatives	<ul style="list-style-type: none">Established Megmilk Snow Brand Group's Charter of Corporate Behavior and various policies, and announced our intention to further promote efforts to solve social issues and improve both internal and external sustainability.The Sustainability Promotion Subcommittee received reports on the status of studies and action plans for individual themes from the decarbonization, plastic reduction, and human rights subcommittees, and exchanged feedback.
	2. Particularly when it comes to environment-related KPIs that are of great interest to society, gain a quantitative understanding of the status of the entire Group and strive to become an eco-friendly company.		<ul style="list-style-type: none">Confirmed the current status of environment-related "paper" and "certified palm oil" KPIs at Group companies.We selected companies subject to having their environment-related KPIs managed and collected base year results from them for CO2 emissions, plastic usage, waste and other emissions, and water usage, as well as information on their efforts to achieve the KPIs and water-related risks.Companies not subject to such management established their own environment-related KPIs.
	3. In addition to the KPIs that have already been set, each company and department should also make efforts specifically aimed at addressing material issues and establish them as employee-driven activities.		<ul style="list-style-type: none">Sustainability Group activities focused on material issues were held twice a year. Activities were held to promote consideration of the Health Challenge, which was based on "milk for contributions to food and health" and "realization of a diverse and motivating workplace," and unconscious bias, which was based on "realization of a diverse and motivating workplace."

Consultation 2 Consumer-focused Management

Recommendation	1. Collect and analyze information about consumer requests and needs and promote product development that leverages the Group's strengths.	Initiatives	<ul style="list-style-type: none">Utilized information on calls made to the Customer Relations Center to improve existing products.After surveying the needs of overseas consumers, launched Organically Developed Powdered Milk in Taiwan and Hong Kong.
	2. Make additional efforts to communicate with consumers, listen to their voices, and respond to them in a sincere manner.		<ul style="list-style-type: none">Held customer satisfaction improvement meetings to share customer feedback with relevant departments and improve products and displays.Made 12 product improvements in response to customer feedback.
	3. Display and disseminate useful information in an appropriate manner to consumers via product displays, advertisements, and websites in a way that does not mislead them.		<ul style="list-style-type: none">Legal confirmation performed for package designs, point-of-purchase advertisements, websites, videos, and more in accordance with the respective manuals on product labeling to check for mislabeling and good/advantageous errors.For all products with a URL or barcode on the package and a description of the product features on a website, it was confirmed that the pages describing the features could be navigated to reliably.
	4. Foster greater awareness among employees with regard to acting from a consumer-oriented perspective.		<ul style="list-style-type: none">Feedback obtained through the Customer Relations Center and Sustainability Group activities within the company shared to foster awareness of the importance of having a consumer-oriented perspective.Conducted consumer subcommittee meetings (November for Kanto and December for Kansai) to exchange feedback about the Megmilk Snow Brand Report 2021 (Integrated Report) and the video footage of information on the incidents.

Consultation 3 Food Safety and Security (Quality Control)

Recommendation	1. Provide quality assurance training to each employee to raise all employees' quality awareness and knowledge. Moreover, in plants, steadily provide training on hygiene management and manufacturing techniques.	Initiatives	<ul style="list-style-type: none">We tested the understanding of quality assurance among all Megmilk Snow Brand and Bean Stalk Snow Co., Ltd. Snow employees with the aim of understanding quality assurance.Some training was put off at Megmilk Snow Brand plants and related companies to prevent the spread of COVID-19, but measures to prevent infection were taken to provide training on sanitation, basic training and applications with the aim of enhancing the technical and management levels of individual employees.
	2. Share issues and complaints about products and services in a timely manner and respond in an appropriate manner based on product characteristics and a consumer perspective.		<ul style="list-style-type: none">At the monthly meetings held by Megmilk Snow Brand's divisions involved in production, procurement and quality, we shared information on real-life examples of quality problems and programs to verify quality using audits by the Quality Assurance Division.Conducted a survey of actual problems at plants to revalidate the risk management system and motivate workers to reconstruct it, which led to proactive onsite improvements.Quality management conditions in the refrigerated storage at the product shipment depot were inspected.Information on customer opinions was shared with employees via intranet and email.

Consultation 4 Thorough Corporate Ethics (Compliance)

Recommendation	1. Ensure that compliance is instilled throughout the entire group and that each and every director and employee is aware of it.	Initiatives	<ul style="list-style-type: none">Compliance e-learning on power harassment was conducted for all directors and employees of Megmilk Snow Brand and Group companies.
	2. Increase the visibility and reliability of the whistleblower hotline to encourage whistleblowing.		<ul style="list-style-type: none">We introduced the whistleblower hotline and the response process during new employee training and new management training.In response to the amendment of the Whistleblower Protection Act in June 2022, the amendment of the Act and the response of the Megmilk Snow Brand Group were explained during a Group Management Meeting. In addition, a study session was held for contacts at Group companies.

Consultation 5 Diversity in Human Resources and Work Environment

Recommendation	1. In workplaces where remote work can be implemented, establish and instill remote work methods by making active use of them, and make continuous improvements to management to create an environment with efficient and flexible work styles.	Initiatives	<ul style="list-style-type: none">Worked on the establishment and promotion of Megmilk Snow Brand Remote Work Management (YMR) and its continuous improvement in accordance with the plan.The future direction of the recommendation details was shared with each Megmilk Snow Brand Group company at the Group Management Meeting.
	2. Pay attention to communication among employees of all kinds of employment types to improve labor productivity.		<ul style="list-style-type: none">The details of the Group Management Meetings that ought to be shared with all employees were made available for employees to view at any time for a certain period.Held the "Study Session on the International Dairy Farming Situation" online study session. More than 50 participants from various positions and occupations gathered from all over the country.

Recommendation	3. Each and every officer and employee should exemplify the Megmilk Snow Brand Values (self-motivation, taking on challenges, and teamwork) through their actions.	Initiatives	<ul style="list-style-type: none">Megmilk Snow Brand held the Megmilk Snow Brand Awards for the first time. More than 50 applications were received from all over Japan. The winners of the President's Award, Executive Vice President's Award, and Special Recognition Award were selected, and the results were shared in the Group newsletter and other media.
	4. Develop a system and foster awareness so that a diverse array of employees can demonstrate their abilities and thrive.		<ul style="list-style-type: none">Conducted training tailored to job level and age to develop female employees.Held an internal forum on the theme of unconscious bias online with an outside lecturer.Expanded e-Learning for fathers on childcare leave to include those outside the company.
	5. Enhance healthcare (including mental healthcare) for employees as part of risk management in preparation for emergencies (e.g. when a state of emergency is declared due to the COVID-19 pandemic).		<ul style="list-style-type: none">Confirmed the situation with regard to stress and distributed the Mental Health Guide for Managers to inform employees of the process for handling mental health issues and internal procedures.

Consultation 6 Other Matters Related to Efforts to Achieve the Sustainability Policy

Recommendation	1. Promote sustainability management as a company that grows alongside society in a sustainable manner, and actively disclose ESG (Environmental, Social and Governance) data to enhance transparency.	Initiatives	<ul style="list-style-type: none">Disclosed ESG data and KPI progress for FY2020 on the Megmilk Snow Brand website.Disclosed newly established KPIs for reduced water consumption, promotion of subsistence dairy farming by Snow Brand Seed Co., Ltd., and for reduced CO2 emissions after raising the reduction target, and the companies subject to management for each KPI were indicated clearly.

Board of Directors

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 2021 is as follows:

Summary of the Fiscal 2021 Assessment	
Assessment Details All directors (including directors who are Audit & Supervisory Committee Members) were given a questionnaire on the following broad topics, and answers were received from all. The Board of Directors Secretariat compiled the questionnaire results and reported to the Board of Directors, where the evaluation results 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 (6) Nomination Advisory Committee and Compensation Advisory Committee
Summary of Analysis and Assessment Results (1) Self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2021. (2) At the same time, we confirmed that, as described below, ongoing initiatives were taken to improve the issues indicated in the previous year's assessment. 1) Enhance discussions on the ideal composition of the Board of Directors and the succession plan for the chief executive officer The Nomination Advisory Committee, in which independent external directors comprise the majority, actively discussed the succession plan for the President and the selection of candidates for the position of director. 2) Make efforts to jumpstart further discussions a. Regular report items are now made in writing to use deliberation time effectively. b. Continued early distribution of Board of Directors meeting materials and enhanced efforts to provide advance explanations to external directors about important agenda items. c. Substantive discussions were held at external director meetings and at meetings for discussions between the Representative Director and external directors. d. In the second half of FY2021, efforts to hold discussions about important agenda items with Board of Directors meeting participants during the consideration process were begun. 3) Augment discussions on governance of Group companies Reports continued to be made at the Board of Directors meetings on Group companies' earnings and key topics every quarter, and quantitative targets for the Medium-term Management Plan 2022 for each Group company were also reported. 4) Enhanced discussions that take the perspective of stakeholders and address non-financial information a. The Board of Directors continued to report on the implementation of the Corporate Ethics Committee and the Group Sustainability Committee. b. Reported to the Board of Directors about KPI progress management for material issues. In addition, the topic of setting KPIs for the Environment domain throughout the Group was raised with the Board of Directors. (3) As a result of this evaluation, the following four key issues were identified as issues that the Board of Directors should continue to address. 1) Continue discussions about the diversity of the composition of the Board of Directors and other topics that will contribute to the achievement of medium- and long-term goals. 2) Continue efforts to invigorate deliberations further and enhance discussions related to management strategies. 3) Augment discussions on governance of Group companies 4) Enhanced discussions that take the perspective of stakeholders and address non-financial information	
Future Initiatives Megmilk Snow Brand's Board of Directors will endeavor to further enhance its efficacy in order to achieve sustained growth and raise corporate value. It will do this 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.	

Policy related to Decision on Content of Compensation for Individual Directors

At the Board of Directors meeting held on February 24, 2022, Megmilk Snow Brand decided to adopt the Policy on Decisions on Compensation for Individual Directors and then revised it at the Board of Directors meeting held on June 15, 2022. When the resolution is made at the meeting, the Compensation Advisory Committee, which comprises a majority of independent external directors, is consulted in advance on the resolution, and a report is received. In addition, the Board of Directors confirmed that decisions on the content of the compensation for each individual director for the fiscal year under question as well as the content of the compensation decided is consistent with the policies on such decisions, and that the report from the Compensation Advisory Committee has been respected. Accordingly, the compensation is consistent with this policy.

This policy is described below.

(1) Basic Policy

- 1) The compensation for directors (excluding directors who are Audit & Supervisory Committee Members) is within the range resolved by the General Meeting of Shareholders. This level is benchmarked against compensation at other manufacturers and food companies of a similar size and amounts are determined based on the Company's performance. Compensation for each position reflects the weight of work responsibilities and the extent to which they contribute to and achieve the Group's consolidated earnings results. The compensation for directors who are Audit & Supervisory Committee Members is within the range resolved by the General Meeting of Shareholders. This level is compared to compensation at other manufacturers and food companies of a similar size and set at an appropriate amount.
- 2) The compensation 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. Performance-linked bonuses consist of a short-term incentive (cash bonus) that is 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 related to the Group's medium- and long-term performance.

(2) Policy on Setting the Ratios for the Compensation for Individual Directors

The ratio of the base compensation, short-term incentive (cash bonus) linked to performance and long-term incentive (stock-based compensation) is 6:3:1 (in the event that earnings indicators for the performance-linked bonus are achieved).

(3) Policies on Deciding on the Substance, Amount and Calculation Methods for Performance-linked Compensation and Non-financial Compensation

- 1) **Short-term incentive (cash bonus)**
This is paid as an incentive in line with the extent to which the Group's consolidated earnings are achieved in each fiscal year. The earnings indicator is the Group's consolidated operating income (initial earnings forecast).
- 2) **Long-term incentive (stock-based compensation)**
The earnings indicators linked to performance are EBITDA, ROE and the capital adequacy ratio, which assess improvements in profitability and capital efficiency as well as safety. When including the portion not linked to performance, the ratio of EBITDA, ROE, capital adequacy ratio and the portion not linked to performance is 3:2:2:3 (in the event that earnings indicators for the performance-linked bonus are achieved).

(4) Policy for Setting Timing and Conditions for Payment of Compensation to Directors

- 1) **Base compensation:** The monthly amount is set and paid on the salary payment date for employees.
- 2) **Performance-linked compensation, short-term incentive (cash bonus):** Paid within one month after the completion of the regular general meeting of shareholders
- 3) **Performance-linked compensation, long-term incentive (stock-based compensation):** Paid separately based on internal regulations on stock issuance

(5) Matters related to Decision on Content of Compensation for Individual Directors

The compensation for each individual is resolved at the Board of Directors meeting. When the resolution is made at the meeting, the Compensation Advisory Committee, which comprises a majority of independent external directors, is consulted in advance on the resolution, and a report is received. An Audit & Supervisory Committee Member selected by the Audit and Supervisory Committee may give his/her opinion on compensation for directors who are Audit & Supervisory Committee Members at the general meeting of shareholders.

Total Amount of Compensation in Fiscal 2021

Director Category	Total Compensation (Million Yen)	Total Compensation by Type (Million Yen)			Number of People
		Base Compensation	Short-term Incentive (Cash Bonus)	Long-term Incentive (Stock-based Compensation)	
Directors (excluding Audit & Supervisory Committee Members) (external directors in parentheses)	202 (9)	169 (9)	7 (—)	25 (—)	6 (1)
Directors (Audit & Supervisory Committee Members) (external directors in parentheses)	41 (19)	41 (19)	—	—	3 (2)
Total (external directors in parentheses)	243 (28)	211 (28)	7 (—)	25 (—)	9 (3)

Standards for Appointing and Dismissing Officers

The guidelines for nominating candidates for director 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 Committee 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. They are also selected 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, and the balance of the Board of Directors will be carefully considered to ensure that no areas of expertise are overrepresented.

Candidates for director positions who are Audit & Supervisory Committee 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 unwaveringly 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 Committee Members shall include one or more people with knowledge of finance and accounting. In addition, the rationale for their nomination is appropriately disclosed in the notice of General Shareholders Meeting, etc.

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 the Company 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

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 15th Ordinary General Meeting of Shareholders to be held in June 2024. The Takeover Defense Measures are an advance-warning purchase defense package, which sets 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 an External Director

Encouraging change and evolution by increasing opportunities for discussion from a long-term perspective

The Role of an External Director

As a certified public accountant specializing in finance and accounting, I check the adequacy and appropriateness of Megmilk Snow Brand's financial and non-financial details and disclosures. However, this is only one aspect of my role. From my independent position as an external director, I oversee the management process from an ethical perspective in terms of whether it makes sense socially and encourage sound management. To accomplish this, I actively ask questions and make recommendations to management.

A distinctive feature of Megmilk Snow Brand's governance is that the Corporate Ethics Committee, which consists primarily of outside experts, serves as an advisory body to the Board of Directors and constantly monitors issues on behalf of consumers, such as quality and product labeling issues. The Audit & Supervisory Committee, including the external Audit & Supervisory Committee Members, also collaborates with the Internal Audit Department and frequently inspects on-site operations, including those of Group companies.

Governance Structure: Assessment and Challenges

The Megmilk Snow Brand Board of Directors' meetings involve lively discussions, and I see no major operational issues in terms of the comprehensiveness of the materials and the minutes. In the future, I think it is important to offer more opportunities to discuss broader themes, such as the future direction of Megmilk Snow Brand, and to further clarify Megmilk Snow Brand's strategy of Transformation and Renewal.

In the aftermath of the Snow Brand Milk Products Co., Ltd. food contamination incident in 2000 and the Snow Brand Food Co., Ltd. fraudulent beef labeling incident in 2002, Megmilk Snow Brand continues to work to keep the incidents from happening again through a strong cognizance of the need to prevent recurrences. Moreover, activities such as having employees read the Integrated Report and the Megmilk Snow Brand Code of Conduct are conducted. However, these activities and employee diligence do not mean that one can rest easy. There is a risk of going along with something that is not right because of one's



External Director serving as Audit & Supervisory Committee Member at Megmilk Snow Brand

Ikuo Nishikawa

seriousness. The important thing is to be proactive in determining the problem and sharing information.

This also applies to proactive management. In this sense, the Megmilk Snow Brand Values of self-motivation, taking on challenges, and teamwork are vital. I believe that this will only take root as part of the corporate culture if management itself demonstrates these values and makes employees feel fulfilled in their work.

Keeping the incident from fading from everyone's memory and escaping from the incident's shadow and moving forward with bold management are two sides of the same coin. To this end, I believe it is necessary for the new management structure, including organizational reform, to aim to quickly bring about an environment in which communication among Group employees across divisions and companies is invigorated.

To Our Stakeholders

In a way, the founder's spirit, Kendo Kenmin (a healthy earth ensures human health), which originated in Snow Brand Milk Products Co., Ltd., one of the predecessors of Megmilk Snow Brand, can be said to be aiming for a sustainable society. Heightened geopolitical risks have increased society's concern about food security as well. Megmilk Snow Brand's mission is to supply domestic consumers with as many milk and dairy products, nutritious foods essential for growth and health, as required.

I am sure that the new management structure will lead the transformation in keeping with the times and deliver safe food products to consumers to ensure appropriate corporate profits and increase corporate value, as well as communicate the corporate message more clearly to our stakeholders. I will lend my support to the aggressive and bold management style of the new management structure and fulfill my role as an external director.

Compliance

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 in 2001, which caused widespread consumer pessimism about 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, etc. 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

An incident involving a violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment came to light in April 2018, triggered by information provided by individuals believed to be internal whistleblowers and being pointed out by Japan's Ministry of Agriculture, Forestry and Fisheries, in August 2014 and July 2017. Snow Brand Seeds conducted internal investigations based on both pieces of information, but due to the large number of labeling violations discovered in the relevant seed products, the company received a Report Collection Order from Japan's Ministry of Agriculture, Forestry and Fisheries in February 2018. To ensure an objective and thorough investigation, a third-party committee was set up. The investigation 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.

The third-party committee made recommendations for reforms to corporate culture, drastic improvements and restructuring of the governance system, measures to prevent labeling violations and product falsification, more mobility of personnel, activation of a hotline, etc. The company took the findings of the third-party committee investigation report seriously and made a concerted company-wide effort to fully implement the recommended measures to prevent a recurrence. It announced the report both internally and externally. The contents of the announcement were widely reported through the media, resulting in a significant loss of trust from customers and society.

Efforts to Prevent Recurrence

In accordance with the recommendations of the third-party committee, Snow Brand Seed Corporation, through its own will and sense of responsibility, proactively formulated specific measures to prevent recurrences along with a process chart, and it implemented these measures by the end of March 2020 as planned. In April of the same year, the company submitted a Report on the Implementation of Reoccurrence Prevention Measures, etc. to the Ministry of Agriculture, Forestry and Fisheries, which was accepted in May of the same year.

In 2021, the April theme of Compliance Promotion Activities, which are held monthly with the participation of all officers and employees, was "activities to prevent the incident from fading from memory" (implemented in April 2020 only).

In April, the company reflected on materials regarding the

violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment were read, while in May, it read the investigation report submitted by the third-party committee. Views were exchanged on both occasions, and efforts were made to solidify awareness of compliance to ensure that the same mistakes would never occur again. "Activities to prevent the incident from fading from memory" have been established as a compliance promotion activity theme and will continue to be implemented.

Furthermore, the Compliance Committee, which was established in 2018 as an advisory body to the Board of Directors, convened in 2021 as well and provided recommendations as an external oversight entity on the initiatives of Snow Brand Seed Co., Ltd.

The Product Information Subcommittee, a subcommittee of the Compliance Committee, continues to meet and has expanded its scope to include all Snow Brand Seed Co., Ltd. products and goods for labeling inspections. Beginning in 2021, the project was divided into two subcommittees, one for the seed sector and the other for the feedstuff sector, thus providing a more specialized

structure. Moreover, we conducted compliance-related e-learning for all officers and employees, held compliance lectures using outside instructors, and improved the whistleblower system in accordance with the amended Whistleblower Protection Act.

Activities to Ensure that Incident is not Forgotten and Passing on Accounts of Incident

The Megmilk Snow Brand Group will not forget the food contamination incident at Snow Brand Milk Products and the fraudulent beef labeling incident at Snow Brand Food, and has been holding Days of Pledging to Strongly Recognize and Fulfill Food Responsibility every year since fiscal 2003 in June and January, the respective months in which the two incidents occurred. These activities were held for the 38th time in fiscal 2021 since the incidents' occurrence in fiscal 2003. In addition, since 2020, June activities have been held under the theme of "what is needed to properly understand the two incidents and prevent them from recurring," while January activities have been held under the theme of "solutions to social issues that the Megmilk Snow Brand Group will address in the future to achieve sustainable growth."

In June, Mr. Hideaki Tsuchioka, Corporate Adviser to Megmilk Snow Brand at the time, gave a lecture entitled "Learning from the Snow Brand Milk Products Co., Ltd. Food Contamination Incident: My Thoughts from My Own Experience." All employees watched the lecture video and held a discussion during Sustainability Group activities in July.

In January 2022, an online lecture was given by Hiroshi Ishida, Executive Director of Caux Round Table Japan, as a way to spread understanding of the concept of respect for human rights based on the "Megmilk Snow Brand Group Human Rights Policy." All executives of Megmilk Snow Brand, Group company presidents, and sustainability leaders at each workplace, as well as approximately 180 people, viewed the program to learn about the impact of corporate activities on human rights and the efforts required of companies to respect human rights. Also, at the beginning of the meeting, Mr. Nishio, President of Megmilk Snow Brand at the time, expressed his strong determination to "respect the human rights of all people throughout the course of our business activities." After the lecture, a Q&A session was held on human rights issues in corporate activities. The questions covered consideration for the human rights of employees and responding to differences in human rights systems in Japan and

other countries, among other topics. Through the Q&A session, the lecturer said that he got a glimpse of participants' efforts to have a personal stake in showing respect for human rights. At Megmilk Snow Brand, all employees are given the opportunity to watch the video lecture and think about respect for human rights during Sustainability Group activities in February.



Former Corporate Adviser Hideaki Tsuchioka during the Q&A session via web conference (June)



Lecture of Executive Director, Hiroshi Ishida (January 2022)

Risk Management

Risk Management Structure

With regard to risks that may have an unfavorable impact on management, the Megmilk Snow Brand Group has established the Megmilk Snow Brand Group Crisis Management Basic Policy to minimize the losses incurred and to prevent or reduce adverse impacts. The aim is to ensure stable management and maintain the Group's ability to grow in a sound and sustainable manner.

"Crisis management" is divided into the following two categories and is addressed based on the following organization chart.

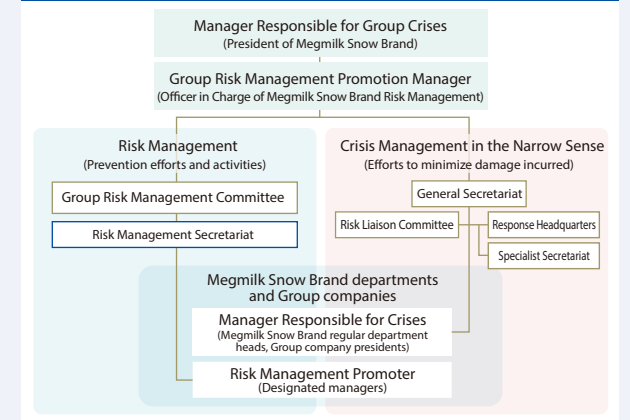
Risk Management

As a preventive initiative and activity, the Group Risk Management Committee has been established to manage the entire Group and to confirm the direction of risk management. Operations and initiatives at each location will receive direction from the committee, promote risk assessment, and manage daily risks.

Crisis Management in the Narrow Sense

In the event of a risk that has or may have a significant impact on the Group, a task force will be established within Megmilk Snow Brand to enable information sharing and a rapid response. Any risks that arise will be promptly reported, and risk management for the entire Group will be carried out at Risk Liaison Committee meetings held regularly within Megmilk Snow Brand.

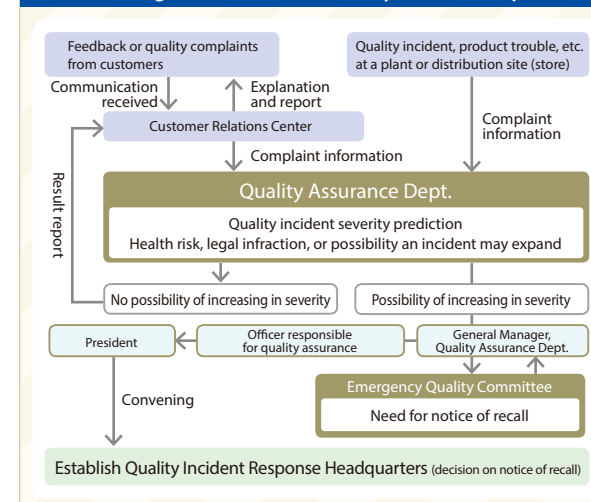
Megmilk Snow Brand Group Risk Management Structure



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 Management Structure (Quality Incident Response)



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 sustainability Information Journal and other media to encourage employees to utilize the hotline.

Installation of Emergency Power Generators

Megmilk Snow Brand has installed emergency power generators at all seven plants in Hokkaido to maintain its infrastructure in the event of a power outage and quickly restore operations. We will continue to work on enhancing our business continuity capabilities.

Plants in which Generators have been Installed

- Sapporo Plant
- Okoppe Plant
- Horonobe Plant
- Betsukai Plant
- Taiki Plant
- Isobunnai Plant
- Nakashibetsu Plant



Emergency power generator (Taiki Plant)

Company Information, Etc.

Operating Results and Financial Analysis (FY2021)

Analysis of Operating Results

Status of Operations

In accordance with the Megmilk Snow Brand Group Medium-term Management Plan 2022, the Group moved forward with initiatives to establish earnings bases in the four business segments of Dairy Products, Beverages and Desserts, Nutrition, and Feedstuffs and Seed Products. In particular, we pursued this via strategic expansion of mainstay products focusing on functional yogurt, as well as other yogurt and cheese products. Another key component of the effort was improving the product portfolio, both with the scale expansion and earnings acquisition obtained from continued marketing investment in the Nutrition Business Sector, as well as strategic expansion and maintenance of a foundation for earnings in the Feedstuffs and Seed Products Business Sector. In addition, we endeavored to fortify the Group's comprehensive strengths by optimizing the use of Group management resources and enhancing productivity in the value chain.

As a result, for the fiscal year under review, consolidated net sales were 558.4 billion yen, operating profit was down 8.7% to 18.0 billion yen, ordinary profit was down 7.7% to 19.9 billion yen, and profit attributable to owners of parent was down 19.1% to 12.0 billion yen.

Net Sales

(1) Dairy Products Segment

(Dairy Products Business Sector and Nutrition Business Sector)

Butter sales increased year on year due to continued efforts to ensure a stable supply. Sales of margarine were lower

year on year due to a drop in domestic food demand resulting from the prolonged spread of COVID-19 and revised prices. In the cheese category, sales of Sakeru Cheese remained strong, but sales of processed cheese declined due to a drop in domestic food demand resulting from the prolonged spread of COVID-19, resulting in a year-on-year decrease. Functional foods continued to show growth due to continued strong sales in our subscription mail-order business, aggressive marketing investments, and growing health consciousness.

As a result, net sales for this segment totaled 236.9 billion yen.

(2) Beverage and Dessert Segment

With regard to beverages, new products such as MBP Drink, Japan's first beverage-type food with a function claim for increasing bone density, contributed to increased sales. However, overall beverage sales were down year on year due to lower sales during the demand season brought about by the summer temperature drop and lengthy rainy season, as well as a drop in domestic food demand resulting from the prolonged spread of COVID-19. At the end of March 2022, we launched a renewal of Oishii Megmilk Snow Brand Milk to aim for increased sales. With regard to yogurt, while our plain yogurt and hard yogurt improved year on year, with plain yogurt improving on the back of an increased volume campaign implemented in the first half of the year, overall yogurt sales declined year on year due to a drop in domestic food demand resulting from the prolonged spread of COVID-19 and growth growing in the functional yogurt market. Through efforts to bolster our product lineup, such as by launching new products as well as expanding existing products, dessert

performance in the segment was favorable.

As a result, net sales for this segment totaled 239.7 billion yen.

(3) Feedstuffs and Seed Segment

Overall sales in this segment increased year on year due to higher sales prices for blended feed, resulting in net sales of 46.8 billion yen.

In addition to the above results, the Other segment, which includes real estate rental and joint distribution center services, contributed 34.8 billion yen, bringing total consolidated net sales to 558.4 billion yen.

*The comments comparing the results with the previous year are based on the figures calculated assuming the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) had been applied.

Operating Profit

Operating profit was 18.0 billion yen (down 8.7% year on year) due to higher raw materials costs and higher operating costs, such as energy costs at plants.

Analysis of Financial Status

Assets

Total assets at the end of FY2021 were up 3.2 billion yen compared to the end of FY2020, to 401.8 billion yen. This was primarily due to an increase in non-current assets resulting from the completion of a new butter building at the Isobunnai Plant, as well as an increase in the value of investment securities due to a rise in their market value.

Liabilities and Net Assets

Liabilities at the end of FY2021 stood at 192.3 billion yen, a decrease of 8.0 billion yen compared to the end of FY2020. This was primarily due to a decrease in current portion of long-term loans payable.

Net assets increased 11.2 billion yen to 209.5 billion yen. This was primarily due to an increase in retained earnings.

Cash Flow Analysis

Cash Flows from Operating Activities

Income came to 29.4 billion yen. This represents an increase of 2.8 billion yen compared to FY2020. While profit before income taxes decreased, cash flows from operating activities increased due to the YoY change in Accounts Receivable-Other and other factors.

Cash Flows from Investing Activities

Payments came to 20.2 billion yen. This represents a 6.8 billion yen decrease compared to FY2020. This is primarily due to the large amount of expenditures related to the new building for butter production at the Isobunnai Plant in FY2020.

Cash Flows from Financing Activities

Payments came to 11.2 billion yen. This was primarily due to long-term loans payable.

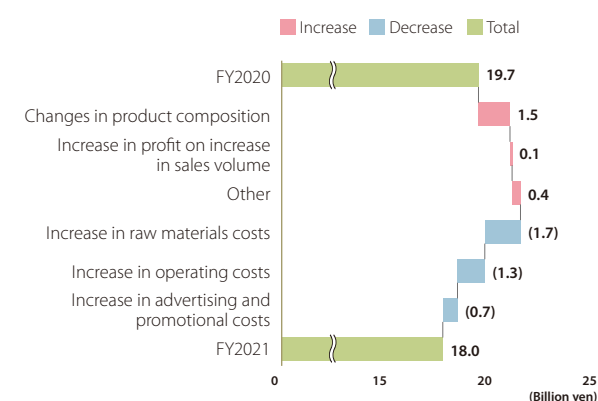
Consolidated Net Sales and Operating Profit by Segment

(Unit: billion yen)

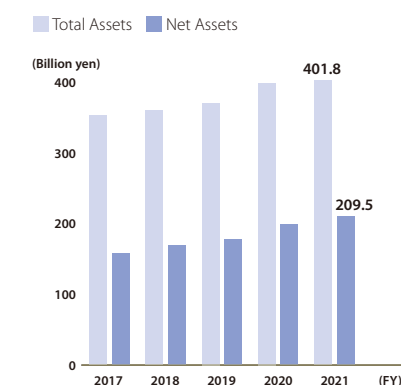
	FY2020	FY2021	Change
Net sales	554.5	558.4	3.8
Dairy products	230.6	236.9	6.2
Beverage and dessert	248.6	239.7	(8.9)
Feedstuffs and seed	41.0	46.8	5.8
Other	34.1	34.8	0.7
<Reference> Net Sales in Nutrition Business (Reported under Dairy Products Segment)			
Nutrition	16.7	17.7	0.9
Operating profit	19.7	18.0	(1.7)
Dairy products	13.6	12.5	(1.1)
Beverage and dessert	4.1	3.6	(0.5)
Feedstuffs and seed	1.1	0.6	(0.4)
Other	1.0	1.1	0

*The figures in the table assume what the figures would be if the "Accounting Standard for Revenue Recognition" and other standards had been applied in FY2020.

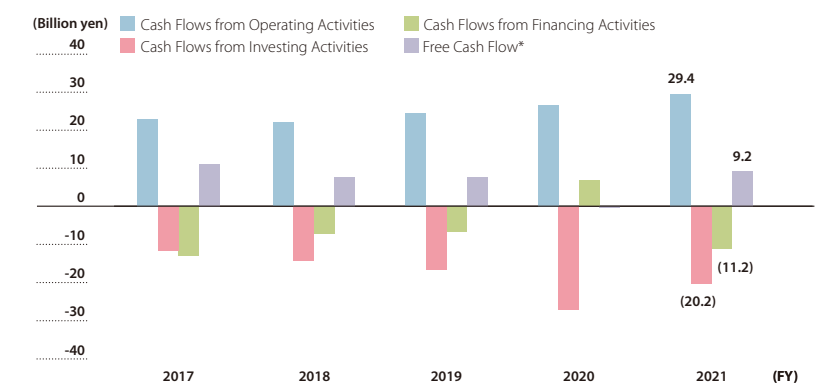
Causes of Net Changes in Consolidated Operating Profit



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)			(Millions of yen)		
	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)		Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	21,840	19,991	Notes and accounts payable–trade	55,002	53,447
Notes and accounts receivable–trade	71,710	72,248	Electronically recorded obligations–operating	4,784	5,277
Contract assets	—	49	Short-term loans payable	16,409	17,011
Merchandise and finished goods	43,881	47,408	Current portion of long-term loans payable	15,623	958
Work in process	1,114	890	Lease obligations	793	830
Raw materials and supplies	14,931	13,851	Accounts payable–other	12,334	7,569
Accounts receivable–other	6,957	3,836	Income taxes payable	3,521	2,227
Other	1,657	2,172	Accrued expenses	8,019	2,947
Allowance for doubtful accounts	(377)	(309)	Contract liabilities	—	466
Total current assets	161,716	160,139	Deposits received	633	686
			Provision for bonuses	5,293	4,876
			Other	6,144	16,835
			Total current liabilities	128,558	113,134
Non-current assets			Non-current liabilities		
Property, plant and equipment			Bonds payable	10,000	10,000
Buildings and structures	55,547	55,113	Long-term loans payable	32,046	39,378
Machinery, equipment and vehicles	60,434	58,973	Long-term deposits received	5,018	5,014
Tools, furniture and fixtures	4,309	4,094	Lease obligations	4,502	4,051
Land	47,774	49,426	Deferred tax liabilities	5,149	6,607
Lease assets	4,230	3,868	Deferred tax liabilities for land revaluation	3,815	3,815
Construction in progress	4,981	7,416	Provision for directors' retirement benefits	20	14
Total property, plant and equipment	177,277	178,892	Provision for gift token exchange	68	—
			Net defined benefit liabilities	9,570	8,826
			Asset retirement obligations	1,331	1,250
			Other	312	266
			Total non-current liabilities	71,835	79,226
			Total liabilities	200,394	192,361
Intangible assets			Net assets		
Lease assets	184	172	Shareholders' equity		
Software	1,859	1,781	Capital stock	20,000	20,000
Right of using facilities	608	543	Capital surplus	17,607	17,027
Goodwill	645	582	Retained earnings	137,941	147,231
Other	215	213	Treasury stock	(5,355)	(5,347)
Total intangible assets	3,512	3,291	Total shareholders' equity	170,192	178,911
			Accumulated other comprehensive income		
			Valuation difference on available-for-sale securities	16,952	18,976
			Deferred gains or losses on hedges	(3)	90
			Revaluation reserve for land	8,570	8,571
			Foreign currency translation adjustment	(48)	326
			Remeasurements of defined benefit plans	(449)	(99)
			Total accumulated other comprehensive income	25,020	27,866
			Non-controlling interests	3,042	2,750
			Total net assets	198,255	209,528
			Total liabilities and net assets	398,650	401,890
Investments and other assets					
Investment securities	44,517	48,107			
Long-term prepaid expenses	277	224			
Nets defined benefit asset	4,024	4,152			
Deferred tax assets	3,092	2,936			
Other	4,466	4,337			
Allowance for doubtful accounts	(234)	(193)			
Total investments and other assets	56,143	59,566			
Total non-current assets	236,933	241,751			
Total assets	398,650	401,890			

Consolidated Statements of Income

(Millions of yen)		
	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net sales	615,186	558,403
Cost of sales	472,574	468,961
Gross profit	142,612	89,441
Selling, general and administrative expenses		
Selling expenses	104,499	53,245
General and administrative expenses	18,331	18,136
Total selling, general and administrative expenses	122,831	71,382
Operating profit	19,780	18,059
Non-operating income		
Interest income	7	3
Dividend income	737	765
Equity in earnings of affiliates	1,233	1,015
Other	1,045	1,203
Total non-operating income	3,024	2,987
Non-operating expenses		
Interest expenses	410	388
Donations	54	141
Special milk formula supply business expenses	52	120
Other	625	409
Total non-operating expenses	1,142	1,060
Ordinary profit	21,662	19,987
Extraordinary income		
Gain on sales of non-current assets	2,678	3
Gain on sales of investment securities	18	2
Other	455	0
Total extraordinary income	3,152	6
Extraordinary loss		
Loss on sales of non-current assets	477	28
Loss on retirement of non-current assets	1,486	1,865
Impairment loss	1,282	350
Loss on valuation of investment securities	38	524
Other	374	0
Total extraordinary loss	3,659	2,768
Profit before income taxes	21,156	17,226
Income taxes - current	5,589	4,487
Income taxes - deferred	588	511
Total income taxes	6,177	4,998
Profit	14,978	12,227
Profit attributable to non-controlling interests	64	159
Profit attributable to owners of parent	14,913	12,068

Consolidated Statements of Comprehensive Income

(Millions of yen)		
	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Profit	14,978	12,227
Other comprehensive income		
Valuation difference on available-for-sale securities	6,084	2,146
Deferred gains or losses on hedges	84	94
Foreign currency translation adjustment	80	411
Remeasurements of defined benefit plans	1,869	328
Share of other comprehensive income of entities accounted for using the equity method	167	(87)
Total other comprehensive income	8,286	2,893
Comprehensive income	23,265	15,120
(Breakdown)		
Comprehensive income attributable to owners of parent	23,202	14,912
Comprehensive income attributable to non-controlling interests	62	208

Consolidated Statements of Cash Flows

(Millions of yen)		
	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	21,156	17,226
Depreciation and amortization	15,917	16,957
Impairment loss	1,282	350
Equity in (earnings) losses of affiliates	(1,233)	(1,015)
Amortization of goodwill	89	100
Increase (decrease) in allowance for doubtful accounts	(53)	(109)
Increase (decrease) in provision for bonuses	80	(419)
Decrease (increase) in net defined benefit asset	(582)	(751)
Increase (decrease) in net defined benefit liability	1,062	344
Increase (decrease) in provision for gift token exchange	(10)	—
Loss (gain) on sales and retirement of non-current assets	(714)	1,889
Interest and dividend income receivable–other	(745)	(769)
Interest expenses	410	388
Decrease (increase) in accounts receivable	(3,145)	3,121
Decrease (increase) in notes and accounts receivable–trade	(137)	(479)
Decrease (increase) in inventories	(939)	(2,080)
Increase (decrease) in notes and accounts payable–trade	(231)	(1,125)
Other	(548)	828
Subtotal	31,656	34,455
Interest and dividend income	1,101	1,125
Interest expenses paid	(393)	(391)
Income taxes paid	(5,796)	(5,768)
Net cash provided by (used in) operating activities	26,567	29,421
Cash flows from investing activities		
Payments into time deposits	(10)	—
Proceeds from withdrawal of time deposits	12	—
Payments of loans receivable	(295)	(3)
Collection of loans receivable	159	72
Purchase of property, plant and equipment and intangible assets	(31,122)	(19,971)
Proceeds from sales of property, plant and equipment and intangible assets	4,171	17
Purchase of investment securities	(17)	(423)
Proceeds from sales of investment securities	67	27
Other	(40)	75
Net cash provided by (used in) investing activities	(27,076)	(20,206)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(105)	602
Proceeds from long-term loans payable	12,540	8,290
Repayment of long-term loans payable	(1,626)	(15,623)
Purchase of treasury stock	(394)	(5)
Cash dividends paid	(2,705)	(2,705)
Cash dividends paid to non-controlling interests	(2)	(2)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,076)
Other	(933)	(741)
Net cash provided by (used in) financing activities	6,771	(11,262)
Effect of exchange rate on cash and cash equivalents	42	197
Net increase (decrease) in cash and cash equivalents	6,305	(1,849)
Cash and cash equivalents at beginning of period	15,524	21,829
Cash and cash equivalents at end of period	21,829	19,979

Corporate and Investor Information (As of March 31, 2022)

Megmilk Snow Brand Corporate Overview

Corporate name	MEGMILK SNOW BRAND Co., Ltd.	Established	October 1, 2009
		Capital	20 billion yen
Business	Production and sales of milk, dairy products, beverages, and other foods	Fiscal year closing date	March 31
		No. of employees (consolidated)	5,665
Registered head office	1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido	Stock exchange listing	Tokyo Stock Exchange, Sapporo Securities Exchange
		Securities code	2270
Head office	5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo	Shareholder ledger trustee	Mizuho Trust & Banking Co., Ltd.



External Ratings

Rating and Investment Information, Inc. (R&I)
(Issuer credit rating announced September 2021)

A-

Platinum Kurumin

Megmilk Snow Brand has been certified by the Minister of Health, Labour and Welfare as an excellent "Childrearing Support Company" under the Act on Advancement of Measures to Support Raising Next-Generation Children.



Sompo Sustainability Index

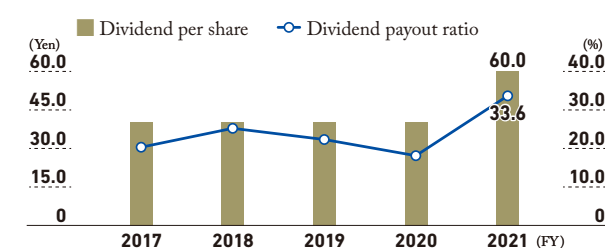
An environmental, social, and corporate governance (ESG) index designed by Sompo Asset Management Co., Ltd. Megmilk Snow Brand has been selected for inclusion on the Sompo Sustainability Index for 11 consecutive years, ever since it was first instituted in 2012.



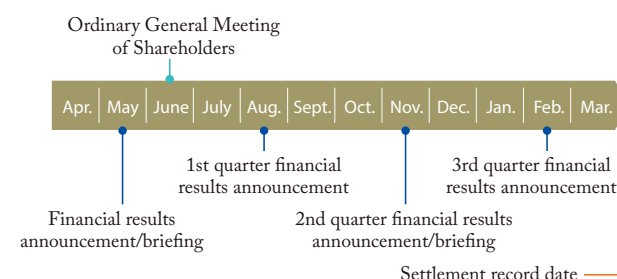
IR Activity Results

	2019	2020	2021
Financial results briefings for investors/analysts	2	4	4
Small meetings	11	8	7
Those attended by the president	2	2	1
Individual meetings	96	62	55
Individual investors' briefings	6	0	0

Shareholder Returns



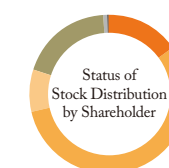
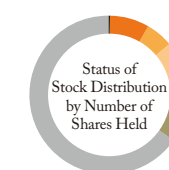
IR Calendar



Status of the Company's Stock

Total number of shares	280,000,000 shares
Total number of issued shares	70,751,855 shares
Number of shareholders	44,089

Status of Stock Distribution



100 shares or less	290 thousand shares	0.42%
100 to 999 shares	5,402 thousand shares	7.98%
1,000 to 9,999 shares	3,806 thousand shares	5.62%
10,000 to 99,999 shares	5,186 thousand shares	7.66%
100,000 to 499,999 shares	8,861 thousand shares	13.09%
500,000 shares or more	44,140 thousand shares	65.24%
Individuals	10,292 thousand shares	15.20%
Financial institutions	38,164 thousand shares	56.40%
Other domestic companies	5,694 thousand shares	8.41%
Foreign entities	12,946 thousand shares	19.12%
Securities companies	552 thousand shares	0.81%
Other	37 thousand shares	0.05%

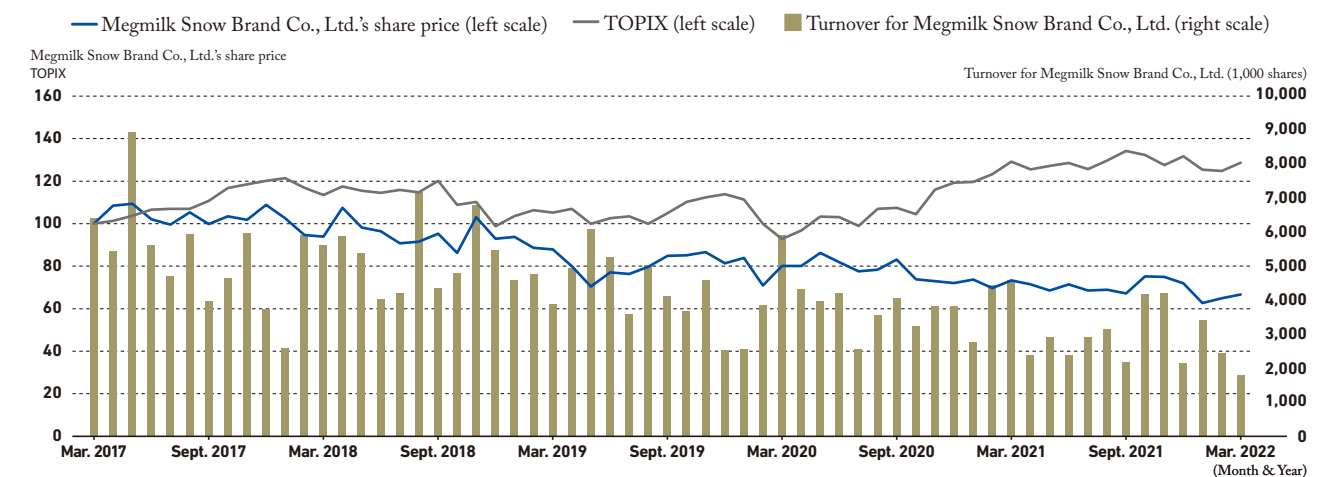
(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although the Company holds 3,063,875 shares of treasury stock, the Company is excluded from the above list.

Major Shareholders (Top 10)

Shareholder Name	Shares Held (1,000 shares)	Investment Ratio (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237	13.64
The Master Trust Bank of Japan, Ltd. (Trust account)	7,042	10.40
The Norinchukin Bank	6,728	9.93
Custody Bank of Japan, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	3,703	5.47
Custody Bank of Japan, Ltd. (Trust Account)	3,146	4.64
STATE STREET BANK AND TRUST COMPANY 505001	1,977	2.92
Megmilk Snow Brand Employee Shareholding Association	1,229	1.81
MUFG Bank, Ltd.	1,083	1.60
HOKUREN Group	1,074	1.58
National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN)	1,008	1.48

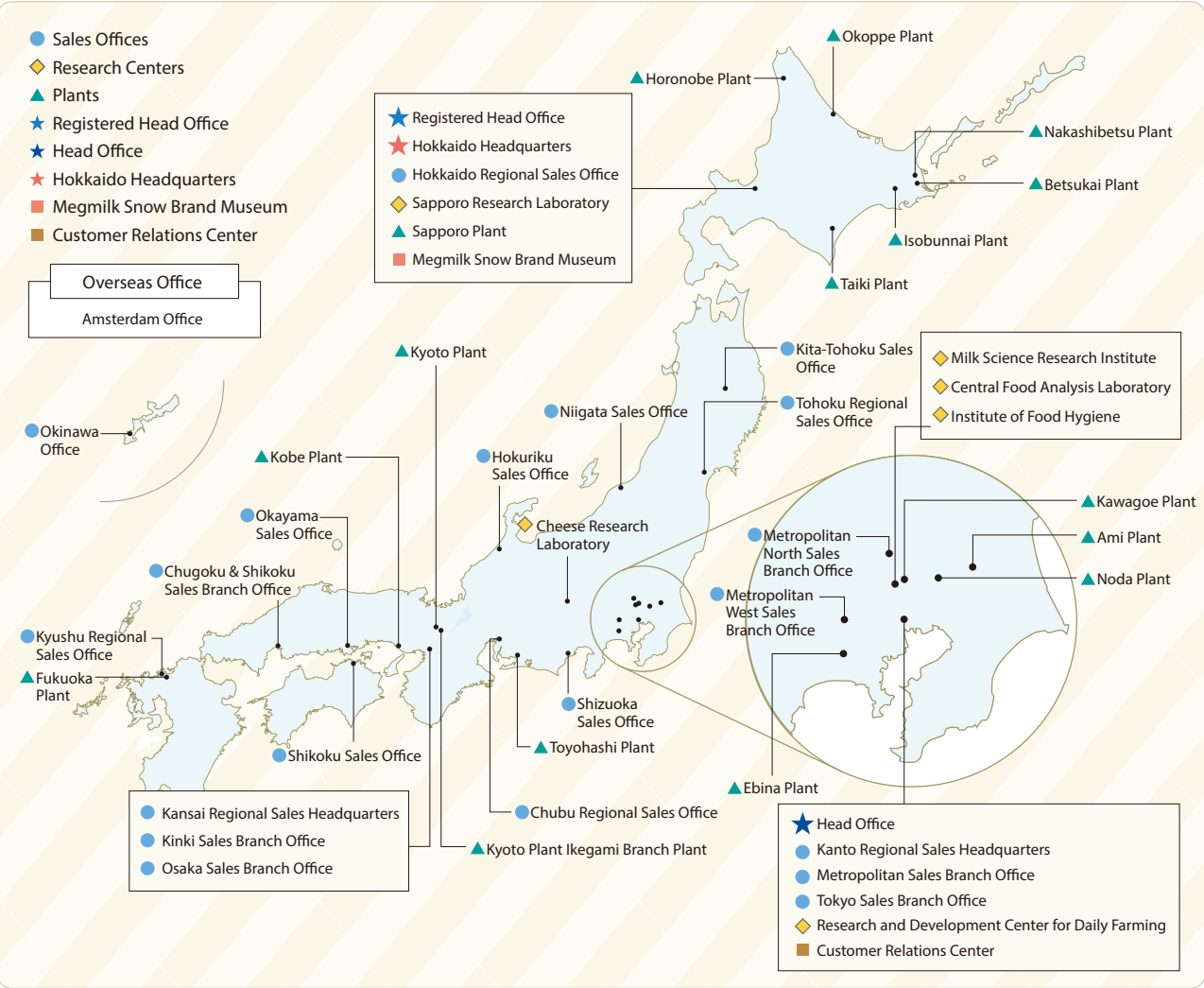
(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although the Company holds 3,063,875 shares of treasury stock, the Company is excluded from the above list.

Trends in Share Price and Turnover

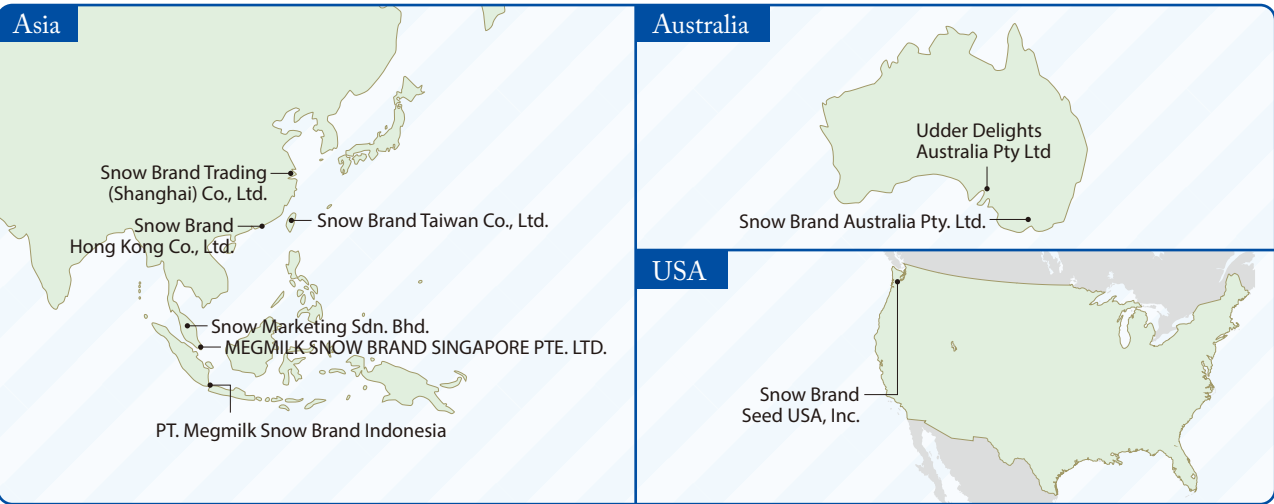


(Note) Trends for the share price and TOPIX are calculated using March 31, 2017 as 100. (Monthly, Based on the closing price)

Megmilk Snow Brand List of Offices



Megmilk Snow Brand Overseas Group Companies



Information Disclosure System

Financial-related Information



Integrated Report

Megmilk Snow Brand Report 2022 (Integrated Report)

The Company consolidates information vital to the Megmilk Snow Brand Group, and conveys its value creation story for sustainable growth.



Non-Financial-related Information



Website

Investors

- Financial Results
- Financial Results Supplementary Materials
- FACT SHEET



Website

Sustainability

- Message from the President
- Sustainability Promotion System
- Material Issues
- ESG Data



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 related information, including information that this report could not accommodate, 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 have been reflected.

2. 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 Group based on information available at the time of writing and are not intended as a guarantee that Megmilk Snow Brand Group 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

FY2021 (April 1, 2021 to March 31, 2022)
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.

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

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