



Megmilk Snow Brand
Innovation Center

Make the Future **with Milk**



The Evolving Spirit of *Kendo Kenmin* “A Healthy Earth Ensures Human Health”

Kendo Kenmin

(a healthy earth ensures human health)

Approximately 100 years ago, the social issue facing Japan was securing a stable and abundant diet within the country. Our founders took the initiative in addressing this issue, encapsulating their vision in the phrase “a healthy earth ensures human health” and choosing the dairy farming business as the medium for their solutions.

Achieving Food Sustainability

The Megmilk Snow Brand Group will continue to evolve and address the challenges of today’s society, not just within Japan but across the globe, by inheriting the legacy of our pioneering founders who were dedicated to solving social issues.

In the face of climate change, geopolitical risks, and the growth of the global population, food sustainability is facing a crisis. The Megmilk Snow Brand Group has earned societal recognition through its continued focus on food in its business activities. We will commit to contributing to the resolution of the social issue of food sustainability.



Editorial Policy

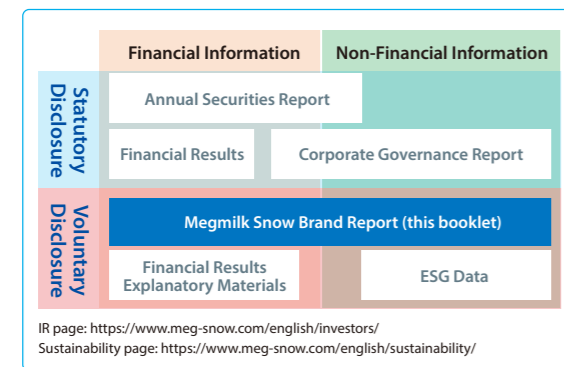
Since 2018, the Megmilk Snow Brand Group has been publishing the Megmilk Snow Brand Report (Integrated Report). In May 2023, the Megmilk Snow Brand Group formulated a new Group Medium-Term Management Plan. This report focuses on value creation, the enhancement of corporate value, and the sustainable growth of the Megmilk Snow Brand Group, from both financial and non-financial perspectives, anchored in our Group Medium-Term Management Plan 2025.

Regarding Usage of the Megmilk Snow Brand Report 2023 (Integrated Report)

We have made efforts to reflect the opinions and requests of shareholders, institutional investors, and the Corporate Ethics Committee, ensuring that the report contains information of high relevance to all our stakeholders.

| | | |
|----------------------|--|--|
| Coverage Period | From April 1, 2022, to March 31, 2023 (the report also contains some information outside this timeframe) | |
| Target Organizations | Megmilk Snow Brand Co., Ltd. and its Group companies (though the report does not cover all information) | |
| Period Issued | November 2023 (scheduled to publish an annual edition every year) | |
| Report References | International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC) | ISO 26000: Guidelines on Social Responsibility |
| GRI Standards | | Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry |

Positioning of the Megmilk Snow Brand Report 2023 (Integrated Report)



Cover Design
Photo of the exterior of the Megmilk Snow Brand Innovation Center, which opened in January 2023. The cover design was chosen to express our commitment to achieving food sustainability as one of the platforms for creating new value propositions for milk in the future. (→ P23)

Business 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.

Contents

About the Megmilk Snow Brand Group

- Editorial Policy/Contents P.3
- Megmilk Snow Brand Group Corporate Philosophy/
Megmilk Snow Brand Group's Purpose P.4
- Megmilk Snow Brand Group Charter of Corporate Behavior/
Our Approaches to Consumers P.5
- Message from the President**
- Message from the President P.6
- Value Creation by the Megmilk Snow Brand Group**
- Value Creation Story P.15
- Megmilk Snow Brand Group
Sustainability Management P.17
- Material Issues and KPIs (Fiscal 2023 Onward) P.18
- Message from Executive Officer Responsible
for Finance P.19
- History of Value Creation by the Megmilk Snow Brand P.21
- Value Chain P.23
- Business Overview P.28
- Performance Highlights P.35

Foundation and Sustainability to Support Growth

- Material Issues and KPIs (FY2022 Results) P.37
- Sustainability Promotion P.38
- Addressing Climate Change P.39
- Reducing CO₂ Emissions P.41
- Plastic Reduction Initiatives P.42
- Biodiversity Conservation Initiatives P.43
- Human Capital Investment for Achieving the Group
Medium-Term Management Plan 2025 P.44
- Human Rights P.48
- Provision of Sustainable Food P.50
- Contributions to Health Through Food P.51
- Contributing to Sustainable Dairy Farming P.52
- Contributing to Local Communities P.53

Corporate Governance

- Corporate Governance P.55
- A Chat with External Directors P.62
- Corporate Ethics Committee P.65
- Compliance P.66
- Risk Management P.68

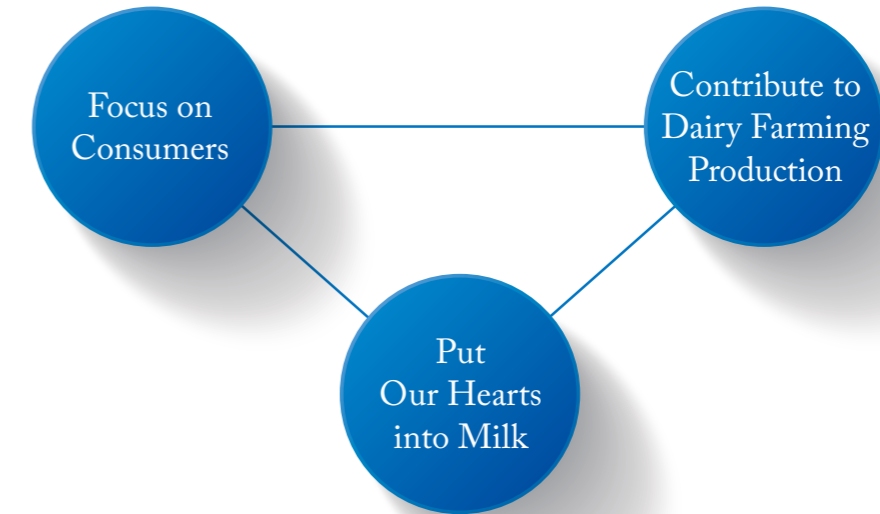
Company Information, Etc.

- Operating Results and Financial Analysis (Fiscal 2022) P.69
- A Decade of Data P.71
- Company Information (As of March 31, 2023) P.73
- Sustainable Finance Initiatives P.76

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



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.

Corporate Slogan

Make the Future with Milk

Megmilk Snow Brand Group's Purpose

To achieve food sustainability
by leveraging our extensive expertise
and functions (the milk value chain)
developed through dairy,
in line with our founding spirit of
Kendo Kenmin
"a healthy earth ensures human health"



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 Charter

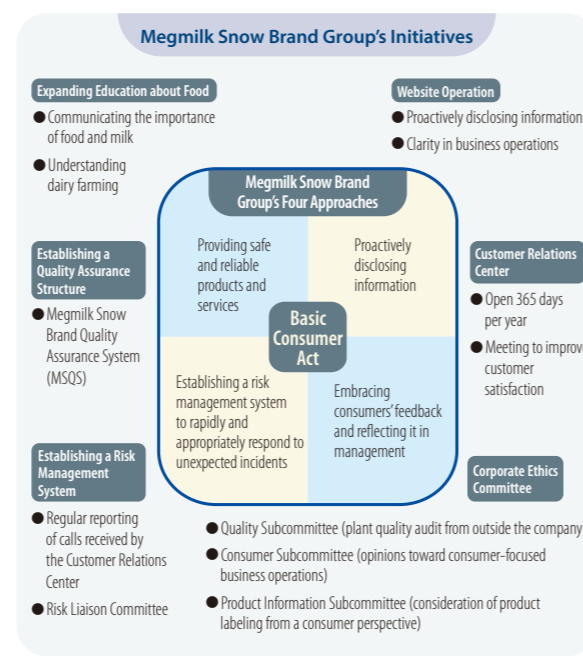
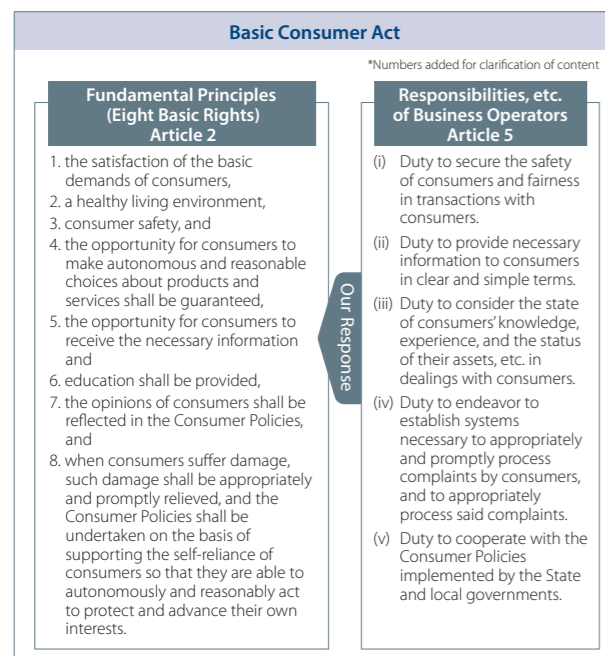
Those involved in the management of the Megmilk Snow Brand Group embrace as their own role ensuring that the Group lives up to this Charter, taking the lead to ensure that it is fully implemented by all Group companies. In addition, all involved in the supply chain are encouraged to take action based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

Established on June 1, 2021

Our Approaches to Consumers

Our Focus on Consumers Based on the Basic Consumer Act

The Megmilk Snow Brand Group will strive to uphold its four basic approaches so as to respect the basic rights of consumers as stipulated in the Basic Consumer Act and fulfill its business responsibilities.



Message from the President

Strengthening the Foundation for Gaining Resilience and Sowing New Seeds for Growth to Achieve Food Sustainability



MEGMILK SNOW BRAND Co., Ltd.
Representative Director and President
Masatoshi Sato

Masatoshi Sato

Past One Year of Ongoing Dialogue with Stakeholders

It has been just over a year since I was appointed as the Chief Executive Officer in April 2022 and later took on the role of Representative Director and President in June. Initially, I thought the economy would revive as we entered the third year of the COVID-19 pandemic and approached a “with-COVID” phase. However, the conflict in Ukraine and the ensuing economic upheaval have, contrary to expectations, worsened the business environment. The year since my appointment as President has been one where I have striven to achieve the various visions and plans I had in mind while also contending with these rapid changes in the external environment.

Since taking office, I have devoted myself to crafting new business strategies and enthusiastically engaged in dialogue with our stakeholders. Besides meeting with industry figures in dairy farming and public administration, as well as domestic and international business partners and investors, I visited over 100 locations, including production, sales, and distribution centers in our Megmilk Snow Brand Group. I listened attentively to the voices of stakeholders and front-line employees. What struck me during the dialogue I had

with these individuals was a strong sense of expectation directed toward our Megmilk Snow Brand Group from our stakeholders.

I was particularly impacted by my conversations with dairy farmers. Dairy farming production sites are grappling with a sharp rise in feedstuff and energy costs, leading to a highly challenging operational environment. During these discussions, I could keenly feel both the severity of their situation and their strong expectations for us. It was deeply gratifying for me to understand that dairy farmers trusted that Megmilk Snow Brand could overcome these challenges precisely because it had roots in dairy farming and the history that its founders had advanced the dairy industry. This relationship is an invaluable asset for us, and it rekindled my sense of responsibility to live up to their expectations. Fueled by these heightened expectations from our stakeholders, our commitment to contribute to dairy farming production and strengthen dairy farming production infrastructure will remain one of the core pillars of our newly released Megmilk Snow Brand Group Medium-Term Management Plan 2025.

Megmilk Snow Brand's Purpose

Our Group is approaching a significant milestone: our 100th anniversary in 2025. As we prepare to embark on a new century, we revisited our founding mission. In the context of the Meiji era, Japan had to strengthen its national power to compete against Western powers. The government had set up the Hokkaido Development Agency to foster industrial growth. However, the region lacked sufficient resources and population, making rapid industrial growth unfeasible. With land unsuitable due to infertility for both rice and field cultivation and buried in snow for half the year, dairy farming was identified as a promising industry. At the time, Japanese society still faced the difficult challenge of securing sufficient nutrition and rich dietary lifestyles. Against this backdrop, dairy products presented a promising solution to the nutritional challenges Japanese people were facing. Our founders commenced operations in 1925, distilling the aim of achieving stable and abundant food lifestyles through the dairy farming industry into the phrase *Kendo Kenmin* “a healthy earth ensures human health” as a response to the social issues of the day. This encapsulated the spirit and goals of the company at its founding.

Turning to the present day, what social issues do we face today, 100 years later? Currently, challenges in the procurement of various goods have been rising worldwide, but there is no doubt that one of the aspects countries are most focused on is food. Particularly in Japan, where the food self-sufficiency rate is only 38% in terms of calories, we cannot



meet the required volume if procurement of food and raw materials from overseas becomes difficult. This is also the case in the dairy farming industry. The demand for fresh milk and dairy products in Japan is equivalent to about 13 million tons of raw milk annually, with approximately 40% relying on imports. Is this situation really sustainable? It seems painfully clear to me that there is a need to expand raw milk production infrastructure to improve Japan's food self-sufficiency rate.

The food that is readily available now may not be so in the future. Based on this current understanding, we have articulated a new “Purpose of the Megmilk Snow Brand Group.” The goal is to achieve food sustainability by leveraging our extensive insights and functions (the milk value chain) developed through dairy, in line with our founding spirit of *Kendo Kenmin* “a healthy earth ensures human health”.

Synchronizing Social Value with Economic Value

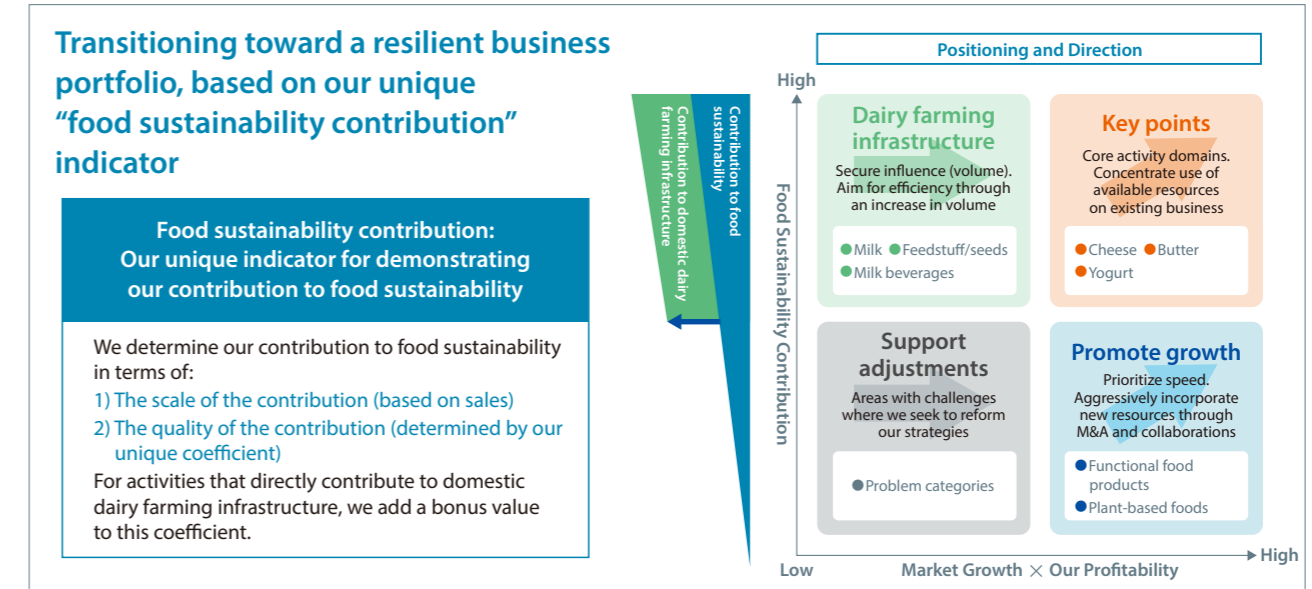
While defining our Group's Purpose, we have also reviewed material issues that should be prioritized to simultaneously achieve (synchronize) social and economic value through our core business and enhance corporate value. We have added “providing a sustainable food supply” and “contributing to health through food” to our material issues and set key themes that include offering appealing milk and dairy products and providing new options developed through dairy expertise and functionality. To enhance social value through these measures and demonstrate the pursuit of economic value in doing so, we have set KPIs such as having overseas business account for 20% of our operating profit and sales of 20 billion yen in alternative foods such as plant-based foods.

We have also reexamined our business portfolio. To achieve food sustainability, our own management foundation must be strengthened furthermore. In other words, we believe there is a need to transition to a portfolio that would allow us to gain even greater resilience.

Generally, when contemplating a new business portfolio, the main considerations are market growth rate, market share, and one's own profitability. However, these perspectives alone cannot measure food sustainability.

Therefore, we have decided to use a matrix that sets “food sustainability contribution,” a unique indicator to show contributions to food sustainability, and “market growth x our profitability” as another axis for contemplating our business portfolio.

For example, the milk business faces challenges in terms of profitability. However, about half of raw milk production in Japan is consumed as milk. Taking both aspects into account, I believe the milk business is indispensable to achieving food sustainability. Therefore, we will simultaneously pursue economic improvement, which is vital for gaining resilience and growing as a company, after confirming that the business is indispensable for food sustainability. We have reconfirmed this approach within the portfolio matrix. In the future, we will actively invest resources in priority categories like yogurt and cheese, for which market expansion is expected and profit margins are high, as well as growth-promoting categories like PBF and functional food products, which are small in terms of market size but expected to grow significantly. We have just embarked on our journey to achieve food sustainability based on this new portfolio.



Planting Trees to Foster Food Sustainability

Please take a look at the Value Creation Process diagram on pages 15-16 that summarizes our ideal position.

The large tree on the left is what we call the Milk Tree. Dairy products like fresh milk, cheese, and butter are created from raw milk, and we make the tree grow bigger. This tree is

our mainstream business. Here, we firmly connect the value chain from dairy farming to consumers and stakeholders to make the tree even more robust. In this process, we aim to synchronize social and economic values, thereby enhancing our corporate value. Protecting and expanding the value-

circulating system we have nurtured will act as the nucleus for achieving food sustainability.

However, relying solely on this Milk Tree might not be sufficient for future food sustainability. For example, the world's population is expected to rise from the current 8 billion to 10 billion by 2050. This may lead to a protein crisis due to an imbalance in food supply and demand. This is not someone else's problem; it directly affects us. A backup strategy based on diversification is essential in case there are interruptions in securing milk, an important protein source.

Focusing on Building a Foundation to Turn Risks into Opportunities

A number of risks exist in the business environment surrounding Megmilk Snow Brand. However, depending on how these risks are perceived and approached, they hold the potential to transform into opportunities. Facing these risks squarely should be key to seizing the next opportunity.

Food must be supplied continuously; reacting only when a procurement crisis arises will be too late. To this end, from now on, we must concentrate on building this foundation.

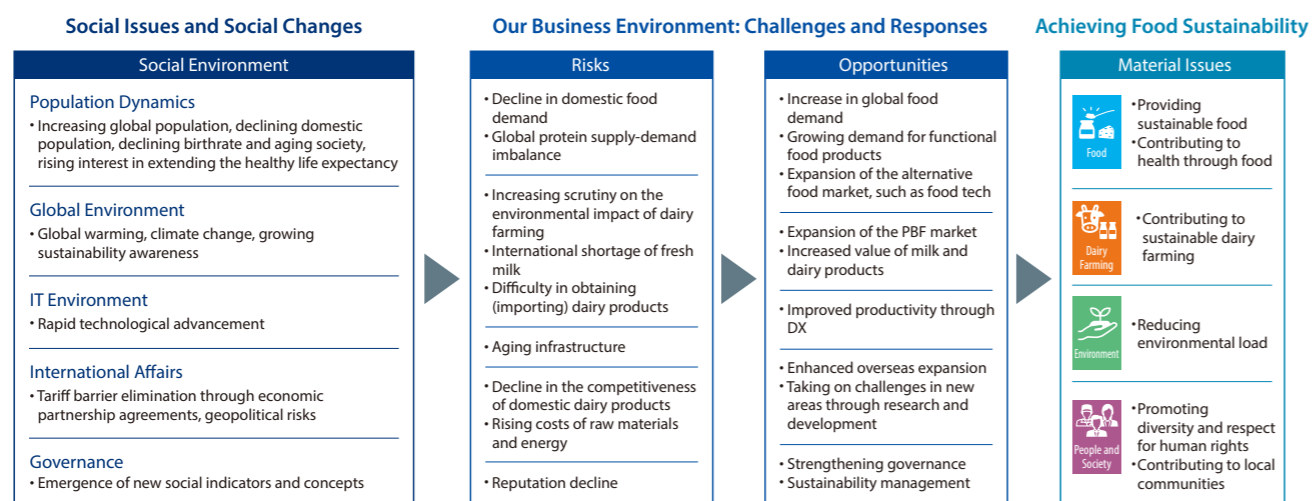
In doing so, we will discern both risks and opportunities,



The smaller tree on the right side of the diagram symbolizes this. Leveraging the insights and functionalities that we have cultivated in dairy over the past 100 years, we aim to nurture this new tree and create a new value chain. This is the value creation story that we envision. One tree is for alternative foods such as Plant-based Foods (PBF), and the other focuses on overseas markets, primarily in the Asia and Oceania regions. These are still in the "seed," "sapling," or "small tree" stages, but we plan to grow them into substantial trees that will not be overshadowed by the Milk Tree on the left.

reevaluate the societal role of the dairy farming industry we are involved in, and implement our future business strategies accordingly. However, we cannot accomplish this foundational work on our own. The understanding of our efforts from a long-term perspective by all of our stakeholders, including not only dairy farmers and government officials, but also suppliers, customers, consumers, shareholders and investors, is essential as we move forward. We are well aware that this is a major undertaking. Nevertheless, we anticipate that Japan's food environment will soon become much more stringent, and we believe that if we do not start building our foundation now, it will be too late. With the future becoming ever more uncertain, we aim to move forward in the direction we believe is the correct one.

At present, dairy farmers are already facing a number of crises. Our immediate priority is to join hands with dairy farmers and draw upon governmental support to escape this situation and establish a stable foundation for raw milk production. To achieve this, we are determined to do our part by delivering consistent value through our products to our customers, thereby facilitating further market growth.



Plant-Based Foods (PBF) and Overseas Expansion as New Growth Opportunities

In our quest to enhance corporate value, we have come to realize that we have not adequately communicated our future vision to our stakeholders.

Taking this into account, as part of our effort to create new seeds for growth, we declared entering the PBF market and enhancing overseas expansion as one of the three pillars of our business strategy in the Group Medium-Term Management Plan 2025. We believe that sharing progress on these fronts with shareholders and investors at an early stage will have a positive influence on the evaluation of our Group.

Regarding our entry into the PBF market, we have heard concerns that it contradicts our Group's image as a company deeply ingrained in the dairy farming industry and that we are leaving the dairy world behind. However, I believe that PBF and milk are not mutually exclusive. Rather than viewing plant-based ingredients and food tech as being in conflict with dairy, I think we should focus on the potential for new value creation through synergies and advanced technologies. Effective communication with all our stakeholders is crucial for understanding this perspective, and we will continue to engage in dialogue with you all.

We also consider establishing a foundation for dairy farming production to be another critical element in increasing future corporate value. Currently, many dairy farming production sites import costly blended feeds from overseas to feed their cows, and rising import prices in

recent years have had a direct impact on their operations. If this continues, the dairy farming foundation may continue to degrade. To prevent this, it is essential that dairy farmers increase the proportion of self-produced feedstuff. Within our Group, there is Snow Brand Seed Co., Ltd., which engages in the development of grass and feed seeds and the provision of feedstuff supplies for cattle. We are also conducting research and development in adding lactic acid bacteria to feedstuff, and we plan to make various proposals in the feed supply sector going forward. This initiative supports dairy farming behind the scenes and focuses strongly on social value, and we are expanding our business based on this foundation. We consider it the very source of our Group's value creation and a cornerstone for enhancing our corporate value.



The Latter Half of FY2022 Showed Signs of Hope

As I mentioned at the beginning, fiscal 2022 presented unprecedented challenges for the dairy farming industry due to significant global environmental changes. The rise in energy and raw material prices, along with disruptions in resource procurement, occurred against the backdrop of the COVID-19 pandemic and international conflicts.

Immediately upon assuming the role of President, I focused on responding to cost increases and expanding volume. However, the speed at which costs rose exceeded our expectations, making Q1-Q2 particularly difficult. We

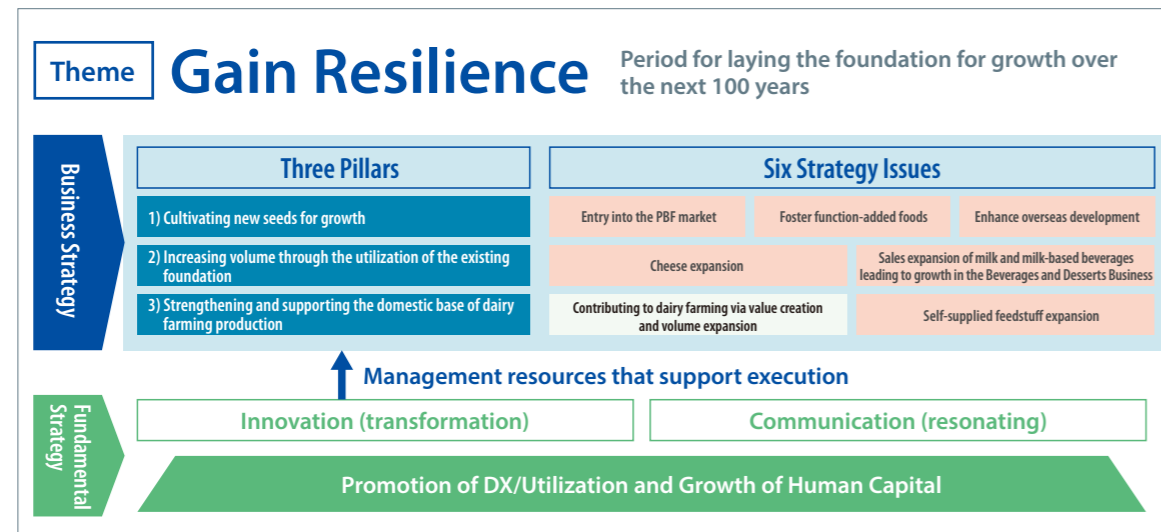
implemented price adjustments and changed product sizes to absorb the costs that we couldn't mitigate through our efforts. Though these actions ensured revenue growth, we were unable to absorb all the rising costs within the fiscal year, resulting in an operating profit lower than the previous year.

However, the effects of price adjustments began to materialize, enabling us to set both net sales and profits on an upward trajectory in the latter half of the year, which serves as a positive indicator for fiscal 2023.

The Group Medium-Term Management Plan 2025 Theme: Gain Resilience

In alignment with the establishment of our Purpose and the review of our material issues, the theme we have set for the Group Medium-Term Management Plan 2025 is “gain resilience.” The plan is positioned as a period for building the foundation for another century of growth. The three pillars

of our business strategy include creating new seeds for growth, expanding volume through foundational use, and strengthening and supporting the domestic dairy farming production foundation.

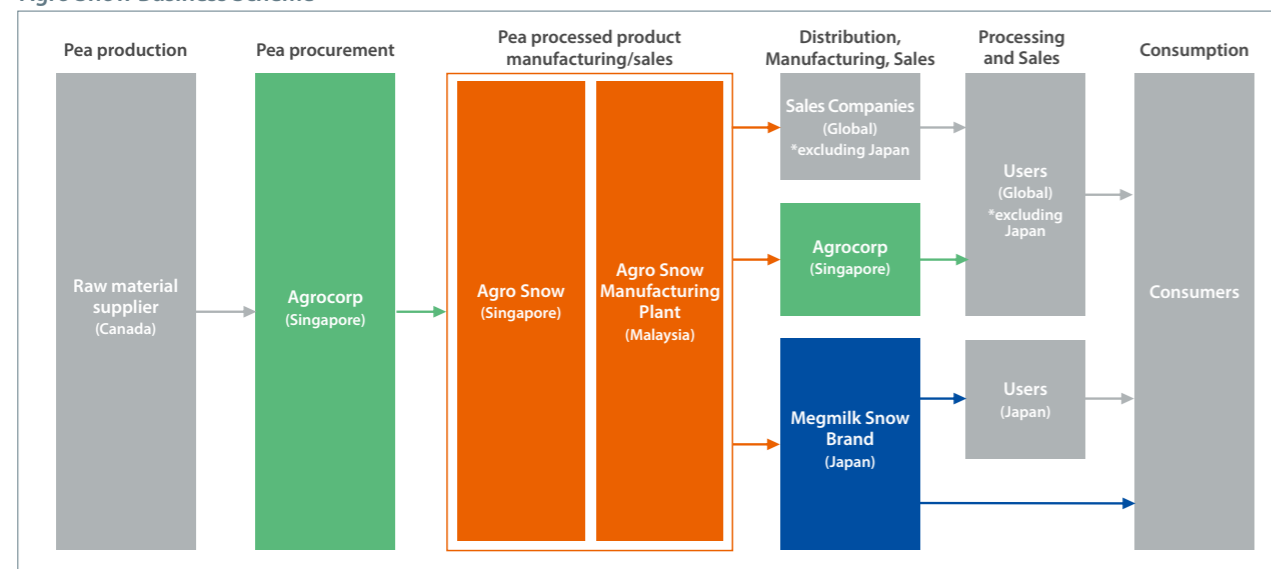


We are also advancing specific initiatives aimed at the goals outlined in our Group Medium-Term Management Plan 2025. Our entry into PBF is not based on the assumption that our company merely manufactures and sells PBF. In May 2023, we established Agro Snow, a joint venture with Agrocorp, a grain trading company in Singapore. This new venture will engage in the manufacturing and selling of raw materials for plant-based food processing. Our goal is to create a new value chain that spans from upstream to downstream operations in the PBF sector. From among the various plant-based ingredients, Megmilk Snow Brand has focused on peas due to their low environmental impact

during cultivation, specifically in terms of water usage. Utilizing the global procurement capabilities of Agrocorp, we will source peas. Agro Snow will be responsible for processing them, and we will manufacture and sell PBF products using these processed peas as raw materials. We are also considering selling pea-based processed goods produced by Agro Snow as raw materials to plant-based meat producers, other food manufacturers, and the dining industry. In this manner, we aim to establish both BtoC and BtoB businesses in Japan by building a new value chain for PBF centered around peas in collaboration with Agrocorp and Agro Snow.

Furthermore, in January, we opened the Megmilk

Agro Snow Business Scheme



Snow Brand Innovation Center in Kawagoe City, Saitama Prefecture. By integrating our R&D centers across different business segments, we intend to drive innovation by combining various forms of expertise, thereby strengthening our product development. Moreover, in April 2023, we established the Milk Nutrition Research Course, a joint research course with Hirosaki University. This course leverages the university’s world-class big data on healthcare to research new health benefits of milk. Combined with the launch of the Innovation Center, we expect products beyond our wildest imagination to emerge in the near future. Our company already owns proprietary functional materials and functional lactic acid bacteria, such as MBP® and the Gasseri Bacteria SP strain. By fully leveraging the Innovation Center and the Milk Nutrition Research Course, we plan to further advance our research on these unique functional materials and functional lactic acid bacteria to continuously develop products that contribute to the health of our customers.

In our financial strategy, we have newly established cash allocations. First, we aim to generate more than 80 billion yen in operating cash flow over the next three years.

Additionally, we plan to secure over 25 billion yen through asset sales, which includes strategic equity holdings, and by procuring interest-bearing debt. Of this amount, more than 70 billion yen will be allocated toward achieving food sustainability, which will be used for foundational and growth investments in existing businesses. Additionally, as one of the pillars of our Group Medium-Term Management Plan 2025, we will actively focus on “future value creation investments” aimed at creating new growth drivers. This includes research and development as well as business development that generates new value. For the “future value creation investment,” we will consider capital alliances and mergers and acquisitions. We plan to allocate more than 12 billion yen to shareholder returns and intend to maintain a dividend payout ratio of over 30%.

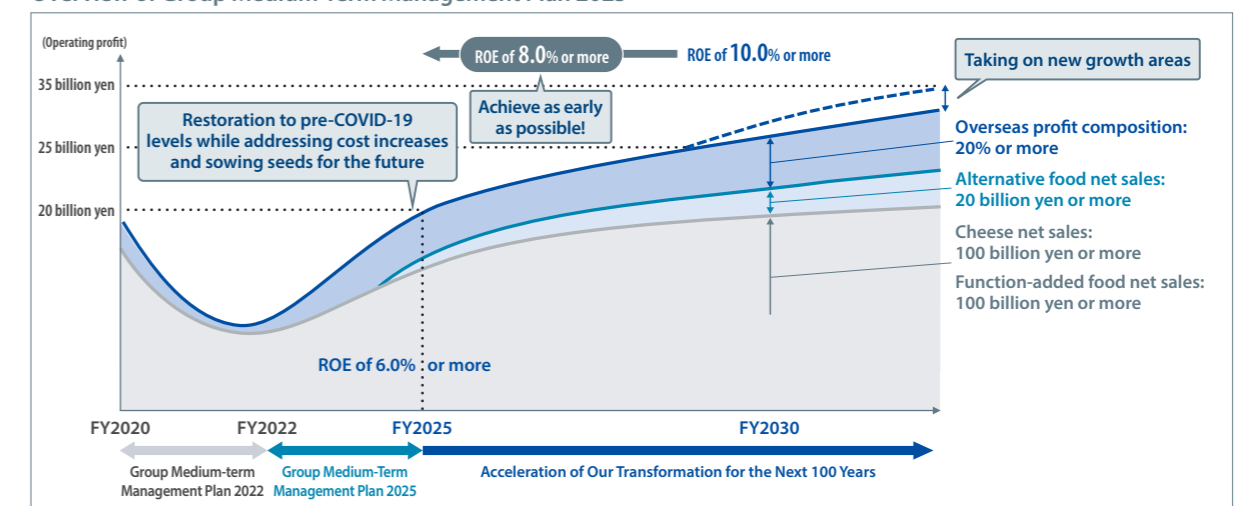
Through disciplined financial management that includes this asset-light orientation, we are targeting an ROE of over 6.0% for fiscal 2025 within the Group Medium-Term Management Plan 2025. We aim to achieve this target as quickly as possible and then set our sights on a subsequent target of an ROE of 8.0%.

Financial strategy

| Basic Policy | | Consolidated management KPIs | | FY2022 Results | FY2025 Targets |
|--|----------------------|-------------------------------------|--|-----------------------------------|---|
| Maintaining financial stability | Profitability | Net sales | | 584.3 | 665.0 |
| | | Operating profit (operating margin) | | 13.0 (2.2%) | 20.0 (3.0%) |
| | | Profit*1 | | 9.1 | 14.0 |
| Foundation and growth investment through asset compression | Financial health | EBITDA | | 30.2 | 38.5 |
| | | Equity ratio | | 51.9% | 50.0% |
| | | D/E ratio | | 0.33x | 0.5x or less |
| Stable shareholder returns | Capital expenditures | Capital expenditures*2 | | Approx. 65 (over a 3-year period) | Approximately 70 or more (over a 3-year period) |
| | Shareholder returns | Dividend payout ratio | | 44.4% | 30.0% or more |
| | Capital efficiency | Return on equity (ROE) | | 4.4% | 6.0% or more |

*1 Profit attributable to owners of parent *2 The investment amount is decision-making-based and differs from cash-out-based figures.

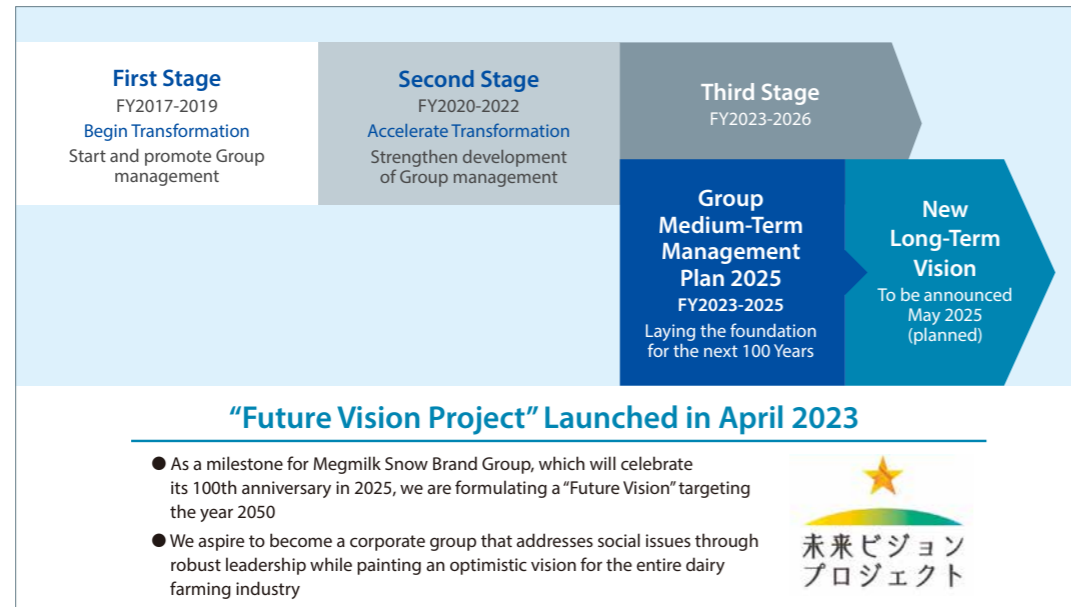
Overview of Group Medium-Term Management Plan 2025



Future Vision Project for 2050

The previous Group Medium-Term Management Plan, lasting up to the fiscal year ended March 31, 2023, was based on the “2026 Long-term Vision” that we formulated in 2017. However, the external environment has changed dramatically compared to when the vision was created.

Therefore, to coincide with the significant milestone of our Group’s 100th anniversary in May 2025, we have launched the “Future Vision Project” as a milestone for our next 100 years, with the goal of drafting a vision for 2050 (scheduled to be announced May 2025).



In contemplating what the world will be like in 2050, what we should do in response, and the kind of company and society we want to create, this project, which is under my direct supervision as the president, is made up of young employees who are poised to shape the future of our Group companies. Although we started with a small team of just six people, we are committed to involving like-minded stakeholders both within and outside the company to co-create a future vision that embodies not just strategies

based on future projections, but also our own will and aspirations. We expect the vision that emerges from this collaborative process to be a highly compelling one. The objective of this project is to unveil a future vision that both inspires confidence among our stakeholders and provides a supportive framework within which our employees can work with hope and aspiration. Our new long-term vision will be formulated based on this future vision.

Developing People and Organizations on a Foundation of Trust



For any company, the most valuable asset is its human resources. Corporate growth is only possible when individuals within the organization grow and enliven their work. For the sustainable growth of our Group, developing and utilizing human resources capable of creating value is crucial. Human capital is also positioned as a foundational strategy in our Group Medium-Term Management Plan 2025. We aim to foster an environment where diverse talents can fully express their abilities and individuality. By advancing HR initiatives, we aim to enhance job satisfaction for each employee and nurture personnel who can create added value across the milk value chain.

With regard to work style reform, a crucial initiative, our focus until now has primarily been on creating a safe and efficient working environment amid the COVID-19 crisis. Going forward, we intend to promote fundamental work style reforms that center around Digital Transformation (DX) and accommodate a variety of needs, including mechanisms that allow employees to freely choose their work locations.

Additionally, to improve employee work engagement, we have been implementing the Megmilk Snow Brand Award starting since fiscal 2021. This award system is designed to raise awareness about the Megmilk Snow Brand Values, which consist of being Self-motivated, Taking Challenges, and Teamwork. It honors exceptional initiatives by employees who embody these values. By presenting what has been achieved over the past year, we aim to foster a company-wide understanding and sharing of these values and to channel this understanding into future actions. This award also serves the purpose of boosting engagement and uplifting the abilities of employees by conferring awards. I am delighted to report that not only our regular employees, but also our contract staff are taking an active part in our initiatives. There have even been cases where regular employees help proposals put forth by contract workers to become a reality. On the sales front, we have initiated

For Stakeholders

We are living in an age clouded by uncertainty, where predicting the future is increasingly difficult. Those of us in the business of providing food must be keenly aware that the global demand for food will continue to fluctuate with ever-increasing volatility and change at an ever-accelerating rate. Over the past year, we have had dialogue with various parties and verified that there is a shared sense of crisis and a mutual understanding of the direction in which we should move. That is why we have positioned the achievement of food sustainability at the core of our new growth strategy. With a focus on “delivering nutrition, being mindful of the environment, and utilizing human resources,” this approach embodies our unique perspective on sustainability management.

It has been 100 years since our founding in 1925. We take great pride in the milk value chain we have built—a value chain we believe stands second to none and for which we have received recognition. As we look toward the next 100 years, we aim to utilize what we have cultivated thus

activities more extensive than what we initially envisioned, including social contributions through educational food programs and initiatives that involve our business partners. I find this to be a highly meaningful endeavor. Rather than our Purpose of solving social issues being communicated top-down from the corporate level, it is being shared among the employees themselves.

I was once a member of Snow Brand Milk Products’ ice hockey team, serving for two years as a player-coach while also managing the team and the organization. What I learned from this experience is the importance of trusting your colleagues when building an organization. Trusting your team, staff, and all those who support you is essential.

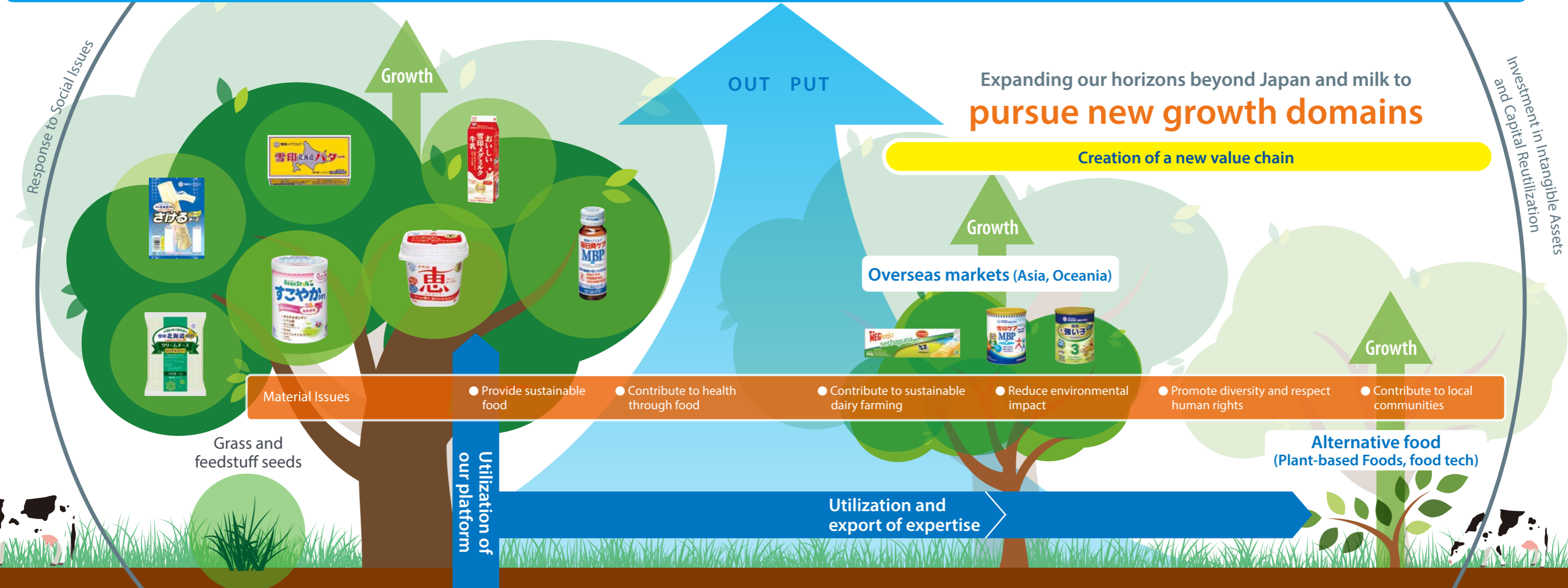
However, entrusting people with responsibility is not easy. No matter how much trust in yourself, trust can only be established if the other party also has faith in you. And the more critical the task, the harder it is to delegate. The only way to build such a trust relationship is for everyone to avoid arrogance and act with sincerity. If we could bring in more people one by one who trust one another and deliver their best performance at this moment, wouldn’t that naturally lead to a strong organization? That is the kind of company I aspire to create.

far to create new value chains. We firmly believe that by diligently advancing toward the realization of the blueprint laid out based on our declared aspirations, we will be able to enhance the overall value of our corporate group. As we stand at this juncture, we hope to launch into the next century with the continued understanding and support of all our stakeholders. I hope that we can count on your continued support for the Megmilk Snow Brand Group.



Value Creation Story

| | | | | |
|--|--|---|--|---|
| VALUE TO BE CREATED <ul style="list-style-type: none"> Helping people remain mobile throughout their lives and extend their healthy life expectancy Improvement of quality of life (QOL) for both the body and mind Improvement of sustainability of domestic dairy farming production Reduction of environmental impact and formation of a recycling-based society | SOCIAL VALUE Contributing to a society where people can lead fulfilling lives by realizing food sustainability | Achieve Food Sustainability OUT COME | ECONOMIC VALUE Achieving reasonable profit and corporate sustainability by realizing food sustainability | FISCAL 2025 TARGETS <ul style="list-style-type: none"> Net sales 665.0 billion yen Operating profit (operating margin) .. 20.0 billion yen (3.0%) Profit 14.0 billion yen EBITDA 38.5 billion yen Return on equity (ROE) 6.0% or more |
|--|--|---|--|---|



- Provide sustainable food
- Contribute to health through food
- Contribute to sustainable dairy farming
- Reduce environmental impact
- Promote diversity and respect human rights
- Contribute to local communities

Social Issues

- Food crisis due to world population growth
- Declining birth rate, aging population, and reduction in working population
- Extending healthy lifespans
- Improvement of QOL
- Environmental problems such as climate change
- Changes in lifestyle and work styles

Our strengths Milk value chain (our extensive expertise and functions developed through milk)

| | | | | | |
|--------------|--|---|--|---|---|
| INPUT | Brand Highly Trusted By Consumers <ul style="list-style-type: none"> About a century of experience conducting business activities Numerous top brands | Stable Raw Material Purchasing Network <ul style="list-style-type: none"> Procurement of fresh milk from cows carefully raised by dairy farmers Ensuring stable supply of raw materials, beginning with milk resources | Diverse Human Resources Who Make Active Contributions <ul style="list-style-type: none"> Employees: 5,715 (as of March 31, 2023) Ensuring diversity of human resources through initiatives such as women's participation in the work place | R&D Strengths To Meet Diverse Needs <ul style="list-style-type: none"> R&D, the goal of which is to continue to create new value for milk | Technological Strength In Pursuing Deliciousness As Well As Safety And Reliability <ul style="list-style-type: none"> Own quality assurance system MSQS |
|--------------|--|---|--|---|---|

Group driving force The Evolving Spirit of Kendo Kenmin "A Healthy Earth Ensures Human Health"

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.

The Megmilk Snow Brand Group's Sustainability Management

In order to achieve our Group Corporate Philosophy, the Megmilk Snow Brand Group promotes sustainability management as outlined below to enhance the Group's corporate value by realizing food sustainability, in line with our Charter of Corporate Behavior.

Toward realizing food sustainability, we have added and partially changed our material issues and KPIs in order to promote efforts for "delivering nutrition, being mindful of the environment, and utilizing human resources," the aim of the Megmilk Snow Brand Group's sustainability management.

Achieving food sustainability

In the face of climate change, geopolitical risks, and the growth of the global population, food sustainability is facing a crisis. As a company that has earned societal recognition through its focus on food and continued its business activities, achieving food sustainability is our social responsibility and the most important issue we must tackle.



Activities to achieve food sustainability are the unique sustainability management of the Megmilk Snow Brand Group

Identification of material issues with synchronized social and economic values

| Field | Material Issues | Core Activity Themes |
|--------------------|---|--|
| Food | Provision of Sustainable Food | <ul style="list-style-type: none"> ● Providing appealing milk and dairy products ● Providing new options leveraging our expertise and functionality developed through milk ● Providing safe products and services |
| | Contributions to Health through Food | <ul style="list-style-type: none"> ● Initiatives toward extending healthy life expectancy |
| Dairy Farming | Contributing to Sustainable Dairy Farming | <ul style="list-style-type: none"> ● Activities to strengthen the dairy farming production platform |
| Environment | Reducing Environmental Impact | <ul style="list-style-type: none"> ● Preventing global warming ● Sustainable use of resources ● Formation of a recycling-based society |
| People and Society | Promotion of Diversity and Respect for Human Rights | <ul style="list-style-type: none"> ● Human resource diversification and development ● Achievement of work-life balance and improvement of labor productivity ● Respect for human rights |
| | Contributing to Local Communities | <ul style="list-style-type: none"> ● Partnerships with local community |

Ensuring compliance and corporate ethics

Material Issues and KPIs (Fiscal 2023 Onward)

| Field | Material Issues | Core Activity Themes | Fiscal Year Achieved | KPIs | Scope | Related SDGs | |
|--------------------------------------|--|---|---|---|---|---|---|
| Food | Revised Provision of Sustainable Food | NEW Providing Appealing Milk and Dairy Products | Every year | NEW Promote initiatives to expand domestically-produced milk and dairy products and contribute to strengthening the domestic dairy farming production platform | H | | |
| | | NEW Providing New Options Developed Leveraging our Expertise and Functionality Developed through Milk | FY2030 | NEW Increase the ratio of overseas sales to operating profit to more than 20% by leveraging our expertise and functionality and strengthening overseas development | I | | |
| | | | FY2030 | NEW Increase net sales of alternative foods* such as plant-based foods to 20 billion yen or more *Megmilk Snow Brand's own standard: Does not include existing products such as margarines and vegetable fat whips | M | | |
| | Providing Safe Products and Services | | Every year | Maintain and renew certification under international food safety schemes (FSSC, SQF, etc.) accredited by GFSI at all domestic and overseas food facilities that manufacture Megmilk Snow Brand products, and continuously implement improvement | C | | |
| | | | FY2026 | NEW Introduce the Megmilk Snow Brand Sensory Evaluator System to contract manufacturers of Megmilk Snow Brand products | A | | |
| | | | FY2026 | Train certified sensory evaluation technicians with the ability to evaluate flavor as an effort to improve quality control [Number of certified sensory evaluation technicians (including contract manufacturers): 105% or more of the fiscal 2022 level] | A | | |
| Contributions to Health through Food | Initiatives toward Extending Healthy Life Expectancy | | FY2030 | NEW Increase net sales of function-added food products* to 100 billion yen or more *Megmilk Snow Brand's own standard: Nutrition business products, food with health functions | J | | |
| | | | Every year | Carry out research and development, product development, service provision, and information dissemination to contribute to extending healthy life expectancy via our expertise and functionality developed through milk | A | | |
| | | | FY2026 | Conduct food education activities on the key theme of contributing to health through food, aiming for an average of 45,000 participants per year from fiscal 2019 to 2026 | D | | |
| Dairy Farming | Contributing to Sustainable Dairy Farming | Activities to Strengthen the Dairy Farming Production Platform | FY2030 | In order to promote self-sustaining feedstuff dairy farming, expand the area of land planted with grass and feedstuff seeds from Snow Brand Seed Co., Ltd. by fiscal 2030 by 3% compared to fiscal 2019 levels | B | | |
| | | Every year | 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 | A | | | |
| Environment | Reducing Environmental Impact | Preventing Global Warming | FY2030 | 50% reduction in CO ₂ emissions (compared to fiscal 2013) | E | | |
| | | | FY2025 | Use 100% environment-friendly raw materials in paper used | F | | |
| | | | FY2026 | Procure 100% certified palm oil *Applies to refined palm oil | L | | |
| | | | FY2030 | Reduce amount of petroleum-derived plastic used (per unit of sales) by 25% (compared to fiscal 2018) *Reduction includes replacing petroleum-derived plastics with recycled plastics and mass-balanced bioplastics | F | | |
| | | | Every year | <ul style="list-style-type: none"> • 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 | A | | |
| | Formation of a Recycling-based Society | | FY2030 | Reduce waste product emissions by 30% (compared to fiscal 2013) | G | | |
| | | | FY2030 | Maintain waste recycling rate at 98% or higher | G | | |
| | | | Every year | Food waste recycling rate of 95% or higher | K | | |
| | | | Every year | 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) | A | | |
| | | | FY2030 | Reduce the amount of water used at manufacturing sites by 9% (compared to fiscal 2013) | G | | |
| People and Society | Revised Promotion of Diversity and Respect for Human Rights | Diversifying and Developing Human Resources | FY2025 | Percentage of female managers of 10% or higher | A | | |
| | | | Achieving Work-life Balance and Improving Labor Productivity | Every year | Recognized as a Certified Health & Productivity Management Outstanding Organization | A | |
| | | | | Respect for Human Rights | 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 | A |
| | | | Contributing to Local Communities | | Partnering with Local Communities | Every year | Work with the community to help resolve social issues |

<Scope>

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 / 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. / Chokuhan 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. / Bean Stalk Snow Co., Ltd. H Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Parlor Co., Ltd. I Megmilk Snow Brand / Bean Stalk Snow Co., Ltd. / Udder Delights Australia Pty Ltd. / Snow Brand Taiwan Co., Ltd. / Snow Brand Australia Pty. Ltd. / Snow Brand Australia Pty. Ltd. / PT. Megmilk Snow Brand Indonesia / MEGMILK SNOW BRAND SINGAPORE PTE. LTD. J Megmilk Snow Brand / Belle Neige Direct Co., Ltd. / Bean Stalk Snow Co., Ltd. / Snow Brand Taiwan Co., Ltd. / Snow Brand Australia Pty. Ltd. / MEGMILK SNOW BRAND SINGAPORE PTE. LTD. K 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. L Megmilk Snow Brand / Kohnan Oils and Fats Mfg. Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. M Megmilk Snow Brand / Agro Snow

Message from Executive Officer Responsible for Finance

Managing Executive Officer, Megmilk Snow Brand Co., Ltd.
In charge of Accounting and IT Planning, and
Deputy General Manager responsible for Public Relations &
Investor Relations

Seiki Todaka



Under the basic policy of maintaining financial stability, investing in our platform and growth areas by reducing assets, and providing stable shareholder returns, we will implement financial strategies to realize the Group Medium-Term Management Plan 2025, aiming to achieve ROE of 6.0% or higher and 8.0% or higher as soon as possible.

Fiscal 2022 results and future issues

Review of the management metrics and performance

Fiscal 2022 was the second stage of the Group Long-Term Vision 2026 and the final fiscal year of the Group Medium-Term Management Plan 2022.

The external environment has changed drastically since the plan was formulated, including effects from the drop in demand due to COVID-19 and global cost increases due to the situation in Russia and Ukraine. Due to these and other factors, our financial results for fiscal 2022 were net sales of 584.3 billion yen, operating profit of 13.0 billion yen, ordinary profit of 14.4 billion yen, and profit attributable to owners of the parent of 9.1 billion yen, meaning we had increases in sales and declining profits.

The Group Medium-Term Management Plan 2022 consolidated management metrics comprise return on equity (ROE) of 8% or more, equity ratio of 50% or more, interest-bearing debt of 78.0 billion yen or less, and a dividend payout ratio of 20-30%. As a result, although ROE did not reach the target of 4.4%, the equity ratio rose 0.4% from the end of the previous fiscal year to 51.9%, and interest-

bearing debt totaled 69.8 billion yen.

In addition, we issued the Group's first green bonds* as a way of raising funds that incorporates a sustainability perspective. We assess that flexibly raising funds as needed has contributed to the improvement of our financial health.

With regard to shareholder returns, because the equity ratio reached more than 50% in fiscal 2021, in accordance with our announced policy, we enhanced shareholder returns ahead of schedule by increasing the dividend payout ratio to more than 30% as well as increasing the previous 40 yen dividend per share by 20 yen to reach 60 yen. In fiscal 2022, we will continue to pay a dividend of 60 yen, bringing the dividend payout ratio to 44.4%.

*Please see p. 76 for reporting details.

For more details, click here.

Sustainable finance
<https://www.meg-snow.com/csr/finance/>
(Japanese only)



Issues facing the Group

We were unable to fully reap the benefits of the production system improvements promoted under the Group Medium-Term Management Plan 2022 because we were unable to expand sales volume. In addition, although we were able to create new value through efforts such as the launch of MBP Drink and other high-value-added products, collaboration with other companies, and

R&D initiatives, we were not able to raise the sales mix to what we targeted. We believe that we were unable to capture changes in the market environment and lifestyles, which caused our profitability to decline as a result, and we recognize that further gaining resilience is an issue.

Moreover, in addition to the decline in ROE due to our

profitability not reaching the target level, we believe that our inability to present to our stakeholders a roadmap for the Group's growth has led to the current weak stock price and PBR below 1.

In response to this issue, we have positioned "Creating seeds for new growth," "Expanding quantity by utilizing our platform," and "Strengthening and supporting the domestic dairy farming production platform" as our business strategies under the theme

of "Gain resilience" in the Group Medium-Term Management Plan 2025.

We will show the Group's growth through the initiatives of these three business strategies, and by putting them into practice, we aim to improve profitability and asset efficiency and thereby enhance our corporate value and stock price. We will also aim to achieve ROE of 8% and PBR of more than 1 at an early stage.

Financial strategy of the Group Medium-Term Management Plan 2025

Basic policies and management metrics

Toward the realization of the Group Medium-Term Management Plan 2025, while maintaining its financial stability, the Group will increase profitability by investing the cash generated from asset sales in core businesses, growth areas, and new value creation, and provide stable shareholder returns.

Our management metrics for fiscal 2025 are net sales of 665.0 billion yen, operating profit of 20.0 billion yen, profit of 14.0 billion yen, EBITDA of 38.5 billion yen, equity ratio of 50%, debt-to-equity ratio (D/E ratio) of 0.5 or less, dividend payout ratio of 30% or more, and ROE of 6.0% or more.

Cash allocation & ROE improvement

In addition to our plan to generate operating cash flow of more than 80.0 billion yen in total over the three-year period from 2023 to 2025, we plan to raise a total of more than 25.0 billion yen by selling assets through BS (Balance Sheet) management and interest-bearing debt procurement while maintaining financial discipline. Moreover, as one of the initiatives to improve asset efficiency through BS management, the Group will gradually reduce its strategic shareholdings to less than 10% of net assets through dialogue with business partners.

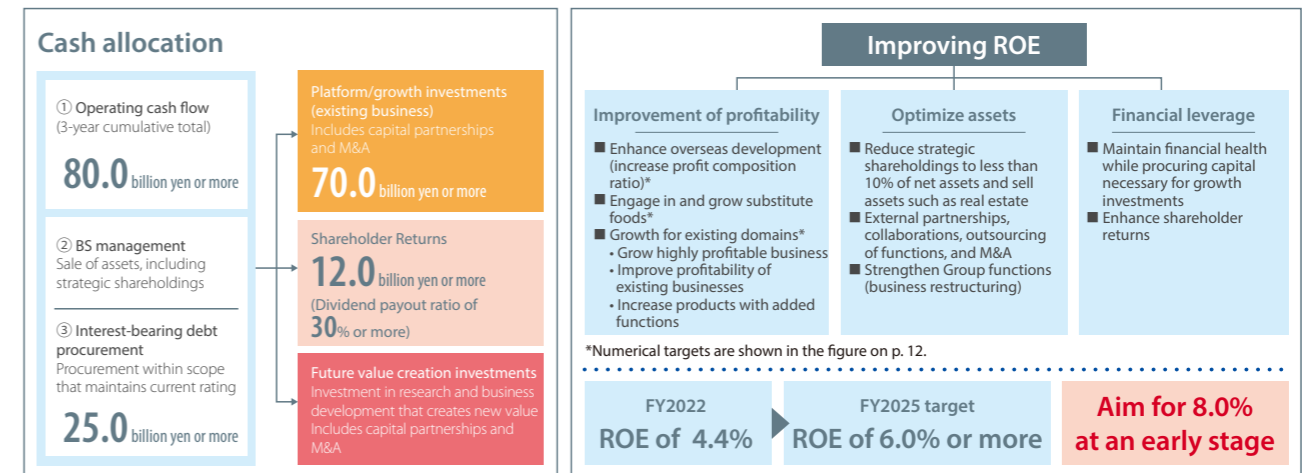
We plan to use the funds obtained from the above creation and procurement to invest more than 70.0 billion yen in "platform/growth investments." We also plan to invest in R&D and business development to create new value, or "future value creation investments." In May 2023, as part of our entry into the plant-based

food business, we established a joint venture company (Agro Snow Pte Ltd) with Agropcorp, a grain trading company in Singapore. We will continue to actively engage in investments that create new value.

By allocating capital generated through BS management initiatives to growth investments, we will improve asset efficiency and profitability, aiming for an ROE of at least 6.0% in fiscal 2025 and 8.0% or higher thereafter at an early stage.

With regard to growth investments, we are conscious of the cost of capital and make individual investment decisions based on both profitability and capital efficiency.

With regard to shareholder returns, we plan to allocate at least 12.0 billion yen while maintaining a dividend payout ratio of at least 30%.



Toward the next 100 years

The Group Medium-Term Management Plan 2025 is positioned as a period for laying the foundation for growth toward the next 100 years. For achieving the theme of "gain resilience," we will support the enhancement of corporate value from the financial side by

considering and implementing a balance of maintaining financial stability, investing in platform and growth areas by reducing assets, and implementing stable shareholder returns.

History of Value Creation by the Megmilk Snow Brand

The driving force of the Megmilk Snow Brand Group is its founding spirit and its stance on taking on the challenges of today's society. We have grown as a company by responding to the needs of each era through products made from milk.

We want to be a company that contributes to food sustainability with the power of milk and the expertise and functionality we have cultivated through product development.

Megmilk Snow Brand will continue to be a company that provides new value and realizes social and economic value.

Changes in social issues related to food

First half of the 1900s
Achieving a stable and abundant food lifestyle

Second half of the 1900s
Food becomes increasingly international and diverse

Around 2000
Safety and security of food

Around 2010
Extending healthy lifespans

Present and future
Food sustainability

Main products that form the basis of revenue



1926

Launch of Snow Brand Hokkaido Butter
We aimed to improve the nutrition and physical conditions of the people of Japan through development of Hokkaido dairy farming and dairy products, and the butter made its way to dining tables throughout Japan

Launch of Snow Brand Hokkaido Butter (10g pre-cut)
This product meets the needs of our busy times, eliminating the need for measuring and cutting

1996



FY2022
No. 1 share of the domestic butter market at about 49%

*Source: Intage SRI+, all industries nationwide: April 2022 - March 2023



1954

Mass production of 6P Cheese
In 1934, we began manufacturing processed cheese with a mild taste and long shelf life, which was later successfully mass-produced



1962

Launch of Snow Brand Sliced Cheese
Launch of Snow Brand Camembert Cheese



1980

Launch of String Cheese (now called "Sakeru Cheese")
The stretchy texture and shape resembling Japanese dried squid were so popular that it quickly went from being a limited regional product to a nationwide product



1997

Launch of Snow Brand Hokkaido Camembert Pre-cut Type
This revolutionary product has the Camembert cheese cut from the beginning, pursuing both deliciousness and convenience

FY2022
No. 1 share of the domestic cheese market at about 27%

*Source: Intage SRI+, all industries nationwide: April 2022 - March 2023



Around 1934
Start of the Beverages and Desserts Business in Hakodate

We started the Beverages and Desserts Business in Honshu, starting with the construction of a commercial milk plant in Iwate



Around 1955
Provision of products for school lunch programs

From around this time, school lunches gradually switched from nonfat milk to domestically-produced fresh milk



2007

Commercial product For school meals

Development of products for school lunches with the same packaging as commercial products



2022

Commercial product For school meals

FY2022
We provide milk to about 1/9 of the children and students around Japan, contributing to children's growth

Major products that contribute to society and new growth



1963

Medical food formulas for inherited metabolic diseases
Successful domestic production of medical food formulas

Development and provision of medical food formulas supports patients' lives



2022

2022
Commendation from the Minister of Health, Labor and Welfare for our activities over many years →P.51



2015

Megumi Gasseri SP Strain Yogurt
Sold as a food with function claims

Rapid growth as high-value-added functional yogurt. Significant contribution to segment earnings



2021

Launch of MBP Drink

Start and growth of sales to retailers as a food with function claims



1989

Discovery of MBP®
Discovery of rare protein in milk that increases bone density

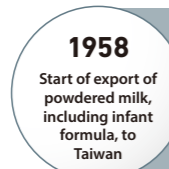


2002

Launch of Mainichi Hone Care MBP®

After starting mail order business in 2009, sales volume has grown more than 13-fold as of fiscal 2022

Outside Japan



1958

Start of export of powdered milk, including infant formula, to Taiwan

Expansion of exports to Thailand, Malaysia, Pakistan, and elsewhere



1990

Acquisition of an Australian cheese manufacturing company



1992

Manufacturing base for powdered milk, including infant formula, established in Australia

Start of exports to various Asian countries in place of exports from Japan



1999

Establishment of Snow Brand Australia Pty. Ltd.



2012

Establishment of PT. Megmilk Snow Brand Indonesia



2017

Acquisition of Udder Delights Australia Pty Ltd



2022

Establishment of MEGMILK SNOW BRAND SINGAPORE PTE. LTD.

Chronology of the Establishment of Megmilk Snow Brand



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.

Group Medium-Term Management Plan 2025

Value Chain

R&D

We are striving to conduct R&D to create new value for milk, provide deliciousness and health to customers, and reduce environmental impact.

Strengths

- Lactic acid library with more than 3,000 strains
- Nutritional function research on lactic acid and milk ingredients
- Abundant manufacturing know-how on dairy products, milk ingredients, etc.
- Development of unique containers and packaging

Creation of unique value

- Research on health
 - Research on unique functional lactic acids such as the Gasseri Bacteria SP strain and Nyu-san-kin Helve using our lactic acid library
 - Research on unique functional milk ingredients such as MBP* based on nutritional function research
- Research on taste
 - Research on unique manufacturing methods utilizing the function of lactic acid bacteria and manufacturing know-how, such as on “cheese with rich flavor” and “methods for retaining flavor”
- Research on reducing environmental impact
 - Technologies to reduce the amount of plastic used and to extend shelf life

Philosophy on intellectual property and measures to improve R&D capabilities

- **Basic approach to intellectual property policy**
 - We objectively analyze our company's strengths and create value by utilizing the technological capabilities and knowledge cultivated through research and development, and strategically obtain patent rights of our unique technology.
 - We will improve brand value and prevent damage and dilution through strategic application of trademarks.
 - We will ensure the freedom of research and business activities by avoiding infringement of the intellectual property rights of other companies and/or invalidating the patents of other companies.
 - We will increase the value and profitability of business activities in the Dairy Products Business, Beverages and Desserts Business, Nutrition Business, etc. and reduce risks that could adversely affect our business performance and establish a solid profit platform.
 - We will protect products and our own technologies in multiple ways with multiple types of intellectual property rights such as patent rights, design rights, and trademark rights.
- **Measures to promote R&D capabilities**

In order to strengthen our R&D capabilities, we have established an “invention compensation system” for inventors such as for patents, and have established the “Research and Development Division Award” to honor those who have contributed to development of new technologies, business achievements, and progress. We also conduct in-house training on patents and trademarks for the purpose of creating and utilizing intellectual property and respecting the intellectual property rights of other companies.



Procurement

To ensure stable volume and quality of fresh milk, we procure domestically-produced fresh milk in collaboration with entities such as local designated groups and national producers' group. In addition, through our transactions with suppliers, we are working to ensure the stable procurement of high-quality fresh milk ingredients while giving due consideration to sustainability.

Strengths

- [Procurement of fresh milk]
 - Representatives are stationed in regions to ensure close communication with dairy farming production sites
 - We conduct business with producer groups in regions in Japan, which makes it possible to coordinate fresh milk supply and demand over large areas
 - We have our Research & Development Center for Dairy Farming and serve as the secretariat of the Japan Young Dairy Farmers Research Association, which has helped us build close relationships with dairy farmers and support their efforts to improve management capabilities

- [Procurement of raw materials]
 - We are always monitoring the demand-supply conditions and market prices both within Japan and on an international basis to conduct strategic and speedy procurement activities
 - We conduct procurement activities by using human resources well-versed in manufacturing, distribution, various laws and regulations, and more
 - We collect various forms of information and conduct diverse procurement activities through transactions with many suppliers

Creation of unique value

- [Procurement of fresh milk]
 - We procure domestic fresh milk and milk resources based on stable quantity and quality
 - We support and contribute to solving social issues and establishing sustainable dairy farming production
- [Procurement of raw materials]
 - We established a cooperative system to realize sustainable procurement, including periodic surveys of suppliers
 - As part of efforts for human rights due diligence, we visit and hold dialogues with small-scale palm farmers in Indonesia in cooperation with related departments

Major initiatives

- We conduct R&D that contributes to extending healthy life expectancy
- We propose products that differentiate the Company to capture new purchasers
- We develop product containers and packaging to reduce environmental impact
- We develop production technology appropriate for dairy product demand-supply conditions
- We promote open innovation

Operation of the Megmilk Snow Brand Innovation Center

Open “co-creation space” to create new value with milk



The Megmilk Snow Brand Innovation Center has begun operations as a hub for giving shape to new value through food, centered on milk. The facility is equipped with a one-floor prototyping area where people can see each other's work and a co-creation space where various working styles, from presentations to web conferencing, can be used. We will continue to accelerate technology fusion and communication that transcends barriers, leading to the creation of new value with milk.

Major initiatives

- [Procurement of fresh milk]
 - We participate in farm environment patrols and milk quality promotion meetings at each milk procurement office in cooperation with agricultural cooperatives and others, and contribute to raising awareness of quality milk production among producers
 - As for the SDGs, ESG investing, and similar issues, we respond by participating in the Strategic Vision Promotion Special Committee, created by the Japan Dairy Association and other industry organizations
 - We contribute to strengthening the domestic dairy farming production platform by providing support for improvement of feeding management techniques through symposiums held by the Research & Development Center for Dairy Farming, the Japan Young Dairy Farmers Research Association, and others
- [Procurement of raw materials]
 - To ensure low-cost, stable, and timely procurement, we always cooperate with related departments to implement procurement activities that support our business activities. In addition, we regularly identify issues, formulate solutions, and address the issues
 - We continuously implement quality improvement activities in cooperation with suppliers to reduce quality risks
 - We promote the search for new materials and procurement of certified raw materials to contribute to the SDGs, including reduction of environmental impact

Group company initiatives



Snow Brand Seed Co., Ltd.
The company develops high-quality grass and feedstuff seed varieties and disseminates their utilization technology to dairy farms in order to strengthen the domestic dairy farming production platform and contribute to sustainable dairy farming production.



Cresco Corporation
The company provides safe and secure food-related packaging materials, including offering packaging materials with reduced environmental impact, by leveraging the knowledge and know-how accumulate over many years by its packaging specialists, including certified packaging professionals.



Nichiraku Machinery Co., Ltd.
As a machinery manufacturer, the company offers further value creation through the use of digitalization technology to improve the efficiency of operations and production activities, strengthening plant engineering capabilities, and demonstrating product development capabilities.



Production

We conduct manufacturing via our plants in Hokkaido's dairy farming areas for butter, skim milk, natural cheese, condensed milk, and other such products, as well as with our plants in suburban areas for products such as milk, yogurt, margarine, and processed cheese.

Strengths

- All of our plants (16 plants) have acquired certification from the proprietary quality assurance system MSQS, and FSSC 22000 certification, an international food safety scheme accredited by GFSI, and manufacture high-quality products
- Our manufacturing facilities are capable of offering diverse product lineups to meet consumer needs
- We have an organizational culture that is never satisfied with the status quo, and always strives for improvement and pursues better manufacturing

Creation of unique value

- Stable supply of high-quality products that can be used with peace of mind
- Thorough cost management by adjusting product volume to meet distribution demand and streamlining production processes in response to increased costs for energy, raw materials, logistics, etc.
- Business process reform and optimization through promotion of digital transformation (DX)
- Reduction of environmental impact

Major initiatives

- We support introduction of GFSI-accredited food safety schemes at all our domestic and overseas company-owned plants and affiliated companies (26 facilities) that manufacture Megmilk Snow Brand products, with 25 facilities having acquired certification
- We conduct thorough cost management, focusing on every yen, piece, and gram
- Through promotion of DX, we integrate digital data generated by each piece of manufacturing equipment to improve accuracy and efficiency of multi-product manufacturing operations and to optimize quality and productivity
- We introduce equipment and production processes that save energy and reduce CO₂ emissions
- We implement environmentally-friendly measures such as reducing waste emissions and water usage

Group company initiatives



Ibaraku Co., Ltd.
The company manufactures and sells milk, milk beverages, yogurt, and desserts. In addition to contributing to local dairy farming, the company also provides products to several welfare organizations to support the Kodomo Shokudo cafeteria in Ibaraki Prefecture, thereby contributing to the local community.



Michinoku Milk Co., Ltd.
The company conducts contracted manufacturing of milk, milk beverages, yogurt, desserts, and other products, and operation of fresh milk cooler stations. It has established a position and employment as a core company in Osaka City, Miyagi Prefecture, thereby contributing to the local community.



Yatsugatake Milk Industry Co., Ltd.
The company conducts manufacturing and sales of milk, milk beverages, yogurt, and cheese. Its lineup includes products made exclusively from fresh dairy ingredients produced in the Yatsugatake Plateau, and contributes to healthy, smile-filled diets with its tagline "Together with Yatsugatake and milk."



Kohnan Oils and Fats Mfg. Co., Ltd.
The company conducts contracted manufacturing of margarine, soft cheese, and other such products, and contributes to strengthening the competitiveness of the Megmilk Snow Brand Group by providing stable supply of high-quality products at a low cost.



Snow Brand Australia Pty. Ltd.
In addition to its own brand "Unicorn," the company expands contracted manufacturing and sales of cheese from a famous cheese store brand in Australia. As a contribution to the local community, the company continuously provides whey produced during cheese production to local dairy farmers suffering from water shortages to be used as drinking water for their cows.



Udder Delights Australia Pty Ltd.
With a factory in Lobethal, South Australia, the company manufactures and sells white mold and blue mold cheeses. In December 2021, the Megmilk Snow Brand Group acquired all shares of the company and took over management from the founding family. The company has 60 employees (including two Japanese employees assigned to it) and sells its premium brands to mass merchandisers and wholesalers in South Australia.



PT. Megmilk Snow Brand Indonesia
The company manufactures and sells block-type cheese, sliced cheese, and other products mainly in Indonesia, and exports to Malaysia, Hong Kong, and elsewhere in Southeast Asia. The new product OKE cheese was launched in 2023, celebrating the 10th anniversary of the company's founding, and an event called Meg Cheese Day was held in June to expand brand awareness.



Logistics and Wholesale

We support the supply chain by locating inventory bases throughout Japan and setting up appropriate storage warehouses in response to fluctuating inventory volumes to ensure a stable supply to consumers.

Strengths

- We maintain a flexible logistics network optimized for three temperature areas (room-temperature, chilled, and frozen) and which can respond to increases and decreases in inventory volume

Creation of unique value

- Since 2007, we have been continuously approved as an environmentally-friendly company undertaking Eco Rail Mark initiatives, which actively utilizes rail transportation for long-distance transportation from Hokkaido to other areas of Japan

Major initiatives

- In response to the logistics environment, which is becoming increasingly severe due to a shortage of drivers, stricter laws and regulations, and other factors, we are promoting efficient efforts to realize sustainable logistics, including joint delivery with other companies, reduction of manual labor through the use of pallets, and review of logistics bases
- We foresee and respond to weather disasters, which are tending to be increasingly severe

Group company initiatives



SI System Corporation
The company cooperates with business partners throughout Japan to develop valuable products, and provides consumers with safe, secure products and services through business activities for Seven & i Group companies.



Chokuhan Haisou Co., Ltd.
Based on strict quality control know-how cultivated through the operation of a joint distribution center, the company can handle transportation in three temperature areas (chilled, room-temperature, and frozen) to meet diversifying consumer needs.



Mitsuwa Distribution Industry Co., Ltd.
The company meets the needs of customers with a diverse product lineup and services in line with the times, and provides delicious flavor and health with the utmost freshness.



Greenservice Co., Ltd.
The company transports fresh milk from dairy farmers to dairy manufacturers, and transports pasteurized milk produced by dairy manufacturers to beverage manufacturers. It provides safe and secure products to consumers through the operation of CVS joint distribution centers.



Marketing and Sales

We have sales offices throughout Japan and are developing our business selling milk and dairy products.

Strengths

- Trusting relationships with suppliers with strong community roots as well as sales capabilities
- Megmilk Snow Brand brand power and high product recognition

Creation of unique value

- Through provision of milk and dairy products, we work to solve social issues and develop products and promotions centered on contributing to realizing a sustainable society

Major initiatives

- Efforts to increase demand by appealing with the benefits of functional products such as MBP® and the Gasseri Bacteria SP strain
- Efforts to increase demand by appealing with the value of cheese in a variety of ways
- Proposal of products and food scenarios that help solve social issues such as extension of healthy life expectancy, contribution to local communities, and support for dairy farming

Group company initiatives



Chesco Ltd.
The company imports, processes, and sells natural cheese, and contributes to further stimulating demand for cheese in order to promote and expand the spread of high-quality, delicious cheese from around the world.



Belle Neige Direct Co., LTD.
The company provides products, information, and services of value to each and every customer as a company that conducts mail order sales of functional food products and gifts, as well as advertising business.



Bean Stalk Snow Co., Ltd.
The company provides products that support the health of babies and other family members, such as infant formulas and oral care products, as well as a wide range of nutritional guidance and seminars that convey the importance of food.



Snow Brand Kodomo-no-Kuni Ranch
The company contributes to the cheerful, healthy growth of children through interaction with animals, milking experiences, butter-making, and more, with a view to protecting children's health, enriching their emotional development, and utilizing the beauty and blessings of nature for when they play.



Customer Service

We offer customer service year-round, 365 days a year. We have expanded various types of information, such as that on products and frequently asked questions, and promptly respond to inquiries from customers.

Strengths

- We create our own value through introduction of a 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, as well as a system to prevent product problems from growing more serious or larger in scale

Creation of unique value

- We hold a monthly consumer satisfaction improvement meeting and reflect that for product improvements that make use of customer opinions

For more details, click here.

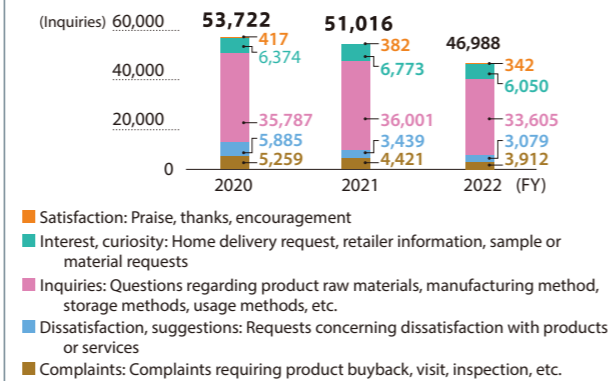
We have responded to customer feedback.
<https://www.meg-snow.com/customer/center/voice/>
 (Japanese only)



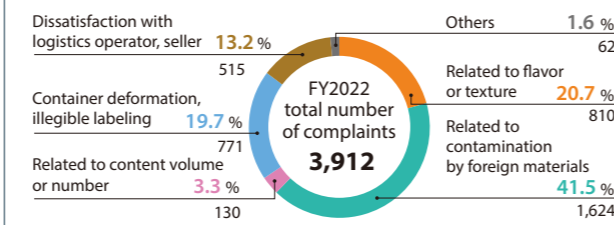
Major initiatives

- We strengthen utilization of customer feedback as a management resource by sharing information on it within the company
- We strengthen risk management by sending out warnings regarding anticipated major events, food defense, and special cases requested by customers, as well as conducting emergency response drills in the event of disasters and other emergencies
- We learn how to explain the distinguishing features of our diverse products to customers in an easy-to-understand way
- We examine the introduction of methods to have contact with customers using communication tools other than phones, such as chat functions

Number of Inquiries Received by Customers Relations Center



Details of Complaints Received



Group company initiatives (marketing and sales)



MEGMILK SNOW BRAND Business Solution Co., Ltd.

The company contributes to society by providing high added value to customers as a solutions and services company with highly specialized know-how.



Snow Brand Parlor Co., Ltd.

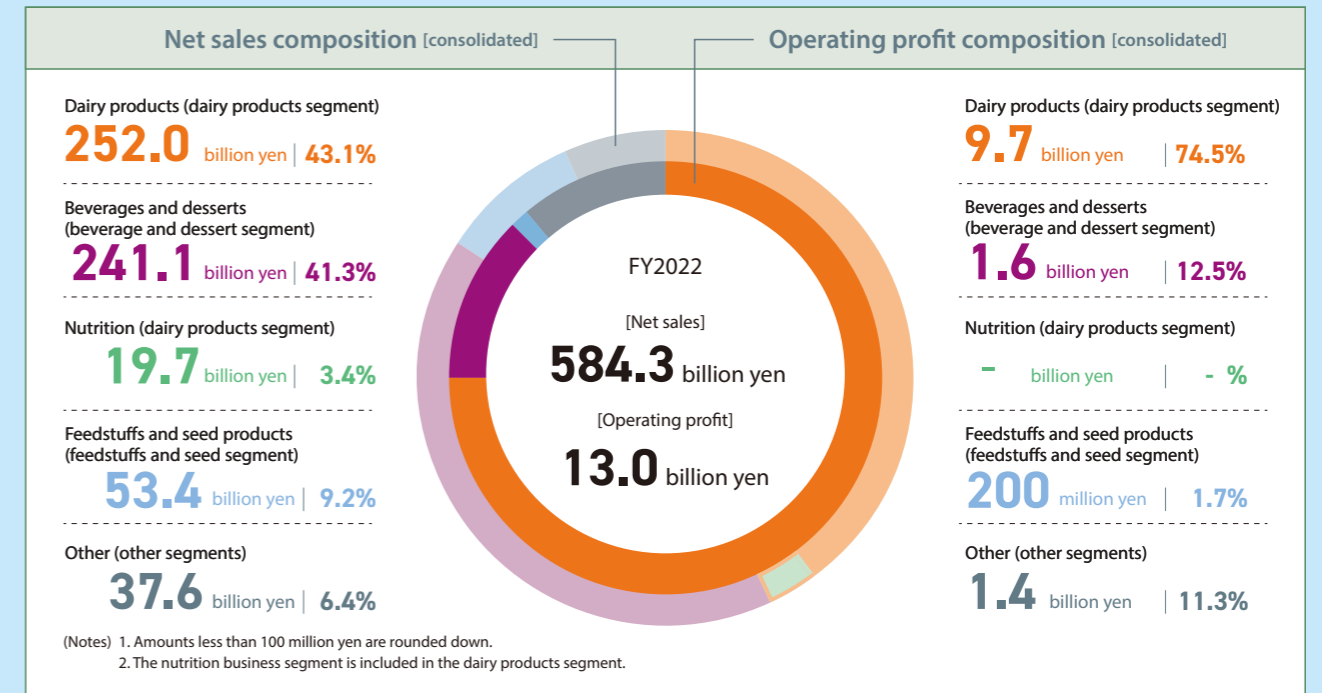
As a venerable sweets store in Hokkaido, the company offers the delicious taste and memories of dairy products to customers in its home prefecture of Hokkaido as well as in Japan and abroad.



Snow Brand Taiwan Co., Ltd.

Since 1964, the company has been delivering powdered milk to babies in Taiwan. In recent years, it has strengthened sales of products related to MBP®, such as Mainichi Hone Care MBP® Blueberry Flavor (for Taiwan) and functional powdered milk for adults.

Business Overview



Dairy Products Business P.29

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

We are actively expanding in Japan because of our high market share, many competitive products, and the growth potential of the market. We also manufacture and sell cheese in Indonesia and Australia.

Beverages and Desserts Business P.31

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

With a vast product line, we deliver nutrition and enrichment to the dietary lifestyles of our customers. We are promoting efforts to extend healthy life expectancy and improve QOL by continually launching high-value-added products such as foods with function claims.

Nutrition Business P.33

Powdered milk, functional foods, etc.

We are developing powdered milk that commercializes the results of research on the value of milk and our functional food products business that is expanding based on our own mail-order business. Overseas sales of functional ingredients are also growing rapidly.

Feedstuffs and Seed Products Business P.34

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

In our business closely related to dairy farming, we provide agricultural materials and technical support that contribute to milk production and the development of environmentally-friendly agriculture, centered on Snow Brand Seed Co., Ltd. The feedstuffs business provides blended feed and other feed products suitable for the needs of each specific region. In the seed products business, we are working to improve varieties of grass and feedstuff seeds suited to pastures and climates and to disseminate cultivation techniques.





Dairy Products Business



Strengths and Unique Attributes

Japan

- A history of being the first to bring many products to market in Japan
- Technological and quality standards developed to cater to the Japanese palate
- A broad lineup of products that highlight the appeal of fresh milk from Hokkaido

A brand with the leading market share in Japan

Outside Japan

- Utilization of our expertise in processed cheese for our operations in Southeast Asia, spearheaded by Megmilk Snow Brand Indonesia (MSBI), our production base in Indonesia

Group Medium-Term Management Plan 2025

Basic Strategies

- Creating demand and expanding sales through maximal utilization of domestically produced fresh milk
- Acceleration of global strategies in the cheese business

Given the tough cost environment that is expected, including revisions in the price of milk designated for processing starting in April 2023, we will strive to expand sales volume by implementing suitable price revisions, stimulating demand through targeted promotions, and introducing new products, all with the goal of propelling growth in the dairy products market.

1) Butter

We will provide a stable supply of butter to the market by maximizing usage of the new butter building at our Isobunnai Plant, which became operational in April 2021, as well as our existing production capacity. We will further expand demand by offering menu items that accentuate the delicious taste of our butter.

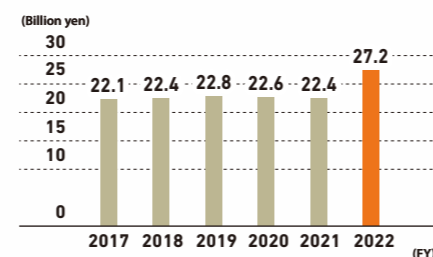
2) Cheese

Starting in 2023, we will focus on increasing the production of Sakeru Cheese. We will commit to expanding our top line by maximizing the value of domestic fresh milk through innovative product development and demand creation.

3) Overseas

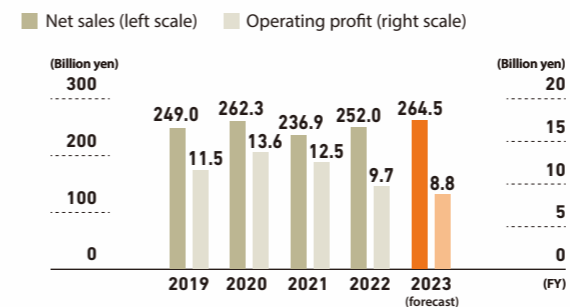
In 2022, we established Megmilk Snow Brand Singapore (MSBS) as a core strategic hub. This will allow us to accelerate the horizontal expansion of our cheese business in Indonesia, expand the export of domestically produced dairy products, and explore new business opportunities, including mergers and acquisitions.

Trends in Butter Net Sales



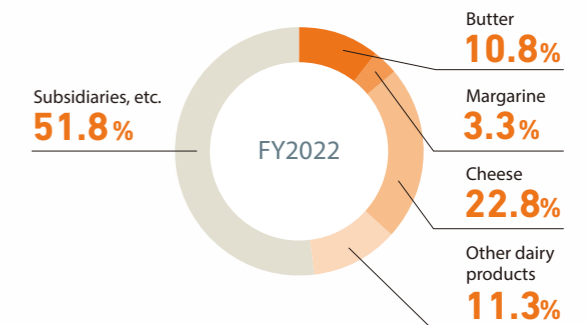
Taiki Plant, which produces Sakeru Cheese and other products

Net Sales and Operating Profit [Dairy Products Segment]



(Notes) 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.

Net Sales Composition [Dairy Products Segment]



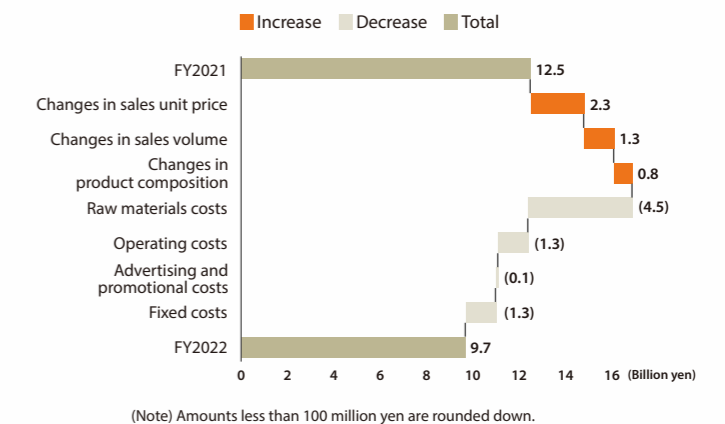
Share of Japanese Market (Fiscal 2022, Based on nationwide monetary amount for household use) Source: Intage SRI+



Fiscal 2022 Overview

We were unable to fully absorb the significant rise in operational costs, such as the costs of imported cheese and other raw materials, as well as energy costs, leading to decreased profits. In April, we implemented price adjustments mainly focused on processed cheese. In September, we undertook further measures, including price adjustments for margarine and some capacity changes for specific types of processed cheese. Our net sales have seen an uptick, thanks to the good performance of products like Sakeru Cheese, and a recovery in demand from the dining and hotel sectors. As a result, our business-to-business segment also surpassed last year's figures, contributing to an increase in revenue. In Indonesia, the cheese business also increased its revenue through various promotional activities and expansion of sales channels.

Factors Contributing to Changes in Operating Profit in the Dairy Products Segment

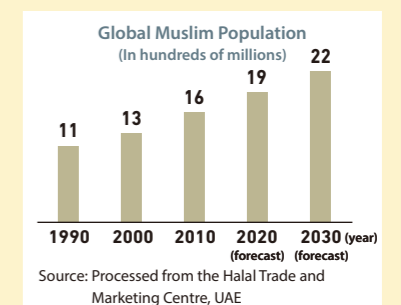


Halal Certification* Obtained for Skim Milk Powder and Butter

We have secured Halal certification for skim milk powder and butter produced at our Horonobe Plant. This certification assures Muslims that they can use these products with confidence.

We will explore new markets for domestic dairy products through the growing Halal market and focus on strengthening sales in Asia.

* We had an audit from NPO Japan Halal Association, based on their JHAS standards, and received the Halal certification. The audit involved some processes that individually checked the production processes, raw materials used, packaging, and internal management methods, and confirmed that they satisfied the Halal requirements.



Beverages and Desserts Business



Strengths and Unique Attributes

- A diverse product lineup to address increasing health consciousness, including Food for Specified Health Uses (FOSHU) and foods with function claims
- Product development capabilities that bring out the value of milk, using our in-house sourced raw dairy products

Group Medium-Term Management Plan 2025

Basic Strategies

- Strengthening business foundations and venturing into new categories

Price revisions for dairy occurred in November 2022 and April 2023. Alongside this, costs for other raw materials and energy have also surged significantly. Despite these challenges, we aim to build a resilient business foundation through appropriate pricing adjustments and initiatives to stimulate demand. In addition, we are setting a target of achieving a record-high operating profit of 6.0 billion yen for the beverage and dessert segment in fiscal year 2025.

1) Enhancing and upscaling milk and milk-based beverages

Through promotions and the introduction of new products featuring our proprietary ingredient, MBP®, we aim to improve profitability by increasing the proportion of high-value-added products. Our flagship product, Delicious Megmilk Snow Brand Milk, will see expanded sales volumes through intensified marketing communications.

2) Expanding yogurt sales centered on functional products

We will bolster the sales of high-value-added yogurts, such as Megumi Gasseri SP Strain Yogurt and Nyu-san-kin Helve Yogurt, by focusing on promoting their functional benefits, which are grounded in research and development.

3) Entering the plant-based food market

We plan to leverage our value chain in research results and product development technology cultivated through milk to venture into the beverage and yogurt categories of the plant-based food market and form new markets.

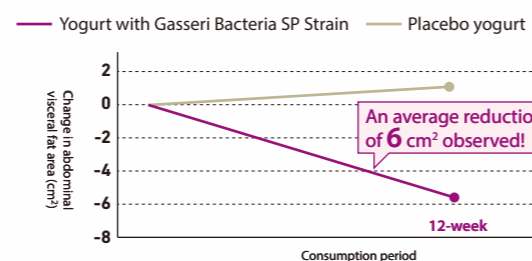
For more details, click here.

Products featuring MBP®

<https://www.meg-snow.com/mbp/recommendation/>
(Japanese only)

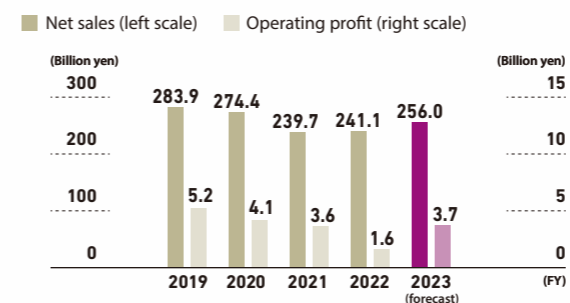


Significant reduction in abdominal visceral fat area confirmed in overweight individuals compared to placebo yogurt that did not contain the Gasseri Bacteria SP Strain



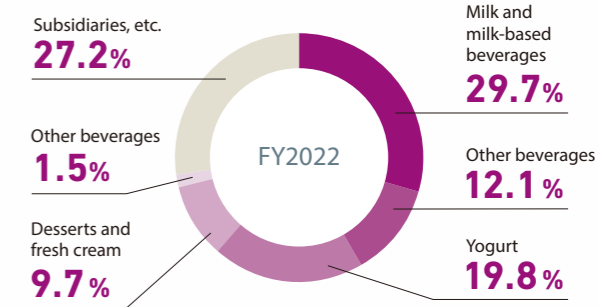
(Note) The change in abdominal visceral fat area after 12 weeks of continuous intake Significant difference noted when compared to placebo yogurt, with $P < 0.05$ Source: Yoshihiko Takano et al., Pharmacology and Therapeutics, 41, 895-903 (2013) - Findings from experiments using the "Gasseri Bacteria SP Strain" (One representative paper cited in the research review is presented as a case study.)

Net Sales and Operating Profit [Beverage and Dessert Segment]

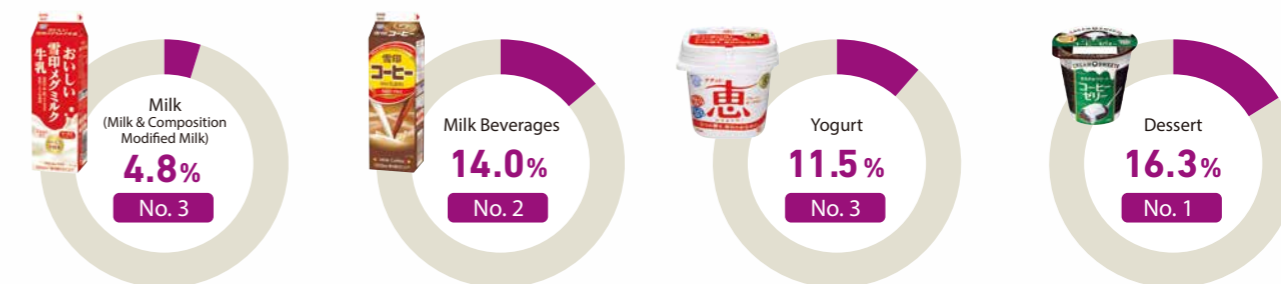


(Note) Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Net Sales Composition [Beverages and Dessert Segment]



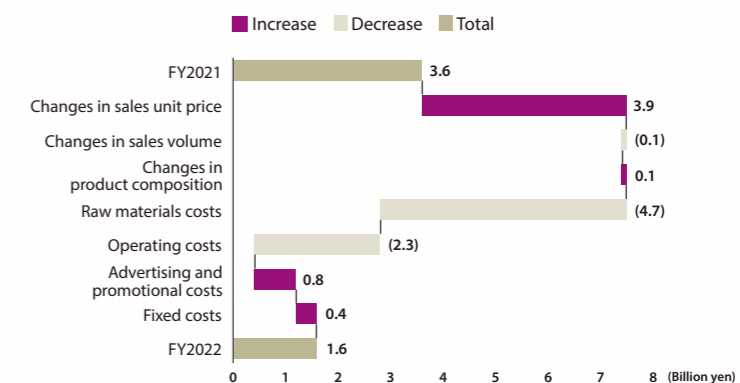
Share of Japanese Market (Fiscal 2022, Based on nationwide monetary amount for household use) Source: Intage SRI+



Fiscal 2022 Overview

Raw materials costs, including dairy milk price adjustments, as well as operational expenses for energy and logistics, have significantly increased. Although we faced a decline in profits for the full fiscal year, we saw increased profits in the second half due to successful price revisions made in November and February. In terms of net sales, we experienced a decrease due to factors like a backlash from the strong growth of our Megumi Gasseri SP Strain Yogurt, which had received significant attention on TV the previous year. However, aggressive promotions of our MBP Drink led to substantial growth over the previous year. Moreover, the launch of new dessert products and a resurgence in demand for our commercial-use products contributed to an overall increase in segment-wide net sales.

Causes of Net Changes in Beverage and Dessert Segment Operating Profits



(Note) Amounts less than 100 million yen are rounded down.

Revised description to "Alleviates discomfort in the eyes and nose due to factors such as pollen and house dust"

One of Megmilk Snow Brand's unique lactic acid bacteria strains, "Nyu-san-kin Helve" (*L.helveticus* SBT2171), was verified through human studies to ease discomfort in the eyes and nose. In a recent human trial* conducted in 2022, it was established that Nyu-san-kin Helve indeed alleviates discomfort in the eyes and nose caused by factors such as pollen and house dust. Building on these research findings, we have updated our product to include specific references to pollen and house dust in its labeling as a food with function claims. Due in part to these demonstrated benefits, related product sales for the fourth quarter of fiscal 2022 saw significant growth.



Nyu-San-kin Helve (Lactobacillus helveticus SBT2171) Yogurt (100g)

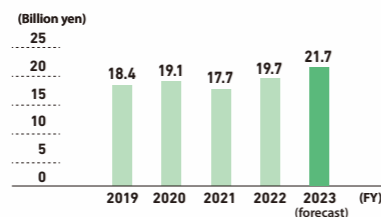
[Food with Function Claims] Notification Number: H512 Notice: This product contains *L.helveticus* SBT2171 (Nyu-san-kin Helve). Nyu-san-kin Helve has been documented as reducing discomfort in the eyes and nose arising from factors such as house dust. Key functional ingredient: *L.helveticus* SBT2171 (Nyu-san-kin Helve) This product is not designed for the diagnosis, treatment, or prevention of diseases. It is also distinct from Food for Specified Health Uses. Maintain a balanced diet of staple foods, main courses, and side dishes.

*Miyoshi et al., Jpn Pharmacol Ther 2022; 50(8) 1413-36



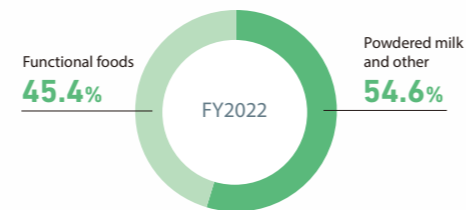
Nutrition Business

Net Sales



(Note) 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.

Net Sales Composition



Strengths and Unique Attributes

- Unique market positioning for Mainichi Hone Care MBP®, which is the only Food for Specified Health Uses in Japan approved for the claim of enhancing bone density
- Developmental capabilities for products like powdered milk, underpinned by ongoing breast milk research since 1951

For more details, click here.

Mainichi Hone Care MBP®
<https://www.meg-snow.com/hone-care/>
 (Japanese only)

Breast milk research
<https://www.beanstalksnow.co.jp/labo/>
 (Japanese only)



Group Medium-Term Management Plan 2025

- Basic Strategies
- Realization of diversified business models
 - Ensuring top-line growth and profitability amid changing market conditions

1) Establishing channels for business model diversification

We are committed to expanding our direct-to-consumer business, which has grown via TV, newspapers, and internet advertising, by exploring opportunities with major online malls and engaging in cross-border e-commerce.

2) Strengthening R&D efforts to extend healthy life expectancy and speeding up product launches

We will work hard to develop appealing products that can contribute to the extension of a healthy life expectancy. This will include various functional ingredients from both within and outside the company. We will focus on the bone, joint, and muscle sectors and develop high-value-added products using ingredients such as the Gasseri SP Strain and Gyu-san-kin Helve.

3) Expanding the overseas nutrition business

We will concentrate on growing our B-to-B functional dairy ingredient business. We also plan to initiate structural reforms in our highly competitive overseas infant formula business.

Fiscal 2022 Overview

Functional food products saw a significant rise in net sales due to the consolidation of Belle Neige Direct Co., Ltd., which manages Megmilk Snow Brand Direct. Excluding this impact, growth was approximately 10%. Although the declining birthrate has made it challenging to grow sales for products such as powdered milk and others, we managed to limit the decline by introducing products aimed at seniors.

Breakdown of Net Sales

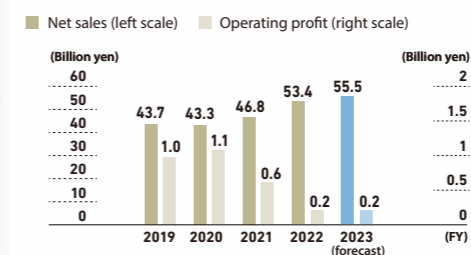
| | (Billion yen) | | |
|--------------------------|---------------|--------|-------------|
| | FY2021 | FY2022 | Growth Rate |
| Functional foods | 6.7 | 8.9 | +32.2% |
| Powdered milk and other | 10.9 | 10.8 | (1.2%) |
| Nutrition Business Total | 17.7 | 19.7 | +11.6% |

(Note) Amounts less than 100 million yen are rounded down.



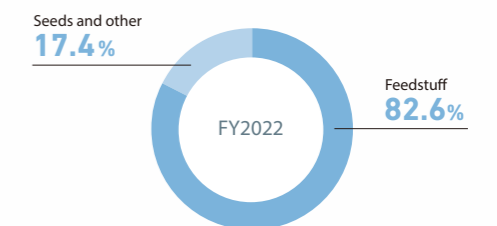
Feedstuffs and Seed Products Business

Net Sales and Operating Profit (Consolidated)



(Note) 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.

Net Sales Composition (Feedstuffs and Seed Products Segment)



Strengths and Unique Attributes

- Comprehensive proposal-based sales capabilities for dairy cattle feeding management, pasture management, silage preparation, and supply of agricultural materials
- Abundant lineup of pasture and feed crops and the production and procurement capabilities for seeds through breed improvement suited to local soil and climate conditions of pastureland
- Robust capabilities for developing functional products such as plant activator materials and green manure crops that suit the actual conditions of agricultural sites
- Proficiency in disseminating soil preparation and cultivation techniques that meet the producers' needs while maximizing product characteristics

For more details, click here.

R&D
<https://www.snowseed.co.jp/research/>
 (Japanese only)



Group Medium-Term Management Plan 2025

- Basic Strategies
- Building a strong business foundation through focused selection

1) Seed Business

Soaring global grain prices have had a serious impact on dairy farming, particularly because of the increased costs of blended feed dependent on imported materials. This situation has brought attention to the need for increased self-sufficiency of feedstuffs. We are focusing on developing and popularizing seeds for pasture and feed crops to facilitate more resilient dairy farming that is not reliant on imports.

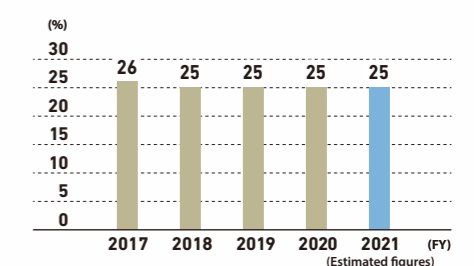
2) Feedstuff Business

We will develop new products, such as blended feed for dairy cattle, and promote feeding management techniques tailored to the dairy farming environment, thus contributing to the resolution of social issues and the growth of the dairy industry.



Alfalfa "Ceres 2"

Domestic Feedstuff Self-Sufficiency Rates



Source: Ministry of Agriculture, Forestry, and Fisheries "Food Supply and Demand Table"

Fiscal 2022 Overview

Although the feedstuff business experienced some volume decline due to reduced livestock feed amounts—attributable to fresh milk production restrictions and increased blended feed sale prices—as well as heightened competition, it ultimately achieved increased net sales due to a surge in raw feedstuff costs. The seed business also saw an uptick in net sales, largely driven by robust sales of grass seeds.

Breakdown of Net Sales

| | (Billion yen) | | |
|--|---------------|--------|-------------|
| | FY2021 | FY2022 | Growth Rate |
| Feedstuff | 37.9 | 44.1 | +16.3% |
| Seeds and other | 8.9 | 9.3 | +4.6% |
| Feedstuffs and Seed Products Segment Total | 46.8 | 53.4 | +14.1% |

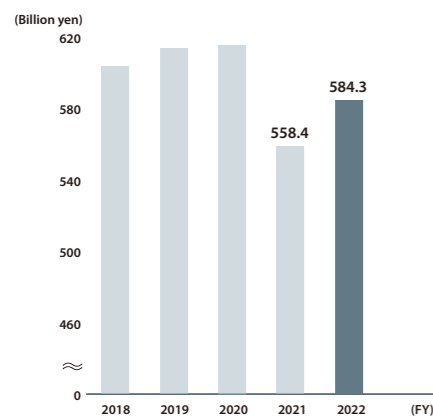
(Note) Amounts less than 100 million yen are rounded down.

Performance Highlights

Financial Information [Consolidated]

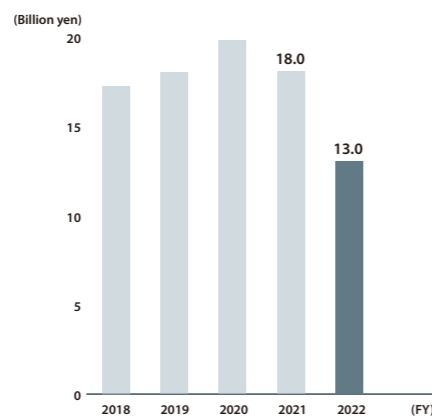
Net Sales
584.3 billion yen

For fiscal 2022, we adjusted the prices for numerous products to counteract rising costs. Successful measures for stimulating demand also led to increased net sales. The Accounting Standard for Revenue Recognition has been applied since fiscal 2021.



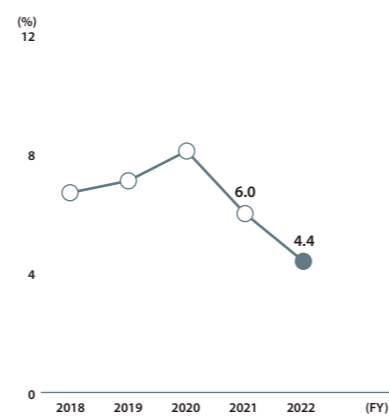
Operating Profit
13.0 billion yen

In fiscal 2021 and continuing into fiscal 2022, profit fell as a result of higher raw materials costs and an increase in operating costs, such as energy, and other developments.



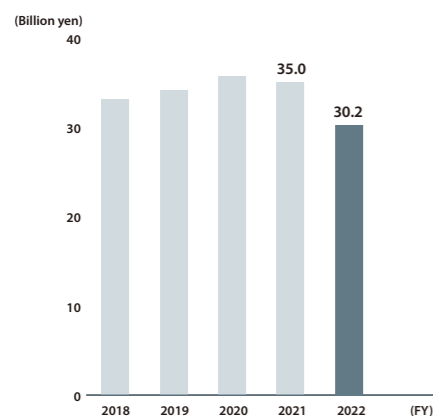
Return on Equity (ROE)
4.4 %

ROE has declined due to net income decreasing in fiscal 2021 and 2022, which resulted from a decrease in operating profit and other factors. Meanwhile, equity has continued to increase.



EBITDA*
30.2 billion yen

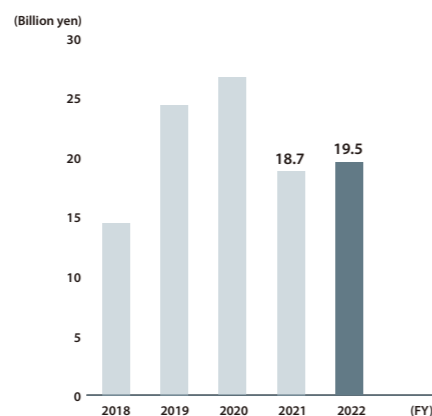
In fiscal 2022, operating profit decreased, which consequently led to a reduction in EBITDA.



* Earnings before interest, taxes, depreciation and amortization

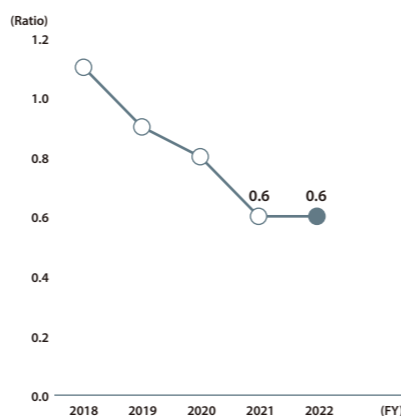
Capital Expenditures
19.5 billion yen

Investment rose in fiscal 2022 due in part to the construction of the Megmilk Snow Brand Innovation Center within our Milk Science Research Institute.



Price-to-Book Ratio (PBR)
0.6

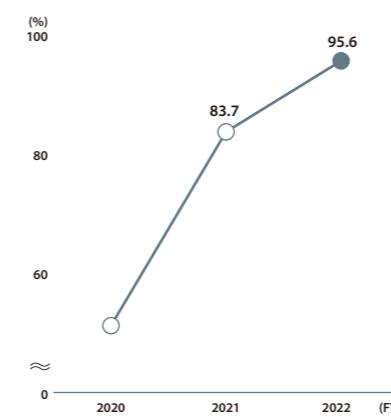
Since fiscal 2019, the PBR has consistently fallen below 1. We are committed to enhancing capital efficiency and ROE to exhibit the growth potential of our business, thereby improving the PBR.



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

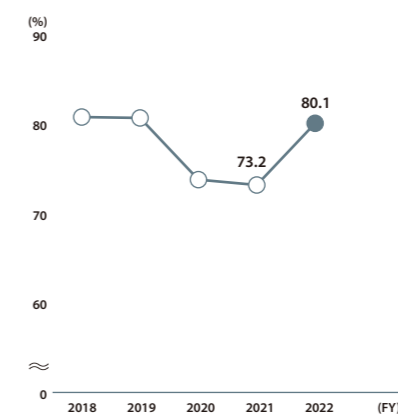
Percentage of Male Employees Taking Childcare Leave
95.6 %

We offer seminars and various programs to support the balancing of work with childbirth and childcare. In October, we introduced a new 28-day paid leave policy, Postpartum Partner Leave, aimed at encouraging male employees—including those in non-regular positions—to take childcare leave.



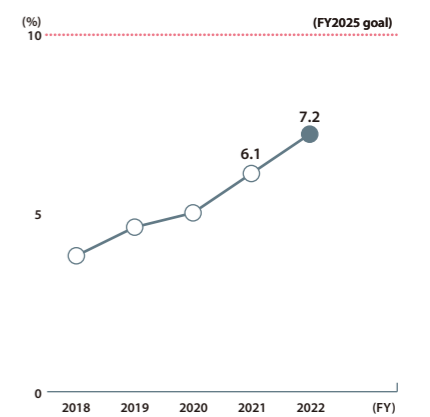
Paid Leave Acquisition Rate (All Employees)
80.1 %

For fiscal 2022, a company-wide target for the paid leave acquisition rate was set to 80% or more. We have enhanced the work environment to make it easier for employees to take paid leave through encouragement by those in management and the introduction of anniversary leave and bridge leave, resulting in an improved utilization rate.



Rate of Women in Management Positions (As of April 2023)
7.2 %

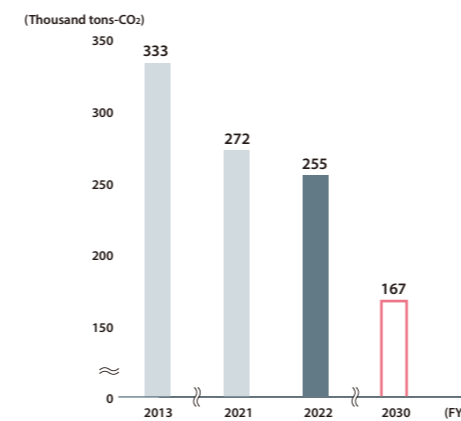
We have implemented career development programs for female leaders both inside and outside the company, formulated training plans, and conducted e-learning to promote understanding of unconscious bias.



Non-Financial Information [Megmilk Snow Brand Group]

CO₂ emissions (Scope 1 and 2)
255 thousand tons-CO₂

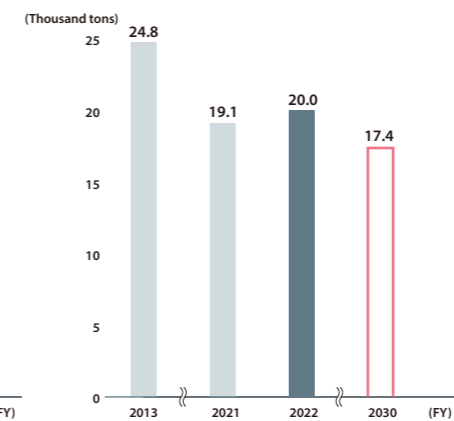
We converted the boiler system at Megmilk Snow Brand's Taiki Plant from heavy oil to LNG. Moreover, due to energy-saving measures implemented across various business sites, CO₂ emissions for fiscal 2022 were reduced by 17,000 t-CO₂ compared to fiscal 2021.



<Scope>
Megmilk Snow Brand, Ibaraku Co., Ltd., Kohnan Oils and Fats Mfg. Co., Ltd., Chokuhan Haisou Co., Ltd., Michinoku Milk Co., Ltd., Yatsugatake Milk Industry Co., Ltd., Snow Brand Seed Co., Ltd., Bean Stalk Snow Co., Ltd.

Waste Product Emissions
20.0 thousand tons

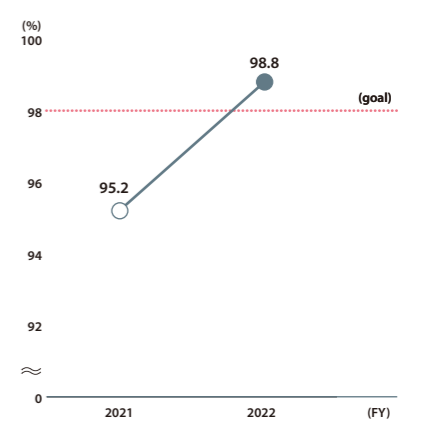
Due to a warehouse fire at a subcontracting company of Megmilk Snow Brand, there was a temporary increase in waste disposal volumes (+2.4 thousand tons), leading to worse results than fiscal 2021.



<Scope>
Megmilk Snow Brand, Ibaraku Co., Ltd., Kohnan Oils and Fats Mfg. Co., Ltd., Michinoku Milk Co., Ltd., Yatsugatake Dairy Co., Ltd., Snow Brand Seeds Co., Ltd., Bean Stalk Snow Co., Ltd.

Waste Recycling Rate (Industrial waste and valuable resources)
98.8 %

The food waste recycling rate improved in fiscal 2022, allowing us to achieve the waste recycling rate target.



<Scope>
Megmilk Snow Brand, Ibaraku Co., Ltd., Kohnan Oils and Fats Mfg. Co., Ltd., Michinoku Milk Co., Ltd., Yatsugatake Dairy Co., Ltd., Snow Brand Seeds Co., Ltd., Bean Stalk Snow Co., Ltd.

Material Issues and KPIs (FY2022 Results)

| Field | Material Issues | Core Activity Themes | Fiscal Year Achieved | KPIs | Result | Scope | Page to Refer | Related SDGs | |
|--------------------|--|---|---|---|--|--|---------------|--------------|------|
| Food and Health | Milk for Contributions to Food and Health | Providing Safe Products and Services | FY2022 | Certify 75% or more of the food facilities in and outside Japan that manufacture Megmilk Snow Brand products under an international food safety scheme recognized by GFSI | 96% have earned certification (as of April 2023) | C | P.50 | | |
| | | | FY2022 | Train certified sensory evaluation technicians with the ability to evaluate flavor 110% or more (compared to fiscal 2017 levels) | 122% | A | P.50 | | |
| | | Contributing to Extending Healthy Life Expectancy | Every year | Carry out research and development, product development, service provision, and information transmission to contribute to extending healthy life expectancy through milk | <ul style="list-style-type: none"> Gave four presentations on extending healthy life expectancy at conferences, published six papers in academic journals, and published two news releases on our website Enhanced related websites and conducted campaigns and ads to promote measures to increase interest in bone health and public awareness of MBP | A | P.51 | | |
| | | | FY2026 | Conduct food education activities on the key theme of contributing to health through food, aiming for an average of 45,000 participants per year from fiscal 2019 to 2026 | 64,150 participants (142.6% of target) | D | - | | |
| Dairy Farming | Contributing to Sustainable Dairy Farming | Activities to Strengthen the Dairy Farming Production Platform | Every year | Provide administrative and technical support for sustainable dairy farm management through operational support for the Japan Young Dairy Farmers Research Association and the activities of the Research & Development Center for Dairy Farming | <ul style="list-style-type: none"> Provided operational support for various training programs held by the Japan Young Dairy Farmers Research Association and for the Japan Dairy Farmer's Research Association and Dairy Farming Conference. Held the Research & Development Center for Dairy Farming Symposium in a hybrid in-person and online format on the theme of "Now Is the Time to Produce Feedstuff Domestically." 260 people participated | A | P.52 | | |
| | | | FY2030 | Increase the area of land planted with Snow Brand Seed Co., Ltd.'s feedstuff seeds by 3% compared to fiscal 2019 levels in order to promote self-sustaining feedstuff dairy farming | 3.7% (101,455 ha planted in FY2022) | B | P.52 | | |
| Environment | Reducing Environmental Impact | Preventing Global Warming | FY2030 | 50% reduction in CO ₂ emissions (compared to FY2013) | 23.5% | E | P.41 | | |
| | | | FY2022 | Use 100% environment-friendly raw materials in paper used | 97.7% | I | - | | |
| | | | FY2026 | Procure 100% certified palm oil *Applies to refined palm oil | 14.5% | J | - | | |
| | | Sustainably Using Resources | FY2030 | Reduce the amount of petroleum-derived plastic used (per unit of sales) by 25% (compared to FY2018) *Reduction includes replacing petroleum-derived plastics with recycled plastics and mass-balanced bioplastics | 5.3% | F | P.42 | | |
| | | | Every year | <ul style="list-style-type: none"> Prioritize using paper and biomass plastic containers Encourage the use of personal cups and bottles in office to reduce the number of plastic bottles used | <ul style="list-style-type: none"> Introduced strawless milk cartons for school meals and switched fruit juice drink straws to biomass straws Multiple Megmilk Snow Brand departments worked to reduce the number of plastic bottles used in the workplace and promoted personal cups and bottles to reduce plastic waste | A | P.42 | | |
| | | | Formation of a Recycling-based Society | FY2030 | Reduce waste product emissions by 30% (compared to FY2013) | 19.6% | G | | P.36 |
| | | | | FY2030 | Maintain waste recycling rate at 98% or higher | 98.8% | G | | P.36 |
| | | Every year | | Food waste product recycling rate of 95% or higher | 94.8% | H | - | | |
| | | Every year | 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 | Extended the best-before dates of one dairy food product for household use and 9 milk beverage and dessert products for household use | A | - | | | |
| | | FY2030 | Reduce the amount of water used at manufacturing sites by 9% (compared to FY2013) | 7.6% | G | P.43 | | | |
| Every year | Confirm water risks at manufacturing sites and assess risks to business continuity | Confirmed water risks and assessed risks to business continuity | G | P.68 | | | | | |
| People and Society | Realization of a Diverse and Motivating Workplace | Diversifying and Developing Human Resources | FY2025 | Percentage of female managers of 10% or higher | 7.2% (as of April 1, 2023) | A | P.36 | | |
| | | | Every year | Be recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program | Recognized as a 2023 Certified Health & Productivity Management Outstanding Organization | A | P.47 | | |
| | | Respect for Human Rights | 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 | <ul style="list-style-type: none"> Conducted a Human Rights Impact Assessment through in-person interviews with foreign workers at factory and dairy farming production sites and a group company Conducted a Human Rights Impact Assessment with small-scale palm farmers in Indonesia through on-site visits and dialogue after a preliminary questionnaire was sent to them | A | P.48 | | |
| | | | Partnering with Local Communities | Every year | Work with the Community to Help Resolve Social Issues | <ul style="list-style-type: none"> Worked with local communities in Ibaraki Prefecture, including expanding consumption of agricultural products from Ibaraki Prefecture and Megmilk Snow Brand dairy products, and participating in Ibaraki Prefecture's "Low Sodium Promotion Project" Worked with local retail stores to introduce sodium-conscious menus and display leaflets and educational videos in store as a company supporting the Smart Miyagi Healthy Citizen Council | A | | P.53 |

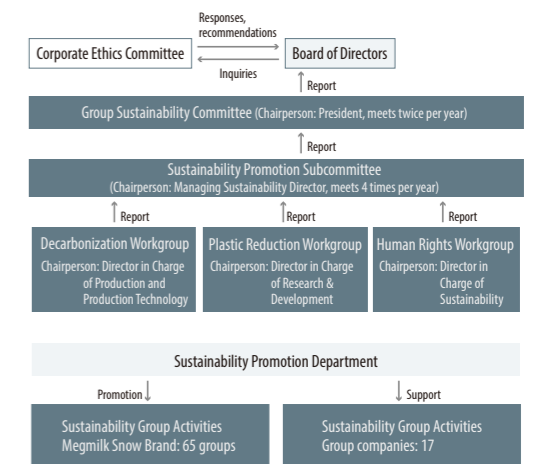
<Scope> A Megmilk Snow Brand B Snow Brand Seed Co., Ltd. C Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. / Snow Brand Australia Pty. Ltd. / PT. Megmilk Snow Brand Indonesia / Luna 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. / Bean Stalk Snow Co., Ltd. I Megmilk Snow Brand / Kohnan Oils and Fats Mfg. Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd.

Sustainability Promotion

Sustainability Promotion Structure

The Group Sustainability Committee, chaired by the President of Megmilk Snow Brand, has been established to promote the 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 (twice in FY2022). 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 (four times in FY2022).

In addition, we promote understanding 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.



Sustainability Group Activities

The Megmilk Snow Brand has carried out sustainability Group activities since fiscal 2003 as a means of cultivating executives' and employees' understanding of sustainability and fostering a compliance mindset after the occurrence of two incidents (see p. 66). The sustainability leaders appointed in each division play the central role in these activities. Fiscal 2023 marked the 21st year of these activities, which are held 10 times in each division. All employees participate, regardless of employment type.

Making use of this report, employees engage in a lively exchange of views about efforts to achieve the SDGs and solve social issues. The sharing of ideas and experiences with each other helps to strengthen communication among employees.

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



Sustainability Group activities in action

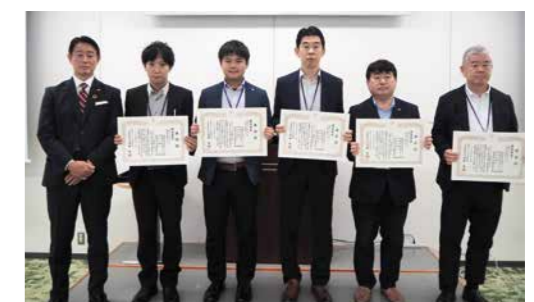
The Megmilk Snow Brand SDGs Action Awards

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 2022, the third year of awards, 17 Group companies and all divisions of Megmilk Snow Brand participated, and a total of 132 entries were received. Our President, Managing Sustainability Director, and the Sustainability Promotion Department selected outstanding activities that would serve as a model for the Group, and held an award ceremony in June 2023. The Grand Prize went to a joint initiative by Megmilk Snow Brand's Production Department, the Noda Plant, the National Chain Store Sales Department, and the Dairy Department's East Japan Milk Procurement Office to "reduce late-night work at the Plant by changing production systems." Their partnership with external parties and efforts to solve a social issue while achieving economic efficiency were highly evaluated.

| Awards held | 2020 | 2021 | 2022 |
|---------------------------------------|--|---|--|
| | 1st year | 2nd year | 3rd year |
| Participation rate | All Megmilk Snow Brand departments: 100% | 100% | 100% |
| | 17 Group companies: 59% | 89% | 100% |
| Characteristics of awarded activities | Understanding the SDGs and connecting them to operations | Concrete efforts to "leave no one behind" | Solving a social issue while achieving economic efficiency |



Workplace of the Grand Prize recipients

Addressing Climate Change

As a part of sustainability management that aims to align social and economic values, Megmilk Snow Brand set the target of reducing CO₂ emissions by 50% compared to fiscal 2013 as a Key Performance Indicator (KPI) for fiscal 2030, and has been promoting Group-wide decarbonization efforts. In May 2023, we declared our commitment to working toward carbon neutrality and reducing greenhouse gas emissions to net zero by 2050.

Going forward, we will implement further initiatives to realize a decarbonized society.

Megmilk Snow Brand's 2050 Carbon Neutrality Declaration

Megmilk Snow Brand will solve issues related to climate change and dairy farming production to realize "food sustainability," and aim to achieve carbon neutrality by 2050.

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

Climate change is one of the most pressing issues global society faces today. It needs to be addressed as a material issue and prerequisite for Megmilk Snow Brand's business to achieve "food sustainability." In September, Megmilk Snow Brand disclosed non-financial information based on the TCFD framework.

This year's report focuses on the activities undertaken in fiscal 2022.

Governance (see p. 38, Sustainability Promotion Structure)

To promote the sustainability of the entire Group at the management level, we have established the Group Sustainability Committee, chaired by the President of Megmilk Snow Brand, to discuss concrete measures.



Group Sustainability Committee in action

Strategy

We took the following actions in fiscal 2022 based on the climate change risks disclosed that year. We also defined new KPIs to serve as opportunities for action.

Climate Change Risks and Megmilk Snow Brand's Actions

| Risk Items | Impact on Megmilk Snow Brand | Level of Impact in 2050 | | Megmilk Snow Brand's Actions in FY2022 |
|--------------|--|-------------------------|-----|---|
| | | 1.5°C | 4°C | |
| Carbon price | Increase in manufacturing and transportation costs and cost of sales due to the introduction of a carbon tax | Large | | <ul style="list-style-type: none"> Converted the boiler system to run on liquid natural gas (LNG) and introduced methane fermentation equipment to reduce CO₂ emissions (Taiki Plant). Decided to install photovoltaic systems to expand the use of renewable energy (Ebina Plant, Ami Plant, Kyoto Plant). Discussed introducing renewable energy (Kawagoe Plant). Established quantitative targets for each fiscal year to serve as a roadmap and clarified the CO₂ emissions target for FY2025, the interim point, with the aim of reducing CO₂ emissions to 50% of the FY2013 level by FY2030. Established a structure to encourage environment-related capital expenditures by initiating financing through sustainability-linked loans and green bonds. Began third-party verification of CO₂ emissions beginning with our CO₂ emissions in FY2021 in order to increase the credibility of our CO₂ emission figures. Began discussing the introduction of internal carbon pricing. |

| | | | | |
|--|---|--------|-------|---|
| Changes in consumer awareness | <p>Consumer interest in the use of natural materials, recycling of packaging materials, CO₂ emissions, etc.</p> <p>Increase/decrease in net sales due to the purchase of products from companies that proactively address climate change</p> | Medium | Small | <ul style="list-style-type: none"> Changed straws included with products for household use to those containing biomass plastic. Began providing straws containing biomass plastic with milk for school meals and introduced strawless cartons (April 2023). Formulated a roadmap for switching to paper yogurt containers and introducing containers containing biomass plastic, and began discussing concrete steps. Held a dialogue on ethical consumption with consumer group representatives and experts on consumer issues at the Megmilk Snow Brand Consumer Subcommittee meeting. Set a new KPI for the expansion of alternative foods, such as plant-based foods, and function-added products. |
| Increasing average temperature | <p>Increase in raw material procurement costs due to heat control measures</p> <p>Insufficient water resources due to the increasing average temperature</p> | Small | Large | <ul style="list-style-type: none"> Installed backwash water recovery equipment (Ebina Plant). Revised KPI for increasing the area of land planted with grass and feedstuff seeds (Snow Brand Seed Co., Ltd.). Set a new KPI for increasing the area planted with green manure seeds (Snow Brand Seed Co., Ltd.). Held the Research & Development Center for Dairy Farming Symposium to provide business management and technical support for sustainable dairy farming management. Launched a demonstration experiment for a measure to reduce greenhouse gas emissions from cow intestines (reduce methane gas in burps). |
| Increase in frequency and severity of extreme weather events | Impact of natural disasters on manufacturing and logistics facilities | | Small | <ul style="list-style-type: none"> Reassessed water risks at manufacturing sites. No sites were found to be at high risk in the Aqueduct assessment. Conducted independent assessments for water, wastewater, and flood risks. Upgraded wastewater treatment facilities to address wastewater risks (Chino Plant, Yatsugatake Milk Co., Ltd.). To address flood risks, installed a simple dike system to prevent damage to power receiving, transforming, and distribution equipment in case of river flooding (Betsukai Plant). Conducted periodic drills to check the operation of emergency generators installed at all seven plants in Hokkaido in preparation for emergencies. |

Risk Management

Climate change risks are reported and discussed by the Sustainability Promotion Subcommittee and shared with the entire Group via the Group Sustainability Committee.

Metrics and Targets

We have set KPIs for the identified risks in order to manage their progress.

Progress of Main KPIs Related to Climate Change

| Items | KPIs | FY2021 | FY2022 |
|--|--|---------------------------|---|
| Carbon price | 50% reduction in CO ₂ emissions by FY2030 (compared to FY2013) | 18.4% reduction | 23.5% reduction |
| | 25% reduction in the amount of petroleum-derived plastic used (per unit of sales) by FY2030 (compared to FY2018) | 2.5% reduction | 5.3% reduction |
| Changes in consumer awareness | Switch paper used to 100% environment-friendly raw materials | 87.1% | 97.7% |
| | 100% procurement of certified palm oil by FY2026 | 20.4% | 14.5% ^{*1} |
| Increasing average temperature | 9% reduction in the amount of water used at manufacturing sites by FY2030 (compared to FY2013) | 8.2% reduction | 7.6% reduction ^{*1} |
| | 3% expansion in area of land planted with grass and feedstuff seeds by FY2030 (compared to FY2019) ^{*2} | 0.2% increase | 3.7% increase |
| Increase in frequency and severity of extreme weather events | Confirm water risks and conduct an assessment of business continuity risks (every year) | Conducted risk assessment | Revised independent assessment; implemented drainage and flood control measures |

^{*1} Expansion of target scope
^{*2} Add "grass" starting in fiscal 2023

Reducing CO₂ Emissions

Boiler System Fuel Conversion Initiative

Fuel conversion (heavy oil to LNG) of the boiler system at Megmilk Snow Brand's Taiki Plant was completed in December. This will reduce our annual CO₂ emissions by approximately 7,800 metric tons of CO₂ per year. Since fuel conversion of boiler systems is highly effective in reducing CO₂ emissions, we will implement it successively from 2023 onward at the Nakashibetsu Plant (2023–2024) and Kyoto Plant (2025–2026). The impact of converting boiler systems at all three plants to run on LNG will be a reduction of approximately 15,000 metric tons of CO₂ emissions per year.



Boiler system (Taiki Plant)

Photovoltaic System Installation Initiative

Installation of a photovoltaic system (generating 323 MWh/year) at Megmilk Snow Brand's Ebina Plant was completed in June 2023. This will reduce our annual CO₂ emissions by approximately 123 metric tons of CO₂ per year. Operations are scheduled to start at the Ami Plant and Kyoto Plant in 2024, which is expected to bring the total reduction to 954 metric tons of CO₂ emissions per year at the three plants.



Photovoltaic system (Ebina Plant)

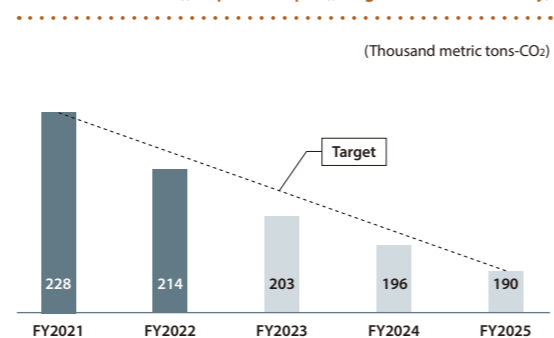
| Plant | Generating capacity (kW) | Electricity generated (MWh/year) | Reduction in CO ₂ (t-CO ₂ /year) | Start of operations |
|-------------|--------------------------|----------------------------------|--|---------------------|
| Ebina Plant | 205 | 323 | 123 | Jul. 2023 |
| Ami Plant | 1,005 | 1,380 | 603 | Jun. 2024 |
| Kyoto Plant | 380 | 626 | 228 | Jun. 2024 |
| Total | 1,590 | 2,329 | 954 | |

Clarification of CO₂ Emissions Targets

To ensure that we achieve our CO₂ emissions target for fiscal 2030 (a 50% reduction compared to fiscal 2013), we have set quantitative targets for each fiscal year to serve as a roadmap, and clarified the CO₂ emissions amount for fiscal 2025, our interim target. We are meticulously managing our progress based on these figures.

| | (Thousand metric tons-CO ₂) | | | | |
|---------|---|--------|-----------------|-----------------|-----------------|
| | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
| Target | – | 218 | 209 | 199 | 190 |
| Result | 228 | 214 | 203 (Estimated) | 196 (Estimated) | 190 (Estimated) |
| Scope 1 | 117 | 113 | – | – | – |
| Scope 2 | 111 | 101 | – | – | – |

CO₂ Emissions ((Scope 1 + Scope 2), Megmilk Snow Brand Only)



Plastic Reduction Initiatives

We have set a KPI target for fiscal 2030 of a 25% reduction in the amount of petroleum-derived plastic used (per unit of sales) compared to fiscal 2018, and are promoting efforts to reduce plastics. In order to accelerate these efforts, we established the Plastic Reduction Workgroup in fiscal 2021. This workgroup discusses concrete measures, such as switching to paper yogurt containers and introducing containers made of biomass plastic.

Initiatives in Containers and Packaging

■ To reduce petroleum-based plastic in straws, we introduced strawless milk cartons for school meals and began providing straws containing biomass plastic in April 2023. This initiative is expected to reduce the amount of petroleum-based plastic by up to 54 million bottles (approximately 18 metric tons) per year. Another initiative we took to reduce petroleum-based plastic in straws was switching straws provided with fruit juice drinks to straws containing biomass plastic in March 2022.



| Product | Target material | Reduction in petroleum-derived plastic (estimated) | Introduced |
|---|-----------------|--|------------|
| Beverages | Straw | 8 metric tons/year | Mar. 2022 |
| Dessert sauces for commercial use | Bottle | 9 metric tons/year | Jun. 2022 |
| Mainichi Hone Care MBP® Pet bottle-type | Cap | 1 metric ton/year | Mar. 2023 |
| Small containers with caps | Cap | 6 metric tons/year | Mar. 2023 |
| Dole® Apple 100% 280 ml | Cap | 1 metric ton/year | Mar. 2023 |
| Milk for school meals | Straw | 18 metric tons/year | Apr. 2023 |
| | | Total: | |
| | | 43 metric tons/year | |

■ As part of our initiative to reduce the amount of plastic used overall, we are working to reduce the thickness and weight of plastic caps used in our containers and packaging, among other measures. Including our straw initiative, we estimate a reduction of 43 metric tons per year in the future.

Establishment of Plastic Waste Reduction Targets

Megmilk Snow Brand is classified as a "large volume generator" because we generate over 250 metric tons per year of industrial waste from products that use plastic and the like. For this reason, we have set new targets for reducing and recycling plastic industrial waste as Group environmental goals for fiscal 2023. We will publicly announce our progress on these targets going forward.

<Newly Added Items>
 Group Environmental Goals
 · By FY2030, reduce the amount of plastic waste (industrial waste) generated by 15% (compared to FY2018)
 · Achieve a plastic waste recycling rate of at least 98% by FY2030



Promoting Decarbonization



Director and Managing Executive Officer
 Decarbonization Workgroup Chairperson
 Takehiko Inoue

Launch of the Decarbonization Workgroup and Its Role

In November 2021, we launched the Decarbonization Workgroup consisting of executives and employees from the Production Technology Department, Corporate Planning Division, and Sustainability Promotion Department. This workgroup meets monthly to share information and discuss concrete measures relating to topics, such as capital investments to reduce CO₂ emissions and the procurement of renewable energy.

Last fiscal year, the workgroup reported and proposed the introduction of photovoltaic systems at three plants (Ebina, Ami, and Kyoto) and the adoption of the 2050 Carbon Neutrality Declaration to the Sustainability Promotion Subcommittee, taking our decarbonization efforts one step further. Going forward, we will continue to accelerate initiatives to halve carbon emissions by 2030 (reduce CO₂ emissions by 50% compared to fiscal 2013), which is one of the Megmilk Snow Brand's KPIs.

Biodiversity Conservation Initiatives

In the Megmilk Snow Brand Group Environmental Policy revised in 2021, we added that we will conserve biodiversity and contribute to the creation of a future society by using resources in a sustainable way in business activities. Living organisms on Earth depend on each other, forming ecosystems such as forests and rivers that are unique to each place and land, and our lives are supported by these ecosystems. Since our plants use a large amount of water resources, we have set a KPI for fiscal 2030 of reducing the amount of water used at manufacturing sites by 9% compared to fiscal 2013. We expanded the scope of this KPI to the entire Megmilk Snow Brand Group from fiscal 2022, and are working to promote water conservation efforts. In addition, since fiscal 2022, we have stepped up our forest conservation efforts, which also contribute to protecting water resources.

Water Conservation Initiative

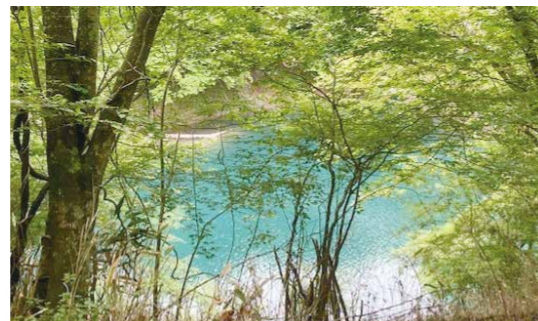
As part of our efforts to conserve water, we installed backwash water recovery equipment at Megmilk Snow Brand's Ebina Plant, following Fukuoka Plant and Noda Plant. The Ebina Plant uses well water in plant operations and has installed filters to remove impurities in the water, but these filters must be backwashed periodically to remove stuck-on impurities. By installing equipment to effectively utilize this backwash water, we expect to reduce water consumption at the plant by approximately 26,000 m³ per year.



Backwash water recovery equipment (Ebina Plant)

Initiatives to Restore Water Sources Through Forest Conservation

Megmilk Snow Brand's Ebina Plant has been participating in the Kanagawa Prefectural Government's "Reforestation Partner" system since fiscal 2022, and has launched a reforestation initiative in support of the Kanagawa Reforestation 50 Year Plan. In a forest that the plant has named "Megumi no Mori," employees participated in forest maintenance, nature observation, and other activities to raise awareness of environmental protection and volunteerism, and worked to restore this source of water.



Megumi no Mori (Kiyokawa-mura, Aiko-gun, Kanagawa)

Megmilk Snow Brand has long engaged in forest conservation efforts through tree-planting and other forest conservation activities, as well as through the use of carbon offsetting programs. In fiscal 2022, the Noda Plant began working on a forest conservation project (Forest Thinning Promotion Project for Nippon Paper Lumber Co., Ltd.'s Sudagai Company-owned Forest in Gunma) located in the headwater region of the Tone River. We will continue to gradually expand our support for forest conservation.



Sudagai Company-owned Forest (Minakami-machi, Tone-gun, Gunma)

| Content of initiative | Location | Year started | Area (approximate) | YoY change |
|---|---------------------------|--------------|--------------------|--------------|
| Hokkaido: "Hokkaido-owned Forest Offset Credit Scheme" | Megmilk Snow Brand Museum | 2015 | 6ha | +4ha |
| Nakashibetsu Town, Hokkaido: "Nakashibetsu Town Town-owned Forest J-Credit Scheme" | Nakashibetsu Plant | 2017 | 2ha | |
| NEW Kanagawa Prefecture: "Reforestation Partner" Naming Rights Forest "Megumi no Mori" | Ebina Plant | 2022 | 3ha | +3ha |
| NEW J-Credits related to the "Forest Thinning Promotion Project for Nippon Paper Lumber Co., Ltd.'s Sudagai Company-owned Forest in Gunma" | Noda Plant | 2022 | 8ha | +8ha |
| | | | Total 19ha | +15ha |

Human Capital Investment for Achieving the Group Medium-Term Management Plan 2025

Human Capital & Diversity

The Megmilk Snow Brand Group believes that people are its greatest assets.

In the midst of major changes in the environment and uncertainties about the future, we believe that the growth and contributions of our core human resources, who are the source of our added value, are essential to realize our Corporate Philosophy and Purpose, and to achieve sustainable growth.

We are promoting personnel policies and building an environment that enables diverse talent who practice the Megmilk Snow Brand Values to fully demonstrate their individuality and abilities. We will enhance each employee's "motivation" (ease of work + job fulfillment) and cultivate talent who will create added value through the milk value chain.

Megmilk Snow Brand Values

- Self-motivated**
Start the action.
For your future.
- Challenge**
Enjoy the challenge.
For your future goal.
- Teamwork**
Work together.
For our common future.

Group Medium-Term Management Plan 2025

What we need in these times of dramatic change

Transform from a culture of searching for why we cannot to a culture of exploring how we can

+ Speed

Human Resource Development Policy

- Cultivate talent to support the sustainable growth of the Megmilk Snow Brand Group
- Encourage the self-actualization of each employee through the development of their individual capabilities
- Promote diversity and inclusion

Four Measures of the Medium-term Human Resources Strategy

1. Improve labor productivity by promoting workstyle reforms

Promote workstyle reforms

Megmilk Snow Brand has been working to improve productivity and enhance work-life balance since fiscal 2016. Overtime hours (monthly average per general employee) decreased to less than three-fourths, from 23.8 hours in fiscal 2015 to 17.6 hours in fiscal 2022. Meanwhile, the rate of employees taking annual paid leave (average for all employees) reached 80% in fiscal 2022, up from 65% in fiscal 2015.

in any organization can work with energy at any time and anywhere."

In the future, we will further expand the range of workstyles employees can choose from as "new workstyles," in order to realize diverse ways of working that will improve both corporate value and employee satisfaction.

| Megmilk Snow Brand (non-consolidated) | Unit | FY2020 | FY2021 | FY2022 |
|--|-------|---------|---------|---------|
| Total hours worked | Hours | 1,972.7 | 1,946.6 | 1,938.5 |
| Overtime hours worked | Hours | 17.5 | 17.4 | 17.6 |
| Annual paid leave acquisition rate (Target: 80% or more in FY2023) | % | 73.8 | 73.2 | 80.1 |

(Notes) 1. Total hours worked is the number of hours per general employee per year
2. Overtime hours worked is the number of hours per general employee per month in excess of the number of scheduled working hours
3. The annual paid leave acquisition rate is the percentage of annual leave days taken by all employees, including non-permanent employees

Provide new workstyles

The telecommuting program we rolled out company-wide in fiscal 2018 has evolved into Megmilk Snow Brand Remote Work Management (YMR), the theme of which is "Any person



Devising and Implementing Workstyles that Match Our Lifestyles Grand Prize Winner of the Third Megmilk Snow Brand SDGs Action Awards



(From left) Takayoshi Kubota, Chika Yoshikawa, Kanako Yoshie, and Naho Nakamura

Fermentation Team, Manufacturing Sec., Fukuoka Plant

Out of a total of 13 people in our team, two are over the age of 65, five are women, and five are parents with childcare responsibilities. This has presented some challenges at our workplace, since everyone wants to do their best at work, but the need to pick up and drop off children at specific times limits some workers in their ability to work staggered hours. The aging of the workforce, the promotion of women's participation in the workplace, and childcare and nursing care issues are all relevant issues that need to be addressed

at our workplace. Therefore, we reexamined the way we have been working until now and strove to "create a diverse and motivating workplace." One of the changes we made was to pump equipment-cleaning detergent directly from a tanker instead of carrying it in 20 kg containers. This has reduced the workload associated with heavy lifting and replenishment work and improved safety. We also changed our method for sterilizing water used in production (from a sterilizer to UV equipment), which enabled us to shorten our early work hours and delay the start of work to a time that is more friendly to parents (from 6:30 to 8:00 a.m.), thereby creating a more comfortable work environment. Rather than saying, "This is a factory; it can't be helped," or "It's inevitable," and giving up, we are working daily to "create a work environment where "anyone at any life stage can play an active role," by having all members speak up, cooperate, and work proactively toward "improvements that leave no one behind."

2. Create added value by promoting diversity (Diversity & Inclusion)

Promote diversity and inclusion (D&I)

The Megmilk Snow Brand Group seeks diverse human resources who practice the three qualities of “self-motivated, challenge, and teamwork” set forth in the Megmilk Snow Brand Values. We aim to be a corporate group that generates synergy and added value by enabling talent from various backgrounds—including age (young, mid-level, and senior), gender (male or female), nationality, work experience (new graduates, experienced, and returning to work), and disability—to recognize and respect each other’s individuality and demonstrate their abilities.

Efforts to promote women’s participation

Since Megmilk Snow Brand’s “Declaration on promoting women’s active participation in the workplace” in December 2015, we have positioned “women’s participation” at the core of our diversity initiative and promoted it as a corporate strategy. The rate of women in management positions rose from 2.5% in fiscal 2015 to 7.2% at the beginning for fiscal 2023, and we will continue to work toward our target of 10% or more by the end of fiscal 2025.

Specific measures will be focused on creating an environment that supports a healthy work-life balance (by providing programs, etc.); rolling out internal and external career development programs to foster female leaders and promote career advancement; formulating training

plans; holding internal forums and e-learning programs to promote understanding of unconscious bias, including bias around LGBTQ+; and supporting activities aimed at providing women with more detailed opportunities and training.

Support for balancing work with childcare and nursing care

We hold seminars and develop and offer various programs to support the balancing of work with birth, childcare, and nursing care responsibilities.

In October, following the revision of Japan’s Child Care and Family Care Leave Act, we established a new 28-day paid leave system called “Postpartum Partner Leave” to encourage male employees (including both regular workers and non-regular workers) to take childcare leave.

D&I Project

As we continue to reform workstyles, enhance various programs, and improve work environments, our next stage will be launching the “D&I Project” in fiscal 2023. This project will be headed by the Managing Sustainability Director and consist of representatives from each section, and will further accelerate the creation of an effective framework in which diverse human resources can play an active role.

| Megmilk Snow Brand (non-consolidated) | Unit | FY2020 | FY2021 | FY2022 |
|---|---------------------|--------|--------|--------|
| Rate of women in management positions (Target: 10.0% or more in FY2025) | % | 5.0 | 6.1 | 7.2 |
| Rate of employees taking childcare leave (Target: 85.0% in FY2025) | Total | 64.4 | 92.2 | 100.9 |
| | Men | 51.2 | 83.7 | 95.6 |
| | Women | 97.1 | 125.0 | 123.8 |
| Gender wage gap | All workers | — | — | 60.5 |
| | Regular workers | — | — | 64.0 |
| | Non-regular workers | — | — | 75.0 |

(Notes) 1. The rate of women in management positions is the figure for April 1, 2024.
 2. The rate of employees taking childcare leave may exceed 100%, as it includes employees whose children were born during the previous fiscal year or earlier who did not take childcare leave at that time, but instead took leave during the current fiscal year.
 3. The gender wage gap states women’s wages as a percentage of men’s wages. Regular workers include full-time workers who have transitioned from fixed-term to indefinite-term contracts, in addition to permanent, full-time employees. The wage gap between men and women is attributed to a number of factors, including differences in the ratio of men and women in each pay grade and differences in the number of male and female full-time workers who have transitioned to indefinite-term labor contracts. The wage system does not treat workers differently based on gender.

3. Acquire, assign, and develop talent to realize management strategies

Hiring experienced talent

In addition to hiring new graduates, part of our management strategy is to hire mid-career talent who can use their experience at other companies in various fields, including production, sales, R&D, and IT, to support the milk value chain. In addition, we convert motivated and capable contract employees to permanent employees so that they can contribute in a wider range of fields.

Skill development

In the employee awareness survey conducted by Megmilk Snow Brand in 2022 (once every three years), some employees said that they felt they lacked experience and skills, or that they did not feel confident to take on leadership roles.

We will promote the strengthening of skills, mindset, and thinking appropriate to the requirements of each role and job level. We will also promote the development of skills such as leadership and logical thinking on an open-application basis, which applies to Group company employees as well.

Providing participation opportunities

Through internal recruitment, a career challenge system, participation in large-scale projects, and dispatches to Group companies, we will provide opportunities for motivated and enthusiastic employees—regardless of gender, age, or experience—to develop their skills and play an active role.

Strengthening expertise

The Megmilk Snow Brand Group will further strengthen the expertise of each section supporting the value chain, including dairy farming, R&D, production, quality assurance, marketing, logistics, and IT, and develop talent capable of adapting to the globalization and digitalization of our business.

Support for career self-reliance

Megmilk Snow Brand will promote career self-reliance by providing a system for career counseling and self-assessment, which can also be used by middle-aged and older employees in their second career. We will also consider introducing a second job system from the standpoint of encouraging career self-reliance, diverse workstyles, and the development and exercise of one’s abilities.

Fostering next-generation leaders (management-level candidates)

From fiscal 2023, we will introduce a training program that links selection-based leadership development training to executive training, with a focus on developing candidates for management-level positions into leaders. This will help to foster leaders for the next generation of Group management.

| Megmilk Snow Brand (non-consolidated) | Unit | FY2020 | FY2021 | FY2022 |
|---|-----------|--------|--------|--------|
| Training costs | 1,000 yen | 15 | 19 | 20 |
| Participants in voluntary training | People | 0 | 351 | 347 |
| Participants in career training and workshops | People | 201 | 518 | 363 |

(Notes) 1. Figures are actual results for regular employees
 2. Training costs are the annual cost per person

Receipt of the Good Career Company Award 2022 Grand Prize

Megmilk Snow Brand received the Grand Prize (presented by the Minister of Health, Labour and Welfare) of the Good Career Company Award 2022, which recognizes companies that are making exemplary efforts to support employees’ self-reliance in career development. We were praised for our comprehensive and ongoing commitment to career support, including the introduction of an evaluation system for non-regular employees and the establishment of a system for converting them to permanent, full-time employees.



(From left) Executive Vice President Motoi, Personnel Dept. General Manager Sakata

Spreading the Megmilk Snow Brand Values / Megmilk Snow Brand Awards 2022

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

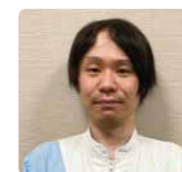
In 2022, the second year of the awards, 47 entries were received from departments across Japan. The President’s Award was presented to the Ami Plant for its concerted efforts to reduce food waste based on the question, “How can we deliver the fresh raw milk that dairy farmers worked so hard to produce to customers without wasting any of it?” In addition, a wide variety of other initiatives were awarded, including the development of exclusive sweets for major convenience stores, activities to support children in special-needs classes, and the donation of products to food banks.



(From left) Yoshifumi Asano, Kento Sugita, Homare Sato



Promotion to Permanent Employment and Further Implementation of Megmilk Snow Brand Values



Yoshifumi Asano

Manufacturing Sec., Ami Plant

I was hired at the Ami Plant as a contract employee in 2017 and was promoted to a permanent position in 2022. I am mainly responsible for the sliced cheese emulsification process. One thing that has changed since becoming a permanent employee is that contract workers basically follow the instructions of permanent employees, but now I am on the other side, giving them instructions. I feel that I am in a position with more responsibility than before, as I need to provide instructions with safety and quality in mind. I want to challenge myself to make various improvements based on how things should be, rather than taking the current situation for granted.



Homare Sato

Through my participation in the winning project at the Megmilk Snow Brand Awards 2022, I learned about controlling the properties of 6P Cheese and gained knowledge and techniques related to emulsification. Now that I am a permanent employee, I am more conscious of the responsibility I have for the work I am assigned to and ensure that it is performed properly. In the future, I would like to challenge myself in various areas, such as quality control and equipment maintenance, so that I can gain more skills and become a project leader myself.

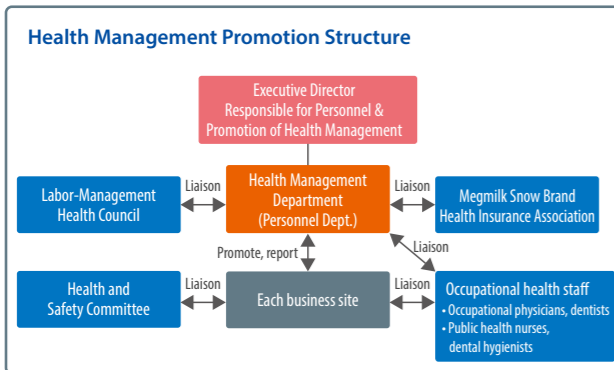
4. Improve employee work engagement

Megmilk Snow Brand Health Declaration

In April 2021, we declared that, as a company that delivers enjoyment and health through food and creates the future of food, we will promote and support the following initiatives so that our employees will respect their own physical and mental health and take actions to maintain and improve their health.

- We will promote efforts to improve health by providing self-care knowledge and implementing health counseling and guidance with the aim of preventing lifestyle-related diseases.
- We will conduct stress checks on all employees and promote efforts to support mental health-related care and preventive care.
- We will promote efforts such as the proper management of work hours through enhanced time management to ensure employees' health, and encourage employees to take paid leave.

To maintain and improve the health of our employees, we are implementing the Health Challenge, a company-wide initiative that challenges employees to improve their lifestyles. By reducing the number of people at risk of lifestyle-related diseases and increasing employee productivity, we aim to enrich the lives of our employees and achieve sustainable growth for the company based



on the health of each and every employee. In March, we were recognized as a 2023 Certified Health & Productivity Management Outstanding Organization by the Nippon Kenko Kaigi.

Engagement survey and its reflection in policies

Since 2016, employee "motivation" has improved in the results of the employee awareness survey. We believe that increasing employee engagement and practicing the Megmilk Snow Brand Values will allow each employee to feel motivated by their work and grow as individuals, leading to the sustainable growth of the Megmilk Snow Brand Group. Starting in fiscal 2023, we will begin conducting an engagement survey to properly understand the actual situation and take measures to further increase engagement.

Revision of our personnel system

We will revise our personnel system to reward employees for their roles, demonstrated abilities, behavior, and expertise according to changes in the labor market and workers' awareness. This will lead to enhanced job motivation (ease of work + job fulfillment) and growth for diverse human resources who practice the Megmilk Snow Brand Values, from young employees to veteran employees.

| Megmilk Snow Brand (non-consolidated) | Unit | FY2020 | FY2021 | FY2022 |
|---------------------------------------|------|--------|--------|--------|
| Annual health checkup visit rate | % | 100.0 | 100.0 | 100.0 |
| Stress check completion rate | % | 91.9 | 91.8 | 90.2 |
| Obesity rate | % | — | 44.8 | 44.6 |
| Smoking rate | % | — | 24.6 | 23.8 |
| Special health guidance rate | % | 22.5 | 21.4 | 20.0 |
| Absenteeism | Days | — | — | 1.2 |
| Presenteeism | % | — | — | 91.6 |

(Notes) 1. The obesity rate applies to workers age 40 and older
 2. Absenteeism (sick or absent from work) indicates the average number of days of sick leave used
 3. Presenteeism (working with some form of illness or while feeling unwell, reducing productivity) was measured by adding questions to the stress check questionnaire that measure the degree of labor impairment due to health issues, thereby measuring the employee's overall assessment of the organization's labor function

Use of Skill Maps

Megmilk Snow Brand's plants create skill maps for each workplace that evaluate employees' skills based on work procedures and manuals.

These skill maps visualize employees' ability to perform their jobs and are used to develop workplace talent, improve the skill level of the entire workplace, and transfer resources between workplaces.

Employees are able to monitor their own skill levels and challenge themselves to acquire new skills, leading to spontaneous growth and sparking motivation.

Human Rights

Dialogue with Small-Scale Palm Farmers

Palm oil, which is an ingredient in margarine and other products, is an oil obtained from the fruit of the oil palm. In recent years, however, human rights abuses (forced labor and child labor) have become a concern at oil palm plantations.

In October, we conducted a preliminary questionnaire targeting 25 independent small-scale farmers in South Sumatra, Indonesia, who are believed to be delivering products to palm oil mills in Megmilk Snow Brand's supply chain.

The preliminary questionnaire also confirmed that the farmers were strictly observing laws and regulations governing slash-and-burn practices and that they were not developing peatlands. With regard to health and safety, the farmers were found to be using protective equipment for pesticides and other chemicals properly, but some concerns remained, such as ambiguity in their answers regarding hazardous work.

In March, the Purchasing Department and Sustainability Promotion Department visited the region to hold a dialogue with these farmers. The dialogue was conducted with the support of the Caux Round Table Japan (CRT) and the Union of Oil Palm Smallholders (SPKS) in Indonesia and focused on concerns identified in the preliminary questionnaire. Through the dialogue, our employees were able to directly confirm the working environment and economic conditions of the farmers. We also visited a plantation (to observe the harvest), an elementary school, a clinic, and a mill to deepen our understanding of their living environment and the oil palm industry.

Dialogue overview

Seventy-three people (48 men and 25 women), including farmers who had not responded to the preliminary questionnaire, attended the dialogue. Mill management was also present.

Comments from farmers (excerpts)

- I have no complaints since becoming an oil palm farmer (it is more efficient than wheat or rubber). The most physically demanding part is loading the harvested fruit onto the trucks.
- I work about six hours per day (from 7 a.m. to 1 p.m.). I have one day off per week. I take a break whenever I want.
- The mill determines the purchase price. We are not in a position to choose which mill we sell to. I think the current prices are too low. → (Mill's response) We are constantly checking market prices, but current prices are low due to government restrictions on exports.
- Fertilizer prices are rising. Many of my trees are over 30 years old, and I need seedlings to replace them.
- After the oil is pressed, I take the oil palm fruit (shells) from the mill free of charge and reuse it as organic fertilizer with pruned branches and leaves.

Based on the results of this dialogue, no actual conditions corresponding to abuses of human rights, such as forced labor or child labor, were identified.

We did catch glimpses of situations where farmers were placed at a disadvantage in terms of the purchase price. Since this was the first time that we were able to provide an opportunity for direct dialogue between mills and farmers without a middleman, we hope that this occasion will facilitate future dialogue between the two parties, improving the economic conditions of the farmers.



Oil palm fruit



Dialogue with farmers

Foreign workers at Group companies

In March, we conducted a human rights assessment on foreign employees holding a "technical intern training" visa employed at Chokuhan Haisou Co., Ltd.'s Kuki Center. CRT, a third party, conducted in-person interviews with each of the 11 foreign employees, the center director, deputy director, and operations manager. The assessment was as follows, as confirmed by the Dhaka Principles for Migration with Dignity.



The interview

- 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.
- Chokuhan Haisou regards foreign employees as a key asset and shows a willingness to work with supervising organizations to create a comfortable working and living environment for foreign employees. Japanese employees support foreign employees in the workplace, and foreign employees commented that the Japanese employees were kind to them.

Provision of Sustainable Food

Dialogue with Overseas Experts on Business and Human Rights

In December, Megmilk Snow Brand hosted a CRT-organized dialogue with overseas experts working in the fields of business and human rights, with the aim of gaining their opinions on our initiatives related to respect for human rights. Megmilk Snow Brand's Director (Managing Executive Officer) in charge of Human Rights participated in the dialogue.

■ Experts (online participants)

Mr. Livio Sarandrea
(United Nations Development Programme [UNDP])

Ms. Sofia del Valle
(World Benchmarking Alliance)

Ms. Sarah Bradbury
(World Benchmarking Alliance)



The dialogue

■ Main opinions from the overseas experts

- We applaud Megmilk Snow Brand for taking its first steps in human rights due diligence in line with the UN Guiding Principles on Business and Human Rights (UNGPs).
- We commend the company for disclosing its strong commitment, for making requests to suppliers, and for the involvement of senior management in the Group Sustainability Committee, which integrates the environment (including climate change) with human rights issues.
- It is excellent that the company has engaged in direct dialogues with foreign workers on-site; conducting such human rights impact assessments is best practice. It is important to continue these practices.
- The company needs to ensure that the process of direct dialogue with rights holders, information disclosure, and feedback (including addressing grievances) is ongoing.

UNDP B+HR Academy / Individual Guidance Session

In March, Megmilk Snow Brand participated in an individual guidance session with experts from the UNDP B+HR Academy.

Megmilk Snow Brand's Director (Managing Executive Officer) in charge of Human Rights participated in the session and introduced the company's human rights due diligence efforts. This was followed by advice from the experts.

■ Experts (online participants)



Ms. Vanessa Zimmerman
(CEO, Pillar Two)



Mr. Hideaki Umetsu, Lawyer
(Partner, Mori Hamada & Matsumoto)



Ms. Akiko Sato, Lawyer
(UNDP B+HR Liaison Officer)

■ Main opinions from the experts

Ms. Vanessa Zimmerman

- I could see that Megmilk Snow Brand is committed to promoting initiatives to raise awareness of issues related to respect for human rights.
- Direct dialogue with small-scale oil palm farmers is an excellent initiative, but it does not guarantee that all issues will be brought to light. Therefore, it is important to consider developing a grievance mechanism that will enable workers to file grievances with a sense of security within the company or with supply chain stakeholders.

Mr. Hideaki Umetsu, Lawyer

- Megmilk Snow Brand is concerned about the essence, not just the disclosure, of its initiatives related to respect for human rights, and these efforts are effective. The company has a high awareness of issues and is progressive among Japanese companies.
- Since there are only a few companies in Japan that disclose their mill list, I appreciate that the company is proactive in this area.

Entry into the Plant-Based Food Business and Launch of a Joint Venture

In the Group Medium-Term Management Plan 2025, the Megmilk Snow Brand Group identified entering the "plant-based food sector" as a new business area. Megmilk Snow Brand and Agrocrop International Pte Ltd have agreed to establish the joint venture company Agro Snow Pte Ltd in Singapore to leverage the strengths of both companies. The main business of this JV will be the manufacture and sales of raw materials for plant-based food processing.

Agro Snow will set up a manufacturing subsidiary in Malaysia to address rising demand for plant-based foods.



Joint Venture Agreement signing ceremony

GFSI Certification at Domestic and Overseas Facilities that Manufacture Megmilk Snow Brand Products

To guarantee the quality of the products we manufacture, Megmilk Snow Brand operates its own assurance system, the Megmilk Snow Brand Quality Assurance System (MSQS), which incorporates the approaches of ISO9001 and HACCP. We use MSQS to maintain quality through thorough quality controls and hygiene management. At the same time, we are working to achieve an even higher level of control and improve our external credibility by being certified by international food safety schemes.

Currently, 25 out of 26 facilities, including Group companies, are certified under the Global Food Safety Initiative (GFSI) scheme. This scheme focuses exclusively on food safety and covers product quality as well as food defense and prevention of food fraud.

By obtaining external certification, we will be able to further improve MSQS operations and provide consumers with safe and reliable products.

Megmilk Snow Brand Sensory Evaluator System

Megmilk Snow Brand conducts regular training and testing of employees who inspect the flavor and other attributes of our products. Employees who successfully meet the standards are certified as Sensory Evaluators. The test covers a wide range of items, including the identification of the five tastes, abnormal odors, and abnormal flavors. In addition, Sensory Evaluators who have passed a special and particularly difficult test are certified as Sensory Evaluation Technicians. In fiscal 2022, we certified 1,573 Sensory Evaluators and 41 Sensory Evaluation Technicians.

Sensory Evaluators inspect the flavor and other attributes of our products during production and shipment to ensure that consumers receive safe and reliable products.

We are working to introduce a Sensory Evaluator System in fiscal 2023 that will make it possible to conduct inspections of flavor and other attributes under uniform standards at contract manufacturers of Megmilk Snow Brand products.



Sensory evaluation



Avoid Spicy and Stimulating Foods Before Inspections



Mayumi Ueno

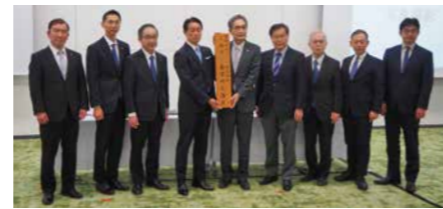
Quality Control Sec., Ebina Plant

Employees involved in the plant's manufacturing and quality control sections undergo regular training and testing as they need to acquire advanced sensory inspection skills. Employees who maintain outstanding test results throughout the year are certified as Sensory Evaluators, but this certification is not permanent and will be revoked if the employee fails the test the following fiscal year. In order to conduct daily sensory inspections with a heightened level of sensitivity, we consciously avoid eating spicy or stimulating foods during meals prior to work. In addition, since the perception of flavor may change depending on one's physical condition, it is also important for us to take care of our health from day to day. All employees are constantly working to improve their sensory evaluation skill level further, with the determination to not allow even a single abnormal product to leave the plant.

Contributions to Health Through Food

Establishment of a Joint Research Course with Hirosaki University

In April, the Milk Science Research Institute established a joint research course (Milk Nutrition Research Course) with Hirosaki University. This course will utilize big data at Hirosaki University to research new value that milk can provide for health. Researchers will analyze the effects of diet and gut microbiota on one's health condition and elucidate the relationship between a person's dairy product intake and health condition. This is a new initiative to study the new value that milk can provide for health, in addition to deepening knowledge on bone health and lactic acid bacteria, which are Megmilk Snow Brand's strengths.



Milk Nutrition Research Course opening ceremony

Hirosaki University COI-NEXT Center

- A project that aims to form an independent industry-academia-government co-creation center that expands on the results of Hirosaki University COI Center and continuously produces results
- Aims to realize a community model for well-being created through health-based economic development and an all-generation approach
- Build a resilient open innovation (co-creation) structure through strong collaboration among industry, academia, government, and the private sector, and conduct R&D and social application

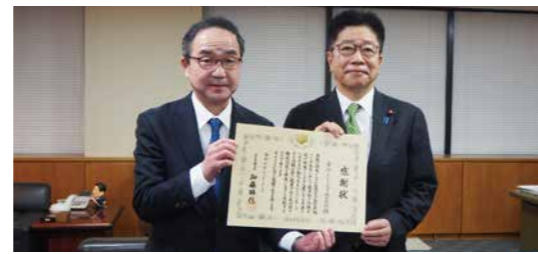
Developing and Supplying Medical Food Formulas for Inherited Metabolic Diseases

Medical food formulas are infant formulas specially prepared for people who were born without the ability to sufficiently metabolize amino acids.

Babies born in Japan undergo a newborn mass screening (blood test) four to five days after birth. If the tests reveal metabolic abnormalities, babies undergo nutritional therapy using medical food formulas under the doctor's direction.

For more than half a century, the Megmilk Snow Brand Group has been manufacturing and supplying medical food formulas for the healthy growth and wellness of such patients. In December, the Minister of Health, Labour and Welfare presented us with a letter of appreciation in recognition of our work over the years.

As the first company in Japan to develop medical food formulas, Megmilk Snow Brand will continue to strive to ensure quality and a stable supply of medical food formulas as a social responsibility that we must fulfill.



(From left) Managing Executive Officer Kawasaki, Minister of Health, Labour and Welfare Kato



Special milk products supplied by the Megmilk Snow Brand Group (2 pharmaceutical products, 6 registered products)

Online Seminar on Bone Health Held

Since fiscal 2021, Megmilk Snow Brand has been holding online seminars for people interested in dairy products, with the aim of helping them understand the appeal of dairy products' high nutritious value.

In fiscal 2022, we held the Online Seminar on Bone Health under the theme of "what you can start doing right now to benefit your bones."

During the seminar, Professor Kazuhiro Uenishi from the Kagawa Nutrition University provided an explanation of "bone health, proper knowledge, and key points for bone-building." This was followed by a talk on MBP, a protein that enhances bone metabolism, and the introduction of simple recipes for efficient nutritional and calcium intake from milk and dairy products, as well as bone-strengthening exercises.

Through online seminars, we are providing opportunities to learn about dairy products.



Online seminar

Contributing to Sustainable Dairy Farming

Verifying the Monitoring of Methane Gas Produced by Dairy Cows

In order to accelerate efforts to reduce methane emissions in dairy farming, a substantial amount of data needs to be obtained from environments close to production sites. The Megmilk Snow Brand Research and Development Center for Dairy Farming, in cooperation with JA Kita Okhotsk and Kitasato University, has been conducting verifications since September at the JA training farm "Farm to-mo" in Okoppe Town, Hokkaido, in an effort to establish methane gas monitoring at dairy production sites.

Methane gas monitoring requires expensive and extensive equipment, making it difficult for production sites to implement. However, the "Thermoni-Methane" methane gas monitoring system developed by Associate Professor Hisashi Nabenishi at Kitasato University is capable of acquiring a lot of data at production sites. The Center is verifying how to use the system to estimate methane gas emissions from dairy cows, the effects of providing cows with feedstuff that is anticipated to reduce emissions, and the effects on cow health and productivity when providing this feedstuff.



"Thermoni-Methane" monitoring screen



Verifying the effects of providing feedstuff

Promoting Self-Sustaining Feedstuff Dairy Farming

In dairy farming operations in Japan, the cost of feedstuff accounts for more than 40% of production costs. Since the industry relies on imports for much of its feedstuff, the recent sharp rise in imported feed grain and other feedstuffs has had a significant impact on dairy farming operations.

In order to stabilize dairy farming operations, it is essential to promote efforts to increase production of self-sustaining feedstuff and achieve resilient dairy farming operations that are not dependent on imported feedstuff.

Snow Brand Seed Co., Ltd. is working to develop new varieties from a long-term perspective, propose cultivars that are suited to Japan's pastures and climate, and promote cultivation techniques such as frost seeding* in order to facilitate the production and utilization of self-sustaining feedstuff.

*A method of sowing grass during the frost season to spread out the workload and prevent weeds, and then allowing the grass to overwinter and germinate in the spring



Omiya Farm, an "operation validation farmer" promoting self-sustaining feedstuff dairy farming, and personnel from Megmilk Snow Brand and Snow Brand Seed Co., Ltd.



Fourth-Generation Farmer Describes a Farm Loved by the Community



Omitama City, Ibaraki
Minori Milk Farm Co., Ltd.
Kana Tonouchi
73rd Japan Dairy Farmer's
Research Association
Kurosawa Award for Excellence
Winner

I am a fourth-generation dairy farmer who manages a farm that will soon celebrate its 100th anniversary with my husband and parents. We can feel the history of this farm that began with my great-grandfather, and we still value our connections with the local community in the same way as back then.

We are working with Snow Brand Seed Co., Ltd. and related organizations to increase the visibility of dairy farming, with the goal of creating a dairy farm that will last another century. By analyzing each cow one by one, we are aiming for healthier and more profitable feeding management backed by data from feedstuff analyses and blood tests, as well as my parents' accumulated experience.

I believe that in order for consumers to continue to love milk as a product, we need to communicate the appeal of dairy farming and the wonders of milk. To this end, I would like to take on agricultural diversification ("sixth-sector industrialization") and strive to create a dairy farm supported by locals who want to drink our milk.

Contributing to Local Communities

Partnerships in Hokkaido

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.

For more details, click here.

Partnering with Local Communities
<https://www.meg-snow.com/csr/link/>
 (Japanese only)



Sapporo Urban Development Partner Treaty

Sapporo City and Megmilk Snow Brand signed a Sapporo Urban Development Partner Treaty in 2012. In January 2023, we also signed the "Comprehensive Partnership Agreement on the Promotion of Healthy Sapporo 21." Under this agreement, we are working on the following as "initiatives related to health promotion through food and sports."

- (1) Cooperate in spreading awareness to the public through public-participation initiatives sponsored by the City of Sapporo and its wards
- (2) Cooperate in spreading awareness of exercise habits that promote health to the public through health seminars targeted at people of all ages
- (3) Cooperate in spreading awareness of exercise habits that promote health to the public through food and sports as part of our efforts to promote sports
- (4) Cooperate in spreading awareness of healthy eating habits to the public through cooking classes and the like

Following the formulation of the Second Sapporo City Development Strategic Vision by the City of Sapporo, we developed the original agreement into a new agreement, the Sapporo Wellness Partner Agreement, to further enhance and strengthen the partnership and signed it in August.



Sapporo Wellness Partner Agreement signing ceremony

Partnerships in Tohoku and Kanto

Tohoku

As a corporate supporter of the Smart Miyagi Healthy Citizen Council, Megmilk Snow Brand is promoting co-creation with Miyagi Prefecture and local stakeholders to realize the health and happiness of the people of Miyagi Prefecture. In fiscal 2022, we participated in Step-Up Challenge 2022, a project sponsored by Miyagi Prefecture aimed at eliminating metabolic syndrome. We also devised "Miyagi Veggie Plus Recipe 2022," low-salt recipes that encourage vegetable intake, and introduced original sodium-conscious menus at local retail stores, taking into account the salt content of ingredients and current salt intake levels.



Example of a dish from "Miyagi Veggie Plus Recipe 2022"

Kanto

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, we conducted a joint campaign with Ibaraki Prefecture and mass retailers in the prefecture. We advertised the campaign in the flyers of mass retailers and introduced original menus of dishes using vegetables produced in Ibaraki Prefecture and dairy products to promote milk-based food and health. In addition, as a new initiative, we developed a menu for Ibaraki Oishio Day (Salt Reduction Day) on the 20th of every month and served it at the prefectural government office cafeteria.



Ibaraki Oishio Day Menu (Ibaraki Prefectural Government Office Cafeteria)

Support for Food Banks and Food Pantries

The Megmilk Snow Brand Group donated products to food banks and food pantries.

The spread of COVID-19 has led to an ever-increasing demand, and many people are happy to receive our nutrient-rich dairy products.

| Recipient | Product types | Quantity | Weight |
|--|---|-----------------------|---------------|
| Second Harvest Japan | 20 types including milk and cheese | Approx. 187,000 units | Approx. 116 t |
| Contracted food banks in Fukuoka, Saga, and Okinawa prefectures | 43 types including cheese, margarine, juices, and beverages | Approx. 40,000 units | Approx. 14 t |
| Member organizations of the Saitama Food Pantry Network (in Kawagoe City, Saitama) | 10 types including yogurt and desserts | Approx. 8,000 units | Approx. 0.7 t |



First donation to Food Bank Second Harvest Okinawa

Sixth-Sector Industrialization* Support Project by Nichiraku Machinery Co., Ltd.

Using the knowledge we have accumulated since the 1970s through the development of domestic manufacturing equipment for dairy products, we are providing "small-scale milk plant support" to dairy farmers, agricultural cooperatives, and local governments building small-scale plants. We have worked on about 150 small-scale plants from Hokkaido to Okinawa, accounting for about half of all such facilities operating in Japan. We support the entire process from construction and test operation to commercialization, not just the planning and design of the small-scale plant.

*Efforts to create new added value as an industry that integrates primary (raw materials), secondary (manufacturing), and tertiary (services) sectors



Test operation at a small-scale plant (curd stirring and whey removal equipment)

Support for Extending the Healthy Life Expectancy of Seniors in Collaboration with Local Governments and Medical Institutions

Third Megmilk Snow Brand SDGs Action Awards: Outstanding Performance Award

The Bean Stalk Snow Co., Ltd.'s Kyushu Branch has been implementing the "Promoting and Spreading Awareness of Products for Seniors: Support for Extending Healthy Life Expectancy" initiative with an eye toward new business development. In collaboration with the government, medical institutions, and local communities, as well as with the cooperation of a nationally renowned cooking expert (Sachiko Murakami), we were able to convey the importance and necessity of nutritional intake for seniors via a nutritionist-led seminar, which helped to expand awareness of *Platinum Milk powdered milk for adults*. All branch employees participated in this activity with a sense of ownership, providing an opportunity to expand the scope of future activities.

In the future, the branch will expand the area of the activity and collaborate with other Group companies to further contribute to local communities through our products.



Seminar by a nutritionist at Bean Stalk Snow Co., Ltd.



Lecture by Ms. Murakami

Corporate Governance

Management Organization (As of June 28, 2023)

| Directors | 1 | 2 | 3 | 4 |
|-----------|------------------------|--|----------------------------|--|
| | Area of Responsibility | Number of Megmilk Snow Brand Shares Held | Period Serving as Director | Attendance at Board of Directors Meetings |
| | 5 | | | 6 |
| | | | | Attendance at Compensation Advisory Committee Meetings |




Masatoshi Sato
Representative Director and President

- Overall management
- 3,641 shares
- 1 year
- 13/13
- 4/5
- 7/7

Reappointed

Mr. Sato possesses abundant experience and wide-ranging insight as a manager. He is also well-versed in Megmilk Snow Brand's businesses, such as the household products business, and demonstrates leadership as a Chief Executive Officer by clearly setting forth management policies. Accordingly, the Company has determined that he possesses experience and ability befitting the role of Representative Director and President and appointed him to the position.



Tomomi Ishii
Representative Director and Executive Vice President

- Overall management (operations management) and assistant to the President, in charge of General Affairs and Secretarial Dept.
- 1,400 shares
- 1 year
- 13/13
- 4/4
- 6/6

Reappointed

Mr. Ishii possesses abundant experience and wide-ranging insight as a manager. He is also familiar with fields such as livestock, feedstuffs, and others, and demonstrates leadership as a top manager. Accordingly, the Company has determined that he possesses experience and ability befitting the role of Representative Director and Executive Vice President and appointed him to the position.



Hideki Motoi
Representative Director and Executive Vice President

- Overall management (administration management) and assistant to the President, in charge of Personnel and Internal Audit
- 6,690 shares
- 7 years
- 13/13
- 4/4
- 18/18

Reappointed

Mr. Motoi possesses abundant experience and wide-ranging insight as a corporate manager. He is familiar with fields such as management planning, personnel, finance, information systems, and others, and demonstrates leadership as a top manager. Accordingly, the Company has determined that he possesses experience and ability befitting the role of Representative Director and Executive Vice President and appointed him to the position.



Takehiko Inoue
Director and Managing Executive Officer

- In charge of Production and Production Technology General Manager, Production Dept.
- 2,127 shares
- 3 years
- 18/18

Reappointed

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

- Director and Managing Executive Officer in charge of Dairy Foods Marketing, Milk Beverages & Desserts Marketing, and Functional Food Marketing
- 3,933 shares
- 2 years
- 18/18

Reappointed

Mr. Inaba has experience as General Manager of the Corporate Planning Div. and as a president of a Group company, and is particularly familiar with 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

- In charge of International Dept. and Purchasing
- 9,244 shares
- 1 year
- 12/13

Reappointed

Mr. Sueyasu possesses abundant experience in distribution, purchasing, and overseas business, and particularly has handled core responsibilities for the Group's overseas business. Accordingly, 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

- In charge of Affiliated Company Control, Deputy Manager of General Affairs
- 1,614 shares
- 1 year
- 13/13

Reappointed

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

-
- 149 shares
- 1 year
- 13/13
- 4/4
- 6/6

Reappointed External Independent Officer

Although Ms. Bando has not been previously involved directly in corporate management, given her abundance of experience dealing with administrative, consumer, and other issues, she is expected to provide important advice and supervision for our focus on consumers. She also possesses a great deal of experience and knowledge about matters such as human rights, diversity, work-life balance, and contributing to local communities and partnerships. Accordingly, the Company determined that she can provide constructive advice and appointed her as Independent Officer.



Hiroshi Fukushi
External Director

-
- 500 shares
- 1 year
- 13/13
- 4/4
- 6/6

Reappointed External Independent Officer

Mr. Fukushi 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

- Full-time Audit & Supervisory Committee Member
- 14,491 shares
- 3 years
- 18/18
- 4/4
- 6/6

Reappointed

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, Audit & Supervisory Committee Member

- Audit & Supervisory Committee Member
- 2,376 shares
- 7 years
- 18/18
- 5/5
- 7/7

External Independent Officer

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, Audit & Supervisory Committee Member

- Audit & Supervisory Committee Member
- 1,289 shares
- 7 years
- 18/18
- 4/5
- 7/7

External Independent Officer

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 Agricultural 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 Fukushi | 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 Officers

Managing Executive Officers

Masato Koitabashi
In charge of Dairy Farming

Yoshihiro Kawasaki
In charge of Research & Development Center for Dairy Farming, Deputy Planning, Products Development, Milk Science Research Institute, Quality Assurance

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 Administration and Logistics, and Deputy Manager of Personnel

Takashi Mori
In charge of Corporate Planning Div. (General Manager, Corporate Planning Div.)

Seiki Todaka
In charge of Accounting and IT Planning, and Deputy General Manager responsible for Public Relations & Investor Relations

Fumi Hatamoto
In charge of Sustainability, Public Relations, and Investor Relations, General Manager responsible for Affiliated Company Control (General Manager, Sustainability Promotion Dept.)

Yoshirou Ohta
In charge of Supervising Household Products Division, National Chain Store Sales, Deputy Manager of Household Products Dept., Marketing, Hokkaido Headquarters (General Manager, Hokkaido Headquarters)

Tomihiko Tagawa
In charge of Institutional Foods Dept.

Hiromi Tamura
Senior General Manager, Kansai Regional Sales Headquarters

Takuya Inoue
Senior General Manager, Kanto Regional Sales Headquarters

Executive Officer

Toshiya Kobayashi
General Manager, Milk Science Research Institute

Main Group Companies (in Japan) Representative Director and President

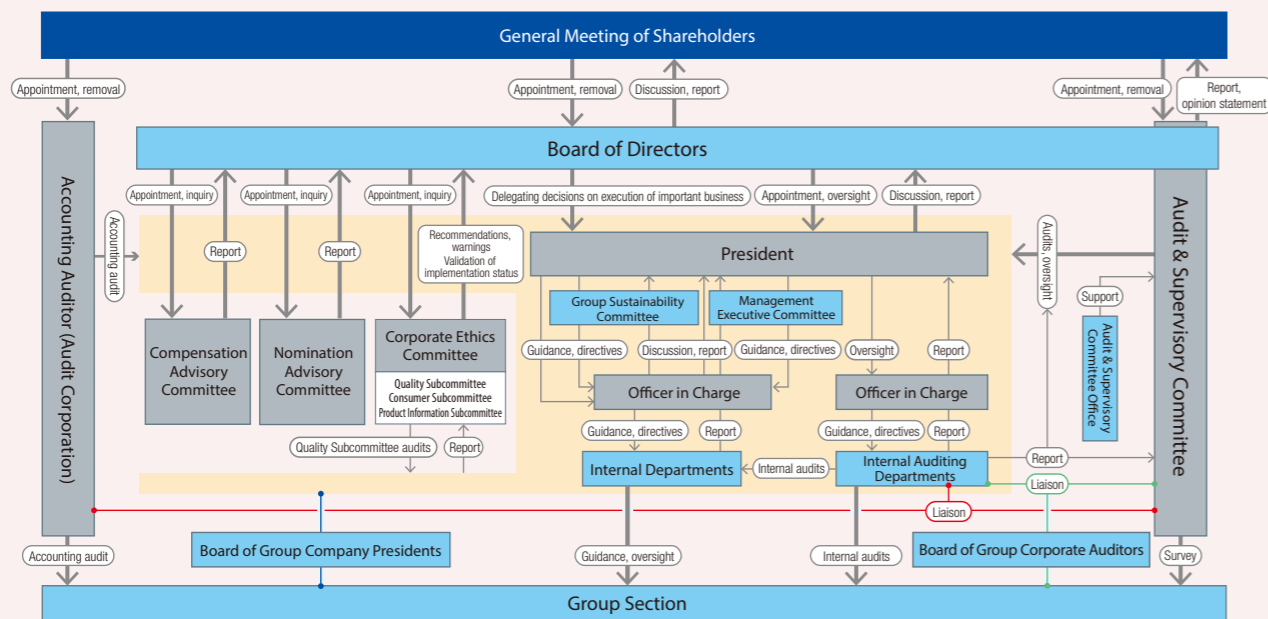
| | | | | | |
|--|---|--|---|--|---|
| Ibaraku Co., Ltd. Toshiyuki Kitagawa | SI System Corporation Toshio Itabashi | Greenservice Co., Ltd. Yu Shibata | Cresco Corporation Fuminori Miyazaki | Kohnan Oils and Fats Mfg. Co., Ltd. Takahiro Shibata | Chesco Ltd. Hiromi Uchida |
| Chokuhan Haisou Co., Ltd. Yuji Kuramochi | Nichiraku Machinery Co., Ltd. Hitoshi Hatamoto | Belle Neige Direct Co., LTD. Tomohide Yoshikawa | Michinoku Milk Co., Ltd. Atsushi Yamamoto | Mitsuwa Distribution Industry Co., Ltd. Shigeru Yamaguchi | Yatsugatake Milk Industry Co., Ltd. Hiromichi Ichikawa |
| Snow Brand Kodomo-no-Kuni Ranch Wataru Sugino | Snow Brand Seed Co., Ltd. Koichi Kasamatsu | Snow Brand Parlor Co., Ltd. Toshihiro Nakamura | Bean Stalk Snow Co., Ltd. Shigeru Watanabe | MEGMILK SNOW BRAND Business Solution Co., Ltd. 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. Furthermore, as a Company with an Audit & Supervisory Committee, we have established a Board of Directors and an Audit & Supervisory Committee as stipulated in the Companies Act. We have also adopted an executive officer system in which individual business execution is delegated to executive officers, including executive directors.

Corporate Governance Organization Chart



Board of Directors

The Megmilk Snow Brand Board of Directors consists of 12 directors (including three directors also serving as Audit & Supervisory Committee Members). Among the total, four are external directors (including two Audit & Supervisory Committee Members). In addition, in accordance with the provisions of the Articles of Incorporation and resolutions of the Board of Directors, the majority of important business execution decisions are delegated to the directors, with the exception of legal matters. This system allows the Board of Directors to concentrate on matters stipulated by law as well as particularly important decisions on management basic policies and supervising the execution of business by executive officers. In principle, the Board of Directors meets once a month and as needed. The Board met a total of 18 times in the fiscal year ended March 31, 2023.

Management Executive Committee

The Management Executive Committee, consisting of the Representative Directors, the executive officers in charge of each topic, and the heads of headquarters departments, has been established as a body to discuss important matters related to business execution.

Audit & Supervisory Committee

The Committee comprises three directors serving as Audit & Supervisory Board Committee Members, two of whom - the majority - are external directors. The Audit & Supervisory Committee conducts audits of the overall status of business execution, including that of Group companies, utilizing the internal control system. In addition, to ensure the effectiveness of these activities, one full-time Audit & Supervisory Committee Member is elected from among the Audit & Supervisory Committee Members to attend important management meetings to appropriately understand and monitor the status of management execution. The Committee conducts close cooperation with regular exchanges of information and opinions with the Internal Audit Dept., Internal Control Dept., accounting auditor, Representative Directors, and others. To support these activities of the Audit & Supervisory Committee, the Audit & Supervisory Committee Office has been established and assists in the smooth execution of audits and other work.

Nomination Advisory Committee and Compensation Advisory Committee

The Nomination Advisory Committee and the Compensation Advisory Committee are established as voluntary advisory bodies to the Board of Directors, and the majority of their members are independent external directors. Each committee consists of at least three members, the majority of whom are independent external directors. In addition, the chairperson of each committee is elected by resolution from among the Committee members who are independent external directors.

The Nomination Advisory Committee deliberates on the nomination of candidates for directors (including directors who are Audit & Supervisory Committee Members), the executive structure and division of duties, and issues to be addressed as the Nomination Advisory Committee. The Compensation Advisory Committee deliberates on revisions to the executive compensation system including performance-linked compensation under the next Group Medium-Term Management Plan, setting compensation for external directors, and issues to be addressed as the Compensation Advisory Committee.

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



Corporate Ethics Committee

[Quality Subcommittee]

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 2022, audits were conducted at nine plants in Japan, including Group company plants.



Plant audit by the Quality Subcommittee

[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 2022, meetings were held in the Kanto and Kansai areas in December, and we received evaluations of the Megmilk Snow Brand Group's corporate activities as well as feedback on the Group's response to ethical consumption.

[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 Basic Manual." In fiscal 2022, the subcommittee met six times.



Product Information Subcommittee

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 the assessment of fiscal 2022 is as follows:

Summary of the Fiscal 2022 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 | (5) Relationship with stakeholders |
| (2) Director operations | (6) Summary |
| (3) Self-assessment | (7) Nomination Advisory Committee and Compensation Advisory Committee |
| (4) Roles and responsibilities of Board of Directors | |

◆ Summary of Results of Evaluation of the Fiscal 2022 Board of Directors Efficacy Assessment

- Self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2022.
- Response to issues identified in the previous fiscal year's Board of Directors efficacy assessment

We are continuously working to improve governance by implementing and validating improvement measures to address issues identified in the previous fiscal year's assessment.

- 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.
The composition of the Nomination Advisory Committee was increased from five to seven members (four independent external members and three internal members), and active discussions were held on the composition of the Board of Directors and issues for future consideration.
- Continue efforts to invigorate deliberations further and enhance discussions related to management strategies.
 - Regular report items are now made in writing to use deliberation time effectively.
 - Continued early distribution of Board of Directors meeting materials and efforts to provide advance explanations to external directors about important agenda items.
 - In addition to implementation of external director meetings, exchanges of opinions with the Representative Directors and external directors, and information sharing with external directors and Managing Executive Officers, active exchange of opinions were held in the process of formulating the new Group Medium-Term Management Plan.
- 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. In addition, important matters pertaining to Group companies were reported at each Board of Directors meeting.
- Enhanced discussions that take the perspective of stakeholders and address non-financial information
 - There were reports in the Board of Directors meetings on the implementation of the Corporate Ethics Committee.
 - The CSR Committee has become the Group Sustainability Committee including Group companies, and there were reports in the Board of Directors meetings on its implementation (such as progress on KPIs for material issues).
- Future initiatives
As a result of fiscal 2022 Board of Directors efficacy assessment, the following five key issues were identified as issues that the Board of Directors should continue to address.
 - 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.
 - Continue efforts to invigorate deliberations further and enhance discussions related to management strategies.
 - Augment discussions on governance of Group companies
 - Efforts for sustainability issues.
 - Enhanced discussions that take the perspective of stakeholders and address non-financial information

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, 2021, 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 May 15, 2023. These resolutions of the Board of Directors are discussed in advance by the Compensation Advisory Committee, which is mainly composed of independent external directors. 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 discussion in the Compensation Advisory Committee has been respected. Accordingly, the compensation is consistent with this policy.

The policy related to decisions on content of compensation for individual directors is as follows.

(1) Basic Policy

- 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 set at an appropriate amount in comparison with other companies of the same size based on an external survey.
- The compensation consists of base compensation and performance-linked compensation. 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 profit 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 approximately 6:2:2 (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.

2) Long-term incentive (stock-based compensation)

The earnings indicators linked to performance are EBITDA and ROE, which assess improvements in profitability and capital efficiency. When including the portion not linked to performance, the weighting is 4:4:2 for EBITDA, ROE, and the portion not linked to performance, respectively (if each performance indicator is achieved).

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

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

(5) Matters Related to Decisions on Content of Compensation for Individual Directors

The compensation for each individual is resolved at the Board of Directors meeting after being discussed in advance by the Compensation Advisory Committee, which is mainly composed of independent external directors. 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 2022

| 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) | 247 (16) | 219 (16) | - (-) | 27 (-) | 12 (3) |
| Directors (Audit & Supervisory Committee Members) (external directors in parentheses) | 42 (19) | 42 (19) | - | - | 3 (2) |
| Total (external directors in parentheses) | 289 (36) | 261 (36) | - (-) | 27 (-) | 15 (5) |

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 serving as 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 and diversity 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 unswervingly impartial from among a pool of candidates with the excellent character, insight, skills and wealth of experience needed to monitor management overall and

supervise the execution of operations, while possessing a high sense of ethics. Furthermore, candidates for director positions who are Audit & Supervisory 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 it is reasonable to maintain shareholdings for the purpose of strengthening the Company's business and functions. Every year, the Board of Directors makes comprehensive decisions by examining 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 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.

Even for stocks that are recognized as reasonable to hold based on the abovementioned decision-making, we will gradually reduce the amount to less than 10% of net assets as a source of funds to be allocated to growth investments as determined in the Group Medium-Term Management Plan 2025, after holding dialogue with business partners.

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.

A Chat with External Directors



The Megmilk Snow Brand Group is working to improve the effectiveness of its corporate governance. Toward the enhancement of corporate value in future, External Directors Kumiko Bando and Hiroshi Fukushi held a chat with Managing Executive Officer Fumi Hatamoto serving as a facilitator.

(Hatamoto) The Megmilk Snow Brand Group aims to realize "food sustainability" by promoting sustainability management based on compliance. In the Group Medium-Term Management Plan 2025 (FY2023 to FY2025) announced in May 2023, we established new material issues and KPIs that link social value and economic value. In order to



achieve our goals, we will continue discussions at the Sustainability Promotion Subcommittee and the Group Sustainability Committee to conduct specific initiatives and validation. For this chat, we have invited two external directors to give their opinions from an external perspective on the Group's sustainable growth.

Please tell us your thoughts on the Group Medium-Term Management Plan 2025 and the promotion of sustainability management.

(Bando) The point of origin of the Group is the pursuit of the social value of Kendo Kenmin (a healthy earth ensures human health) through dairy farming and the dairy industry, and I believe that we have been oriented toward sustainability management itself. However, as society itself is undergoing rapid changes and issues are becoming increasingly serious and diverse, including the global environment, international situation, demographic changes, and IT, sustainability of companies and society are becoming more and more closely linked. Addressing social issues through general corporate

activities strengthens the foundation of the company's existence, while also serving as an engine for growth through innovation generation, value creation, and new business development. I believe that boldly taking on challenges related to dairy farming, the dairy industry, and food, and pursuing social value and economic value in an integrated manner, is precisely what will open up the future of the Group.

(Fukushi) Under President Sato, we have presented the Group Medium-Term Management Plan 2025, which has the main theme of "gain resilience." The Company's slogan is "Make the Future with Milk." But to put it more positively, the future of milk is something we can create ourselves. The COVID-19 pandemic is said to have accelerated the digitalization of the world by three years. We also believe that the "protein crisis," which is said to be certain to occur in 2030, will arise three years earlier due to food and energy price hikes and supply chain fragmentation caused by the crisis in Ukraine. The Company has been a pioneer in the promotion of Japan under the slogan Kendo Kenmin, and I hope it will continue this. So, what do we mean by the future form of dairy farming? About half of the world's dairy farming is conducted in a traditional style, consumed only within the home, and can be considered to be sustainable in general. Fortunately, Japan's dairy farming is not suffering from any intensifying environmental pollution problems and other such issues. We recognize that the scale of the volatility and fluctuations in the supply chain, supply and demand aspects, and economic aspects of the chain from dairy farming to dairy product production to consumption have become a partial problem. That is why it is essential to "gain resilience." It can be said that the "protein crisis" of 2030 is a major problem for Japan, which relies on imports for much of its food, and there will

probably come a point in the future when the issue of food self-sufficiency will be taken up as a major political issue. This is a major issue for the Company as well, but we would rather see it as an opportunity to grow and create the future of the Company. I hope that before the arrival of the final year of the Group Medium-Term Management Plan 2025, there will be clarification of the envisioned future.

(Bando) In the Group Medium-Term Management Plan 2025, we have positioned the promotion of sustainability management as the cornerstone of management, and have strengthened and expanded our efforts on material issues, for realization of both social value and economic value, toward the realization of “food sustainability.” As a company that achieves sustainable growth together with society, we have clarified the goals of our initiatives and established a framework for their promotion. We have also included many KPIs such as decarbonization, including those that require further evolution of initiatives and technological innovation over the medium to long term. We must also clarify our more long-term strategies and steps. As for the qualitative goals, I think the question is what to do in more concrete terms. For example, there are areas where enhancement of more concrete efforts is required, such as the promotion of diversity. We need to have project promotion in which we identify issues in the field and identify concrete measures to address them. Because the Group-wide Sustainability Promotion System was launched in fiscal 2022, it will be necessary for the entire Group, management, and employees to share the same approach to efforts and information, and to actively work together with the aspiration to shape the future of society and the Company.

There is a limit to what can be done within the Company and Group companies to solve sustainability issues and create new value, and it is necessary to expand collaboration with other companies and organizations as well as open innovation. We also have high expectations for initiatives such as engaging in the plant-based food business through our joint venture with Agropcorp by leveraging the knowledge and resources of both our companies, and the joint research course opened at Hirosaki University which aims to discover new health values of milk and lactic acid by utilizing health-related big data and to implement them in society. In addition to this, collaboration with diverse players in various fields, such as environmental impact reduction, will be key.

In order to promote sustainability management, social recognition will also be a major driving force. In addition to sincere efforts within the Group, I think it is necessary to actively communicate the Group's initiatives to society and to various stakeholders, including consumers and shareholders, and to promote two-way communication.

Please tell us the characteristics of our governance structure and its challenges. Also, what improvements do you think should be made to address these challenges?

(Bando) I think the most distinctive feature of our governance structure is the existence of the “Corporate Ethics Committee” chaired by myself and composed mainly of outside experts.

The Committee was established based on our regret for the two incidents that occurred 20 years ago (the Snow Brand Milk Products Co., Ltd. food contamination incident and the Snow Brand Food Co., Ltd. fraudulent beef labeling incident). The Committee is positioned as an advisory committee to the Board of Directors, providing validation, recommendations, and advice with “external oversight” regarding sustainability activities and other general corporate activities. The Committee actively conducts activities, with a Quality Subcommittee that audits the quality management of plants by outside experts, a Product Information Subcommittee that checks the labeling of product packages, and a Consumer Subcommittee that listens to the opinions of representatives of consumer groups and others. The results of the Committee's deliberations are taken seriously within the Company. A summary of the deliberations is always reported to the Board of Directors after the bimonthly meetings of the Corporate Ethics Committee, and the identified issues are discussed. During my first year as an external director, I went to eight factory audits by the Quality Subcommittee to understand the situation in the field and exchange opinions with employees. The specific issues I sensed through my onsite visits were related to matters such as quality control and safety as well as personnel and labor management, and I am keenly aware that these issues are important in considering the management issues and governance of the company as a whole.

(Fukushi) From FY2022, I began to serve as a director from the standpoint of an experienced manager. Because it was the time to formulate the Group Medium-term Management Plan 2025 starting from FY2023 under the new President Sato, we had a series of active discussions on how to frame the new medium-term reforms. The result was “gain resilience.” We appreciate the fact that we have made contemporary efforts in governance, such as identifying material issues and achieving both economic growth and solutions to social issues. However, the speed of change in the global business environment is extremely rapid nowadays, and it is best to view the industrial structure surrounding the Company as rapidly changing on a global level. In other words, the industrial structure itself is changing at breakneck speed, with social issues becoming growth areas and involving every industry. I believe that sooner or later we will be forced to change our own industrial structure, or, in other words, jump into the vortex of growth in search of new growth for the Company. Governance at that time will be more fluid, and we will need to adapt and make shrewd decisions. Beginning this fiscal year, we will review and update our material issues as necessary.

This can be called a good attempt to anticipate the current trends in governance. The time has



come for the Board of Directors to give the executive side the courage to jump into the vortex of growth, while at the same time exercising cool-headed governance. I would like to continue to respond to these demands of the times through my duties as a director of the Company.

(Bando) I feel that one of the major challenges for the governance structure is that women are still not fully utilized. Looking at the directors and executive officers, the only women are me, an external director, and Ms. Hatamoto, an executive officer. We account for only 8% of the total. The number of women in leadership positions in various fields, including management positions, is still low. In order to create a comfortable working environment for both men and women and to promote work style reforms, as well as to promote greater participation of women in decision-making, we need commitment from the top, a change in awareness at the executive level and other levels, and a proactive policy for the development and appointment of female human resources. The activities of diverse human resources are indispensable for new value creation and innovation, and I believe that food companies are the field where women's participation is most needed.

In addition, solving various issues increasingly requires flexible efforts that transcend the vertical divisions of departments and organizations, and I think that a stronger cross-sectional and comprehensive governance structure is also needed. I believe that the active participation of not only executives and managers, but also younger employees is essential to pioneering the future of the Company.

Finally, as an external director, what is your message to our stakeholders on how we should further enhance our corporate value?

(Fukushi) The development of the dairy farming industry started with the reclamation of Hokkaido in Japan, and has grown to the present day with the guidance of politics and agricultural organizations. Especially after the end of the Cold War, globalization has been widely progressed, and the world has enjoyed free trade, which has enriched the diet of people in Japan. Recently, however, the world has changed to an era of frequent threats to the diet of the Japanese people, including increasing political and geopolitical risks, supply chain fragmentation, and soaring raw material and energy prices. The borderless era - the so-called global standard - is over, and the world has entered a divided era rather than a single era, a multipolar world, and a “border-full” time. The medium- to long-term changes that this difference will cause to our Company and to the diet of the Japanese people will be very significant. Japan's food self-sufficiency rate has been and still is very low, and in a world that has transformed into a “border-full” one, it could become a major security issue. As Kendo Kenmin has been our Company's spirit since its founding, one of the major missions expected of us is to increase the food self-sufficiency rate so that Japanese people can enjoy a rich diet even in a “border-full” world. Of course, if the scope is only the Japanese market, the total demand for food would be predicted to decrease

due to the declining and aging population, thus making it imperative to export products and expand business overseas. At this time, the success factors will be the high quality and brand power that support the safety and security of Japanese and our company's products, and further strengthening of these factors is desired.

(Bando) In order to enhance corporate value, I believe it is essential to look at things from many angles from the perspective of society. This is the first time for me to serve as an external director of a corporation, but I will utilize the perspectives I have gained through my administrative experience and organizational management experience in various fields such as education, consumers, gender equality, and local communities. I will actively contribute to areas where there is great room for growth in order to enhance the Company's corporate value and strength, such as the promotion of sustainability management that is aligned with consumers and other people, the strengthening of human capital through the promotion of diversity and other means, and collaboration with various players, including local governments and universities. As I mentioned earlier, I believe it is also important to look at situations at the front lines of manufacturing and consumption from an external perspective and raise issues in order to enhance our corporate value.

Through the activities of the Board of Directors and the Corporate Ethics Committee, I feel that the officers and employees of our Group have a high awareness of ensuring quality and consumer safety, that they repeatedly conduct activities in good faith on a daily basis, and that they possess various strengths and a wealth of knowledge. Based on these resources, I believe that the Company has a very significant role to play under our mission to realize “food sustainability,” including further promotion of health, development of diet and food culture, and food security. This is an important time for us to actively and speedily take on the challenge to address the various issues, and I would like to support the Company in this endeavor.

(Hatamoto) I believe that external perspectives are extremely valuable in sustainability management. The Company will celebrate its 100th anniversary in 2025. As you both commented, in order for the Company to grow with society over the next 100 years, we need to have both internal and external collaboration, leverage our diversity, and provide both social value and economic value. I believe that would make it appropriate to call us a sustainable, resilient company. I would like to ask the external directors to continue to give their candid opinions about our Group from a neutral and objective standpoint.



Corporate Ethics Committee

FY2022 Report on Main Initiatives to Address the Recommendations of the Corporate Ethics Committee

Consultation 1 Material Issue Initiatives

| Recommendation | Report |
|--|--|
| 1. Contribute to the realization of the SDGs by achieving KPIs as a Group while steadily managing progress and paying attention to trends with social issues and demands from society. | • The Second Group Sustainability Committee Meeting was held. In addition to presentations by 17 Group companies on their efforts regarding material issues, reports were made by three workgroups, and the progress for the first half of the year of environment-related Group KPIs and results of compliance initiatives were confirmed (February). |
| 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. | • With regard to the switch to certified palm oil, the partial switch began in July in coordination with Konan Fats and Oils Co., Ltd. and the supplier Ueda Oils & Fats Mfg. Co., Ltd. It was agreed to achieve a 100% switch by fiscal 2026 (April-June). |
| 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. | • The Third Megmilk Snow Brand Group SDGs Action Awards were held, with 132 entries from all departments of the Company and 17 Group companies. The result report was received by the end of February, reviewed in March-April, and the awards ceremony was held in June. |
| 4. Actively disclose ESG (environmental, social and governance) data to enhance transparency. | • With regard to the progress of human rights due diligence, details of investigations of "foreign workers in plants" and "foreign workers at dairy farming production sites" identified as "priority human rights risks" as well as a list of mills (oil mills) of "small-scale palm farms" were disclosed on the Megmilk Snow Brand website. |

Consultation 2 Consumer-focused Management

| Recommendation | Report |
|---|--|
| 1. Collect and analyze information about consumer requests and needs, and build trusting relationships with consumers through product development and improvement that leverages the Group's strengths. | • At the request of Snow Brand Hong Kong Co., Ltd., following Organic Growing-Up Milk, Organic 4th Milk "思敏傑 有機配方 兒童成長乳粉" for children 30 months of age and older was launched (June). • Mainichi Hone Care MBP® Lychee Flavor (bottle type) was launched in response to customer requests (April). |
| 2. Make additional efforts to communicate with consumers, listen to their voices, respond to them in a sincere manner, and utilize this to create awareness among employees to act from the consumer's perspective. | • Each month, we identified matters with a large number of incoming calls as well as matters with a small number of incoming calls that were considered to have a large impact, and confirmed them with the departments in charge at the "customer satisfaction improvement meeting" (dairy foods: 35 matters, of which 2 were improved; milk beverages and desserts: 34 matters, of which 5 were improved). |
| 3. Display and disseminate useful information in an appropriate manner to consumers via product displays, advertisements, and websites in a way that is easy to understand. Also be sure to use appropriate expressions so as not to mislead consumers. | • Answers to inquires often received from customers were posted on the Megmilk Snow Brand website (eight new answers and one revised answer). |

Consultation 3 Food Safety and Security (Quality Control)

| Recommendation | Report |
|---|--|
| 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. | • New inspector certification training was held for the purpose of establishing basic inspection techniques for microbiological and compositional testing for new hires, as well as for the implementation of inspector certification examinations to promote early success in the field (November). |
| 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. Furthermore, cultivate imagination abilities through good communication and strive to prevent the occurrence of problems. | • Quality audits were conducted and pointed out for 16 Megmilk Snow Brand plants, 31 contractor plants, and suppliers (10 regular companies and 13 new companies) from the perspective of manufacturing standards and MSQS management and operation guidelines. 112 good points of the plants were extracted and shared, and this was utilized at each location to improve the manufacturing environment and prevent the occurrence of problems. |

Consultation 4 Thorough Corporate Ethics (Compliance)

| Recommendation | Report |
|---|---|
| 1. Without forgetting the two incidents in the past, act with fairness and sincerity based on a high sense of ethics in accordance with the Megmilk Snow Brand Group Charter of Corporate Behavior and the voluntary code of conduct of each Group company. | • The Megmilk Snow Brand Code of Conduct Guide was revised in line with the revised content of the Megmilk Snow Brand Code of Conduct. The booklet was distributed and posted on the Group's intranet so that all employees can read it (February-March). • The Days of Pledging to Strongly Recognize and Fulfill Food Responsibility were held in June and January. A lecture with the theme of "A Philosophy is a Promise with Society: Structure of Trust" was held in June, and a lecture with the theme of "Sustainability of the Dairy Farming Industry" was held in January. |
| 2. In light of the revision of the Whistleblower Protection Act, establish a system necessary to properly respond to whistleblowing. | • In addition to the revision of Megmilk Snow Brand's "Whistleblowing Rules" with advice from lawyers, all 17 Group companies have completed the establishment of regulations. In addition, the "Hotline Information" booklet was revised and distributed to all employees, including those at Group companies (October). |

Consultation 5 Diversity in Human Resources and Work Environment

| Recommendation | Report |
|---|---|
| 1. Fulfill our responsibility to respect human rights at all stages of the supply chain, based on the approach set forth in the Megmilk Snow Brand Group Human Rights Policy. (New) | • Dialogues regarding issues of concern (labor environment, income conditions, etc.) were held with 73 farmers in South Sumatra, Indonesia, where palm, the raw material for palm oil, is produced. The content of the dialogues was disclosed externally on the Megmilk Snow Brand website (May 2023). |

| Recommendation | Report |
|---|--|
| 2. Regardless of the type of employment, pay attention to communication among employees as well as care for the mental and physical health of employees, and create workplaces where everyone can feel fulfilled in their work. | • The "Study Session on the International Dairy Farming Situation" online study session was held in June and July. The participants were expanded to include Bean Stalk Snow Co., Ltd., providing 79 people (including 17 from Bean Stalk Snow Co., Ltd.) with an opportunity to learn together. • Information on medical and dental care was provided on a monthly basis via the intranet to provide self-care knowledge. Line Care (mental health support) was covered during training for new management staff (April, June, and October). |
| 3. Each and every officer and employee should exemplify the Megmilk Snow Brand Values (self-motivation, taking on challenges, and teamwork) through their actions. | • The Megmilk Snow Brand Awards 2022 were held, and one President's Award, two Executive Vice President's Awards, and one Special Recognition Award were selected. In addition, a video on the Megmilk Snow Brand Awards initiative and a message from the President were shown during the Sustainability Group activities in December, and employees were reminded of the importance of demonstrating values. |
| 4. Develop a system and foster awareness so that a diverse array of employees can demonstrate their abilities and thrive. | • An e-learning program was implemented for management, senior staff, and deputy senior staff to promote women's participation in the workplace and to spread understanding of LGBTQ+ people (November). • In accordance with the revision of the Child Care and Family Care Leave Law (to encourage male employees to take childcare leave, etc.), information was disseminated via the intranet and an e-learning program was conducted for management and the Personnel Dept. (September). |
| 5. Help employees achieve a balance between their families and work, and increase the rate of women in management positions. (New) | • In conjunction with the revision of the Child Care and Family Care Leave Law, our system was revised with content to enhance company support for childbirth and childcare that exceeds legal requirements, such as the introduction of Postpartum Partner Leave and making maternity leave paid for all employees. |

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 manufactured at Snow Brand Milk Products' Taiki Plant had become contaminated due to a power outage, and that this was then re-dissolved to produce powdered skim milk which was used 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.

Activities to Ensure that the Incidents Are Not Forgotten and Passing on Accounts of the Incidents

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 40th time in fiscal 2021 since the incidents' occurrence in fiscal 2003. In addition, since fiscal 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, Hisa Anan, then external director of Megmilk Snow Brand, gave a lecture titled "A Philosophy is a Promise to Society: Structure of Trust," and in January, Masatoshi Uchihashi, senior managing director of Japan Dairy Association, gave a lecture titled "Sustainability of the Dairy Farming Industry." All employees watched the lecture videos and exchanged opinions during the Sustainability Group activities in July and February.



Lecture by Mr. Hisa Anan, External Director (then) in June

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.

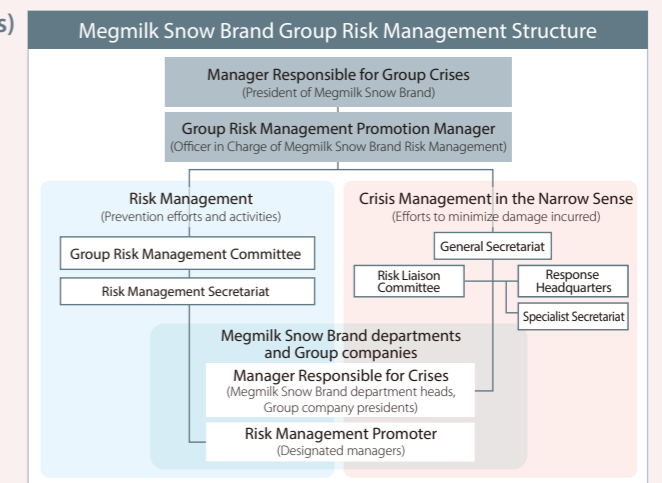
"Crisis management" is divided into the following two categories and is addressed based on the following organization chart.

Risk Management (Prevention Efforts and Activities)

The Group Risk Management Committee has been established to manage the entire Group and to confirm the direction of risk management. Each location receives direction from the Committee, promotes risk assessment, and manages daily risks.

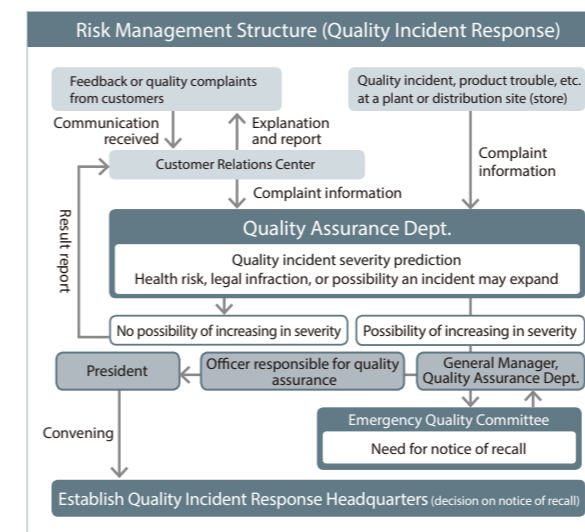
Crisis Management in the Narrowest Sense (Efforts to Minimize Damage Incurred)

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 share information and respond rapidly. 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.



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.



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.

Water Risks Countermeasures

In order to understand the impact of water risks on business continuity, we utilized Aqeduct* to assess water risks in the areas where Megmilk Snow Brand Group manufacturing sites (24 sites) are located. Although Aqeduct did not identify any locations with high water risks, the following countermeasures were taken at sites with risks based on hazard maps for electrical facilities (power receiving and distribution facilities), which require a long time to restore in the event of flooding, in accordance with an independent assessment conducted by Megmilk Snow Brand.

- 1 Installation of dikes to prevent flooding
- 2 Preparation of watertight boards
- 3 Increase of rainwater discharge capacity

*"Aqeduct Water Risk Atlas," water risk information published by the World Resources Institute (WRI)

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 2022, the April and May 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," which began in 2020.

In April, the company reflected on materials regarding the violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment, 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.

The Compliance Committee, which was established in 2018 as an advisory body to the Board of Directors, convened in 2022 as well and provided recommendations as an external oversight entity on the initiatives of Snow Brand Seed Co., Ltd.

In addition, the Seed Product Information Subcommittee and Feedstuff Product Information Subcommittee, subcommittees of the Compliance Committee, continue to meet and have expanded their scope to include all Snow Brand Seed Co., Ltd. products and goods for labeling inspections.

Moreover, we conducted compliance-related e-learning for all officers and employees, and revised the Whistleblower Rules in accordance with the amended Whistleblower Protection Act.

With regard to the revision of the Whistleblowing Rules, the Compliance Office explained the details of the revision while participating in "compliance promotion activities" at all sites, and worked to improve internal understanding and trust in the whistleblowing system.

Operating Results and Financial Analysis (Fiscal 2022)

Analysis of Operating Results

Status of Operations

The Company pursued strategic expansion of mainstay products focusing on functional yogurt, as well as other yogurt and cheese products. Another key component was improving the product portfolio, both by expanding scale and securing earnings 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.

Although net sales increased over the previous year, despite making price revisions and changes in capacity, the Company was unable to absorb all of the cost increases. These increases were due to factors such as the soaring costs of raw materials and energy caused by exchange rate fluctuation and the situation in Ukraine.

Net sales increased to 584.3 billion yen (up 4.6% year on year), mainly due to higher sales in the Dairy Products Segment, Beverage and Dessert Segment, and Feedstuffs and Seeds Segment. Operating profit was 13.0 billion yen (down 27.7% year on year), mainly due to increased raw material costs and operating costs, despite our price revisions in the Dairy Products Segment and the Beverage and Dessert Segment. Profit attributable to owners of the parent amounted to 9.1 billion yen (down 24.3% year on year), mainly due to an increase in impairment loss from the previous fiscal year, despite an increase in gains on sales of investment securities from the previous fiscal year.

Consolidated Net Sales and Operating Profit by Segment

| | FY2021 | FY2022 | Change |
|---|--------|--------|--------|
| (Billion yen) | | | |
| Net sales | 558.4 | 584.3 | 25.9 |
| Dairy products | 236.9 | 252.0 | 15.1 |
| Beverage and dessert | 239.7 | 241.1 | 13.0 |
| Feedstuffs and seed | 46.8 | 53.4 | 66.0 |
| Other | 34.8 | 37.6 | 27.0 |
| <Reference> Net Sales in Nutrition Business (Reported under Dairy Products Segment) | | | |
| Nutrition | 17.7 | 19.7 | 2.0 |
| Operating profit | 18.0 | 13.0 | (5.0) |
| Dairy products | 12.5 | 9.7 | (2.8) |
| Beverage and dessert | 3.6 | 1.6 | (1.9) |
| Feedstuffs and seed | 0.6 | 0.2 | (0.4) |
| Other | 1.1 | 1.4 | 0.3 |

Net Sales

Dairy Products Segment

(Dairy Products Business and Nutrition Business Sector)

Butter sales increased from the previous year due to efforts to expand sales for household use by improving the manufacturing system mainly at Isobunnai Plant and Ami Plant. Sales of butter for commercial use increased from the previous year due to a recovery in demand from the dining industry and hotels.

As for cheese, sales of mainstay Sakeru Cheese were strong, and measures to stimulate demand, such as the airing of TV commercials for 6P Cheese and increased volume of Sliced Cheese, resulted in an increase in market share. With regard to new cheese products, we launched Snow Brand Hokkaido 100 Kakeru Cheese, which is made from 100% fresh milk produced in Hokkaido, can be used in a wide range of dishes, and has a substantial texture unique to grain-style cheese.

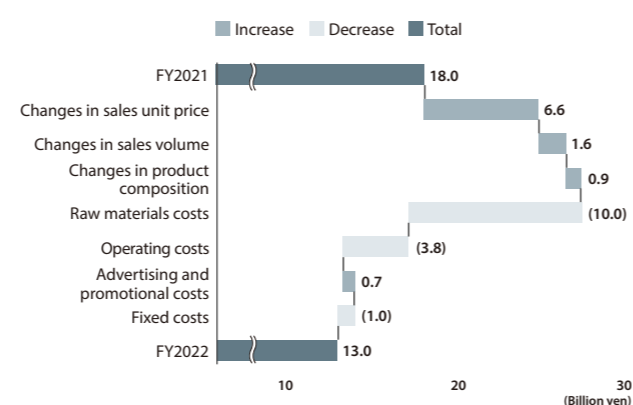
Beverage and Dessert Segment

(Beverages and Desserts Business)

With regard to beverages, sales of milk were below the previous year's level, partly due to a rebound from the household demand in the first half of the previous year and partly due to price revisions in the second half of the year. Furthermore, sales of vegetable juices struggled throughout the year due to the decline in health consciousness, which had been temporarily heightened due to the impact of COVID-19. This resulted in a year-on-year decline in overall beverage sales.

Amidst this, there was significant expansion compared to the past year in sales of MBP Drink, which we launched with active promotional campaigns such as TV commercials. As for Snow Brand Coffee, through the promotion of the 60th anniversary of its launch, new products such as small-sized products and diluted types were actively launched, leading

Causes of Net Changes in Consolidated Operating Profit



to a boost of the entire Snow Brand Coffee lineup.

As for yogurt, sales of family-use products such as Makiba no Asa and Nachure Megumi were strong throughout the year. However, overall sales declined from the previous year, mainly due to a rebound against the strong growth of Megumi Gasser SP Strain Yogurt caused by the significant attention it received on TV in the previous year.

Dessert performance in the segment was favorable thanks to efforts to bolster our product lineup, such as by launching new products as well as expanding existing products.

Feedstuffs and Seed Segment

Overall sales in this segment increased year on year due to higher sales prices for blended feed.

In the seed products business, grass seed sales exceeded the previous year's level partly due to the program for direct payment grants for rice paddy utilization by the Ministry of Agriculture, Forestry and Fisheries.

Operating Profit

Although we responded to the increased costs of raw materials and energy by revising prices, changing capacities, and other efforts, we were unable to absorb all of these costs in fiscal 2022, resulting in a decline in profit.

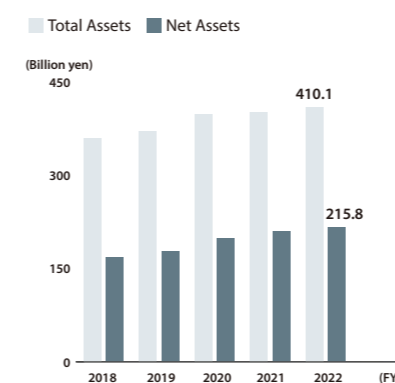
Analysis of Financial Status

Assets

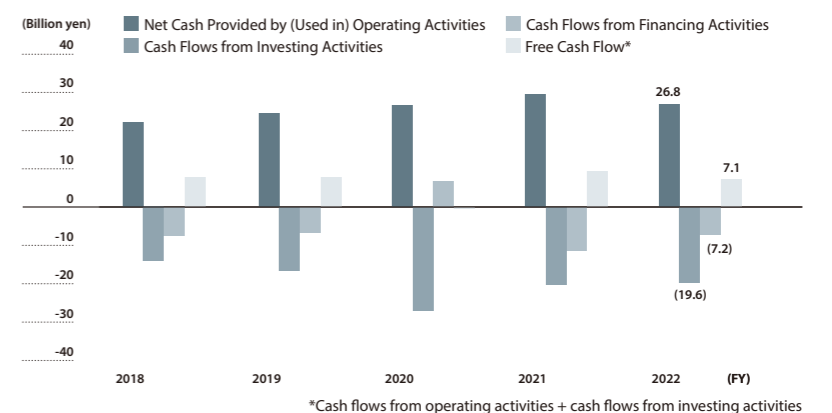
Total assets at the end of fiscal 2022 were up 8.2 billion yen compared to the end of fiscal 2021, to 410.1 billion yen.

The main factors were our buildings and structures as well as the increase in accounts receivable.

Total Assets / Net Assets



Cash Flow



Liabilities and Net Assets

Liabilities at the end of fiscal 2022 stood at 194.2 billion yen, a decrease of 1.8 billion yen compared to the end of fiscal 2021.

This was mainly due to an increase in corporate bonds resulting from the issuance of green bonds.

Net assets increased 6.3 billion yen to 215.8 billion yen. This was mainly due to an increase in retained earnings.

Cash Flow Analysis

Net Cash Provided by (Used in) Operating Activities

Income came to 26.8 billion yen. This represents an decrease of 2.6 billion yen compared to fiscal 2021. This was mainly due to a decrease in profit before income taxes.

Net Cash Provided by (Used in) Investing Activities

Payments came to 19.6 billion yen. This represents a 500 million yen decrease compared to fiscal 2021. This was mainly due to an increase in proceeds from sales of investment securities.

Net Cash Provided by (Used in) Financing Activities

Payments came to 7.2 billion yen. This represents a 3.9 billion yen decrease compared to fiscal 2021. This was mainly due to a decrease in repayment of long-term loans payable.

A Decade of Data*1

| | Unit | FY2013 | FY2014 | FY2015 |
|--|-------------------|----------|----------|----------|
| Fiscal year | | | | |
| Net sales*2 | Million yen | 544,907 | 549,816 | 578,328 |
| Operating profit | Million yen | 11,241 | 9,381 | 14,004 |
| Profit attributable to owners of parent | Million yen | 2,569 | 3,931 | 15,047 |
| Earnings per share (EPS) | Yen | 37.88 | 57.95 | 221.81 |
| Capital expenditures | Million yen | 32,732 | 17,593 | 15,090 |
| Depreciation and amortization | Million yen | 13,573 | 14,558 | 14,081 |
| R&D costs | Million yen | 3,804 | 3,780 | 3,846 |
| Net cash provided by (used in) operating activities | Million yen | 15,266 | 11,241 | 26,433 |
| Cash flows from investing activities | Million yen | (35,724) | (27,617) | 4,567 |
| Net cash provided by (used in) financing activities | Million yen | 20,047 | 14,854 | (25,332) |
| Free cash flow*3 | Million yen | (20,458) | (16,376) | 31,001 |
| End of fiscal year | | | | |
| Total assets | Million yen | 334,775 | 345,597 | 344,194 |
| Cash and cash equivalents | Million yen | 10,570 | 9,188 | 14,797 |
| Interest-bearing debt | Million yen | 95,605 | 113,662 | 94,274 |
| Net assets | Million yen | 116,453 | 122,209 | 132,401 |
| Book value per share (BPS) | Yen | 1,684.89 | 1,767.71 | 1,917.33 |
| Dividend per share | Yen | 30 | 30 | 30 |
| Other indicators, etc. | | | | |
| Equity ratio | % | 34.1 | 34.7 | 37.8 |
| Return on equity (ROE) | % | 2.2 | 3.4 | 12.0 |
| Dividend payout ratio | % | 79.2 | 51.8 | 13.5 |
| Price earnings ratio (PER) | Ratio | 35.5 | 24.9 | 12.8 |
| Price-to-book ratio (PBR) | Ratio | 0.8 | 0.8 | 1.5 |
| Interest coverage ratio | Ratio | 17.3 | 12.0 | 28.7 |
| D/E ratio | Ratio | 0.8 | 0.9 | 0.7 |
| Net interest-bearing debt / EBITDA ratio | Ratio | 3.4 | 4.3 | 2.8 |
| Strategic shareholdings*4 | Million yen | 19,795 | 23,151 | 21,101 |
| Number of stocks held | Shares | 100 | 95 | 93 |
| Non-financial data | | | | |
| Number of employees (consolidated) | | 4,917 | 4,875 | 4,823 |
| Number of employees (non-consolidated) | | 3,130 | 3,090 | 3,009 |
| Rate of women in management positions (non-consolidated) | % | - | - | 2.7 |
| Percentage of male employees taking childcare leave (non-consolidated) | % | - | - | - |
| CO2 emissions | | | | |
| Scope 1 *5 | Thousand tons-CO2 | - | - | - |
| Scope 2 *5 | Thousand tons-CO2 | - | - | - |
| Scope 3 (non-consolidated) | Thousand tons-CO2 | - | - | - |

*1 Figures in millions of yen are rounded down to the nearest million yen, and other figures are rounded to the indicated digit.

*2 After applying Accounting Standard for Revenue Recognition, etc. from fiscal 2021

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

*4 Including deemed holdings

*5 Aggregate of eight Group companies from fiscal 2021 (Megmilk Snow Brand; Ibaraku Co., Ltd.; Kohnan Oils and Fats Mfg Co., Ltd.; Chokuhan Haisou Co., Ltd.; Michinoku Milk Co., Ltd.; Michinoku Milk Co., Ltd.; Snow Brand Seed Co., Ltd.; Bean Stalk Snow Co., Ltd.). Figures before fiscal 2020 are non-consolidated figures.

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|--|----------|----------|----------|----------|----------|----------|----------|
| | 587,935 | 596,158 | 603,378 | 613,405 | 615,186 | 558,403 | 584,308 |
| | 18,753 | 19,363 | 17,230 | 17,998 | 19,780 | 18,059 | 13,054 |
| | 12,988 | 13,386 | 10,754 | 12,165 | 14,913 | 12,068 | 9,129 |
| | 191.48 | 197.36 | 158.64 | 179.71 | 220.64 | 178.70 | 135.18 |
| | 14,680 | 15,915 | 14,448 | 24,388 | 26,651 | 18,798 | 19,582 |
| | 15,140 | 15,157 | 15,901 | 16,157 | 15,917 | 16,957 | 17,190 |
| | 3,942 | 4,330 | 4,382 | 4,297 | 4,255 | 4,348 | 4,548 |
| | 29,934 | 22,817 | 21,938 | 24,322 | 26,567 | 29,421 | 26,807 |
| | (14,408) | (11,799) | (14,248) | (16,629) | (27,076) | (20,206) | (19,624) |
| | (14,376) | (12,904) | (7,396) | (6,651) | 6,771 | (11,262) | (7,286) |
| | 15,526 | 11,017 | 7,690 | 7,693 | (508) | 9,215 | 7,183 |
| | 341,507 | 351,240 | 359,445 | 370,434 | 398,650 | 401,890 | 410,130 |
| | 15,940 | 14,076 | 14,303 | 15,524 | 21,829 | 19,979 | 20,338 |
| | 83,588 | 75,051 | 71,704 | 69,393 | 79,374 | 72,230 | 69,885 |
| | 145,485 | 157,338 | 168,782 | 178,094 | 198,255 | 209,528 | 215,899 |
| | 2,110.80 | 2,286.11 | 2,456.35 | 2,586.86 | 2,890.65 | 3,061.75 | 3,151.74 |
| | 40 | 40 | 40 | 40 | 40 | 60 | 60 |
| | 41.9 | 44.1 | 46.3 | 47.3 | 49.0 | 51.5 | 51.9 |
| | 9.5 | 9.0 | 6.7 | 7.1 | 8.1 | 6.0 | 4.4 |
| | 20.9 | 20.3 | 25.2 | 22.3 | 18.1 | 33.6 | 44.4 |
| | 16.0 | 14.6 | 17.0 | 13.7 | 10.2 | 11.1 | 13.0 |
| | 1.5 | 1.3 | 1.1 | 0.9 | 0.8 | 0.6 | 0.6 |
| | 42.8 | 42.2 | 49.3 | 62.6 | 67.5 | 75.1 | 77.4 |
| | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| | 2.0 | 1.8 | 1.7 | 1.6 | 1.6 | 1.5 | 1.6 |
| | 23,619 | 23,906 | 29,354 | 28,749 | 38,900 | 42,293 | 42,647 |
| | 89 | 81 | 80 | 76 | 73 | 71 | 67 |
| | 4,887 | 5,009 | 5,105 | 5,367 | 5,669 | 5,665 | 5,715 |
| | 3,033 | 3,132 | 3,142 | 3,144 | 3,161 | 3,134 | 3,118 |
| | 3.2 | 3.5 | 3.8 | 4.6 | 5.0 | 6.1 | 7.2 |
| | - | - | - | - | 51.2 | 83.7 | 95.6 |
| | - | 122 | 121 | 115 | 115 | 146 | 140 |
| | - | 116 | 113 | 114 | 109 | 126 | 115 |
| | - | - | 1,902 | 1,921 | 2,364 | 2,247 | 2,316 |

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.

Company Information (As of March 31, 2023)

Megmilk Snow Brand Corporate Overview

| | | | | |
|------------------------|--|---------------------------------|---|---|
| Corporate name | MEGMILK SNOW BRAND Co., Ltd. | Established | October 1, 2009 |  |
| Business | Production and sales of milk, dairy products, beverages, and other foods | Capital | 20.0 billion yen | |
| Registered head office | 1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido | Fiscal year closing date | March 31 | |
| Head office | 5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo | No. of employees (consolidated) | 5,715 | |
| | | Stock exchange listing | Tokyo Stock Exchange, Sapporo Securities Exchange | |
| | | Securities code | 2270 | |
| | | Shareholder ledger trustee | Mizuho Trust & Banking Co., Ltd. | |

External Ratings

Rating and Investment Information, Inc. (R&I)
(Issuer credit rating announced September 2023)

A-

Platinum Kurumin

Certified by the Minister of Health, Labour and Welfare as an excellent "Childrearing Support Company."



ESG Ratings

MSCI BBB 2023/2
FTSE Russell 2.6 2023/6

Rating and Investment Information, Inc. (R&I)
(Issuer credit rating announced September 2023)

A-

Sompo Sustainability Index

2023



An ESG index designed by Sompo Asset Management Co., Ltd. Megmilk Snow Brand has been continuously selected for inclusion.

Good Career Company Award in FY2022 from the Ministry of Health, Labour and Welfare

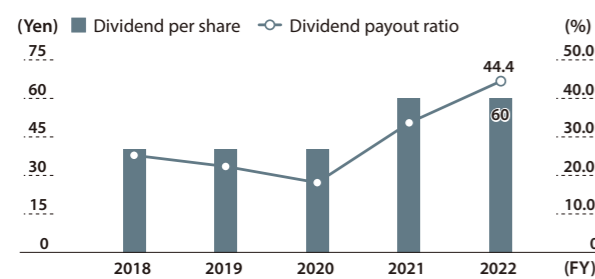
The Company was highly evaluated for its support of employees' independent career development.

IR Activity Results

| | FY2020 | FY2021 | FY2022 |
|--|--------|--------|--------|
| Financial results briefings for investors/analysts | 4 | 4 | 4 |
| Small meetings | 8 | 7 | 5 |
| Those attended by the president | 2 | 1 | 2 |
| Individual meetings | 62 | 55 | 51 |
| Individual investors' briefings | 0 | 0 | 0 |

(Times)

Shareholder Returns



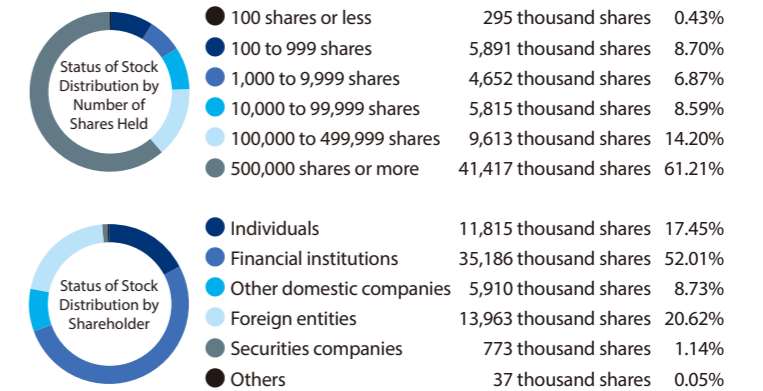
IR Calendar



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 | 47,532 |

Status of Stock Distribution



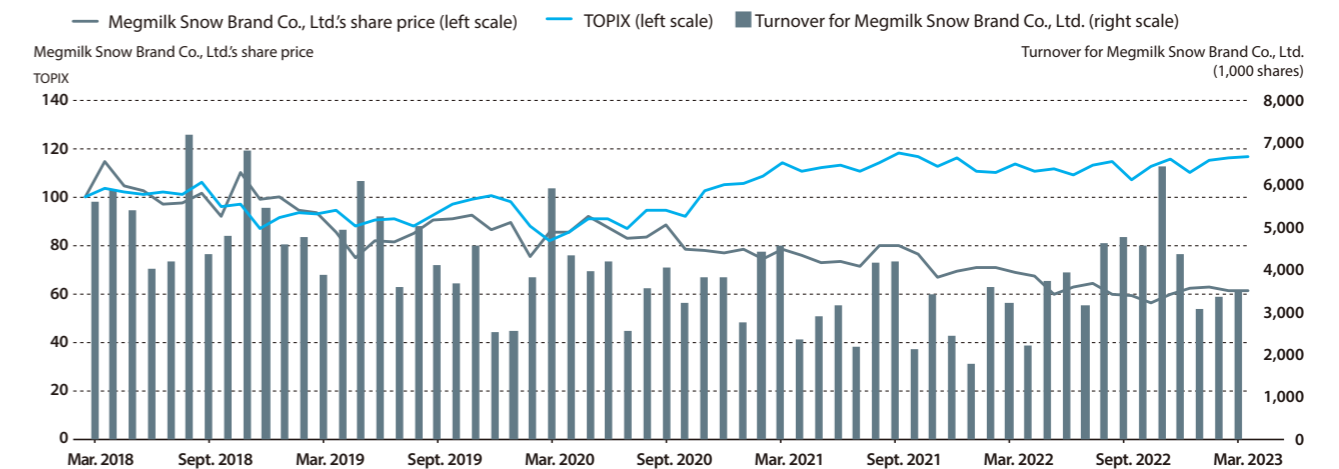
(Notes) 1. Number of shares displayed rounded off to nearest 1,000 shares.
2. Although the Company holds 3,066,020 shares of treasury stock, the Company is excluded from the above list.

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 Norinchukin Bank | 6,728 | 9.94 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 6,372 | 9.41 |
| 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) | 2,718 | 4.01 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 2,223 | 3.28 |
| Megmilk Snow Brand Employee Shareholding Association | 1,293 | 1.91 |
| HOKUREN Group | 1,074 | 1.58 |
| National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN) | 1,008 | 1.48 |
| NIPPON ACCESS, INC. | 838 | 1.23 |

(Notes) 1. Number of shares displayed rounded off to nearest 1,000 shares.
2. Although the Company holds 3,066,020 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, 2018 as 100. (Monthly, Based on the closing price)

Sustainable Finance Initiatives

As part of our efforts to raise funds incorporating the perspective of the SDGs, we have borrowed through sustainability-linked loans and issued green bonds.

Third-party Verification of CO2 Emissions

We concluded a sustainability-linked loan agreement* in March 2022. In light of targets based on the Megmilk Snow Brand Group's material issues, we set the reduction of CO2 emissions as a sustainability performance target. In order to increase the credibility of our CO2 emissions figures, we started third-party verification of CO2 emitted in FY2021.



*Loans that link the borrower's sustainability target (sustainability performance target) to the terms and conditions of the loan based on the borrower's management strategy.

Green Bond Reporting

In order to finance measures that contribute to "reducing environmental load," one of our material issues, we established a Green Bond Framework in October and identified Eligible Criteria.^{*1} In December, we issued the Megmilk Snow Brand Group's first green bonds, using the funds for five Eligible Projects that meet the Eligible Criteria. The following is a summary of the status of funds allocation and impact reporting for the Eligible Projects selected for the use of the funds.

Eligible Criteria/ Summary of Eligible Projects/ Impact Reporting (Fiscal 2022)

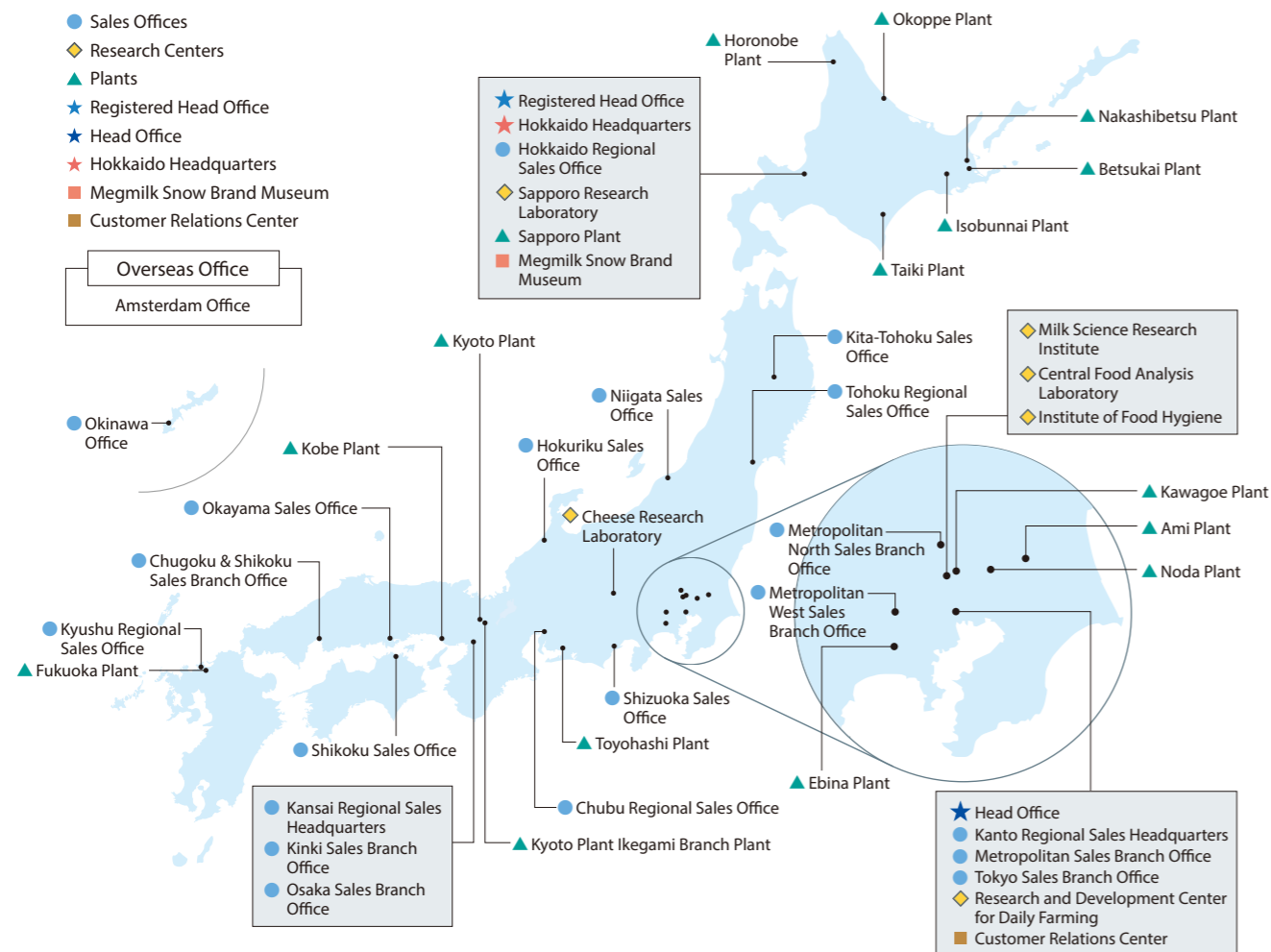
| Green Bond Principles Eligible Categories and Environmental Objectives | Eligible Criteria | Eligible Projects | Summary and Allocation of Funds | Impact Reporting ^{*2} |
|--|---|---|--|--|
| Renewable Energy Environmental objective: Climate change mitigation | Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas | Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas | <ul style="list-style-type: none"> The entire amount of methane gas generated from the methane fermentation process of biomass is effectively utilized as energy for plants Reduction of large amounts of water and CO2 emissions used in methane gas utilization and whey processing [Taiki Plant] Allocated amount: — | — ^{*3} |
| | | Wastewater treatment facility expansion and renewal | <ul style="list-style-type: none"> Upgraded wastewater treatment facilities to reduce excess sludge [Taiki Plant] Allocated amount: 2.04 billion yen (100% refinancing ratio) [Isobunnai Plant] Allocated amount: 1.34 billion yen (100% refinancing ratio) | [Taiki Plant] Sludge reduction: 318 tons (reduction rate: 23%) [Isobunnai Plant] Sludge reduction: 492 tons (reduction rate: 80%) |
| Pollution Prevention and Control Environmental objective: Pollution prevention and control | Investment in wastewater treatment facilities that contribute to waste (sludge) reduction | Introduction of sludge volume reduction equipment | <ul style="list-style-type: none"> Installed equipment to reduce the volume of sludge by autolysis [Noda Plant] Allocated amount: 280 million yen (100% refinancing ratio) | Sludge reduction: 132 tons (reduction rate: 21%) |
| | | Introduction of sludge drying equipment | <ul style="list-style-type: none"> Introduced a dryer that can dry sludge with less energy Dried sludge is sold as fertilizer [Taiki Plant] Allocated amount: — | — ^{*3} |

*1 Criteria to be eligible as a project that contributes to solving environmental problems such as global warming (green project).

*2 Calculated by comparing emissions in fiscal 2022 with those in the previous year of facility installation/renewal (the same applies to the reduction rate).

*3 Impact reporting is not available because the facility is scheduled to start operation in fiscal 2023.

Megmilk Snow Brand List of Offices



Megmilk Snow Brand Overseas Group Companies



Head Offices of Domestic Group Companies

| | |
|--|-------------------------|
| Ibaraku Co., Ltd. | Mito City, Ibaraki |
| SI System Corporation | Shinjuku-ku, Tokyo |
| Greenservice Co., Ltd. | Hachioji City, Tokyo |
| Cresco Corporation | Kita-ku, Tokyo |
| Kohnan Oils and Fats Mfg. Co., Ltd. | Kobe City, Hyogo |
| Chesco Ltd. | Shinjuku-ku, Tokyo |
| Chokuhan Haisou Co., Ltd. | Shibuya-ku, Tokyo |
| Nichiraku Machinery Co., Ltd. | Saitama City, Saitama |
| Belle Neige Direct Co., LTD. | Chiyoda-ku, Tokyo |
| Michinoku Milk Co., Ltd. | Osaki City, Miyagi |
| Mitsuwa Distribution Industry Co., Ltd. | Saitama City, Saitama |
| Yatsugatake Milk Industry Co., Ltd. | Chino City, Nagano |
| Snow Brand Kodomo-no-Kuni Ranch | Yokohama City, Kanagawa |
| Snow Brand Seed Co., Ltd. | Sapporo City, Hokkaido |
| Snow Brand Parlor Co., Ltd. | Sapporo City, Hokkaido |
| Bean Stalk Snow Co., Ltd. | Shinjuku-ku, Tokyo |
| MEGMILK SNOW BRAND Business Solution Co., Ltd. | Chiyoda-ku, Tokyo |

