

# Value Creation by the Megmilk Snow Brand Group

## Value Creation Process



At the Megmilk Snow Brand Group, we apply our corporate philosophy to help build a sustainable society by engaging in business activities that make the most of our Group's strengths. Group Long-Term Vision 2026, we will maximize the corporate value of the Megmilk Snow Brand Group and secure a future of sustainable growth.

## Future Vision

### Implement Corporate Philosophy

The corporate philosophy is composed of our missions and corporate slogan.

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.

### Our Three Missions

- Focus on Consumers
- Contribute to Dairy Farming Production
- Put Our Hearts into Milk

### Corporate Slogan

Make the Future with Milk



# Value Chain

R&D



Procurement



Production

## Overview

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

## Strengths

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

## Issues (risks)

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

## PROGRESS

### Current Initiatives and Issues

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



Milk Science Research Institute

## Overview

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

## Strengths

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

## Issues (risks)

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

## PROGRESS

### Current Initiatives and Issues

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



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

## Overview

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

## Strengths

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

- Acquire certification for international food safety scheme approved by Global Food Safety Initiative (GFSI).<sup>\*1</sup>

◆ At Megmilk Snow Brand, we are actively moving forward with acquiring GFSI-approved international food product safety scheme certification and introducing world-class advanced food safety management system at Megmilk Snow Brand food facilities<sup>\*2</sup> in Japan and overseas.

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

<sup>\*2</sup> Food facilities that produce Megmilk Snow Brand products (Megmilk Snow Brand's own and affiliated companies' plants in Japan and overseas)

## Issues (risks)

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

## PROGRESS

### Current Initiatives and Issues

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



Taiki Plant (obtained FSSC 22000 certification in November 2019)



## Logistics

### Overview

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

### Strengths

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

### Issues (risks)

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

## PROGRESS

### Current Initiatives and Issues

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



## Marketing and Sales

### Overview (marketing and sales)

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

### Strengths

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

[Concrete examples]

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

### Overview (customer service)

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

See website for details.

For details on product improvements based on customer opinions,

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



### Strengths

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



## Customer Service

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

### Issues (risks)

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

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

### Issues (risks)

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

## PROGRESS

### Current Initiatives and Issues

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

## PROGRESS

### Current Initiatives and Issues

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



See website for details.

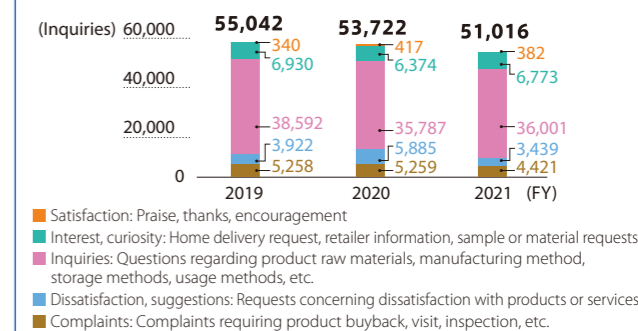
The bone health support website Bone Good Story

can be accessed from the following URL or QR code. (Japanese only)

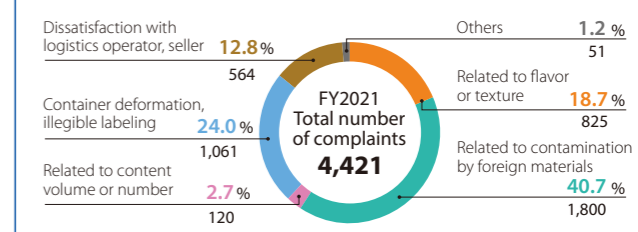
<https://www.meg-snow.com/hone-goodstory/>



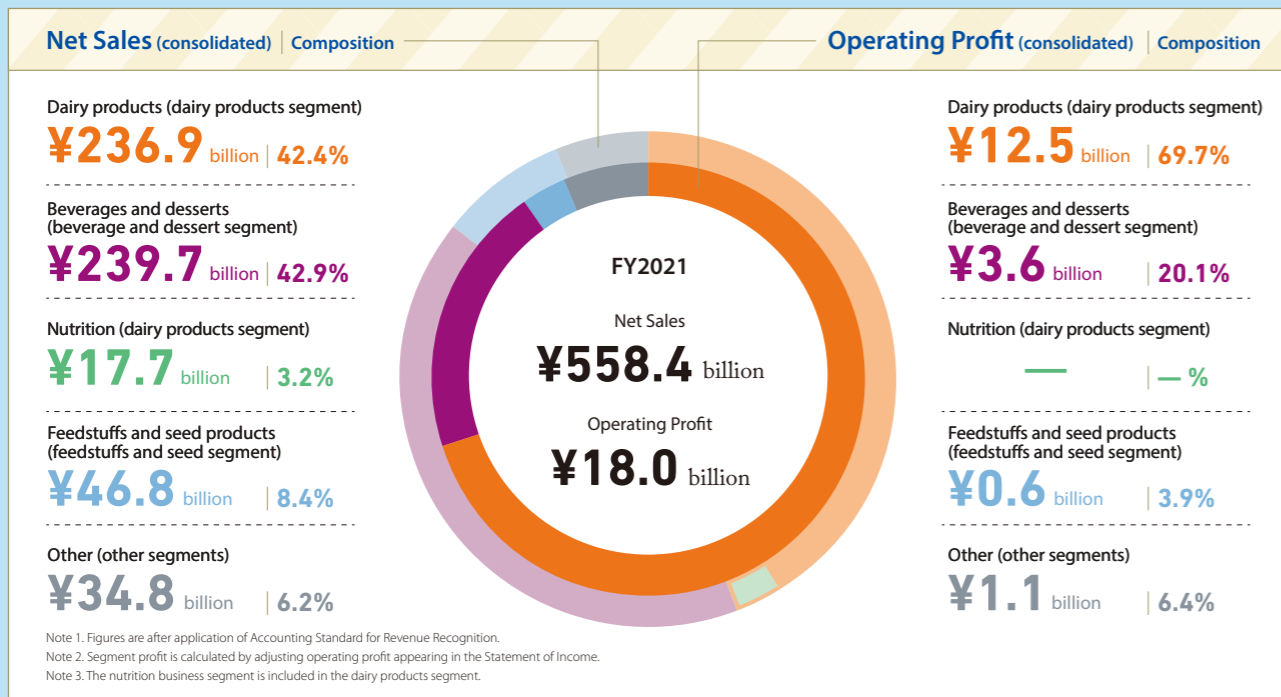
### Number of Inquiries Received by Customers Relations Center



### Details of Complaints Received



# Business Overview



### Dairy Products Business P.27

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

Representing the history of the Megmilk Snow Brand Group, this business sector includes butter, which we have produced since our founding, as well as other products such as cheese and margarine. We have many profit-driving products, and the market, especially for cheese, is expected to grow in coming years.

### Beverages and Desserts Business P.29

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

This business sector handles products such as milk, milk beverages, yogurt, juices, and desserts. With a vast product line, we deliver nutrition and enrichment to the dietary lifestyles of our customers. As health consciousness grows among consumers, we are expanding our highly profitable product lineup with a focus on foods with function claims.

### Nutrition Business P.31

Powdered milk including infant formula, functional foods, etc.

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

### Feedstuffs and Seed Products Business P.32

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

Among our business sectors, this one is most proximate to dairy farming. Centered on operations by Snow Brand Seed Co., Ltd., the business supports milk production and environmentally-friendly agriculture. The feedstuffs business provides blended feed matched to the needs of each specific region. The seed products business is engaged in grass breed improvement and grows numerous types of high-quality seeds.






# Main Group Companies

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

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

Japan





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

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

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

Business		Topics	
<p><b>MEGMILK SNOW BRAND Business Solution Co., Ltd. (formerly YBS)</b></p> <p>Established April 1971 Capital 30 million yen Group total equity ratio 100.0% Head office location Chiyoda-ku, Tokyo Representative Yasuo Takeda</p>	<p>General building management, security, construction, non-life insurance services, staffing, sales, management, production quality, and other business support services</p>	<p><b>Change in Company Name and Environmental Initiatives</b></p> <p>On April 1, 2022, we changed the name of the company to MEGMILK SNOW BRAND Business Solution Co., Ltd. We will use this opportunity to further increase the value of the company. As for CSR activities, we will continue to undertake initiatives such as reducing the use of paper by having insurance policy terms available on line.</p>  <p>雪印メグミルクビジネスソリューション株式会社</p>	
<p><b>Other Group Companies</b></p> <p> <span style="color: orange;">■</span> Dairy products <span style="color: purple;">■</span> Beverages and desserts: SBS Flec Co., Ltd. <span style="color: purple;">■</span> Beverages and desserts: Luna Bussan  <span style="color: green;">■</span> Nutrition: Amino Up Co., Ltd. / EN Otsuka Pharmaceutical Co., Ltd.  <span style="color: blue;">■</span> Feedstuffs and Seed: RF Aomori Farm Co., Ltd. / RF Penkel Farm Co., Ltd. / Doto Feed Corporation / Royal Farm, Ltd  <span style="color: grey;">■</span> Other: HOKUMO-TRANSPORTATION CO., LTD., Nihon Nyuhin Boeki Co., Ltd.         </p>			

Outside Japan

Business		Topics	
<p><b>Udder Delights Australia Pty. Ltd.</b></p> <p>Established August 2017 Capital AU\$15 million Group total equity ratio 100.0% Head office location Adelaide (Australia) Representative Tadaki Fukusaku</p>	<p>Manufacturing and sales of white mold and blue mold cheese</p>	<p><b>Focusing on Expanding High-Value-Added Products Handled</b></p> <p>In 2021, we focused on expanding the products we handle from white mold cheese to other high-value-added-products, such as truffle-infused cheese, organic cheese, and blue cheese. Valuing our relationship with local dairy farmers in southern Australia, we will continue to produce delicious products at our cheese plant located in the beautiful traditional area of Adelaide Hills.</p> 	
<p><b>Snow Brand Taiwan Co., Ltd.</b></p> <p>Established December 1992 Capital NT\$7 million Group total equity ratio 100.0% Head office location Taipei (Taiwan) Representative Eiichiro Matsumura</p>	<p>Import and sales of powdered milk products for infants and dairy products</p>	<p><b>Launch of Organic Powdered Milk</b></p> <p>In fiscal 2021, we expanded our product lineup by launching sales of organic powdered milk. We will continue to work to contribute to the health of our Taiwanese customers. As for CSR initiatives, we will continue to donate powdered milk to NPOs and public-service companies.</p> 	
<p><b>Snow Brand Australia Pty. Ltd.</b></p> <p>Established December 1992 Capital AU\$28 million Group total equity ratio 100.0% Head office location Melbourne (Australia) Representative Masayuki Eto</p>	<p>Manufacturing and sales of powdered milk products for infants and white mold cheese, and export and import of raw milk materials</p>	<p><b>Focusing on Expanding Product Sales</b></p> <p>In addition to focusing on expanding sales of products other than Camembert and Brie, the main products manufactured and sold in Australia, we were able to dramatically increase the number of stores carrying truffle-infused brie and ash brie. As part of our CSR activities, we also provide whey produced during the cheese-making process to local dairy farmers.</p> 	
<p><b>PT. Megmilk Snow Brand Indonesia</b></p> <p>Established May 2012 Capital US\$11 million Group total equity ratio 52.8% Head office location Bekasi (Indonesia) Representative Nurjadi Thaher</p>	<p>Manufacturing and sales of processed cheese</p>	<p><b>Completing Production Line Expansion and Expanding Sales of New Products</b></p> <p>In fiscal 2021, we completed the expansion of a production line, and made steady progress in introducing new products and expanding sales. In fiscal 2022, we aim to further increase sales by not only leveraging our technical capabilities related to making delicious cheese at a reasonable price and development capabilities related to creating products that meet customer needs but also focusing on such activities as expanding sales outlets, particularly commercial ones, and increasing exports to neighboring countries.</p> 	
<p><b>Other Group Companies</b></p> <p> <span style="color: orange;">■</span> Dairy products <span style="color: green;">■</span> Nutrition: MEGMILK SNOW BRAND SINGAPORE PTE. LTD. (launched operation in fiscal 2022)  <span style="color: green;">■</span> Nutrition: Snow Marketing Sdn. Bhd., Snow Brand Trading (Shanghai) Co., Ltd., and Snow Brand Hong Kong Co., Ltd.  <span style="color: blue;">■</span> Feedstuffs and Seed: Snow Brand Seed USA, Inc.         </p>			



## Dairy Products Business



### Business Conditions

#### Market Environment

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

#### Risks and Opportunities

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

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

### Group's Medium-term Management Plan 2022

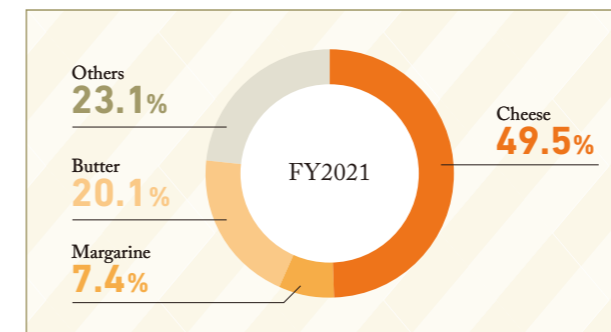
#### Expand Production and Sales of Household Butter

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

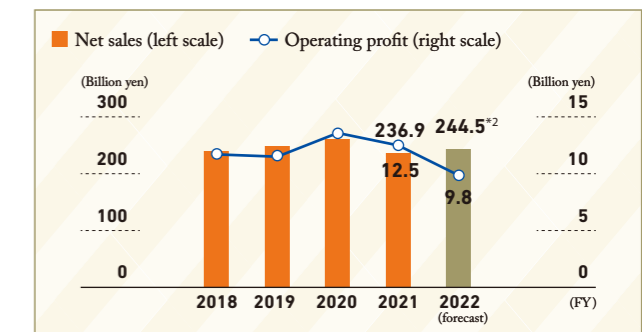
#### Strategically Expand the Cheese Business

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

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



### Net Sales and Operating Profit<sup>1</sup> [Consolidated]



<sup>1</sup> Includes Nutrition Business.  
<sup>2</sup> Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

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



### Fiscal 2021 Results

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

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

### Fiscal 2022 Initiatives

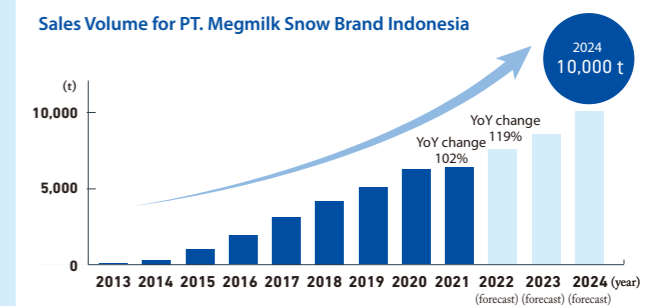
Business was impacted by various developments, including the prolonged COVID-19 pandemic and a global rise in raw material prices because of the conflicts throughout the world. In particular, the rise in the price of items such as imported raw material cheese had a major impact, and logistics and other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

### Overseas Expansion of Cheese

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

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

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





## Beverages and Desserts Business

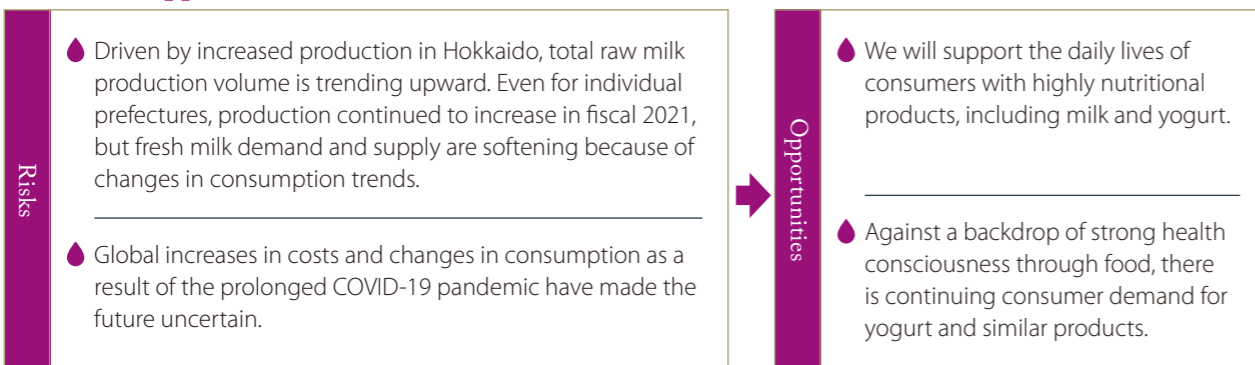


### Business Conditions

#### Market Environment

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

#### Risks and Opportunities



### Group Medium-term Management Plan 2022

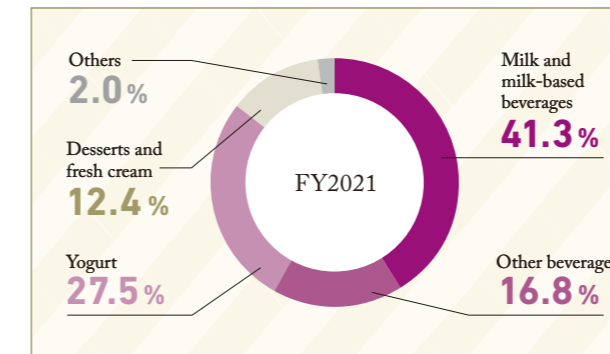
#### Strategically Expand the Yogurt and Dessert Business

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

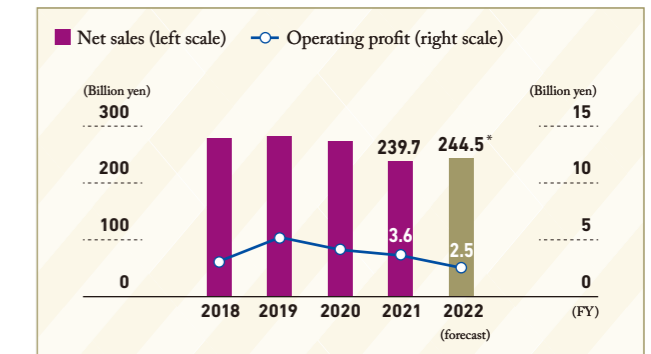
#### Create Value Added for Beverage Business

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

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

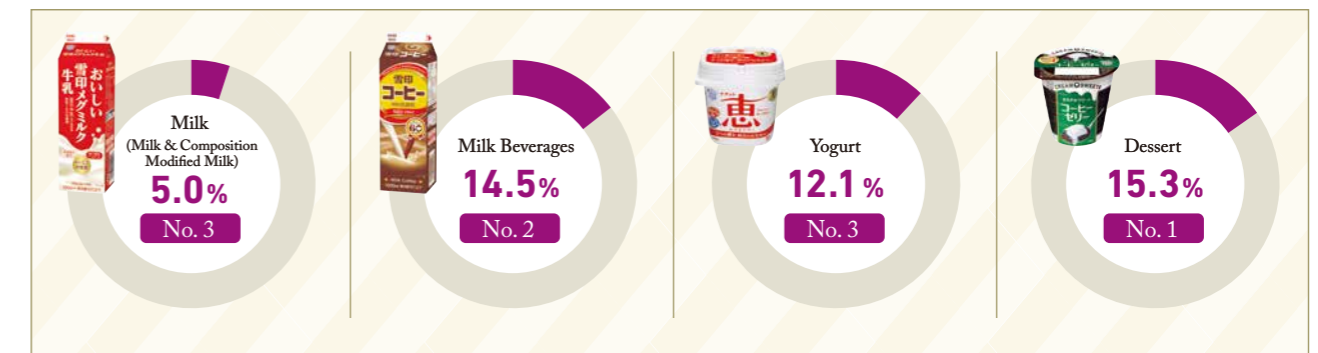


### Net Sales and Operating Profit [Consolidated]



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

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



### Fiscal 2021 Results

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

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

### Fiscal 2022 Initiatives

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

### Adding Biomass Plastics to Straws

Biomass plastics are plastics made from recyclable organic raw materials such as plants. Using plants that absorb CO<sub>2</sub> as they grow as a raw material makes it possible to restrain total CO<sub>2</sub> emissions compared to when using petroleum-derived plastics.

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



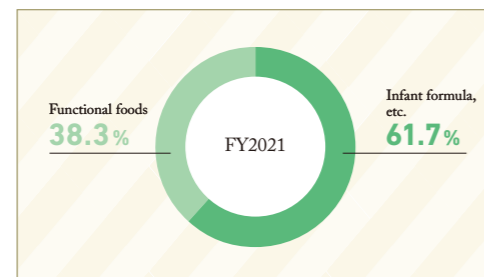
● Partially using plant-derived biomass plastics for straws.



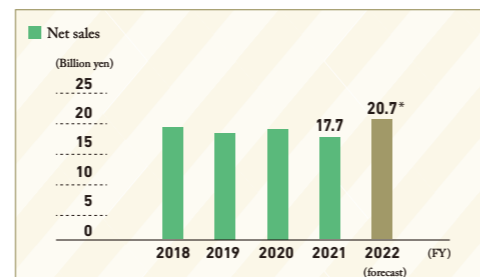
## Nutrition Business



Net Sales Composition [consolidated]



Net Sales [Consolidated]



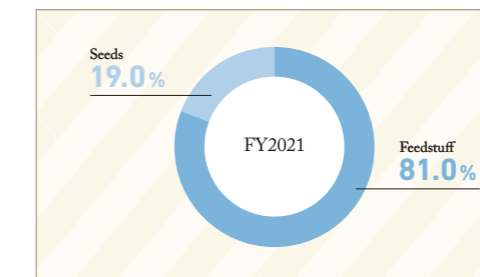
\* Net sales figures for fiscal 2020 and before are before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.



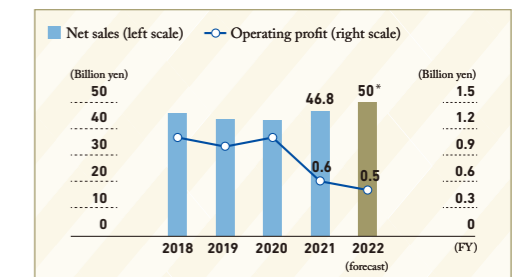
## Feedstuffs and Seed Products Business



Net Sales Composition [Consolidated]



Net Sales and Operating Profit [Consolidated]



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

### Business Conditions

#### Market Environment

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

#### Risks and Opportunities

Risks	Opportunities
<ul style="list-style-type: none"> <li>While continuing to rapidly grow, the market for foods with functional claims has grown beyond the market for foods for specified health uses, and competition is growing fiercer as the number of products increases.</li> <li>In Japan, the market is contracting due to the decline in the number of births, and the environment is expected to grow harsher as a result of the increase in the price of raw materials and energy. Overseas, competition with European and U.S. manufacturers is growing fiercer.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for foods that can claim health effects and functions is high, and we expect further growth in the health food market.</li> <li>We can contribute to child rearing with our strengths from approximately sixty years of breastmilk research and products tailored to lifestyles.</li> </ul>

### Group's Medium-term Management Plan 2022

#### Generate Profit from Functional Foods Business

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

#### Fiscal 2021 Results

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

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

#### Strengthen Competitiveness of Powdered Milk Business (Japan and Overseas)

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

#### Fiscal 2022 Initiatives

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

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

### Business Conditions

#### Market Environment

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

#### Risks and Opportunities

Risks	Opportunities
<ul style="list-style-type: none"> <li>The rise in the price of compound feedstuffs due to the increase in the cost of grain is impacting the dairy farming management.</li> <li>The number of dairy farms is falling every year for various reasons, including owners growing old, shortage of successors, and labor shortage.</li> </ul>	<ul style="list-style-type: none"> <li>In response to growing demand for self-sufficient feed, we can propose increased production of self-sufficient feed by rejuvenating and properly managing pasture land using seeds developed by Snow Brand Seed Co. Ltd.</li> <li>In response to the growing size of dairy farms and more diverse management forms, such as of division of operations using contractors<sup>1</sup> and TMR factories,<sup>2</sup> we can propose optimal solutions, such as providing our own blended feed or lactic acid products that increase silage fermentation quality and offering technical support.</li> </ul>

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

### Group's Medium-term Management Plan 2022

#### Improve the Efficiency and Quality of the Feedstuffs Business

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

#### Fiscal 2021 Results

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

#### Strategically Expand Seed Products Business

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

#### Fiscal 2022 Initiatives

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

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

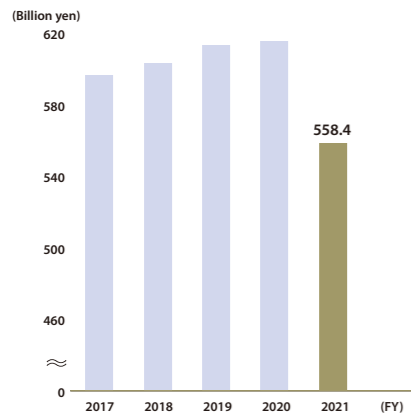


# Performance Highlights

## Financial Information [Consolidated]

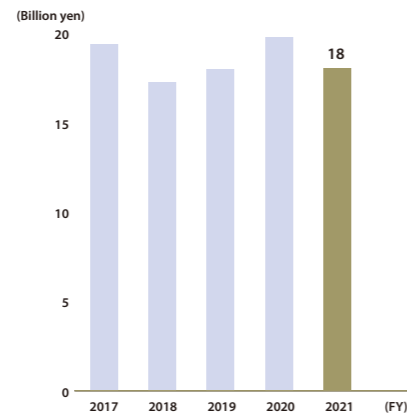
Net Sales  
**¥558.4** billion

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



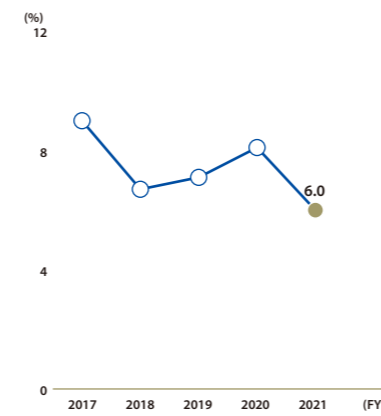
Operating Profit  
**¥18.0** billion

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



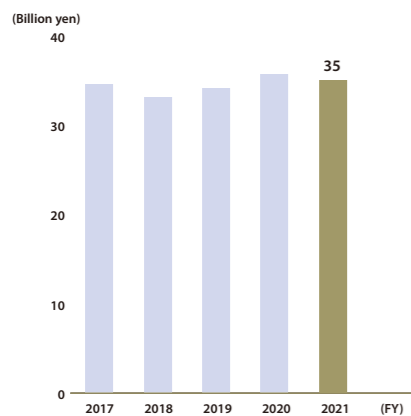
ROE (Return on Equity)  
**6.0** %

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



EBITDA\*  
**¥35.0** billion

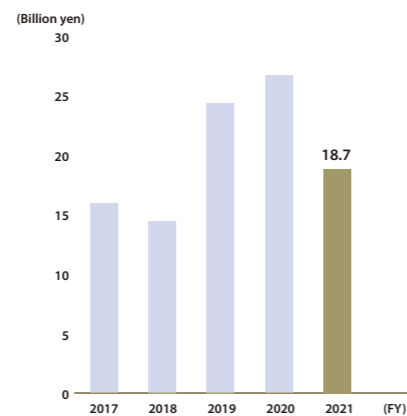
In fiscal 2021, despite a decline in operating profit, we continued to record strong EBITDA on account of an increase in depreciation and amortization.



\* Earnings before interest, taxes, depreciation and amortization

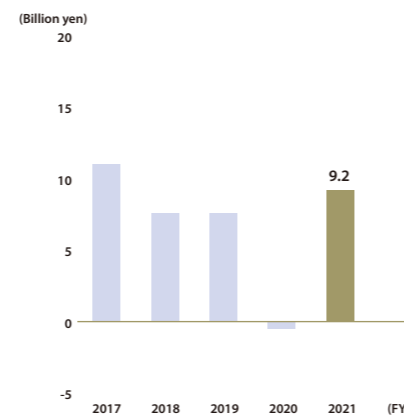
Capital Expenditures  
**¥18.7** billion

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



Free Cash Flow\*  
**¥9.2** billion

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

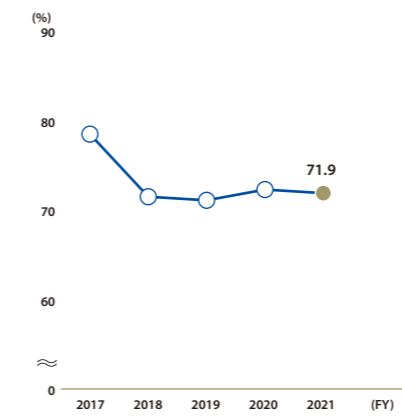


\* Cash flow from operating activities + cash flow from investment activities.

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

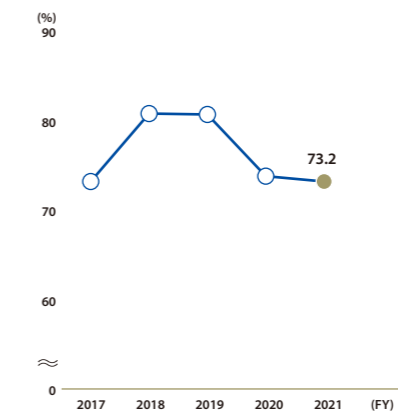
Overtime Work Reduction  
(Non-Manual Employees, Compared with First Half of Fiscal 2015)  
**71.9** %

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



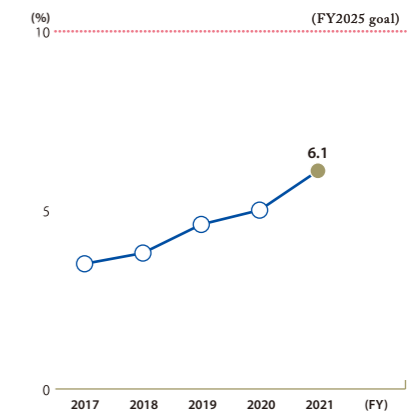
Paid Leave Acquisition Rate  
(All Employees)  
**73.2** %

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



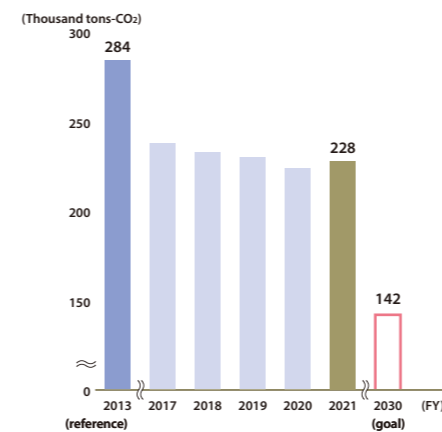
Rate of Women in Management Positions  
**6.1** %

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



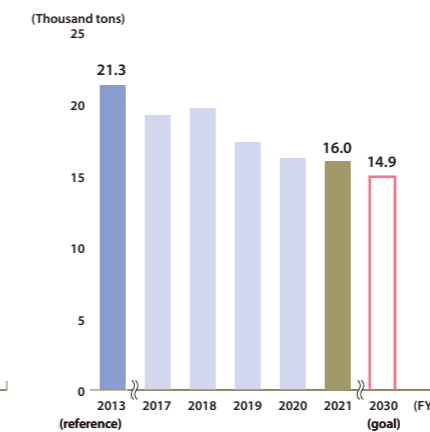
CO<sub>2</sub> Emissions (Scope 1, 2)  
**228** thousand tons-CO<sub>2</sub>

In fiscal 2021, we fell further from our goal because we revised the goal to a 50% reduction in CO<sub>2</sub> emissions compared to fiscal 2013. CO<sub>2</sub> emissions have increased since fiscal 2020 as a result of our response to demand and supply of fresh milk from Hokkaido. In order to achieve our goal, we will accelerate efforts to decarbonize.



Waste Product Emissions  
**16.0** thousand tons

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



Waste Product Recycling Rate  
(Industrial Waste and Valuables)  
**95.7** %

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



## Message from Executive Officer Responsible for Finance

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



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

**Seiki Todaka**

#### Review of Fiscal 2021

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

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

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

<sup>\*1</sup> Figures are after applying Accounting Standard for Revenue Recognition, etc.

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

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

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

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

#### Basic Policy Underlying Financial Strategy

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

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

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

#### Contributing to SDGs

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

We identified Megmilk Snow Brand's material issues (materiality) in 2018 and expanded the scope that updated and added key performance indicators (KPI) are applied to, to all group companies in 2021. Updated KPI include reducing fiscal 2030 CO<sub>2</sub> emissions 50% compared to fiscal 2013, and in March 2022, we concluded a sustainability-

#### For Stakeholders

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

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

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

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