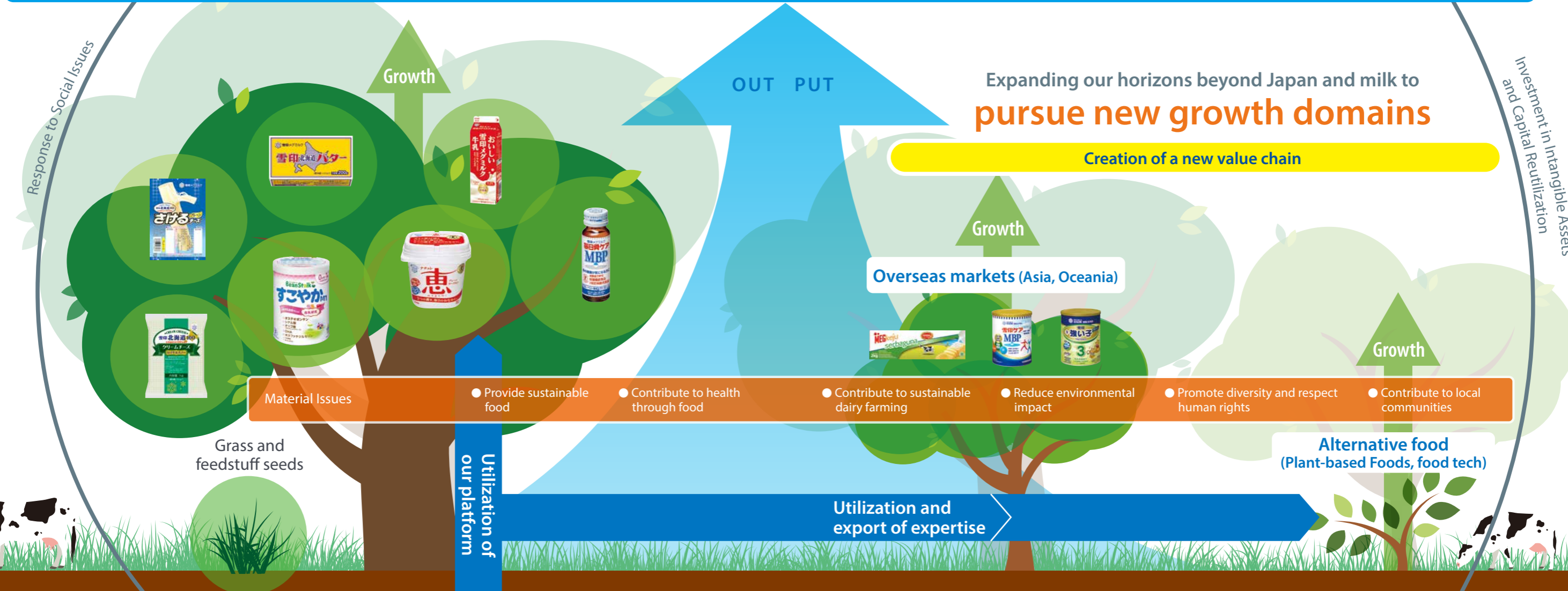


Value Creation Story

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
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- 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
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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
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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.

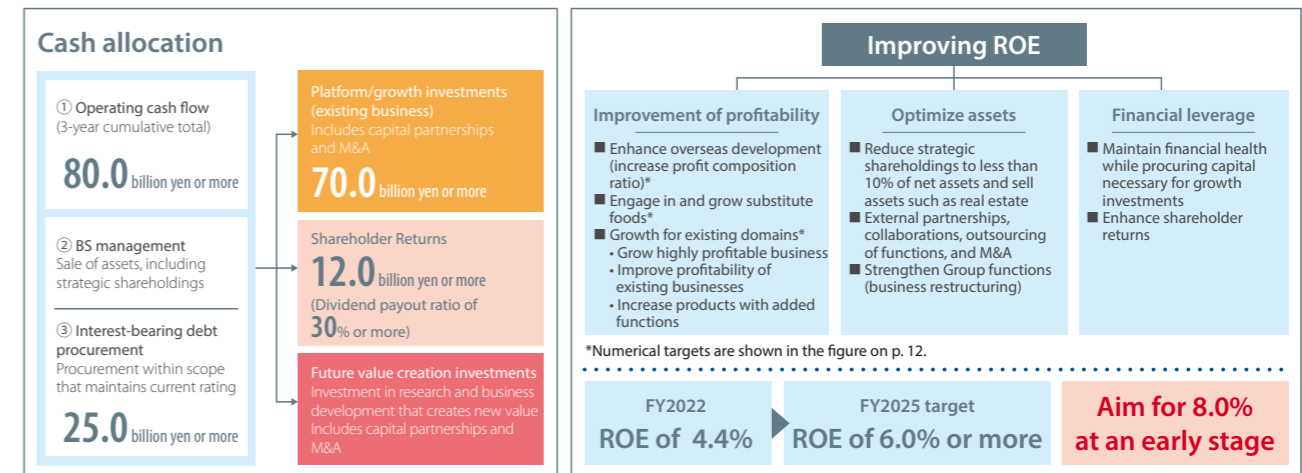
We plan to use the funds obtained from the above creation and procurement to invest more than 70.0 billion yen in "platform/growth investments." We also plan to invest in R&D and business development to create new value, or "future value creation investments." In May 2023, as part of our entry into the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

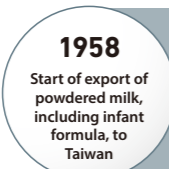


2002

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

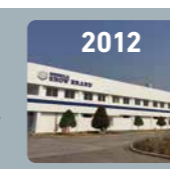
Manufacturing base for powdered milk, including infant formula, established in Australia

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



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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.

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.

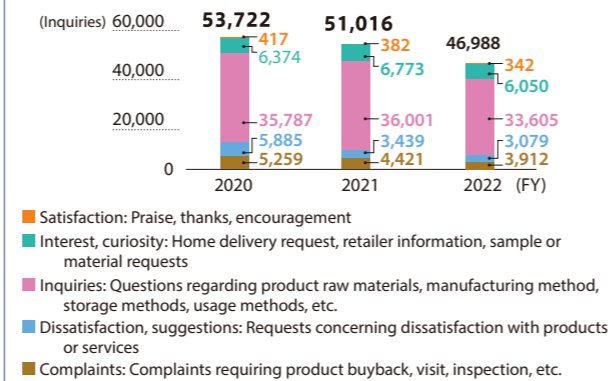
We have responded to customer feedback.
<https://www.meg-snow.com/customer/center/voice/>
 (Japanese only)



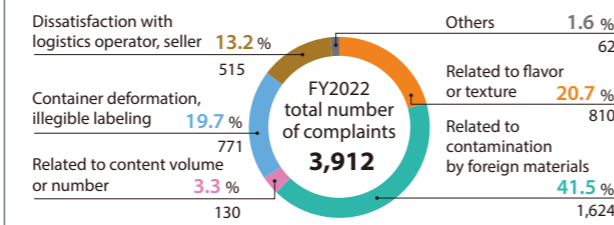
Major initiatives

- 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.

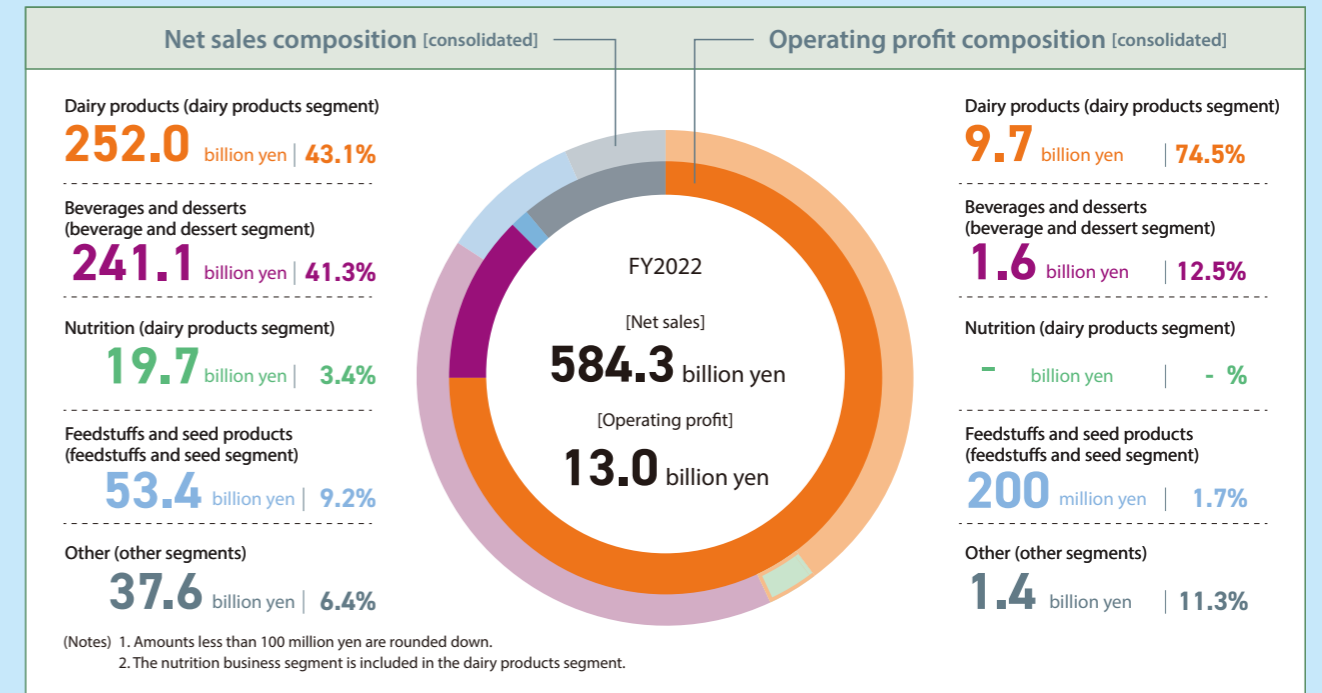
As a venerable sweets store in Hokkaido, the company offers the delicious taste and memories of dairy products to customers in its home prefecture of Hokkaido as well as in Japan and abroad.



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.

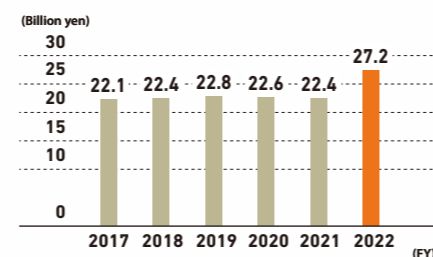
2) Cheese

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

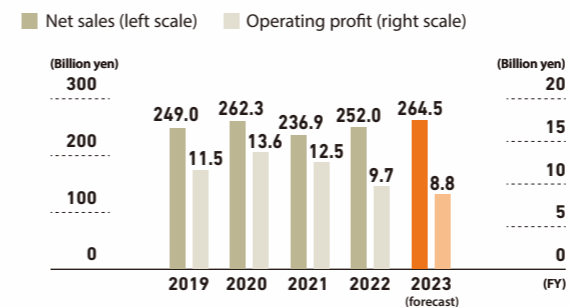
In 2022, we established Megmilk Snow Brand Singapore (MSBS) as a core strategic hub. This will allow us to accelerate the horizontal expansion of our cheese business in Indonesia, expand the export of domestically produced dairy products, and explore new business opportunities, including mergers and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

Trends in Butter Net Sales



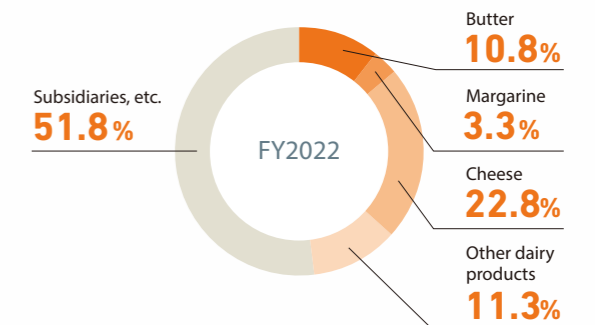
Taiki Plant, which produces Sakeru Cheese and other products

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]



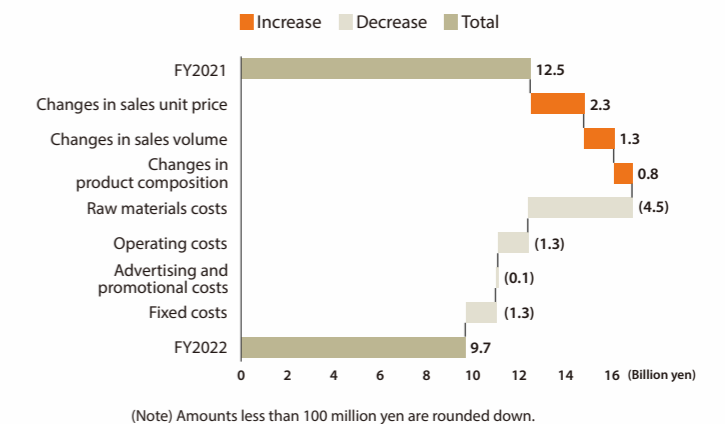
Share of Japanese Market (Fiscal 2022, Based on nationwide monetary amount for household use) Source: Intage SRI+



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

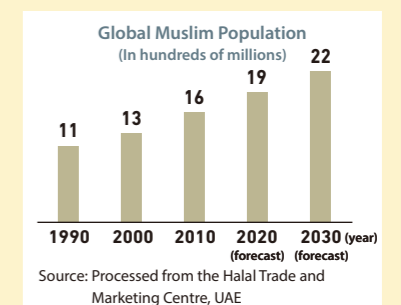


Halal Certification* Obtained for Skim Milk Powder and Butter

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.

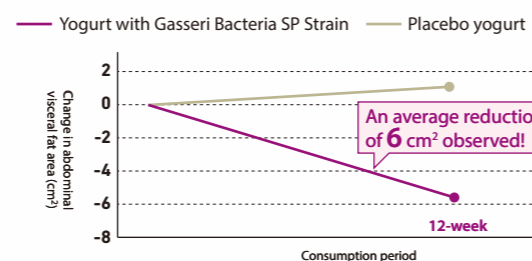
For more details, click here.

Products featuring MBP®

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

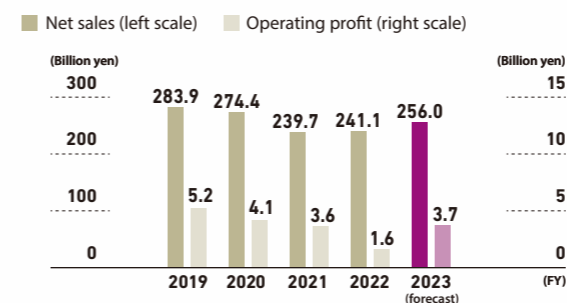


Significant reduction in abdominal visceral fat area confirmed in overweight individuals compared to placebo yogurt that did not contain the Gasseri Bacteria SP Strain



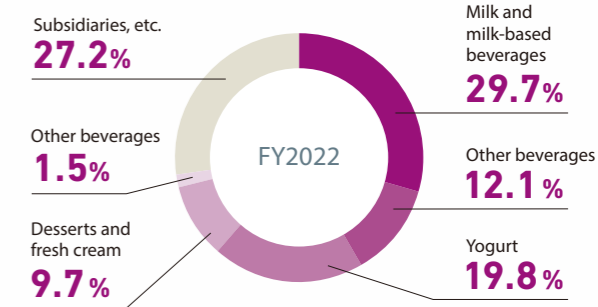
(Note) The change in abdominal visceral fat area after 12 weeks of continuous intake Significant difference noted when compared to placebo yogurt, with $P < 0.05$ Source: Yoshihiko Takano et al., Pharmacology and Therapeutics, 41, 895-903 (2013) - Findings from experiments using the "Gasseri Bacteria 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]

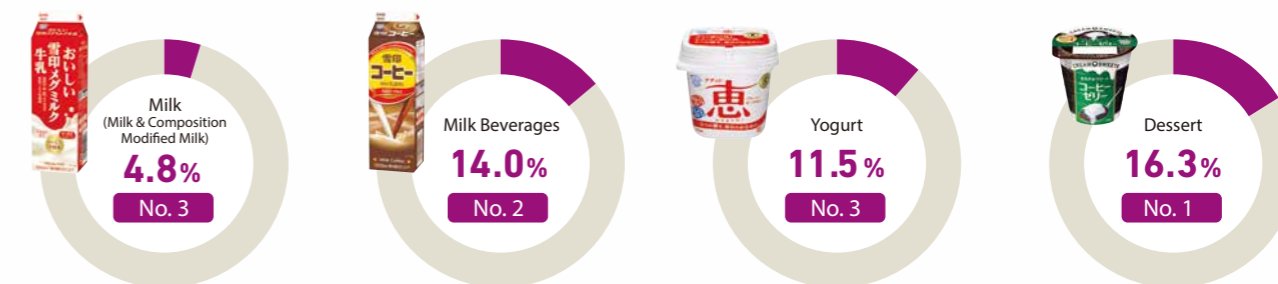


(Note) Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Net Sales Composition [Beverages and Dessert Segment]



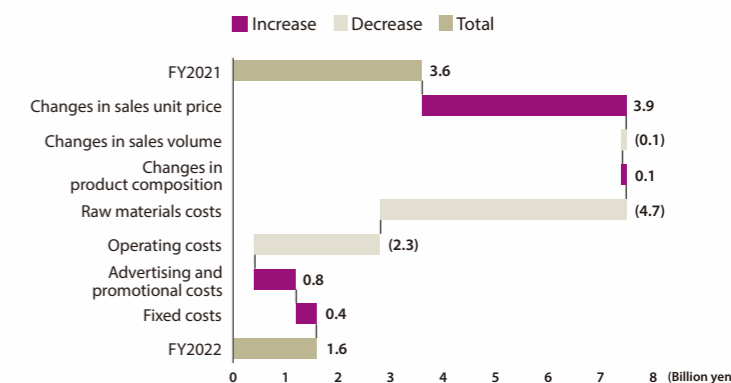
Share of Japanese Market (Fiscal 2022, Based on nationwide monetary amount for household use) Source: Intage SRI+



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)

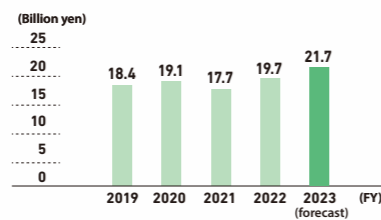
[Food with Function Claims] Notification Number: H512 Notice: This product contains *L.helveticus* SBT2171 (Nyu-san-kin Helve). Nyu-san-kin Helve has been documented as reducing discomfort in the eyes and nose arising from factors such as house dust. Key functional ingredient: *L.helveticus* SBT2171 (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



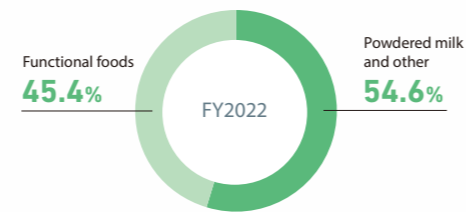
Nutrition Business

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/lab0/>
 (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

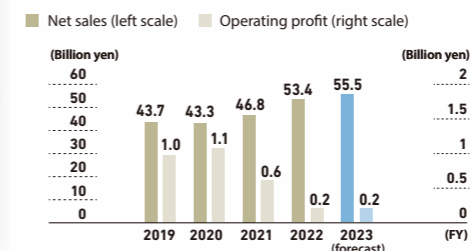
	(Billion yen)		
	FY2021	FY2022	Growth Rate
Functional foods	6.7	8.9	+32.2%
Powdered milk and other	10.9	10.8	(1.2%)
Nutrition Business Total	17.7	19.7	+11.6%

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



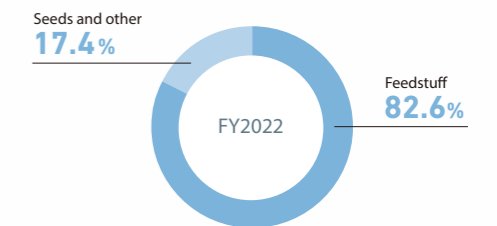
Feedstuffs and Seed Products Business

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.

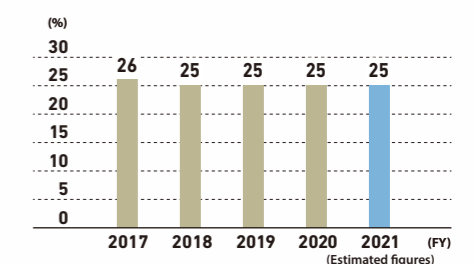
2) Feedstuff Business

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%

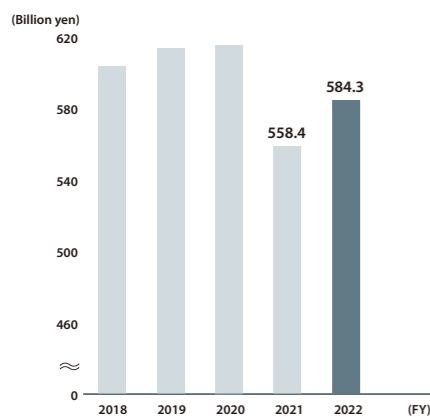
(Note) Amounts less than 100 million yen are rounded down.

Performance Highlights

Financial Information [Consolidated]

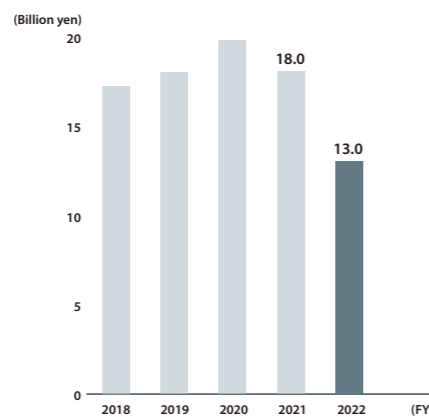
Net Sales
584.3 billion yen

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.



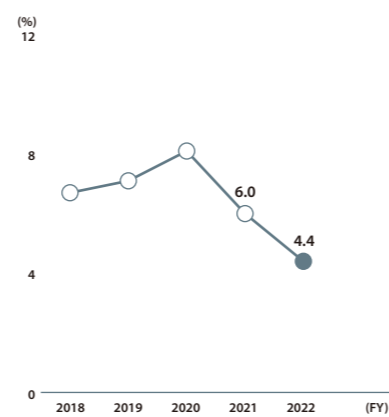
Operating Profit
13.0 billion yen

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.



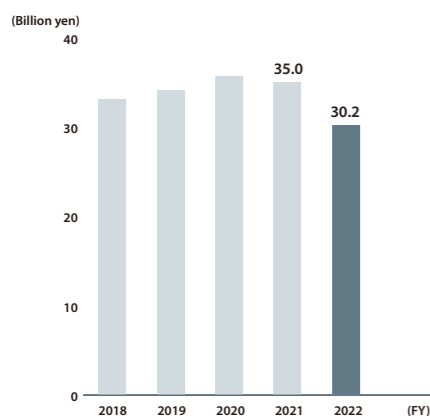
Return on Equity (ROE)
4.4 %

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.



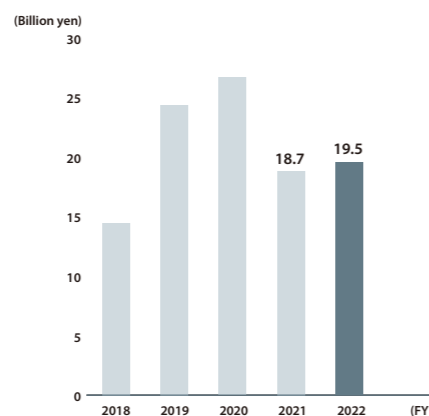
EBITDA*
30.2 billion yen

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



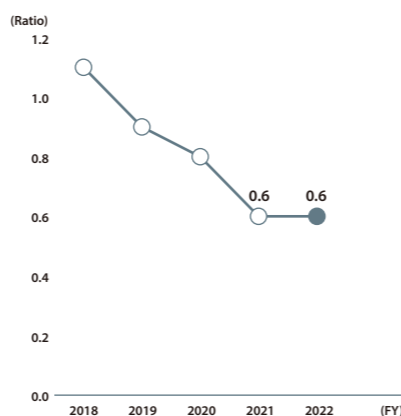
Capital Expenditures
19.5 billion yen

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

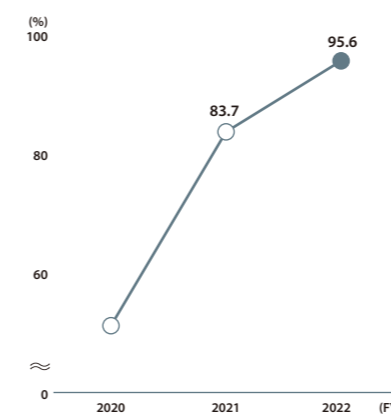
Since fiscal 2019, the PBR has consistently fallen below 1. We are committed to enhancing capital efficiency and ROE to exhibit the growth potential of our business, thereby improving the PBR.



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

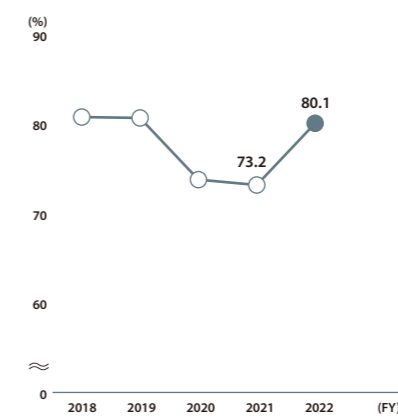
Percentage of Male Employees Taking Childcare Leave
95.6 %

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.



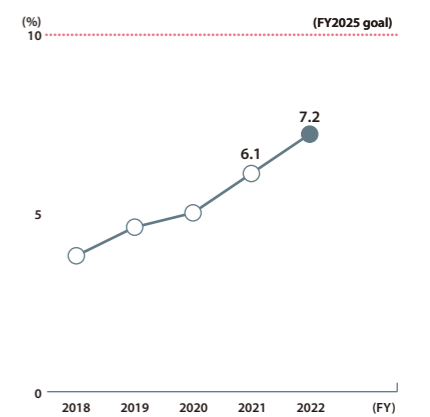
Paid Leave Acquisition Rate (All Employees)
80.1 %

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 %

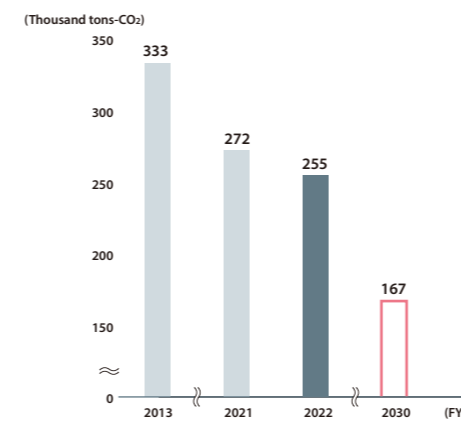
We have implemented career development programs for female leaders both inside and outside the company, formulated training plans, and conducted e-learning to promote understanding of unconscious bias.



Non-Financial Information [Megmilk Snow Brand Group]

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

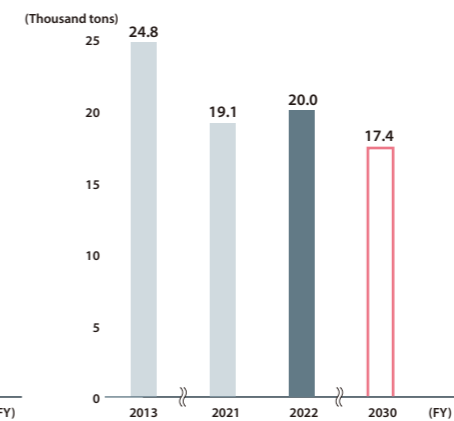
We converted the boiler system at Megmilk Snow Brand's Taiki Plant from heavy oil to LNG. Moreover, due to energy-saving measures implemented across various business sites, CO₂ emissions for fiscal 2022 were reduced by 17,000 t-CO₂ compared to fiscal 2021.



<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

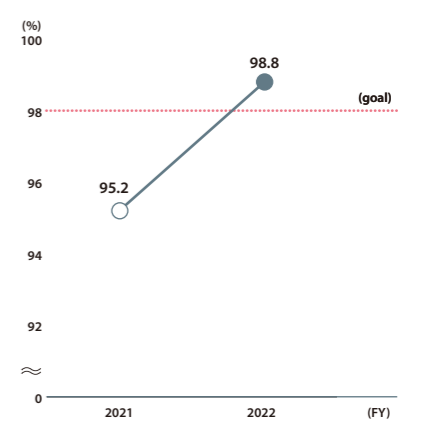
Due to a warehouse fire at a subcontracting company of Megmilk Snow Brand, there was a temporary increase in waste disposal volumes (+2.4 thousand tons), leading to worse results than fiscal 2021.



<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.

* Earnings before interest, taxes, depreciation and amortization