



MEGMILK
SNOW BRAND
Love Earth. Love Life.



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SNOW BRAND
Love Earth. Love Life.

Toward the Next 100 Years

CONTENTS

Introduction

- 03 Megmilk Snow Brand Group's Corporate Philosophy Structure
- 05 100 Years of the Megmilk Snow Brand
- 09 Current Business and Presence
- 11 Value Creation Story
- 13 Value Creation Process

Messages from Management

- 15 Message from the President
- 21 Message from the Executive Officer Responsible for Finance

Special Feature to Commemorate the 100th Anniversary

- 25 From employees Proposals for the Future
- 27 Special Dialogue / President Sato and Professor Nawa

Megmilk Snow Brand Group Value Creation Story

- 31 Megmilk Snow Brand Group Value Creation Story

Why Do We Aspire to Food Sustainability?

- 32 The Future of Food: Risks and Opportunities for the Megmilk Snow Brand Group
- 33 Continuously Strengthening the Value Chain

How Will We Proceed to Achieve Our Vision?

- 37 Progress on Group Medium-Term Management Plan 2025
- 39 New Business Plan Next Design 2030
- 43 Seven Strategic Initiatives
- 48 Promoting Digital Transformation
- 49 Material Issues
- 50 Provision of Sustainable Food / Contributions to Health through Food
- 51 Contributing to Sustainable Dairy Farming
- 52 Reducing Environmental Impact
- 59 Promoting Diversity and Respect for Human Rights
- 61 Contributing to Local Communities

Why Can We Do It?

- 62 Increasing the Value of Intangible Assets
Creating Value in the R&D Area / Leveraging Intellectual Property / Brand Management / Enhancing Human Capital / Sharing and Spreading Values
- 71 Sustainability Management
- 74 Solid Governance
Interview with an External Director / Corporate Governance / Compliance / Risk Management

Management and Financial Information

- 87 Officers
- 89 Financial Summary
- 91 Investor Information
- 93 Company Information

This section provides a bird's eye view of the Megmilk Snow Brand Group's philosophy, our century of achievement up to this point, and our business today, as well as our story looking ahead to the future.

This section presents senior management's priorities, efforts to address the company's issues, and medium- to long-term vision, as well as the company's business strategies and the key points of the financial strategy supporting those business strategies.

This section offers a message for the 100th anniversary of our founding, including the thoughts of the employees who will lead the Megmilk Snow Brand Group of the future and a discussion with an expert about the "next 100 years."

This section provides a logical, detailed explanation of our value creation story as we seek to help achieve food sustainability. We hope the content will also serve as a basis for constructive dialogue between the Group and its stakeholders.

This section is a compilation of supplementary management and financial information to help readers gain a deeper understanding of our management and business. Please see the Megmilk Snow Brand website for more detailed information.

IR page ▶ <https://www.meg-snow.com/english/investors>
Sustainability page ▶ <https://www.meg-snow.com/english/sustainability/>

Editorial Policy

This Megmilk Snow Brand Report (Integrated Report) is intended to serve as a communication tool to deepen understanding of the Megmilk Snow Brand Group's value creation story among a wide range of stakeholders, including shareholders and investors. We organized and presented the issues and measures for our business and material issues with a clear awareness of where we are now ("as is") and where we want to be in the future ("to be"). We structured the report to make it easy to understand the Megmilk Snow Brand Group's stance on value creation strategy and initiatives by presenting the background to the issues we face and our specific approaches to solving them.

- Coverage Period : From April 1, 2024, to March 31, 2025 (the report also contains some information outside this period)
- Target Organizations: Megmilk Snow Brand Co., Ltd. and its Group companies (though the report does not cover all information)
- Reference Guidelines:
 - International Integrated Reporting Framework of the IFRS Foundation
 - GRI Standards
 - ISO 26000 Guidance on Social Responsibility
 - Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation

Note of Caution Regarding Forecasts

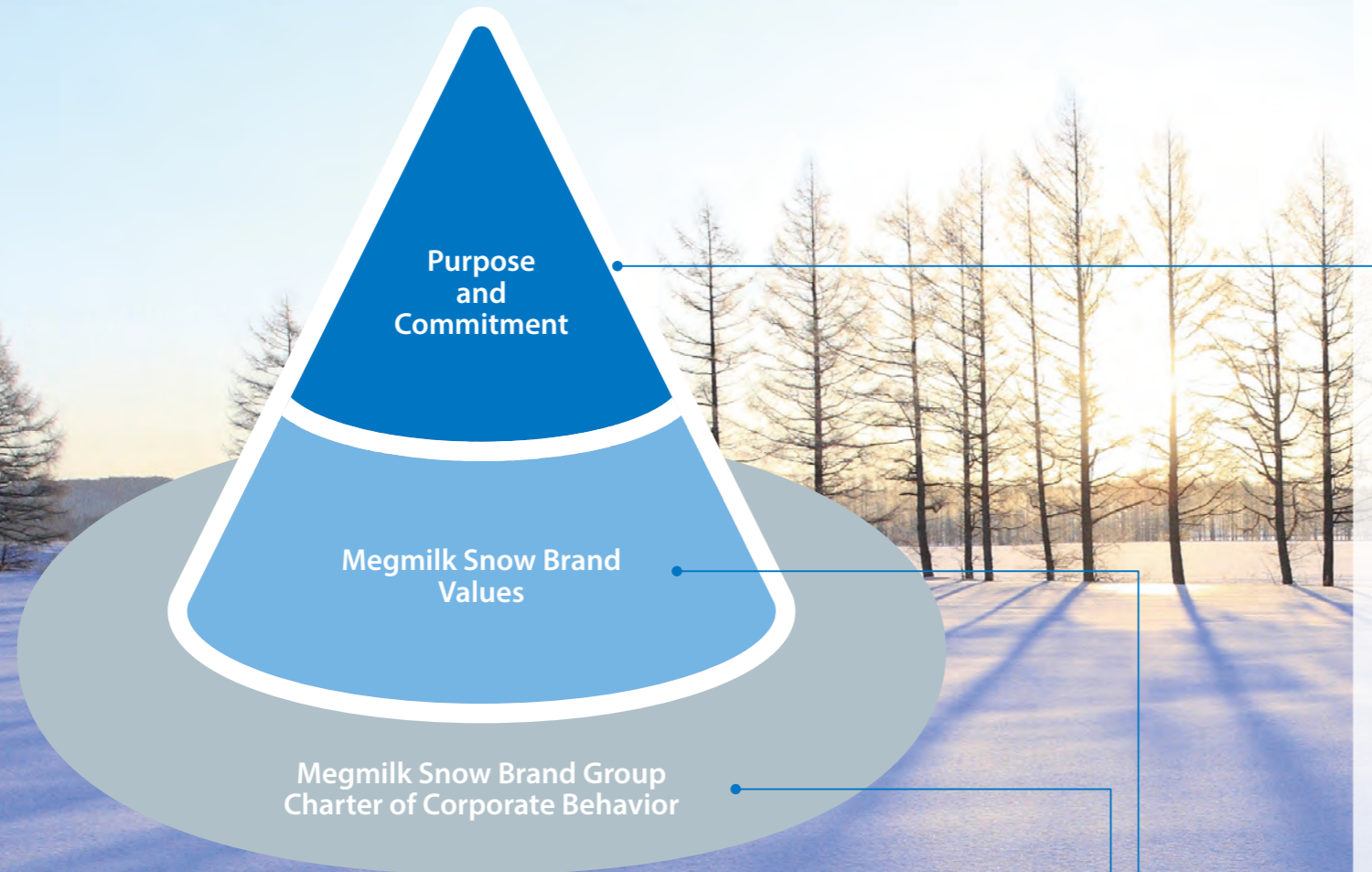
Business forecasts and other statements concerning the future in this report are projections made by Megmilk Snow Brand Group based on information available at the time of writing and are not intended as a guarantee that Megmilk Snow Brand Group will achieve these forecasts. Actual business results may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



Growing Corporate Value by Striving to Help Achieve Food Sustainability



Megmilk Snow Brand Group's Corporate Philosophy Structure



April 1, 2025
Megmilk Snow Brand Group redefines
its corporate philosophy structure

The corporate philosophy structure of the Megmilk Snow Brand Group is comprised of three elements:
(1) our Purpose and Commitment, which represents our Corporate Philosophy; (2) Megmilk Snow Brand Values; and
(3) the Megmilk Snow Brand Group Charter of Corporate Behavior.

New Corporate Symbol Mark

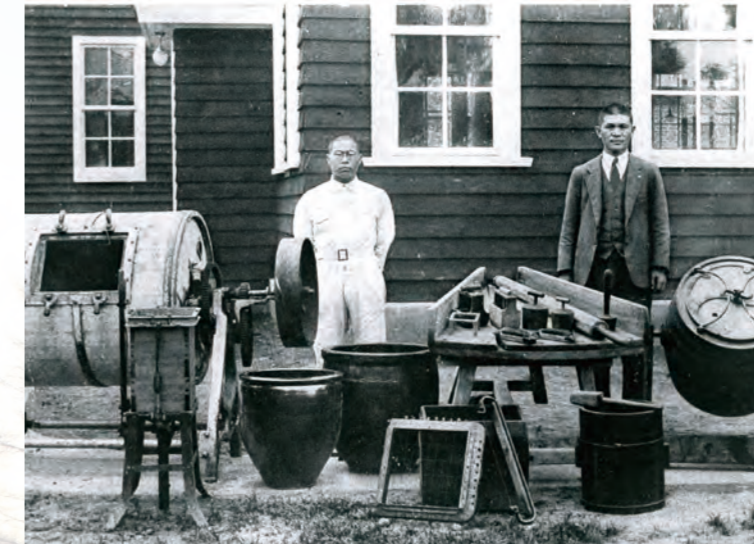


This symbol mark is comprised of pure white clean snowflakes around the North Star in the center – which symbolizes Hokkaido, where our company was founded – with a drop of milk attached to the tip of each snowflake.

The milk drops represent our pioneer spirit spreading out energetically. Merging it with the snowflake and connecting them with a single line also expresses the cycle of value, which is our strength.

The six icicles formed by the milk drops and snowflakes are simultaneously the various stakeholders around us and vectors pointing to the center.

Centered on the North Star adopted by Snow Brand Megmilk, the design shows our commitment to co-creating new value with all of our stakeholders and working actively to solve societal challenges.



Butter manufacturing equipment used at the company's founding

Kendo Kenmin, our founding spirit, is a philosophy that has been inherited from generation to generation. This philosophy serves as a pioneering spirit that has enabled us to carve out new paths and is the driving force that has enabled us to take on the challenge of resolving the social issues facing each generation. As we enter a time of increasing uncertainty, we are returning to our origins and applying our greatest strength, the ability to circulate value*, as we strive to achieve food sustainability, the social issue facing future generations, and pioneer new possibilities for food. *Kendo Kenmin* reflects our strong commitment to these initiatives.

* The ability to work with stakeholders, including consumers, producers, business partners, investors, local communities, and employees, to create value and a cycle of prosperity.

Purpose and Commitment

Kendo Kenmin
("a healthy earth ensures human health")

Statement of Purpose and Commitment

**We are committed to facing societal challenges,
fostering a future of food
where people and nature thrive in harmony.**

Corporate Slogan

Love Earth. Love Life.



Initiative

**Taking action
without relying on
existing examples**



Challenge

**Embracing a pioneering
spirit to take on challenges
without fear of failure**



Teamwork

**Working with colleagues
under a shared commitment
to carve out a new path**

Megmilk Snow Brand Values represent the common objectives and values all Group officers and employees value in their actions taken to achieve our Purpose and Commitment.

The Megmilk Snow Brand Group Charter of Corporate Behavior comprises the basic objectives we value to earn the trust of our stakeholders, a prerequisite to realizing our Purpose and Commitment.

WEB Megmilk Snow Brand Group
Charter of Corporate Behavior
▶ <https://www.meg-snow.com/english/about-us/corporatebehavior/>

100 Years of the Megmilk Snow Brand

100 Years On, We Take on Social Issues and Create New Value in the Spirit of Kendo Kenmin



First Half of the 1900s



A Time Characterized by Severe Lack of Nutrition and a Desire for a Plentiful Diet

From ancient times, Japan has faced serious nutritional deficiencies due to food shortages caused by climate variability, such as damage from cold weather, and emergencies. The food shortages after the Pacific War were particularly severe, and various measures were taken to obtain food and eliminate nutritional deficiencies.

Changes in Awareness of Food in Japan

Second Half of the 1900s



A Time When Food Culture Flourished and People Sought a Diverse Range of Foods

As Japan entered a period of rapid economic growth and people became more conscious of nutrition, Japanese food culture developed rapidly. The food service industry also flourished, and the so-called "era of gluttony" began.

Around 2000



A Time in Which the Public Demands Food Safety and Security

In this time period, a series of problems shook the public's trust in food. In addition to the government's efforts to create systems to ensure food safety and security, such as setting standards and ensuring traceability, there was also a rise in consumer awareness of food safety.

Around 2010



Time of Food Diversity and Growing Interest in Extending Healthy Life Expectancy

Extending healthy life expectancy, the period during which people can live without health problems limiting their daily lives, has become a health issue in many countries. As food becomes more diverse in Japan, the country boasts the world's longest healthy life expectancy.

Present and Future



Time of a Growing Sense That Food Sustainability Is in Crisis

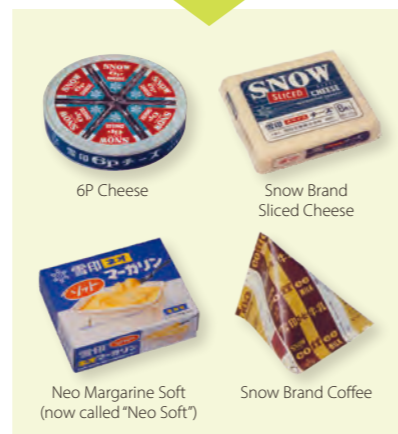
In contrast to Japan, where birthrates are declining and the population is aging, world population has been growing rapidly since the 20th century, exceeding 8 billion in 2022. The population is expected to continue to grow, and social challenges related to food supply, including shortages of food and the other resources essential for life, are expected to become global issues.

Solving Issues through Corporate Activities



Helping to Improve the Nation's Nutrition through Dairy Products

Based on the ideals of developing dairy farming in Hokkaido and improving the nutrition of the Japanese people through dairy products, the Hokkaido Cooperative Creamery Association, one of the predecessors of Megmilk Snow Brand, launched Snow Brand Hokkaido Butter and other products. After the launch, the company continued to improve the quality of its products by making innovations in areas such as ingredients, packaging, transport and storage, helping the products gain widespread appeal. These items contributed greatly to alleviating the nutritional deficiencies people had at that time.



Delivering a Wide Range of Dairy Products to Many People

After the war, the Japanese diet Westernized rapidly, and opportunities to eat cheese and other similar foods increased. However, to make dairy products even more popular, demands for simpler and more readily available food had to be met. The individually wrapped "6P cheese" caught on as a convenient, easy-to-eat product. Its high nutritional value and convenience led to its adoption in school lunch menus. This kind of innovation led to a wider variety of dairy products appearing on dining tables.



Addressing Society's Needs

The Snow Brand Milk Products food contamination incident in 2000 led to measures to improve quality and prevent a recurrence. Examples of these measures include strengthening product shipment inspections, and establishing the Customer Relations Center (with a toll-free number that is available 365 days a year), the Institute of Food Hygiene, and the Corporate Ethics Committee. Along with our commitment to ensure that the incident will never be forgotten, our dedication to food safety and security has evolved, and we are continuing to address society's needs.



Responding to Growing Health Needs

While extending healthy life expectancy is an urgent social challenge, it also represents a significant business opportunity. For example, research in human trials has confirmed that *Lactobacillus gasser* SBT2055 reduces visceral fat in people who are overweight. In 2015, we launched a series of products containing it as "foods with functional claims," and in 2018, we launched yogurt products as foods for specified health uses (FOSHU). These products have earned a secure position in the market as health needs grow, and they now constitute one of Megmilk Snow Brand's key growth contributors. By thoroughly communicating the value of these products, we can expect further growth.



Helping to Achieve Food Sustainability

The food industry continues to face the dual challenge of meeting health needs and contributing to food sustainability. As a growing global population demands stable food supplies, we have set our sights on peas—a plant-based ingredient that offers a new choice for protein—and we entered the plant-based food market in 2024. Going forward, we will keep our focus on the market penetration and expansion of our plant-based foods. By helping to achieve food sustainability, we will help to shape the future of food.

The Last 100 Years, and the Next 100 Years

The Megmilk Snow Brand Group's 100-year history has been spent in dairy farming, pursuing health and delicious tastes while adapting to changes in the business environment, and building a solid product brand supported by our stakeholders' trust.

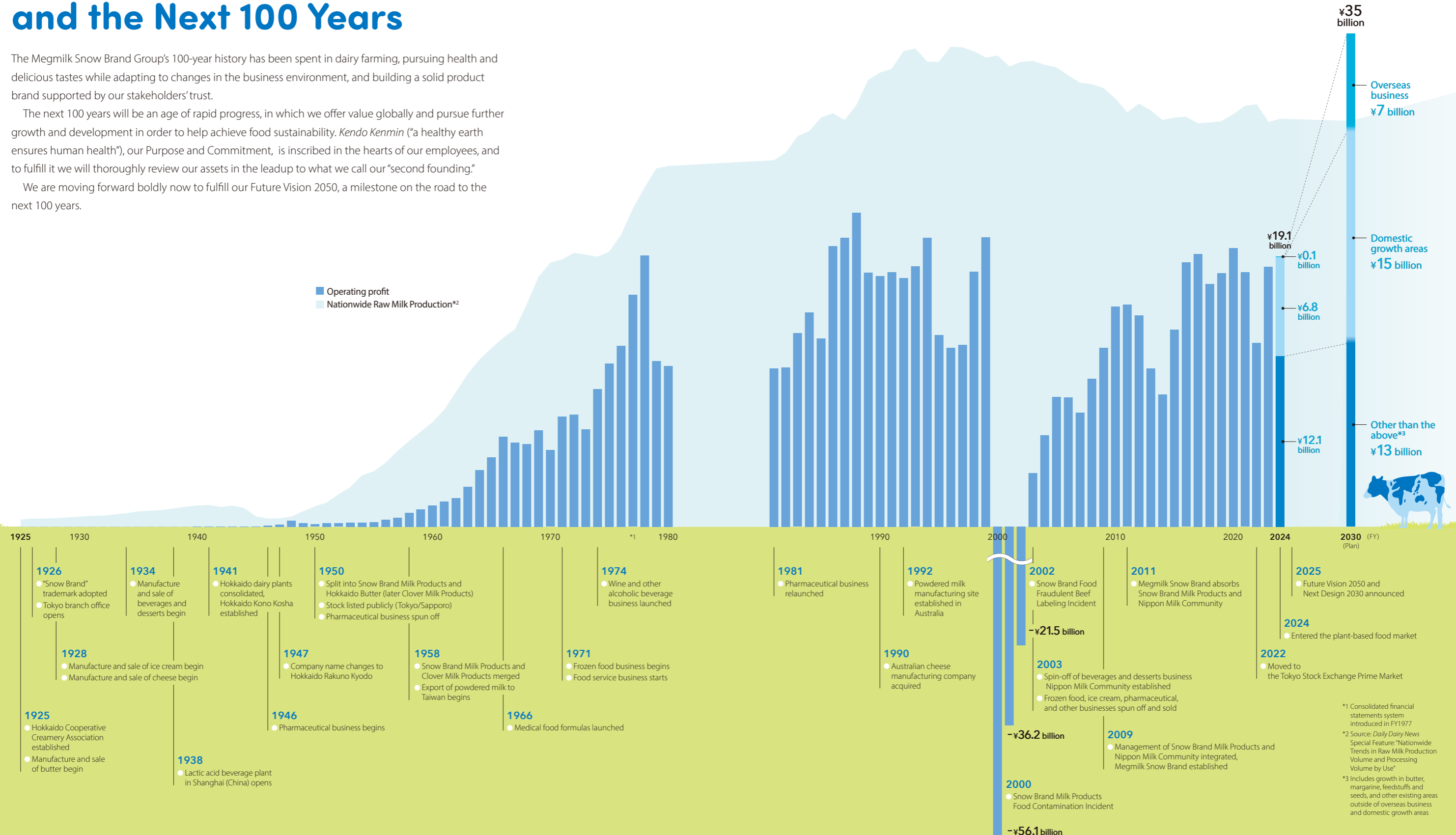
The next 100 years will be an age of rapid progress, in which we offer value globally and pursue further growth and development in order to help achieve food sustainability. *Kendo Kenmin* ("a healthy earth ensures human health"), our Purpose and Commitment, is inscribed in the hearts of our employees, and to fulfill it we will thoroughly review our assets in the leadup to what we call our "second founding."

We are moving forward boldly now to fulfill our Future Vision 2050, a milestone on the road to the next 100 years.

New Business Plan

Next Design 2030

KPI

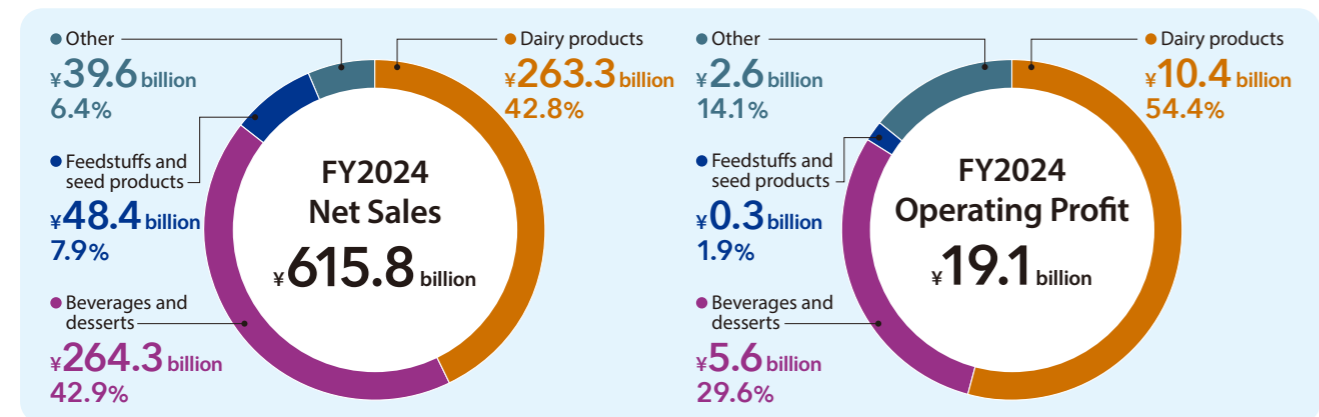


Current Business and Presence

Overview of the Megmilk Snow Brand Group's Business

The Megmilk Snow Brand Group operates businesses in the areas of dairy products, beverages and desserts, as well as feedstuffs and seed products. We are dedicated to creating a future of food where people and nature thrive in harmony.

Revenue Structure

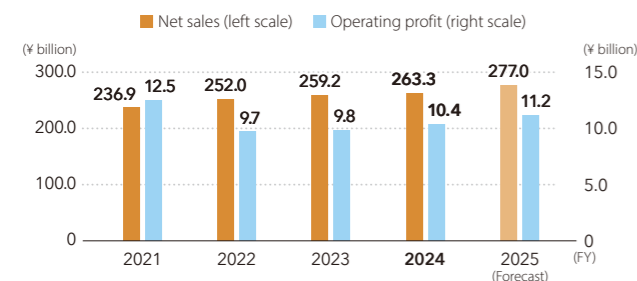


Dairy Products

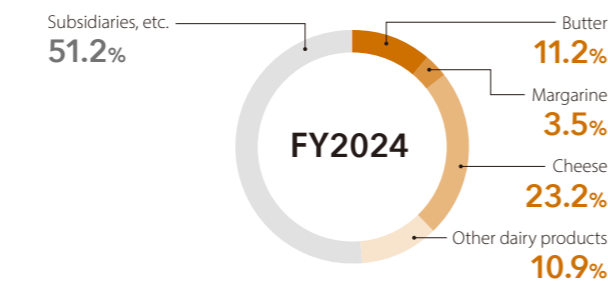
Butter, margarine, cheese, condensed milk, skim milk, functional foods and ingredients, etc.



Net Sales and Operating Profit



Percentage of Net Sales



Share of Japanese Market

Fiscal 2024, based on estimated monetary amount of sales for household use nationwide, market share of Megmilk Snow Brand (April 2024 to March 2025)
(Source) Intage SRI+, based on all sales channels nationwide

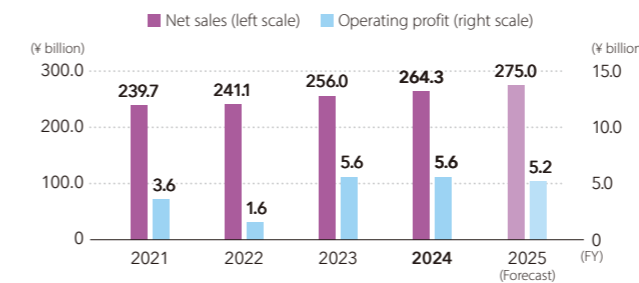


Beverages and Desserts

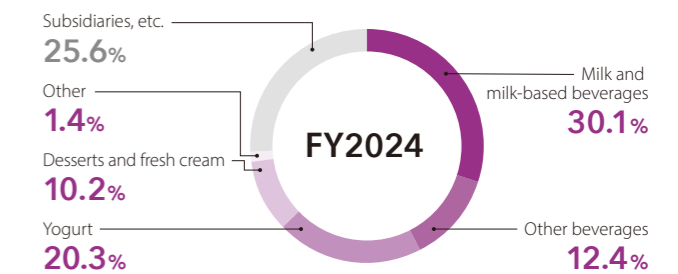
Milk and milk beverages, yogurt, fruit juice and vegetable juice, soft drinks, desserts, etc.



Net Sales and Operating Profit



Percentage of Net Sales



Share of Japanese Market

Fiscal 2024, based on estimated monetary amount of sales for household use nationwide, market share of Megmilk Snow Brand (April 2024 to March 2025)
(Source) Intage SRI+, based on all sales channels nationwide

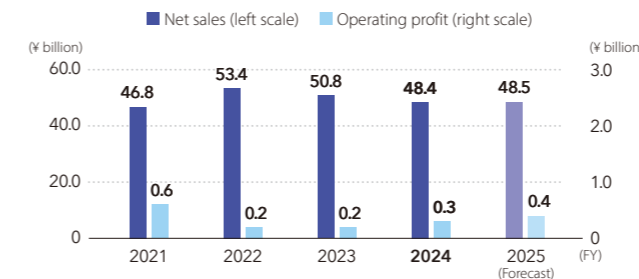


Feedstuffs and Seed Products

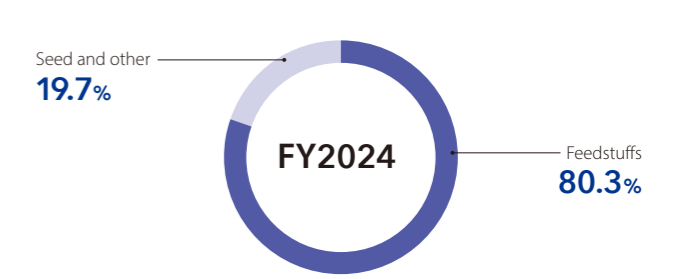
Feedstuffs, seed (grass, feed crops, vegetables), landscaping, etc.



Net Sales and Operating Profit



Percentage of Net Sales



Value Creation Story

Why Do We Aspire to Food Sustainability?

Risks and Opportunities for the Megmilk Snow Brand Group



Increasingly global issue of declining birthrate and aging population



Increasingly severe protein and malnutrition issues and rising supply responsibilities



Limits of food production systems

Continually Strengthening the Value Chain



How Will We Proceed to Achieve Our Vision?

New Business Plan

Next Design 2030

2030 Vision

Purpose and Commitment
Kendo Kenmin
("a healthy earth ensures human health")

Helping to Achieve Food Sustainability

We will increase corporate value by addressing this issue.

Drastically Transforming Megmilk Snow Brand's Assets

Advance production systems with new ideas

Invest in intangible assets to enhance competitiveness

Dramatically Transforming the Value of Dairy and Its Supply Demand Structure

Improve the imbalance* in demand between fat and SNF

Create demand by enhancing our presence
Raise value recognition

Earn fair profit by expanding the value we provide to society

Synchronizing Solutions to Social Issues with Economic Efficiency

Helping to Achieve Food Sustainability

Improving Corporate Value

*A breakdown in the balance between demand for milk fat content (fat), such as butter and cream, and non-fat milk solids (SNF), such as powdered skim milk. An imbalance causes tight supply and demand for dairy products and excess inventory.

For the Megmilk Snow Brand Group, striving to help achieve food sustainability is absolutely essential. In this "Value Creation Story" section, we clearly explain the dependable way we can achieve this and our current position, as well as the mechanisms that will sustain our management.

Steady Progress on Addressing Material Issues

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 vast knowledge and skills cultivated through milk Providing safe products and services
	Contributions to Health through Food	<ul style="list-style-type: none"> Initiatives for 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 Sustainably using resources Building a recycling-based society
People and Society	Promoting Diversity and Respect for Human Rights	<ul style="list-style-type: none"> Diversifying and developing human resources Achieving work-life balance and improving labor productivity Respecting human rights
	Contributing to Local Communities	<ul style="list-style-type: none"> Partnering with local communities
Ensuring Compliance and Corporate Ethics		



Providing Nutrition

Basic value of the dairy farming industry



Considering the Environment

Prerequisite for business continuity



Making the Most of Human Resources

Driving force for business continuity and development

Helping to Achieve Food Sustainability

Why Can We Do It?

Strengths, Functions and Strategies That Enable Sustainable Management



Creating Value in the R&D Area

P.62



Brand Management

P.65



Enhancing Human Capital

P.66



Sharing and Spreading Values

P.70



Sustainability Management

P.71



Solid Governance

P.74

Kendo Kenmin
("a healthy earth ensures human health")

(Purpose and Commitment)

Megmilk Snow Brand Values /
Megmilk Snow Brand Group Charter of Corporate Behavior

Continuously
Improving
Corporate Value

Value Creation Process

The Megmilk Snow Brand Group has developed its business based on an unwavering philosophy and spirit of *Kendo Kenmin* ("a healthy earth ensures human health"), which has been passed down through the generations. Today, this remains our Purpose and Commitment. In doing so, the Group makes the most of the wide range of knowledge and functions that it has acquired in the milk business. We create a diverse range of products and offer diverse value.



Enhancing Management Capital

Primary Management Capital	Key Characteristics and Advantages	Issues	Measures for enhancing capital
1 Brands Highly Trusted by Consumers	<ul style="list-style-type: none"> Dominant share of domestic market for butter and margarine A number of popular product brands, such as Snow Brand Coffee and 6P Cheese 	<ul style="list-style-type: none"> Improving brand value through comprehensive coordination between company and products Maintaining and improving product quality 	<ul style="list-style-type: none"> Providing new value to consumers (continually launching new products) Raising name recognition further among consumers (strengthening PR strategy) <p><i>Meguru Shokutaku</i>, a program on Nippon Television sponsored by Megmilk Snow Brand since May</p>
2 Stable Raw Material Purchasing Network	<p>Fresh milk</p> <ul style="list-style-type: none"> Close relationships with dairy farmers Network of producer organizations in various regions of the country <p>Raw materials</p> <ul style="list-style-type: none"> Strategic procurement in cooperation with suppliers Personnel with expertise in manufacturing, distribution, and various laws and regulations 	<p>Fresh milk</p> <ul style="list-style-type: none"> Decrease in the number of dairy farmers Sharp rise in the cost of producing raw milk <p>Raw materials</p> <ul style="list-style-type: none"> Procurement risks due to climate change and other factors Securing procurement personnel with expertise 	<p>Fresh milk</p> <ul style="list-style-type: none"> Providing information to improve dairy farming management <p>Raw materials</p> <ul style="list-style-type: none"> Building a sustainable procurement system Cooperating with suppliers within and outside Japan Creating opportunities for practice and education
3 Diverse Human Resources Who Make Active Contributions	<ul style="list-style-type: none"> Human resources and an organizational culture that pursues better manufacturing Megmilk Snow Brand Values, shared values that have permeated throughout our workplaces 	<ul style="list-style-type: none"> Diversifying human resources Improving employee engagement Securing stable human resources Promoting career autonomy Developing human resources that generate added value 	<ul style="list-style-type: none"> Achieving work-life balance and promoting women's participation Promoting career development and support Expanding the personnel system and improving working conditions Improving the working environment and healthcare (eliminating harassment, occupational health and safety education, health promotion, etc.) Monitoring with engagement surveys and implementing PDCA cycles
4 R&D Strengths to Meet Diverse Needs	<ul style="list-style-type: none"> A collection of over 3,000 strains of lactic acid bacteria Nutritional function research on lactic acid and milk ingredients Abundant manufacturing know-how on dairy products, milk ingredients, etc. Experience developing unique containers and packaging 	<ul style="list-style-type: none"> Researching and responding to new needs for food Fostering human resources for R&D Expanding research areas through the sharing and fusion of knowledge 	<ul style="list-style-type: none"> Focusing on new research themes such as plant-based foods Securing and developing human resources for R&D Utilizing intellectual property Utilizing open innovation
5 Technical Capabilities Used to Achieve Delicious Taste and High Quality	<ul style="list-style-type: none"> Thorough commitment to production quality Training program for sensory evaluators who inspect the flavor of products, etc. 	<ul style="list-style-type: none"> Maintaining and improving production quality Establishing technology for productivity reform (including DX) Securing production-related human resources Reducing environmental impact 	<ul style="list-style-type: none"> Actively investing in production facilities Streamlining production processes Developing and strengthening recruitment of production-related human resources Introducing equipment and production processes that save energy and reduce CO₂ emissions

Message from the President



Masatoshi Sato

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

Designing the Future of Megmilk Snow Brand, and Embracing the Challenge of Dramatic Growth to Make It Happen

Introduction

Thanks to your support, the Megmilk Snow Brand Group celebrated the 100th anniversary of its founding in May 2025. It is a source of great pride and joy to us that the butter which was first produced around 100 years ago by the Hokkaido Cooperative Creamery Association, one of our predecessors, is still popular with many people today under the name “Snow Brand Hokkaido Butter.” Along the way we have also gone through several crises that threatened our existence, including the compliance incidents [P.84](#) of the past which must never be forgotten. However, we are who we are today due to the support of our many stakeholders, including our customers and dairy farmers. I would like to express our deep gratitude for your warm support.

The history of the Megmilk Snow Brand Group is also a history of constantly addressing social issues related to food and diligently working to solve them. We have refined our quality and technology to deliver good health and good taste to our customers and grown as a trusted brand. What is more, each and every employee of the Group has been the true driving force behind these efforts.

Going forward, as a company that continues contributing to “human health” and “creation of food culture,” we will further enhance the intangible values encompassed in our quality and technology, our trusted brand, and our human resources, while growing our business as we advance into the future.

Redefining Our Purpose and Commitment

On the significant milestone of the 100th anniversary of our founding, we decided to redefine the Corporate Philosophy we have upheld in the past. In doing this, we placed importance on three perspectives: the Group’s driving force, the priority issues to be addressed, and the core values of the Group.

First of all, we looked back on our journey to reexamine what the Group’s driving force is. In the social environment of Japan 100 years ago, it was still difficult to obtain adequate nutrition. Against the backdrop of such times, the founders aspired to “support stable, abundant dietary lifestyles” for people and put this aspiration into the phrase *Kendo Kenmin* (“a healthy earth ensures human health”) when they started the business. It is a unique phrase, but it is very familiar to us, and we realized this phrase does a great job of expressing “the spirit of solving social issues” we should value moving forward.

We also reexamined the priority issues to be addressed from a long-term perspective. The food that we take for granted now is by no means guaranteed in the future. It is said that the global population will reach 10 billion by the 2050s, and a protein crisis is a concern due to the rising demand for protein.

We have always dedicated ourselves to supporting food systems. Because of this, we cannot ignore the current situation in which the very foundation of food is at risk. For precisely this reason, we have positioned helping achieve food sustainability as the highest priority issue to be addressed going forward.

Next, in terms of the core values of the Group, we dug deep into the significance of our business activities to date. As a result, we concluded that one of the values we provide to society is the ability to enhance the value of the milk entrusted to us by dairy farmers and meet the diverse needs of customers through our business operations. Another value is our ability to distribute and circulate the intrinsic value of dairy products and new functional values of milk such as “MBP” to stakeholders including dairy farmers, local communities, employees, and investors. It is this ability to circulate value that constitutes the core value we contribute to society.

Based on these ideas, we decided to adopt *Kendo Kenmin* as our Purpose and Commitment and to position it as the Group’s Corporate Philosophy.

Making Steady Progress Over the Past Two Years in Creating New Seeds for Growth

Now, I will describe our progress on the Group Medium-Term Management Plan 2025 (MTP), which has finished its second year. Under the MTP, we are executing business, fundamental, and financial strategies under the theme of “gain resilience.”

In the area of business strategy, alongside our own efforts to absorb surging raw material costs and price increases, we implemented price revisions with the understanding of customers and promoted expansion in demand.

In terms of creating new seeds for growth, we entered the beverage, yoghurt, and cheese markets in the plant-based food business. To build a market-leading position while simultaneously creating the market itself, we are currently improving our products with a focus on speed. Going forward, we will launch full-scale efforts to build a new value chain, starting from the supply of raw materials, which is the key concept for entering the plant-based food business.

In addition, the overseas functional ingredients business is starting to get on track. Our functional ingredients, including “MBP,” provide benefits for an aging population, which is a common issue in the Asian countries that are the main targets. We will continue to expand based on a B2B product sales business model while obtaining approval for health claims in various markets (labeling that emphasizes health benefits).

Next, in the area of fundamental strategy, we worked to boost added value by promoting transformation. As one fruit

of our open innovation initiatives, we began exploring new value in milk and dairy products through big data analysis, participating in the Program on Open Innovation Platforms for Industry-academia Co-creation (COI-NEXT) led by Hirosaki University. Going forward, we envision that the value of milk and dairy products will rise as sources of good-quality protein, and we believe that business opportunities will expand as we pursue food sustainability. We also commenced collaboration with a bio-innovation start-up and firmly believe that these new seeds for growth will be key factors in the next business plan.

In the area of financial strategy, we worked to maintain a sound financial position. We maintained a stable equity ratio of 50% or higher, and we believe that financial soundness has been adequately enhanced by the measures we have taken so far. Moreover, in accordance with the MTP, we are also making steady progress in selling business assets and reducing cross-shareholdings. In terms of investment, we are systematically implementing infrastructure and growth investments and have executed approximately 35.0 billion yen in investments over the past two years. For shareholder returns, we have increased the dividend payout ratio target from 30% or higher to 40% or higher. We added a special dividend of 20 yen per share to the dividend for fiscal 2024 to commemorate the 100th anniversary of our founding.

To summarize our progress so far, I feel satisfied in that, despite the increasingly challenging business environment, we have steadily laid the foundations for another 100 years, including the creation of new seeds for growth. Nevertheless, the construction of a “highly resilient business portfolio” still has a ways to go, and we must acknowledge that PBR currently

remains lower than 1. Going forward, we will accelerate our efforts to overcome these issues more quickly and effectively.

Future Vision and the New Business Plan

In April 2023, at the same time we launched the MTP, the Group initiated the Future Vision Project to envision an ideal society in 2050 as a milestone for another 100 years. The project was made up of a young team of future leaders, including employees from our Group companies, as an organization directly under my supervision, and its purpose was to present a vision of an ideal society that reflects the expectations of our stakeholders and can also allow employees to work with hopes and dreams. One of the key objectives was engaging the age group that can see the future of the Group in 2050 as something they are personally involved in.

After two years of discussion, we drew up Future Vision 2050. We expressed the output of our discussions in the form of a “town” called EGAO-MEGUMITOWN. The vision is made up of four zones — dairy farming and agriculture, health, foodtech, and space — and presents an image of what we are aiming for in the future in each zone. Looking back, the circular farming diagram drawn 100 years ago by Torizo Kurosawa, one of our founders, was based on a vision of sustainable agriculture harnessing natural cycles. EGAO-MEGUMITOWN is also based on a vision for a regenerative society as a step beyond a circular society, and I feel strongly that our predecessors’ aspirations have been transmitted to the future through our vision.

We then formulated and launched Next Design 2030, the new business plan that is the first step toward making the world we envisioned in Future Vision 2050 a reality. It sets a new challenge for the Group to achieve dramatic growth in an ever-changing world.

With the formulation of our new business plan, we have decided on a progressive shift from the MTP, which is in its final year, to Next Design 2030.

Future Action Aimed to Deliver Dramatic Growth

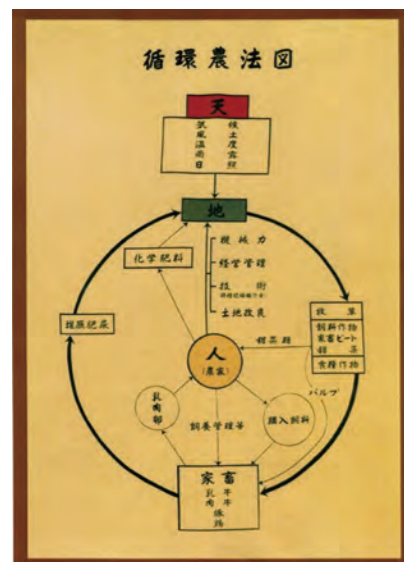
Under Next Design 2030, we will devise ambitious measures that are not mere extensions of what we have done in the past. What we aspire to as our vision for 2030 is becoming a corporate group that can boldly take on the challenge of “food sustainability” and contribute to solving this issue through our



business activities while increasing corporate value. The focus area will be structural reform of our existing business in Japan. More specifically, we have positioned drastically transforming Megmilk Snow Brand's assets as a major pillar of our strategy, and we are communicating this strategy strongly and with resolve both internally and externally.

In the past, one of our strengths has been the production of made-in-Japan natural cheese. However, going forward, we will take on the challenge of creating ground-breaking, new made-in-Japan natural cheeses by adding new value to raw milk and increasing our ability to deliver even higher value to consumers. Investments in the Nakashibetsu Plant in Hokkaido and the Ami Plant in Ibaraki Prefecture are essential steps in supporting this challenge.

Another major pillar of our strategy is business portfolio transformation. This involves assessing each business along the two axes of market growth potential/profitability and contribution to food sustainability, in order to implement strategic transformation. Basically, we will concentrate investment of management capital in the high growth potential/profitability “priority” and “growth acceleration” areas. On the other hand, in business areas that have become increasingly commoditized, we will pursue collaboration and outsourcing. We will also boldly implement restructuring that may include withdrawal from some businesses. In addition to



cheese, which I previously mentioned, we will actively invest in growth areas such as functional ingredients and the overseas business, seeking to expand profit by providing higher added value. In addition, we will work to improve profitability for milk and milk-based beverages, which are positioned in the dairy farming infrastructure area, by promoting enhancements in brand strength and greater efficiency.

As part of this, we aim to generate significant profit growth in the overseas business as a priority initiative. In the past, expansion in the areas of powdered milk and cheese was at the center of our overseas operations. However, going forward, we will add sales of functional ingredients, primarily “MBP,” as a new core area, to be developed as the twin pillar of the overseas business together with cheese. In terms of business structure, we will establish a new organization within the International Business Division and increase the number of personnel to promote the development of a structure that drives a quantum leap in growth.

Furthermore, in the fundamental strategy area, we will actively invest in intangible assets. Intangible assets are the source of corporate competitiveness and are directly connected to enhancing our brand strength. Rather than simply increasing brand recognition through advertising, we will enhance the value of our corporate brand through our business activities overall. To steadily promote such a transformation, under the new business plan we will implement seven key strategic initiatives under four strategic pillars. [▶P.41](#)

With the new business plan, we have also made a significant policy shift in financial strategy. Until now, we have focused on building up equity with the priority on financial stability and soundness. However, going forward, we will transition to the stage of enhancing corporate value by strongly pursuing an asset-light approach and effectively utilizing equity to proactively implement growth investment.

We plan to invest approximately 320 billion yen in total, divided into infrastructure investments, frontier investments, and strategic investment, during the period of the plan. We will actively return cash that exceeds growth investment to shareholders. As part of our capital policy, we have revised our dividend policy and announced an active treasury stock acquisition policy. We will continue to reduce cross-shareholdings and sell idle assets as measures to improve asset efficiency. We have also set targets of 9% or higher for adjusted ROE excluding gain on the sale of assets and 6% or higher for ROIC as management commitments. The Group regards its PBR of below 1 as an issue and is working to improve it. We believe that capital markets have given a certain positive

valuation to the direction of our financial strategy based on the trend in the share price following the announcement of the business plan. We will demonstrate a clear strategy for achieving growth in order to further increase this valuation, going forward.

Translating Initiatives to Help Achieve Food Sustainability into Continual Enhancement of Corporate Value

In my message last year, I stated that we cannot see our next 100 years as a mere extension of the present, and if we do not change now, there will be no future growth. This statement brought up the issue of our own attitude as a company while at the same time showed a strong sense of crisis that dairy farming and the dairy industry may not be sustainable as industries in their current form.

There is a clear rationale for our commitment to helping to achieve food sustainability. We have been dedicated to food for over 100 years, and as such, we firmly believe it is a social issue we must address. At the same time, we are convinced that food sustainability presents significant business opportunities. Therefore, we must raise the value of milk in the process of helping to achieve food sustainability. Under the new business plan, we have committed to “drastically transforming Megmilk Snow Brand’s assets.” This demonstrates our resolve to not only drive our own transformation, but to also drive evolution as an industry in collaboration with partners who share our aspirations. We have knowledge and technical strengths cultivated over many years through a business base deeply rooted in the dairy industry. Because of this, directly confronting the social issue of food sustainability and the industrial challenges faced by the dairy industry is simultaneously an important mission and a significant business opportunity for us.

Helping to achieve food sustainability is a proactive strategy for the Megmilk Snow Brand Group to deliver dramatic growth as a company while transforming the future of food and health, rather than a conservative measure to deal with a social issue. I commit to balancing the fulfillment of our social mission with growth in corporate value, and to ensuring that Megmilk Snow Brand advances to become a more sustainable business with a positive vision for the future.

Contributing to the Realization of a Regenerative Society as an Industry-Leading Orchestrator*

With the redefinition of our Corporate Philosophy, we will strengthen our corporate brand and further accelerate initiatives to enhance corporate value. It is important for each and every employee to understand and empathize with our Purpose and Commitment and the Megmilk Snow Brand Values and put them into practice in their day-to-day work. As a measure for promoting this, we have produced a concept book summarizing the thoughts contained in the new Corporate Philosophy and corporate identity design. This book has been distributed to employees as a handy tool for daily use. In addition, we have been holding a series of workshops with the participation of all employees in each department and Group company since April 2025. At the workshops, employees reconsider their connection with our Purpose and Commitment and our Values, to help them take greater ownership of the Corporate Philosophy. We believe that such initiatives will foster a sense of purpose and lead to the sustainable growth of the Group by creating an environment where each and every employee has high awareness and is

* Refers to an entity with a presence akin to that of a conductor in that it plays a specific role within an industry's value chain while also playing a role in the optimization of the entire value chain by creating new value through its own initiatives and in collaboration with external partners

motivated to take independent action, while also ensuring that the entire Group acts as one.

One hundred years ago, with the strong aspiration to build a society with plenty of food for everyone, our founders did all they could to increase consumption of milk and dairy products. Today, these products have become an essential part of daily life, and our company's social value and responsibility are growing. We take pride in our contributions to creating added value, promoting “expanded consumption of cheese” and “the Westernization of food,” which were still uncommon in Japan, and creating the foundations for a diverse food culture that supports human health.

Going forward, we will be an industry-leading orchestrator that helps to achieve food sustainability by expanding the knowledge and resilience we have cultivated thus far through milk into new fields and creating even more value. Based on our vision for “a future of food where people and nature thrive in harmony,” Megmilk Snow Brand will continue providing value into the future in a way that ensures the value we create brings about regenerative effects among our stakeholders.

I hope you are closely watching the Group's commitments and business expansion and looking forward to its dramatic growth in the future.



Message from the Executive Officer Responsible for Finance

Driving Further Growth in Corporate Value by Implementing the New Business Plan

Shin Kawamoto Managing Executive Officer



Fiscal 2024 Results and Review

Business Environment and Financial Results

In fiscal 2024, private consumption in Japan maintained a trend of moderate recovery overall on the back of wage increases, recovery of inbound tourism demand, government economic policies, and other factors, despite the headwinds of inflation and decline in real wages. In financial and capital markets, the Bank of Japan ended its negative interest rate policy in March 2024, raising interest rates for the first time in 17 years. As a result, long-term interest rates also rose, and there was a correction in the weak yen on foreign exchange markets.

In its consolidated financial results for fiscal 2024, the Megmilk Snow Brand Group recorded 615.8 billion yen in net sales, up

1.7% year on year, 19.1 billion yen in operating profit, up 3.6% year on year, and 20.2 billion yen in ordinary profit. Profit attributable to owners of parent amounted to 13.9 billion yen, down 28.4%, due to the impact of selling cross-shareholdings in the previous year. The equity ratio has remained consistently above 50%, having increased by three points from 53.8% in fiscal 2023 to 56.8%. These financial results indicate that categories such as beverages and cheese remain strong in the market even after price increases, which we believe shows the revisions have been accepted by customers.

Shareholder Returns and Asset Efficiency

In light of our strong financial results, we raised the dividend payout level from “30% or higher” to “40% or higher excluding gain on the sale of assets.” Furthermore, as we celebrated the 100th year of the company’s founding on May 17, 2025, we paid a commemorative dividend of 20 yen per share in addition to the ordinary dividend of 80 yen to express our gratitude for the constant support of our shareholders, bringing the total dividend to 100 yen per share and thereby

enhancing shareholder returns.

In terms of reducing assets, which is part of our efforts to increase asset efficiency, we sold the site of the Nagoya Plant and reduced cross-shareholdings. Continuing from the previous year, we sold six listed stocks after holding dialogue with business partners. As a result, the net asset percentage of cross-shareholdings decreased by 0.8 points from 17.9% at the end of fiscal 2023 to 17.1% at the end of fiscal 2024.

Remaining Challenges in Group Medium-Term Management Plan 2025

The Group’s PBR remained at 0.7, under the 1.0 mark, as of March 31, 2025, which we recognize as a challenge. We believe this is because ROE and ROIC are at a level below the cost of capital and because we have not adequately presented the concrete initiatives for our future growth strategy and our

capital measures to shareholders. Believing that the Group must accelerate measures aimed at making improvements, we formulated our new business plan, Next Design 2030, to increase our profitability and growth potential as well as to gain further trust in our capital measures.

Introduction

Messages from
Management

Special Feature to
Commemorate
the 100th Anniversary

Value Creation Story

Management and
Financial Information

New Business Plan: Next Design 2030

1 Transformation of the Business Portfolio and Megmilk Snow Brand’s Assets

From a medium- to long-term perspective, the Group manages its business portfolio using the degree of contribution to food sustainability on the vertical axis and indicators aligned to market growth potential multiplied by our profitability on the horizontal axis. Under Next Design 2030, we will work to transform this business portfolio.

We will invest capital in the priority and growth categories where high profit and growth are expected. In business sectors that have become commoditized, we will promote streamlining, including collaboration and outsourcing, in addition to reorganization, including partial withdrawal from businesses.

More specifically, we will aggressively invest in businesses where high profit and growth are expected, such as cheese, yogurt, functional ingredients, and the overseas business. At the same time, in categories such as milk and milk-based beverages, we will pursue an asset-light strategy that includes streamlining our business assets and pursuing collaboration with other companies to improve productivity and profitability. As part of these initiatives, in the area of cheese production systems, we are implementing large-scale capital investment of approximately 47.5 billion yen in the Nakashibetsu Plant in Hokkaido and the Ami Plant in Ibaraki Prefecture to facilitate production of high-added-value cheese and increase competitiveness. In the area of

milk and milk-based beverages, we have decided to consolidate production lines in conjunction with the termination of production at the Kobe Plant. We will also examine initiatives to achieve the sustainable and efficient stable supply of products in collaboration with the Satsuraku Agricultural Cooperative.

In addition, we will actively promote investment in intangible assets. Over the six years through fiscal 2030, we will invest approximately 20.0 billion yen in corporate branding to enhance brand value, strengthening sustainability initiatives, and research and development, and approximately 3.0 billion yen in improving productivity and strategic capabilities through digital transformation (DX). Going forward, we will step up investment in corporate branding to more clearly communicate the Group’s commitment to solving social issues. Our ultimate hope is that consumers will feel an affinity with the Group’s efforts and purchase our products. Furthermore, we believe that our employees are the starting point for enhancing brand value, and we will pursue human capital investment to increase engagement. In addition, we will leverage DX to build a framework for utilizing data in all aspects including sales, production, and research, while also promoting the development of DX personnel to improve our strategic capabilities.

2 Financial Strategy

Assessment of Current Financial Position and Basic Policy

As a result of generating stable operating cash flow, the Group has maintained its equity ratio at above 50% and the net DE ratio is also at an all-time low level. As a result, we believe we have adequately secured financial soundness. Going forward, the Group considers that it has transitioned to the stage of effectively utilizing the equity it has built up to enhance corporate value. While maintaining our external “A” rating, we will continue implementing leveraged “aggressive investments” and “asset efficiency improvements,” control our balance sheet, and make improvements to ensure the return on capital exceeds the cost of capital.

Balance Sheet Management

We will continue working to reduce cross-shareholdings, which we have been pursuing since Group Medium-Term Management Plan 2025. In addition to reducing cross-shareholdings to less than 10% of net assets by the end of fiscal 2025, we will implement an asset-light strategy that will reduce the Group’s fixed assets such as manufacturing sites and logistics facilities. We will dramatically improve productivity and profitability while also increasing asset efficiency by reducing the Group’s assets, restructuring plants, including collaboration with other companies, and selling idle assets and allocating the cash to functional ingredients and the overseas business, which are growth areas. We will also endeavor to increase funding efficiency by reducing the balance of cash and deposits, given the rising burden of interest as the Bank of Japan starts to lift interest rates.

Improved Asset Efficiency

Cross-Shareholdings

- Sell cross-shareholdings to reduce them to less than 10% of net assets during fiscal 2025 (estimated extraordinary income of 24.5 billion yen is already factored into consolidated financial results forecast for fiscal 2025)

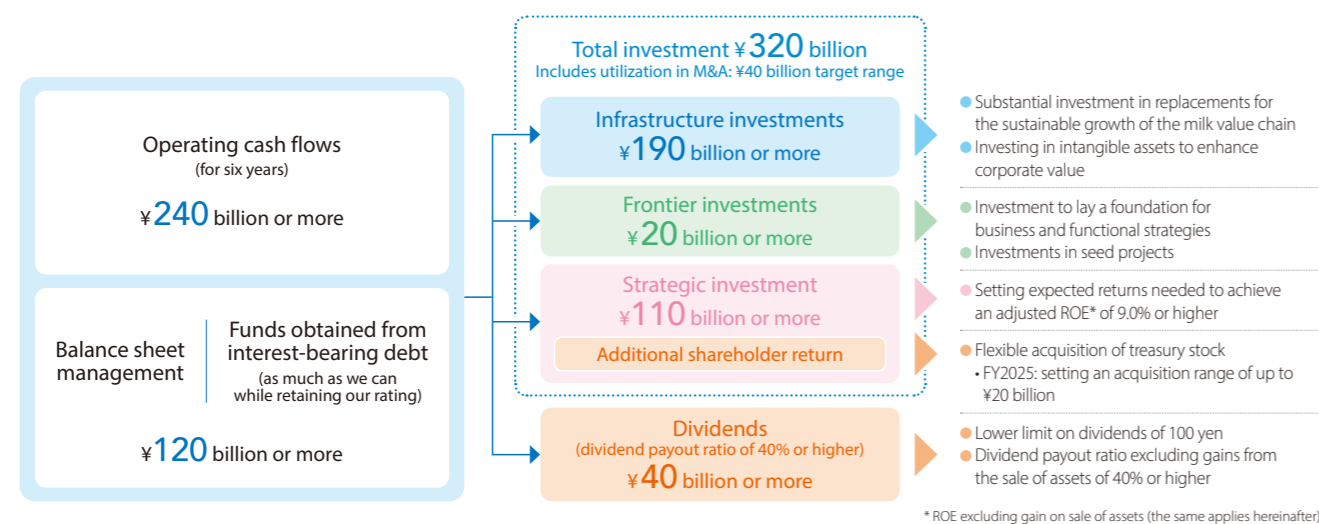
Idle Assets

- Examine sale of idle assets, including plant restructuring and head office relocation

Cash Allocation and Investment Policy

Over the six years through fiscal 2030, we will use our operating cash flows of approximately 240.0 billion yen, along with approximately 120.0 billion yen in interest-bearing debt and cash inflows from asset sales, as funding sources for implementing growth investment. We will categorize investments according to their position in the business portfolio into infrastructure investments, frontier investments, or strategic investments, and we will decide on individual projects based on the significance, necessity, and expected return on the investment. In particular,

for strategic investments, we have set expected returns needed to achieve an adjusted ROE* of 9.0% or higher and will implement investment of 110.0 billion yen or more. We plan to invest 320.0 billion yen in total, and, included in this amount, we are also considering pursuing M&As with a target range of approximately 40.0 billion yen, to accelerate growth. Specifically, we intend to consider M&As with a particular focus on strengthening overseas expansion, growing priority functional products, and expanding alternative food products

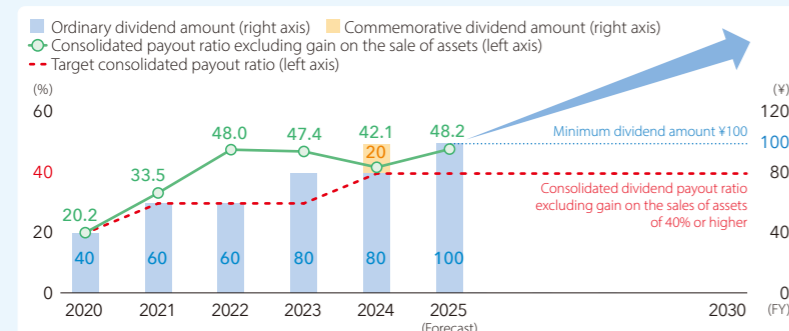


Capital Measures

We will allocate operating cash flows, utilization of interest-bearing debt, and cash inflows from asset sales to growth investment first, and return cash that exceeds the level of growth investment to shareholders. As our dividend policy, we have set a minimum dividend amount of 100 yen in addition to a consolidated dividend payout ratio excluding gain on the sale of assets of 40% or higher, and we will pay dividends consistently. We have decided to engage in the flexible acquisition of treasury

stock with the aim of increasing capital efficiency, while taking into account the share price, our capital structure, and funding needs for growth investment. We plan to cancel all acquired treasury shares. For fiscal 2025, we set a 20 billion yen treasury share acquisition limit. Moreover, we will gradually optimize our capital structure toward a target net DE ratio of 0.5, in line with the status of investment under our policy of pursuing “aggressive investment” utilizing interest-bearing debt.

Dividend Policy



(Note) The FY2024 dividend payout ratio does not include the commemorative dividend.

Treasury Stock Acquisition Policy

- We will engage in the flexible acquisition of treasury stock to improve capital efficiency, taking into account the share price, our capital structure, and funding needs for growth investments.
- All acquired treasury shares are expected to be canceled.
- FY2025: A treasury share acquisition limit of up to 20 billion yen has been set.

Approach to Capital Structure

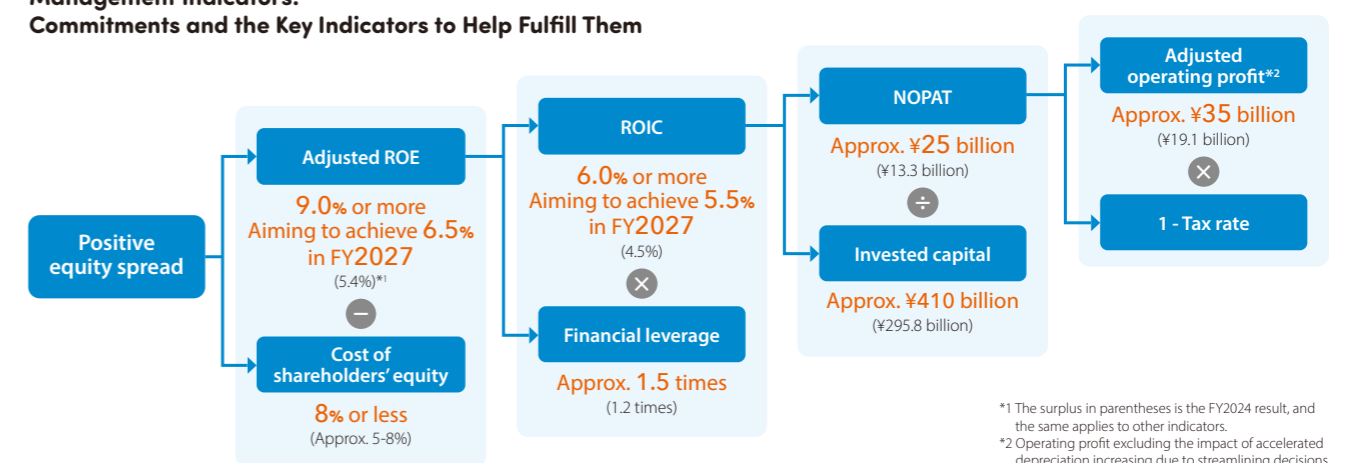
- Gradual optimization toward a target net DE ratio of 0.5 in line with the status of investment

Fiscal 2030 Vision

We will translate our commitment to addressing the social issue of food sustainability into an increase in the Group's brand value, strengthen trust in our products and the company itself, and deliver sales growth and higher added value. Furthermore, we will pursue cost reductions and increases in production efficiency by building a sustainable supply chain and developing environmentally friendly production technology. Under the concept of “drastically transforming Megmilk Snow

Brand's assets,” we will move forward on two fronts: improving profitability and growth potential through business portfolio transformation and improving asset efficiency and capital measures. By realizing a positive equity spread through the achievement of adjusted ROE of 9.0% or higher and ROIC of 6.0% or higher, we aim to establish a strong presence as a company that is committed to enhancing corporate value.

Management Indicators: Commitments and the Key Indicators to Help Fulfill Them



Initiatives in Fiscal 2025

Fiscal 2025 marks an important year in which the Group celebrates its 100th anniversary and will embark on the first step toward dramatic growth for the next 100 years. We are focusing on investment aimed at medium- to long-term growth, and we will also invest in human resources and digital transformation (DX) in addition to deploying communication measures to commemorate our 100th anniversary and investing in strengthening the Group's corporate brand. Furthermore, we will pursue a reduction in

cross-shareholdings to improve asset efficiency.

In its financial results forecast, the Group predicts net sales of 640.0 billion yen and operating profit of 19.0 billion yen, the latter at the same level as in the previous year, taking into account communication measures to commemorate our 100th anniversary and corporate brand investment, with profit attributable to owners of parent anticipated to come in at 30.0 billion yen, factoring in an expected gain on sale of investment securities.

Steps to Increase Corporate Value

We believe that working to achieve food sustainability while enhancing corporate value means that we will redefine the existing model of dairy farming and the dairy industry and move it forward to build a sustainable business model ready for the next generation. Looking ahead to the next 100 years, the Group will transition from the conservative investment policy we have pursued up to this point to a policy of using interest-bearing debt to make growth investments and

decisively transform the Group's assets unconstrained by the existing framework. To achieve the management indicators presented in our new business plan, Next Design 2030, we will draw up and execute concrete plans that support the feasibility of the Group's growth strategy. We will also provide timely disclosure on the progress of our initiatives. As we continue to enhance corporate value and build long-term relationships of trust with our investors, we hope you are looking forward to what is to come.

From employees

Proposals for the Future



Overview of the Future Vision Project and Activities to Date

The Future Vision Project was launched on April 1, 2023, with President Masatoshi Sato serving as the project owner. It is primarily composed of a young team of future leaders from various organizations, including employees from Group companies. In the “VUCA” era of volatility, uncertainty, complexity, and ambiguity, the future is full of uncertainties and difficult to predict. In such an environment, rather than relying on predictions or leaving ourselves at the mercy of the changes in the world, we should take the initiative and change the world ourselves. This is the concept behind the Future Vision Project. Under the project, we fashioned Future Vision 2050, reflecting our strong resolve—not just a strategy based on future predictions—to pursue co-creation with roughly 2,700 internal and external stakeholders who share the same aspirations. During the process, we repeatedly engaged in two-way communication with all Group employees through dissemination of information, surveys, and workshop discussions, with a commitment to formulating Future Vision 2050 for the entire Group. Additionally, through participation in food tech events and dialogue with external stakeholders, we continuously considered what kind of future the world expects, and how the future vision we envisage will take shape in society.



Tetsuya Fukuda
Project leader
(now at
PT. Megmilk Snow Brand
Indonesia)

Group Company Employees
with the Same Aspiration

Stakeholders and Experts

Co-Creation

Future Vision Project

Group Medium-Term Management Plan 2025

From “Gain Resilience” to
establishing the groundwork

Next Design 2030

To the stage of aiming for dramatic growth

Future Vision 2050
EGAO-MEGUMITOWN

EGAO-MEGUMITOWN

Working Together with Our Co-Creation Partners in Four Themes

In the future vision we envisage for 2050, we presented our aspirations as a town called EGAO-MEGUMITOWN. The town has four themes, which are expressed as areas. Each area contains our hopes and challenges for the future. We will join hands with our co-creation partners to foster a better future where people and nature exist in harmony, and everyone can live with a smile.

Yuko Haruta
Marketing Department, Megmilk Snow Brand Co., Ltd.



Future Vision Video and Dedicated Website

Sharing the Excitement and Co-Creation as Much as Possible

We produced a video to do our best to share the key messages of excitement and co-creation with stakeholders. We conveyed the concept of “circular” by beginning and ending the video with the Earth and structured it to link the free thoughts of children in the first half with the future the company envisages for 2050 to show that the future the company envisages is not just an extension of the status quo.



Takuya Nishijima
New Business Creation Dept., Megmilk Snow Brand Co., Ltd.



Introduction

Messages from
Management

Special Feature to
Commemorate
the 100th Anniversary

Value Creation Story

Management and
Financial Information

The Future Town Envisaged by the Megmilk Snow Brand Group

EGAO~MEGUMITOWN

Dairy Farming and
Agricultural Area

Developing a model for
regenerative*1 dairy farming and
other forms of agriculture for
the evolution of the industry

Regenerative
Creating a
Regenerative Society

Promoting the initiatives of
each area while mutually utilizing them
in Japan and abroad

Health Area

Extending healthy life expectancy
and creating joyful moments

Space Area

Developing a food supply system
for new living spaces
which bring us excitement

Reciprocally utilizing
outcomes from initiatives on
the ground and initiatives in space

Food Tech*2 Area

Developing a food culture
beyond dairy products by
transforming the process from
production to consumption

*1 A sustainable positive cycle
*2 Cutting edge technologies in the food sector

EGAO-MEGUMITOWN: The Future We Want to Design

Dairy farming and agriculture have become more attractive, helping people around the world live healthy lives and enjoy a rich food culture. We want to realize such a society through co-creation with everyone who shares the same aspiration. This is the future we want to create, which we expressed as a town called EGAO-MEGUMITOWN in Future Vision 2050.

Under Future Vision 2050, based on *Kendo Kenmin* (“a healthy earth ensures human health”), which is our Purpose and Commitment, we are aiming to help build a sustainable and circular regenerative society for the next 100 years.

Dairy Farming and Agricultural Area

Serving as a Dairy Farming and Agricultural Orchestrator

In the dairy farming and agricultural area, we will take on the challenge of advancing the industry by developing a model for regenerative dairy farming and agriculture. To transform dairy farming and agriculture into a more attractive industry, we will implement actions that include promoting various forms of co-creation, serving as a dairy farming and agricultural orchestrator, developing and applying cutting-edge technology, and contributing to society through dairy farming and agriculture.

Tomohiro Fukushi
Hokkaido Research Station, Snow Brand Seed Co., Ltd.



Space Area

Applying Cutting-Edge Expertise from Space to Earth

In the space area, we will take on the challenge of delivering excitement by developing a food supply system for new living spaces. To realize the application of cutting-edge expertise developed for space to Earth, we will implement actions which include empirical research of initiatives to raise quality of life through participation in joint projects, development in space of existing ingredients (“MBP” etc.) and new ingredients (cultured milk, etc.), and the application of advanced, regenerative food supply systems constructed in space to Earth.

Taro Ko
New Business Creation Dept., Megmilk Snow Brand Co., Ltd.



Health Area

Exploring Undiscovered Health Needs

In the health area, we will take on the challenge of extending healthy life expectancy and creating joyful moments. To increase the percentage of the 100-year-old population who are mentally and physically healthy, we will implement actions that include exploring undiscovered health needs by establishing joint research frameworks with research institutes, government organizations, and others and meeting diverse health needs through personalization leveraging food tech and other innovations.

Yuki Shimizu
Milk Beverages & Desserts Marketing Dept.,
Megmilk Snow Brand Co., Ltd.



Food Tech Area

Setting the Challenge of Creating a New Food Culture

In the food tech area, we will take on the challenge of developing a food culture that goes beyond dairy products by transforming the process from production to consumption. In order to develop new products and services and upgrade production and supply systems, we will implement actions that include research into new value creation technology, construction of new infrastructure (systems) for providing value utilizing robotics, IoT, and AI, and creating a new food culture through two-way communication with consumers.

Shingo Amamoto
Production Technology Dept., Megmilk Snow Brand Co., Ltd.





100th Anniversary Feature: Special Dialogue



What Megmilk Snow Brand Must Accomplish for the Coming 100 Years

We invited business scholar Takashi Nawa to exchange views with president Masatoshi Sato on such questions as how we should view the 100-year timespan from a management perspective and how we should familiarize everyone with our redefined Purpose and Commitment.

Masatoshi Sato

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



Takashi Nawa

Visiting Professor, School of International Corporate Strategy,
Hitotsubashi University Business School;
Management Consultant; Business Scholar

Introduction

Messages from
Management

Special Feature to
Commemorate
the 100th Anniversary

Value Creation Story

Management and
Financial Information

Three Keywords Behind a Century of Continuity

Sato When our company was initially founded around 100 years ago, the major issue facing Japanese people was “maintaining and improving health.” In an age when getting adequate nutrition was a challenge, the need was to deliver nutrition to the people. At the time, butter and cheese were not yet common foods, and they were hard to obtain. The company founders gradually mainstreamed these food items by processing products to suit Japanese tastes and providing them to the public. As symbolized by the phrase *Kendo Kenmin* (“a healthy earth ensures human health”), the company’s founders valued dairy farming and aspired to provide people with good health and good taste, and it is precisely this aspiration that is our starting point. Around 25 years ago, we faced a profound crisis caused by two compliance incidents that jeopardized our survival. From that point on, the Megmilk Snow Brand Group of today emerged in 2011 after going through business splits and mergers. We exist as we do today thanks to the support of our stakeholders, including customers, producers, and business partners, and society. Our aspiration to provide customers with good health and good taste while ensuring product quality and building a flexible corporate culture that embraces diversity has deep roots in our heritage.

Nawa I think that one of the positives of Japanese culture is that it can change to suit customer tastes while, at the same time, remain dedicated to its aspirations. Listening to what you were saying, three keywords came to mind. The first is “resilient.” I get the feeling that the company is dedicated, resilient, and flexible. Since its founding, the company has consistently valued the spirit of *Kendo Kenmin* and has been dedicated to its original aspirations. In addition, it has demonstrated the resilience to rebuild from a management crisis caused by those two incidents. There is also flexibility in that you have leveraged challenging experiences as motivation to build a company that anticipates social issues and helps shape the future. The second keyword is “harmony.” The company truly has a resonance rooted in Japan’s “land” and “people.” I can see in your approach a dedication to top-notch Japanese-style management, as represented by the expression *sampo yoshi* (a business model in which sellers, buyers, and society benefit). You work hard to make employees, producers, local communities, and investors happy. The third keyword is “regenerative.” I sense the Group’s proactive stance on regenerative agriculture and its commitment to supporting a regenerative lifestyle and society.

One could describe such a company as a regenerative company. I believe the reason Megmilk Snow Brand has continued to be loved by people for a century can be summed up in these three corporate traits.

Sato I can relate to all three of these keywords. The Group has faced a variety of challenges and social issues in the past. We take pride in the fact that, in every case, we have deepened our relationships with stakeholders and shared value with them in order to deliver even greater value to society. Today, milk and dairy products are a normal part of everyday life for many Japanese people, and we believe we have provided great value in helping shape this new normal in everyday society. While continuing to preserve this value going forward, we would like to create even more value by taking on challenges in new fields.

Redefining Our Purpose and Commitment: Attitudes and Values Required for Growth

Sato Marking the 100th anniversary of the company’s establishment, we reaffirmed the founding spirit of *Kendo Kenmin* as our approach to resolving social issues and redefined it as our Purpose and Commitment. This is the conclusion we reached after considering what we should aim for as we head into the future. This phrase is also very meaningful for me on a personal level. At the press conference for my appointment as president in February 2022, I emphasized that *Kendo Kenmin*, the founding spirit of Snow Brand Milk Products Co., Ltd., which was one of the predecessors of Megmilk Snow Brand, is our purpose. This created a big impact both inside and outside of the company, and on my appointment as president, I wanted to state again for the record that “dairy farming strengthens the earth, and the milk and dairy products produced from this rich earth are the ultimate nutritious food that can foster healthy spirits and resilient bodies for human beings.” At that press conference, I further emphasized that my key mission as president is guiding the Group into a stage of growth and that I would focus on “speed,” “empathy,” and “challenge” in order to achieve it.

In fact, after my appointment, you responded to these statements, saying, “The Group has had a symbol of its goals and visions — the kind that cannot be achieved just by maintaining the status quo — its North Star or Moonshot (pointing to the company badge on my lapel) for 100 years. This North Star or Moonshot goal is the very essence of your founding spirit of *Kendo Kenmin*. In order to realize this aspiration, the Group has



Purpose and Commitment must meet three requirements: “exciting,” “unique,” and “possible”

— Takashi Nawa

continually implemented transformational initiatives. And the attitudes and values of ‘speed,’ ‘empathy,’ and ‘challenge’ have been the driving forces behind this process.” Hearing those words convinced me that we had taken the right path.

This then led to the creation of Future Vision 2050 and Next Design 2030 as well as the reconstruction of our corporate identity and corporate philosophy. Your words were very encouraging to me at the time.

Nawa *Kendo Kenmin*, which is your Purpose and Commitment, is certainly a phrase that resonates with people. However, it is ultimately a North Star goal and its value will not be actualized unless you provide a compass that points to it. I think that is what I wanted to communicate.

Spreading the Purpose and Commitment and Applying It to Business Activities

Nawa I am always saying that a purpose has three requirements: to be “exciting,” “unique,” and “possible.” The Group’s Purpose and Commitment fits these requirements well. However, the question is how the organization and employees will take ownership of the Purpose and Commitment going forward, and I would like you to bear in mind the following points. The first point is to carefully apply the Purpose and Commitment

to organizations and individual employees. A company-wide purpose is inevitably abstract, and it tends to be difficult for each organization or person to consider that it is relevant to them. Therefore, it is necessary for you to “unpack” the purpose and make it clearer. The second point is to identify the difficulties and concerns in the workplace when implementing the purpose and doing the work to resolve them. To do this, it is effective to ensure psychological safety while holding problem-solving meetings in each organization and incorporating the solutions that are found at the company-wide, organizational manager, and individual levels. The third point is to anticipate causal loops and implement PDCA cycles in which the purpose is translated into behavior change, productivity, creativity and ultimately the enhancement of corporate value rather than merely understanding and feeling empathy with it. You need to identify bottlenecks that block the purpose from producing results and keep devising measures to eliminate them.

Sato Going forward, it will be necessary to spread the reconstructed Purpose and Commitment throughout the Group. Therefore, this fiscal year, we are running “officer caravans” and Purpose and Commitment Workshops at all business sites to communicate the thoughts of the management team to our employees while encouraging full understanding by giving employees the time to think about the ideas themselves. To achieve the management targets set out in Next Design 2030, which is the new business plan, and move toward the “ideal society” presented under Future Vision 2050, each individual employee must take one proactive step forward. The more closely this one step forward is aligned in direction with where the company is heading, the greater the results should be. To achieve this, we will work so that our Purpose and Commitment is really integrated all the way through to the level of action and can translate into higher performance than in the past.

Nawa At present, I am advising the Group on ensuring

everyone is familiar with the Purpose and Commitment. More specifically, I have three requests for employees. First, align the intentions of the Purpose and Commitment with the particular features of the department you belong to. Second, recognize the gaps between what your department is trying to promote and what the individuals belonging to that department want to do and eliminate any bottlenecks. Third, dig deep into how the things your department is trying to implement are connected to corporate value. The redefinition of the Purpose and Commitment is not the end; the real work starts now.

What Must Be Accomplished for the Coming 100 Years

Nawa At first glance, the choice between returning to tradition or transforming into something new seems contradictory. However, that is not actually the case. The seeds of innovation lie within tradition, and innovation leads to another tradition. I think that this process always forms a “nested structure” when seen over the long timespan of 100 years. Innovation is created from tradition, and then shapes the next tradition, which then produces the next innovation. I believe this is a theme for the Group as it moves forward. The important point is gaining strength on the individual level first. To achieve this, each person must have their own personal commitment to what they want to become.

Then the individuals must form teams and display teamwork. It is also important to venture proactively beyond the current boundaries. When each team acts with initiative, it should naturally result in an organizational rhythm of moving forward on to the next goal. Put a certain way, a “wise pivot” is what I

would like to see from the Group going forward. I hope that the Group will continue creating innovation from tradition as it moves into the future. Its century of tradition is a treasury of innovation. Management leadership is required to further build the strength of existing businesses while significantly scaling up new businesses by discovering the new possibilities that are inherent within these businesses and directing existing intangible assets toward these new possibilities. This must be approached with an attitude that is bold in taking risks, learns from failures, and above all repeats the process with a sense of speed.

Sato What you said about “tradition” and “innovation” resonated with me. I also have a strong sense that the “wise pivot” approach you advised will be an essential perspective for the coming era. One of my favorite phrases is “Change before you have to,” the words of Jack Welch, the former CEO of General Electric (GE) in the US. Acting on your own initiative rather than being told to take action by others creates ownership and speeds up your action. It also enables rapid decisions on starting again and changing direction. In particular, I feel that the “risk of not changing” is much more serious than the “risk of changing” at the current time, when the outlook is uncertain. We drew up Future Vision 2050 as the first step looking toward the next 100 years. We will now enter the stage of deepening our discussions on how to achieve our vision. I have gained a lot of insight from our conversation, Mr. Nawa. Thank you very much for talking with me today.



Act on your own initiative before you are forced to change

— Masatoshi Sato

1 Why Do We Aspire to Food Sustainability? P.32-36

Food sustainability is verging on crisis and has become a serious, global-scale social issue. Shortages in the supply of protein, which is essential for people's health and life, have been pinpointed as a particular issue. Accordingly, social expectations of the Megmilk Snow Brand Group are rising, as it provides society with high-quality milk and milk products. With the Group's aspiration for *Kendo Kenmin* ("a healthy earth ensures human health"), contributing to food sustainability is a key mission. At the same time, we believe it also presents a business opportunity for enhancement of corporate value.

2 How Will We Proceed to Achieve Our Vision? P.37-61

Going forward, the Group will enhance its corporate value by working to solve issues to help achieve food sustainability. This is what we set out as our 2030 Vision, and we are determined to make it happen. Under Next Design 2030, our new business plan, we will first drastically transform Megmilk Snow Brand's assets as well as our existing business portfolio. In conjunction with this, we have set out seven strategic initiatives based on four strategic pillars, which we will work on to bring about a major transformation in the value of milk and the structure of demand and supply.

3 Why Can We Do It? P.62-86

To ensure the successful execution of our growth strategy, we will strengthen and enhance our management base. Enhancement of intangible assets holds the key to the effective implementation of the strategy. While sharing our newly defined Purpose and Commitment and our resolve to implement the growth strategy with all employees, we will strengthen research and development capabilities and intellectual property management skills while also enhancing the Group's brand strength. At the same time, we will also focus on reinforcing human resources, the driving force of the growth strategy. Furthermore, by strengthening corporate governance, we will strive to implement bold and rapid management decision-making based on a strong risk management system.

1 Why Do We Aspire to Food Sustainability?

Milk and milk products are a valuable source of protein, which is essential for human health and life. For the Megmilk Snow Brand Group, which aspires to *Kendo Kenmin*, contributing to food sustainability by providing milk and milk products is both a mission and a business opportunity for the enhancement of corporate value.

The Future of Food: Risks and Opportunities for the Megmilk Snow Brand Group



Increasingly Global Issue of Declining Birthrate and Aging Population

The decline in the birthrate and aging of the population, which is rapidly worsening in Japan, has now become an issue that the whole world is facing. According to the United Nations, the percentage of the world's population aged 65 and over is set to increase from 10% in 2022 to 16% in 2050. In addition, the number of people aged 60 and over already exceeded the number of children under 5 as of 2020. The decrease in the working age population due to aging means a decrease in food-related supply capacity. There are high expectations of ideas and innovation by private-sector companies to support the world's food systems.



Increasingly Severe Protein and Malnutrition Issues and Rising Supply Responsibilities

Rapid population growth is being seen in emerging countries, and the "protein crisis" in which the balance between demand and supply of the protein essential to maintain life collapses could emerge as early as 2025 – 2030. This is a global-scale social issue that the Megmilk Snow Brand Group, which supplies protein via milk and dairy products, must take the lead in addressing, and we are focusing on expanding the supply of plant-based protein as an alternative to protein from animal products, in addition to dairy products such as cheese.



Limits of Food Production Systems

Food production systems around the world are verging on crisis. In Japan, there is a pronounced aging of dairy farmers and decline in dairy farming against the backdrop of the declining birthrate and the aging population. Furthermore, due to prolonged regional conflicts and surging resource prices, the price of raw materials and feed has risen in Japan, necessitating urgent action. The Megmilk Snow Brand Group not only works for greater stability and efficiency in its own supply chain, but also works with other companies in the industry and government bodies to create new systems in society as a whole to address shared industry issues.



Continuously Strengthening the Value Chain



Research & Development

A Tradition of Growth-Driving Research

Megmilk Snow Brand's research and development departments strongly support the quest for food sustainability. Based on the good taste and health functions of milk and dairy products cultivated over many years of research, these departments develop and improve new products and pursue enhanced value and transformed supply and demand structures, thereby increasing corporate value. They also work to create sustainable packaging and improve production processes to reduce environmental impact. By pinpointing market needs and supplying sustainable food, they fulfill social responsibilities, expand business opportunities, and help drive the growth of Megmilk Snow Brand.



R&D open day encourages company-wide networking



Procurement

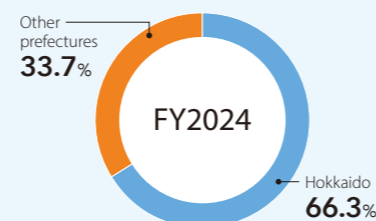
Raw Milk Procurement

The Group has assigned dairy operation staff in each region and procures raw milk while working to ensure high-quality milk production on dairy farms in partnership with the relevant local organizations. Led by the Megmilk Snow Brand Research and Development Center for Dairy Farming and Snow Brand Seed Co., Ltd., we also operate demonstration farms, conduct research on management demonstration farmers, and disseminate the results in cooperation with farmers in Hokkaido. In these activities, we implement comprehensive improvements in feeding management and business analysis based on expanding the production and utilization of self-supplied feedstuffs through soil and vegetation management. The aim is to ensure stable sustainable dairy farm management through pasture-based dairy farming and circular dairy farming, while reducing greenhouse gas emissions by reducing the amount of imported feed used.



Vegetation survey on a demonstration farm

Percentage of Raw Milk Purchase Volume by Region



Procurement of Energy and Raw Materials

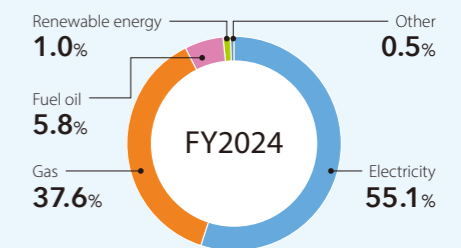
Megmilk Snow Brand has implemented various kinds of initiatives to ensure stable procurement of various types of energy and raw materials (cheese, fruit juices, packaging materials, etc.), which are affected by international conditions and climate change. For energy, we are working to expand the share of renewable energy, including solar power generation and biomethane gas. Based on our Supplier Guidelines established in 2024, we proactively work with raw material suppliers via self-assessment questionnaire surveys and direct dialogue on a daily basis to ensure stable procurement of high-quality raw materials and reduce environmental impact.



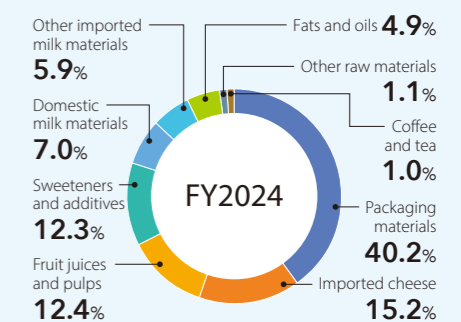
On-site inspection

Also, to help achieve food sustainability, we are working to ensure stable procurement of milk ingredients, including building a system in 2025 for cooperation with overseas dairy product manufacturers on the development and purchase of functional ingredients. We also verify that there are no human rights or environmental issues related to palm oil, which attracts a high level of attention as a social issue, holding dialogues with farmers using surveys and visits to production sites.

Percentage of Energy Consumption Costs



Percentage of Purchased Raw Material Costs (excluding raw milk)



Production

Commitment to Strict Quality Management

* Global Food Safety Initiative: A global forum on food safety that is promoted jointly by companies in the global food industry in order to continuously improve food safety systems. Certification standards include FSSC 22000 and SQF.

The Group maintains quality in the production process by operating HACCP based on the Megmilk Snow Brand Quality Assurance System (MSQS), its proprietary quality assurance system. We have also promoted the acquisition of GFSI* certification, and have already earned certification for 25 of the Group's 26 production facilities. Further, we have introduced our own sensory evaluator system for verifying taste and are working to improve evaluators' skills. Currently, 56 people hold the highest rank as sensory evaluators. To improve these skills and increase the efficiency of sensory testing, we rolled out a digital tool developed at the Kyoto Plant's Ikegami Branch Plant to our other plants in Japan.

Corporate Culture That Honors Our People's Strong Passion for Self-Improvement

We respect the motivation of individual staff to learn and place an emphasis on ensuring that our workplace culture makes the most of that drive. Approximately 50,000 improvement proposals are made at Megmilk Snow Brand plants by plant staff each year, and we give awards for the best proposals at improvement presentations. In fiscal 2024, the top award was for the development of a filterless compact dust collector for food mixing by the Ebina Plant. The development team aimed to make the equipment easier to use for on-site employees and, after repeated testing realized reductions in initial running costs and size as well as better workability and hygiene. We are currently considering expanding use of the collector throughout our manufacturing sites and obtaining intellectual property rights for it.

Number of Improvement Proposals per Year and Winner of the Top Prize in Each Year

Fiscal Year	Number of Proposals (per year)	Winner of the Top Prize	
		Workplace Winning Award	Details
2022	47,879	Horonobe Plant	Improving yield and ensuring stable operation of butter manufacturing machines
2023	47,602	Ebina Plant	Improving work efficiency by automating adjustment functions for fermented food filling equipment
2024	47,724	Ebina Plant	Reducing costs by developing a compact dust collector for food mixing



Logistics

Actively Maintaining and Improving the Quality of Logistics

Megmilk Snow Brand's distribution network extends throughout Japan and revolves around the Beverages and Desserts Business and Dairy Foods Businesses. We actively maintain and improve the quality of logistics in order to deliver safe and secure products to our customers.

At the same time, we must respond to the issue of falling transportation capacity due to the shortage of truck drivers caused by the decline in the working-age population and other factors and regulation of overtime work, as well as complying with the Act on Advancement of Integration and Streamlining of Distribution Business and the revised Motor Truck Transportation Business Act. We are working with our logistics partners to resolve such issues.

In addition, the distribution of chilled foods* presents unique issues, such as the short shelf-life of products and the need for refrigerated storage. In order to solve such issues and ensure sustainable logistics for chilled foods, nine companies came together across industries to launch the Chilled Foods Logistics Study Group in October. The study group has also commenced dialogue with distributors, seeking to build a logistics environment that is easier for truck drivers to work in, by improving delivery conditions and reducing incidental work.

We are also making maximum use of our nationwide transportation network and delivery sites and our logistics expertise to build a logistics environment that is sustainable into the future.

* Dairy products such as milk and cheese, processed meats such as ham and sausage, fresh noodles, pizza, and other cooked foods that are distributed at temperatures below 10°C



Nine companies belonging to the Chilled Foods Logistics Study Group: Itoham Yonekyu Holdings Inc., Nissin Chilled Foods Co., Ltd., Nissin York Co., Ltd., NH Foods Ltd., Prima Meat Packers, Ltd., Marudai Food Co., Ltd., Meiji Co., Ltd., Morinaga Milk Industry Co., Ltd., and Megmilk Snow Brand Co., Ltd.



Marketing / Sales

Building an Organization That Syncs Solutions to Social Issues with Economic Efficiency

As part of our social contribution activities, we have been working to increase consumption by implementing nutritional education about milk to communicate the importance of food and the value of milk and dairy products. In fiscal 2024, we restructured the organization of Megmilk Snow Brand to further expand these activities, by establishing a customer relationship (CR) planning department in each region. To increase our points of contact with consumers, we have expanded our activities to mass retailers and local co-creation venues in addition to education for elementary and junior high school students and consumers. We are working to create an organization that can contribute to sales growth as well as to health through food by making maximum use of resources such as knowledge of nutritional education, nutritionist staff, and our sales organizations.



Customer Service

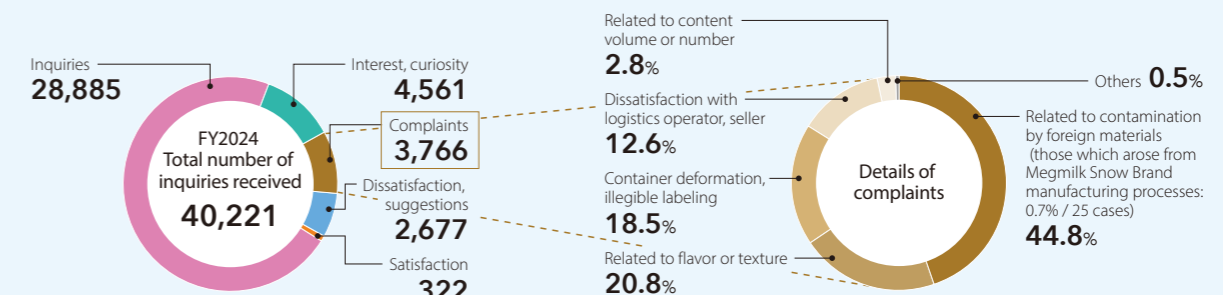
Focusing Squarely on the Consumer

Our thorough system for focusing on consumers is one of the Group's strengths. The Megmilk Snow Brand Customer Relations Center accepts customer feedback 365 days a year, including during the year-end holidays. We have introduced a system that can detect serious process-related defects and multiple similar complaints about the same product and have put in place a system to prevent an increase in product defects. Customer feedback is not only shared with the relevant departments, but also made available to all employees. The number of inquiries per day and those that are predicted to be more serious are reported to officers and others via quality management departments. The number of inquiries and trends in customer feedback are also shared with all workplaces and reported to the Corporate Ethics Committee [P.78](#).

[WEB](#) Responding to customer feedback (in Japanese) ▶ <https://www.meg-snow.com/customer/center/voice/>

Number of Inquiries Received by Customer Relations Center

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



Ability to Translate Customer Feedback into Value

Every individual piece of feedback received by the Megmilk Snow Brand Customer Relations Center is valuable information and forms an important asset for supporting sustainable growth in the future. We have established a variety of systems for utilizing these pieces of feedback.

① System Enabling All Employees to Access Customer Feedback

Customer feedback is delivered to all employees via YuMe*Portal, the Group's portal site, fostering a focus on customers among individual employees.

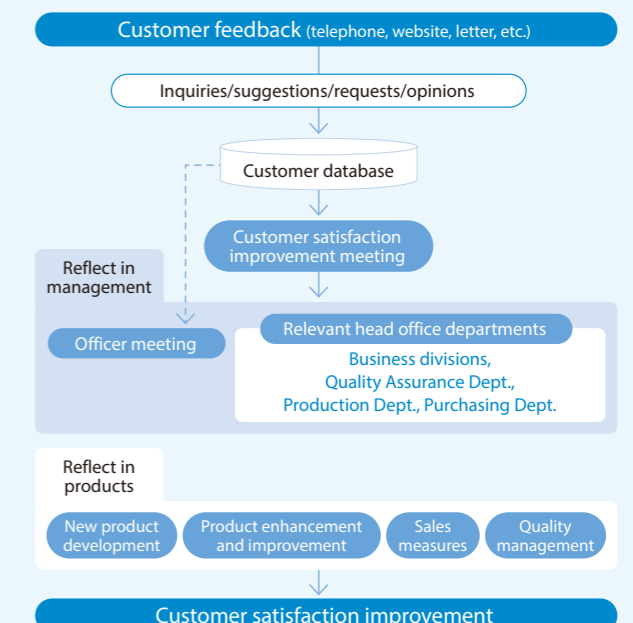
② Prompt Reporting to Management Level

Customer feedback on business activities and management is reported promptly at weekly officer meetings.

③ Customer Satisfaction Improvement Meetings

Customer satisfaction improvement meetings are held once a month with the participation of relevant head office departments to reflect the requests and needs of customers in product improvements.

Flow Chart for the Process of Translating Customer Feedback into Value



2

How Will We Proceed to Achieve Our Vision?

The Megmilk Snow Brand Group will take on the challenge of solving the issues confronting the company itself as well as society with the goal of achieving food sustainability. The dramatic growth we will promote under the new business plan is the first step in reaching this goal.

Progress on Group Medium-Term Management Plan 2025



Gain Resilience

Period for Laying the Foundation for Growth over the Next 100 Years

In recent years, the Group's business environment has changed significantly, including changes in consumer behavior after the pandemic and the soaring global prices of fuel and raw materials, and this has also impacted business performance. Under the Group Medium-Term Management Plan 2025, we have been building a resilient business structure and reinforcing the foundations essential for growth. Our purpose in this is to gain resilience to environmental changes that may occur in the future, while also laying the foundation for growing corporate value.

(¥ billion)

	Group Medium-Term Management Plan 2025			
	FY2022 Results	FY2023 Results	FY2024 Results	FY2025 Initial Target
Net sales	584.3	605.4	615.8	665.0
Operating profit	13.0	18.4	19.1	20.0
Operating profit to net sales	2.2%	3.0%	3.1%	3.0%
EBITDA	30.2	36.0	36.4	38.5
				Level (Target)
Amount Invested	19.5	17.1	17.4	Approx. 70.0- (total over 3 years)
ROE*1	4.0%	5.1%	5.4%	More than 6.0%
ROIC	3.2%	4.5%	4.5%	—
Equity ratio	51.9%	53.8%	56.8	More than 50%
Dividend payout ratio*1	48.0%	47.4%	42.1%	More than 40.0%
PBR*2	0.6 times	0.8 times	0.7 times	—

*1 ROE and dividend payout ratio exclude gains from sale of assets. The FY2024 dividend payout ratio does not include the commemorative dividend.
*2 Calculated based on the closing share price on the last day of the fiscal year

Introduction

Messages from Management

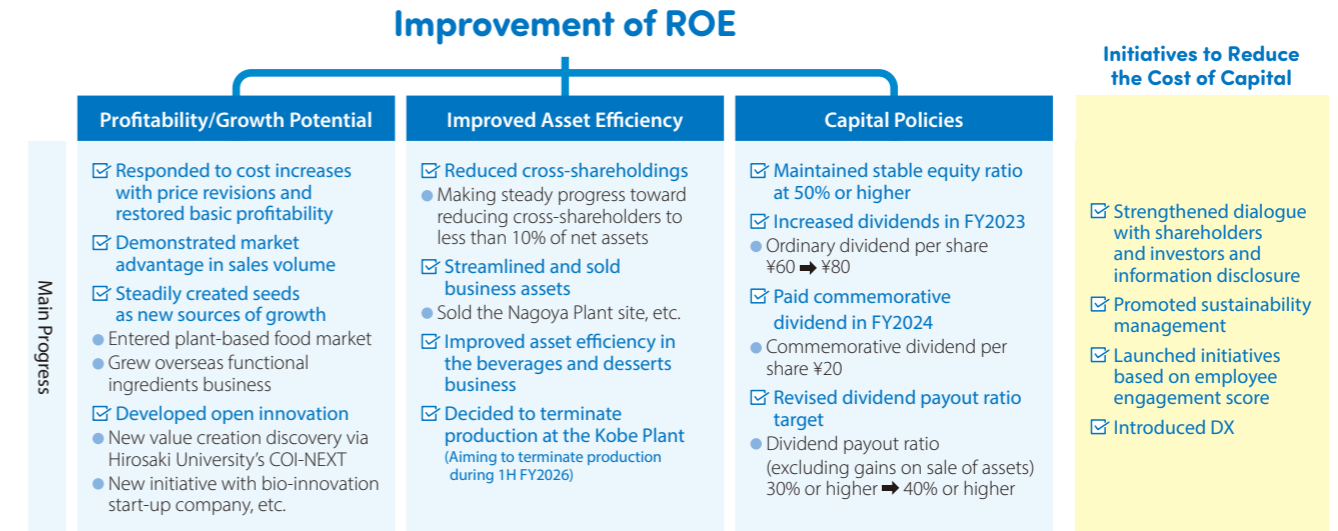
Special Feature to Commemorate the 100th Anniversary

Value Creation Story

Management and Financial Information

How Will We Proceed to Achieve Our Vision?

Progress on Initiatives



Remaining Issues

Gain Resilience

To establish the groundwork for growth in the coming century

Progress has been made on certain initiatives

- Although progress has been made in creating seeds for new growth and improving asset efficiency, we have not yet built a fully resilient business portfolio.

Initiatives to Enhance PBR

With a focus on cost of capital

PBR remains below 1 times. We need to intensify our efforts to improve PBR.

- We have not identified effective measures, despite aging factories and an increasing need to transform the production system.
- PBR has improved but remains far below 1 times. We are not yet generating returns that exceed the cost of capital.

In view of the current situation, we need to implement ambitious measures instead of merely continuing to implement existing ones in order to enhance corporate value.

Moving Toward

New Business Plan

Next Design 2030

Fiscal 2025 is the final year of the Group Medium-Term Management Plan 2025, and we are implementing a progressive shift to the new business plan as we start to pursue dramatic growth.



New Business Plan

Next Design 2030

2030 Vision: The Social Issues We Recognize

Purpose and Commitment

Kendo Kenmin
 ("a healthy earth ensures human health")

The social issue that we believe will be the most significant until 2030

Helping to Achieve Food Sustainability

We will address this issue to increase our corporate value.

Concept

Theme Drastically Transforming Megmilk Snow Brand's Assets

- Advance production systems with new ideas
- Invest in intangible assets to enhance competitiveness

Raising the Value of Dairy

Dramatically Transforming the Value of Dairy and Its Supply Demand Structure

- Improve the imbalance* in demand between fat and SNF> Expand cheese
- Enhance our presence, create demand and raise value recognition> Improve the profitability of milk and milk-based beverages
- Earn fair profit by expanding the value we provide to society> Apply technologies and knowledge to new areas (alternative foods, overseas)

Strengths

No.1 in Cheese

Distribution Capabilities for Milk and Milk-Based Beverages

Unique Ingredients / Lactic Acid

Production Technologies

* A breakdown in the balance between demand for milk fat content (fat), such as butter and cream, and non-fat milk solids (SNF), such as powdered skim milk. An imbalance causes tight supply and demand for dairy products and excess inventory.

Synchronizing Solutions to Social Issues with Economic Efficiency

Helping to Achieve Food Sustainability

Improving Corporate Value

With its founding spirit of *Kendo Kenmin*, the Megmilk Snow Brand Group has tackled the social issues of each era through its corporate activities. In today's modern world, we believe helping to achieve food sustainability is the social issue we must address. How should we face the coming age of scarce dairy resources? We believe that we have a social responsibility as a company involved in food provision, but that this issue also represents a business opportunity. To enhance corporate value with a balance between social and economic aspects, we must transform our assets with new ideas that are unconstrained by conventional thinking. In what we call the Group's "second founding" as we start another 100 years in business, we will transform our assets to help achieve food sustainability and enhanced corporate value. We will also lead Japan's dairy farming industry from the front to transition it into a sustainable industry.

Asset and Business Portfolio Transformation

Evolve Production Systems

- ☑ Dramatically improve production efficiency by implementing collaboration or reorganization at 20-30% of domestic manufacturing plants
- ☑ Reorganize into next-generation plants (dairy products)
 - Expand Japan-produced added-value cheese
 - Develop innovative products (including the utilization of subsidiaries and external resources)
 - Solve manufacturing issues (labor shortages)
- ☑ Evolve into a sustainable value chain (retail milk and dairy products)
 - Line consolidation, consignment and transfer to joint ventures (end of production at the Kobe Plant, collaboration with Satsuraku Agricultural Cooperative, etc.)
 - Extend used by dates, transport milk packaged at Hokkaido, introduce one-way containers

Strengthen the Sales Structure

- ☑ Turn Group company wholesaler Mitsuwa Distribution Industry into a sales company
- Streamline, clarify, and enhance adaptability of Group-wide business systems
- Streamline sales activities and demonstrate Group synergies

Investing in Intangible Assets

- ☑ **Invest in becoming the brand chosen by consumers**
 - Corporate brand investment to enhance brand value (proactive messaging about the new corporate identity, recognition of brand value)
 - Strengthen sustainability initiatives (renewable energy, elimination of plastics, etc.)
 - Invest in human resources (improved engagement, DE&I)
- ☑ **Research and development investment**
 - Explore new ingredients and functions, extending used-by dates
- ☑ **Productivity transformation through DX investment**
 - Data-driven management, building and utilizing data lakes
 - Expand to Group companies
 - DX human resource development

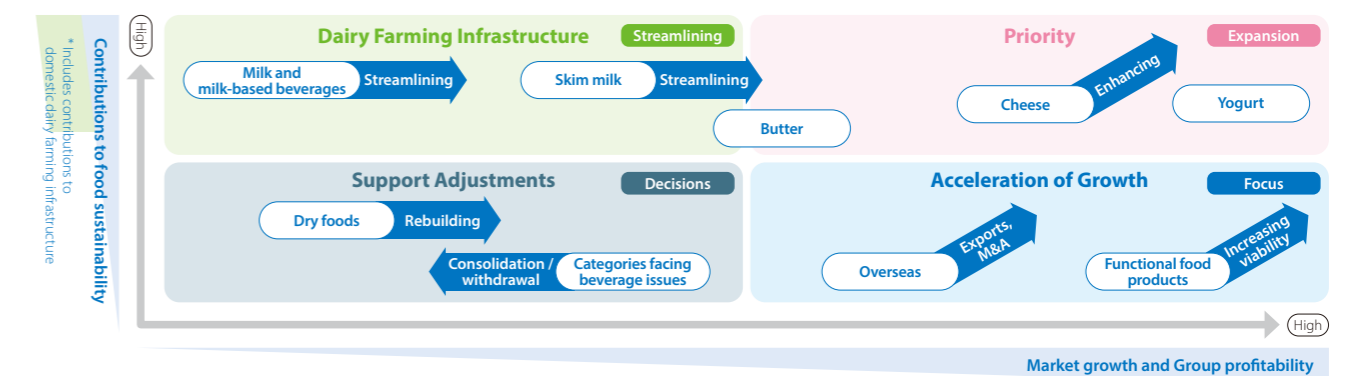
**Investment
Amount
Approx.
¥20 billion
(total over 6 years)**

Capital Investment
Approx.
¥3 billion
(total over 6 years)

Direction of Business Portfolio Transformation

We strive to enhance capital efficiency and add greater value in areas that support food sustainability. We aim to further expand our priority and growth areas.

The Group is managing its business portfolio from a medium- to long-term perspective, using an arrangement of indicators aligned to the degree of contribution to food sustainability on the vertical axis and market growth potential combined with our profitability on the horizontal axis. Transforming our portfolio towards the area at the top right will lead to a balance between our growth and food sustainability.

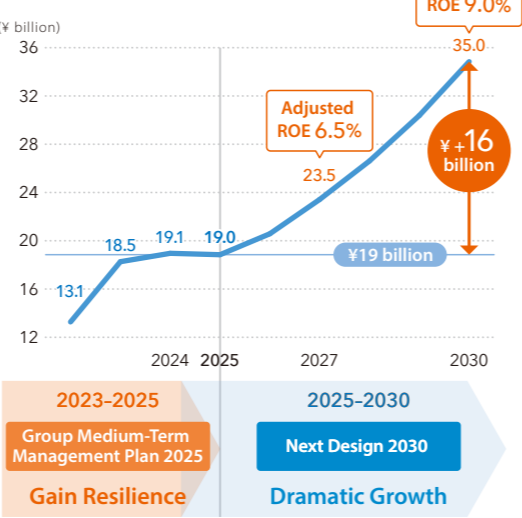


	Direction We Are Moving	Business Strategy	Capital Strategy
Priority	Strengthen by concentrating the resources we possess and applying leverage	<p>Actively develop markets, concentrating the resources we possess</p> <ul style="list-style-type: none"> ● Concentrate management resources in the core businesses that are profitable and have the potential for growth ● Move management resources from commodity products to high-value-added products ● Generate demand for domestic dairy products by promoting their value 	<p>Use borrowings to accelerate growth</p> <ul style="list-style-type: none"> ● Increase investments, primarily by leveraging interest-bearing debt
Acceleration of Growth	Assume a measure of risk in the categories that drive the Group's growth while pursuing high returns	<p>Invest existing resources to achieve extraordinary growth</p> <ul style="list-style-type: none"> ● Invest internal resources in growth drivers (including functional ingredients) 	<p>Actively invest in growth opportunities</p> <ul style="list-style-type: none"> ● Achieve high returns from businesses that generate new markets (including alternative foods) ● Take risks and actively invest, including in mergers and acquisitions overseas
Dairy Farming Infrastructure	Pursue an asset-light strategy that includes reducing business assets and collaboration with other companies. At the same time, take on the challenge of market transformation to improve profitability.	<p>Streamline, add greater value, aim for market transformation (improving profitability)</p> <ul style="list-style-type: none"> ● Enhance the ability to generate cash through collaborations with other companies, streamlining and promoting added value 	<p>Improve capital efficiency (adopt an asset-light approach)</p> <ul style="list-style-type: none"> ● Develop a new production system that involves reducing our assets, pursue mergers and acquisitions, and collaborate with other companies
Support Adjustments	Make decisions regarding rebuilding, consolidation or withdrawal from business and implement in a speedy manner	<p>Restructure the businesses</p> <ul style="list-style-type: none"> ● Exit from businesses after establishing specific time frames and conditions 	<p>Improve capital efficiency (reallocation of invested capital)</p> <ul style="list-style-type: none"> ● Reallocate invested capital for products that obviously generate returns lower than the cost of capital to other quadrants to enhance company-wide capital efficiency

Management Indicators

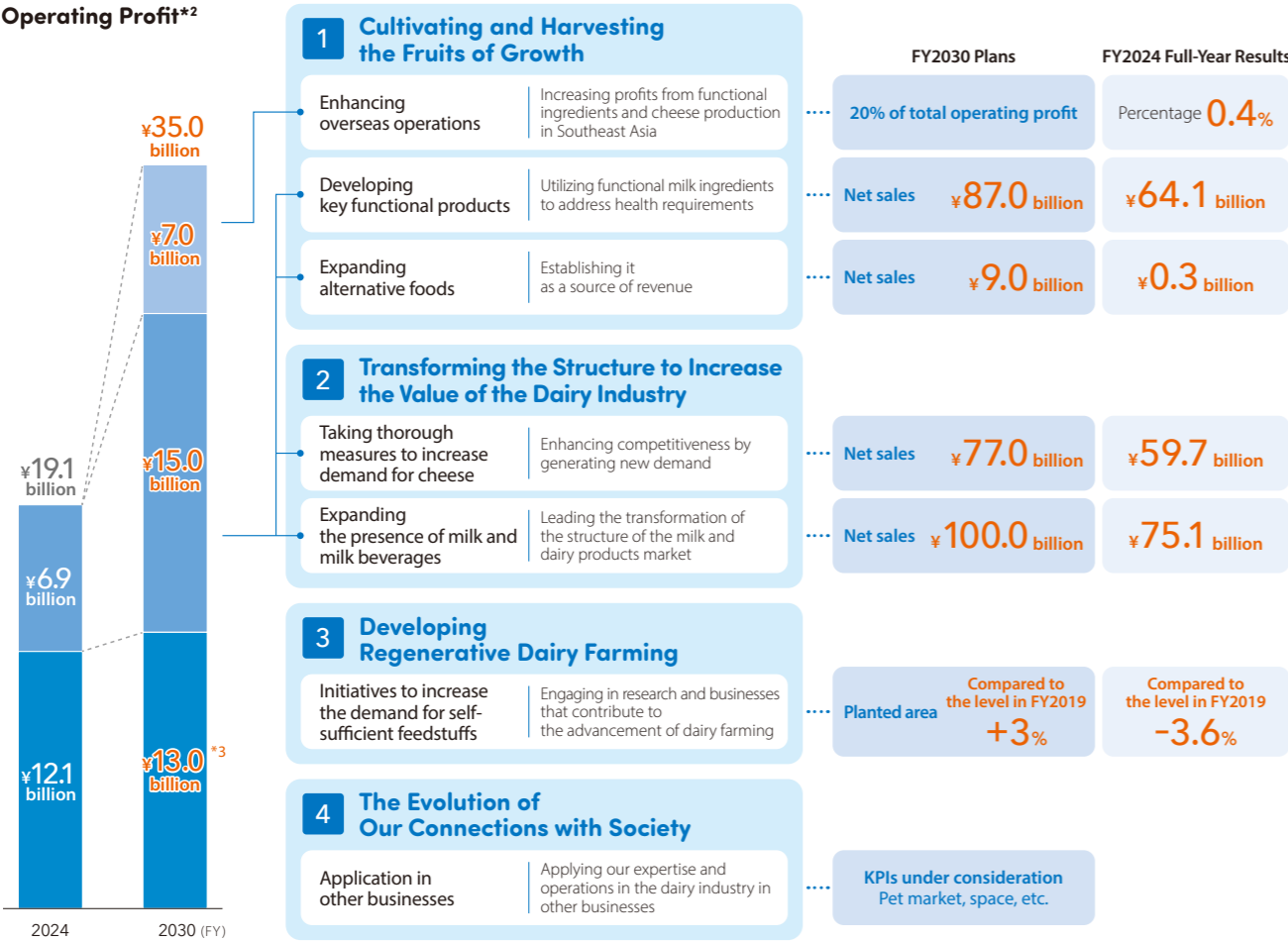
Basic Policy	Items	Indicator and Target	FY2024 Full-Year Results	Intermediate Milestone (FY2027)
Maintain financial soundness (continue to have an A rating in external assessments)	Commitments	Adjusted ROE*1: 9.0%	5.4%	6.5%
		ROIC: 6.0%	4.5%	5.5%
Reduce assets and invest in the business foundation and growth by utilizing interest-bearing debt	Key indicator targets we need to achieve to fulfill our commitments	20-30% of the domestic production bases collaborate with other companies or undergo restructuring	23 bases	—
		Leverage: approx. 1.5 times Net D/E ratio: approx. 0.5 times	1.2 times 0.1 times	—
Distribute dividends consistently and buy treasury shares flexibly	NOPAT: approx. ¥25 billion Operating profit*2: approx. ¥35 billion	¥13.3 billion	¥19.1 billion	—
		Invested capital: approx. ¥410 billion	¥295.8 billion	—

Image of the Progression of Operating Profit*2 and ROE



Business Strategies and KPIs

Operating Profit*2



*1 ROE excluding gains from sale of assets *2 Operating profit excluding the impact of accelerated depreciation increasing due to streamlining decisions
*3 Includes growth of other existing areas (butter, margarine, feedstuffs and seed products, etc.)

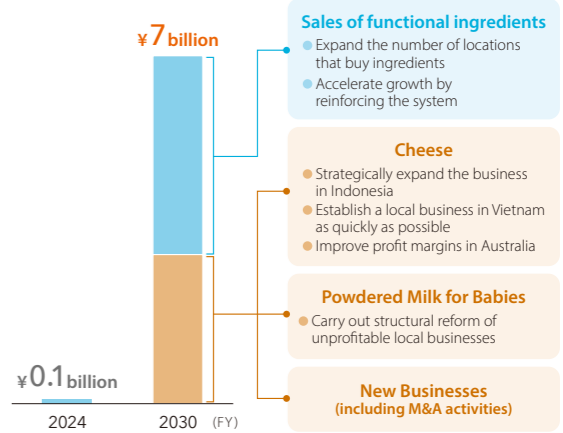
Business Strategy: Overseas Business

The overseas business is one of the business areas with a key role in the dramatic growth envisaged under Next Design 2030. We aim to generate 7.0 billion yen in overseas business in order to increase its share of total operating profit to 20% in fiscal 2030. Functional ingredients and cheese will drive this high growth.

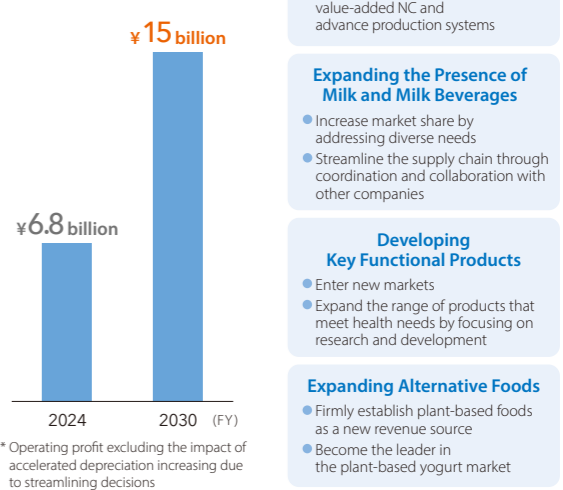
Functional Ingredients: We are expanding ingredients with health functions, including “MBP” in Asia, Oceania, North America, and other regions. As in Japan, there are high needs for improving quality of life (QOL) due to the aging population, and business opportunities will expand significantly as we acquire local health claim accreditations. We are steadily expanding the number of locations that buy ingredients and reinforcing business development systems to drive high growth in the future.

Cheese: We will establish production sites in Vietnam following our existing sites in Australia and Indonesia. The main target areas are Southeast Asia and East Asia, and we are also considering expansion into the Middle East and Africa in the future.
Powdered Milk for Babies: As profitability of local subsidiaries has declined due to the impact of falling birthrates, we will advance structural reform, including the optimization of systems
New Businesses: In addition to global development of plant-based foods, we will take on the challenge of new business areas utilizing M&A.

Overseas Business Operating Profit*



Domestic Growth Area Operating Profit*



Business Strategy: Domestic Growth Areas

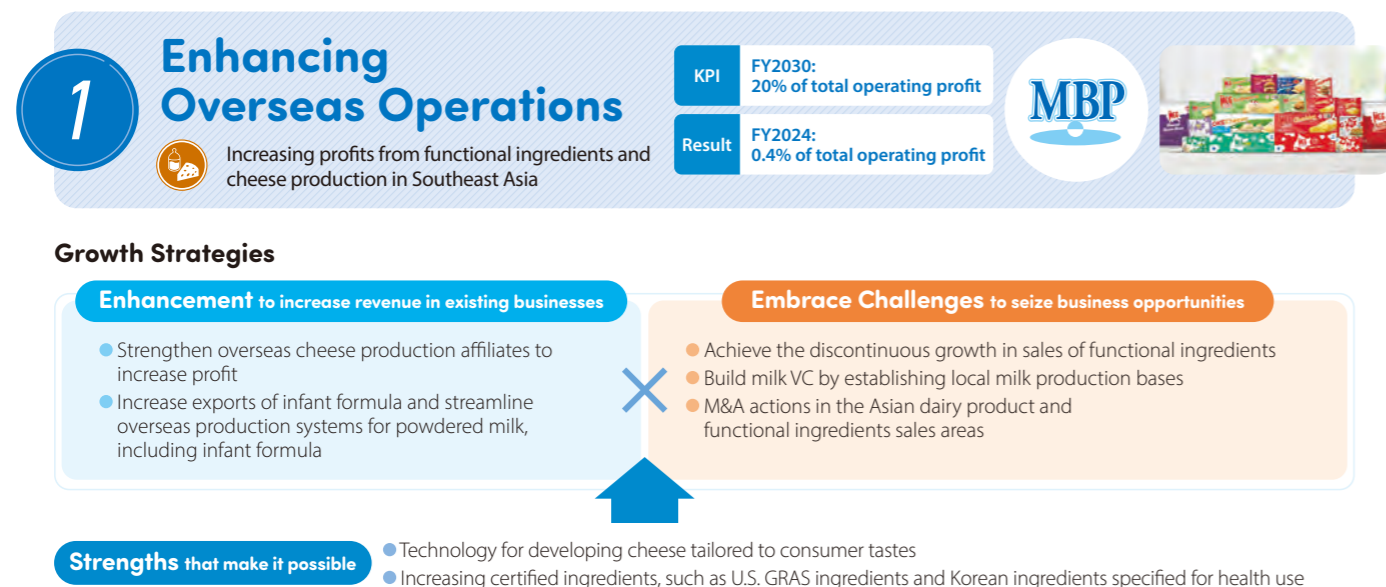
In domestic growth areas, we have four business strategies. These are to take thorough measures to increase demand for cheese, expand the presence of milk and milk beverages, develop key functional ingredients, and expand alternative foods. We will aim to generate operating profit of 15.0 billion yen in these areas in fiscal 2030.

Taking Thorough Measures to Increase Demand for Cheese We will launch high-value-added cheese using Japan-produced milk to generate new demand. As part of our development of the infrastructure to make this happen, we have decided to implement capital investment at the Nakashibetsu Plant in Hokkaido and the Ami Plant in Ibaraki Prefecture. Our combined investment across the two plants will be 47.5 billion yen, and both plants are expected to commence operation in the first half of fiscal 2028. At the Nakashibetsu Plant, we will install equipment to increase production of natural cheese. The Ami Plant will produce high-value-added cheese using Hokkaido cheese as the raw ingredient.
Expanding the Presence of Milk and Milk Beverages We will promote optimization of our assets and structural reform of the supply chain by collaborating with other companies and streamlining products. We will also increase per unit profitability by offering proposals for new product containers and volumes and increasing the proportion of high-value-added products in the product mix. In addition, we anticipate benefits from investments in intangible assets due to

the strong connection between the corporate brand and product purchases, particularly for cow's milk products.
Developing Key Functional Products We will apply milk ingredients to the various health needs of consumers. We will meet consumer needs based on our knowledge of functional ingredients and collection of lactic acid bacteria obtained through the Group's many years of research and development. In addition to products such as MBP Drink and Mainichi Hone Care MBP, which have already grown as priority products, we will focus our efforts on selling ingredients in the Japanese market on a BtoB basis.
Expanding Alternative Foods We will firmly establish plant-based foods as a new source of profit. In this process, we will aim to become the leader in the plant-based yogurt market. We also believe that an experimental approach will be needed in order to create and develop a new market, and we will take on a variety of challenges, such as hybrid products that include animal protein and entry into the alternative foods area utilizing food tech.

Seven Strategic Initiatives

Under the new business plan, Next Design 2030, we will implement seven strategic initiatives with the aim of generating 35.0 billion yen in operating profit in fiscal 2030.



Growth Strategies

Enhancement to increase revenue in existing businesses

- Strengthen overseas cheese production affiliates to increase profit
- Increase exports of infant formula and streamline overseas production systems for powdered milk, including infant formula

Embrace Challenges to seize business opportunities

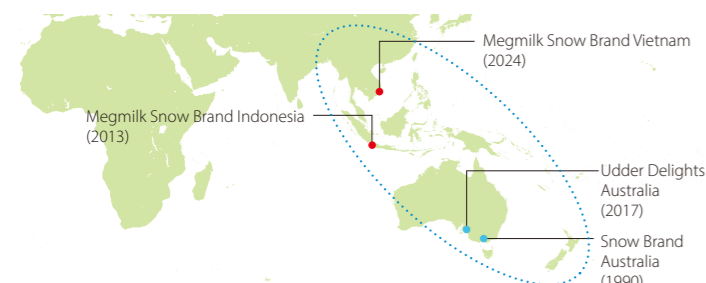
- Achieve the discontinuous growth in sales of functional ingredients
- Build milk VC by establishing local milk production bases
- M&A actions in the Asian dairy product and functional ingredients sales areas

Strengths that make it possible

- Technology for developing cheese tailored to consumer tastes
- Increasing certified ingredients, such as U.S. GRAS ingredients and Korean ingredients specified for health use

Taking Thorough Measures to Increase Demand for Cheese in Southeast Asia

Although the Megmilk Snow Brand Group has expanded the cheese business overseas mainly in Australia up to this point, we entered the Indonesian processed cheese market in 2013. In fiscal 2024, we established our second Asian production and sales site for processed cheese in Vietnam, where significant growth in cheese consumption is anticipated due to the growth of the middle class with future economic growth. The new plant is expected to commence operation in fiscal 2026. We will leverage our technology for producing cheese to suit consumer tastes cultivated in Japan to lead the Southeast Asian cheese market. We will also expand exports of Japan-produced dairy products. In the future, we will implement initiatives with an eye on expanding our business to the Middle East.

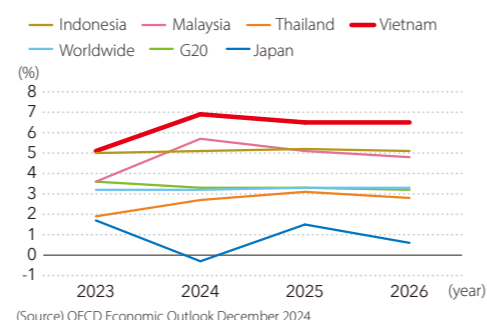


Establishment of Vietnam Subsidiary
<https://contents.xj-storage.jp/xcontents/AS08619/d1b27ecf/83cc/47ac/816d/cb698c4d4c8f/20240520131219538s.pdf>

Attractions of Vietnam

- Population growth and westernization of diet due to economic growth**
 - Population growth and growth of middle-income segment due to economic growth
 - Growing consumption of food and westernization and diversification of diet
- Growth potential of cheese market**
 - Continuously expanding cheese market and growing market potential

Economic Growth Forecasts for Southeast Asian Countries (real GDP growth rates)



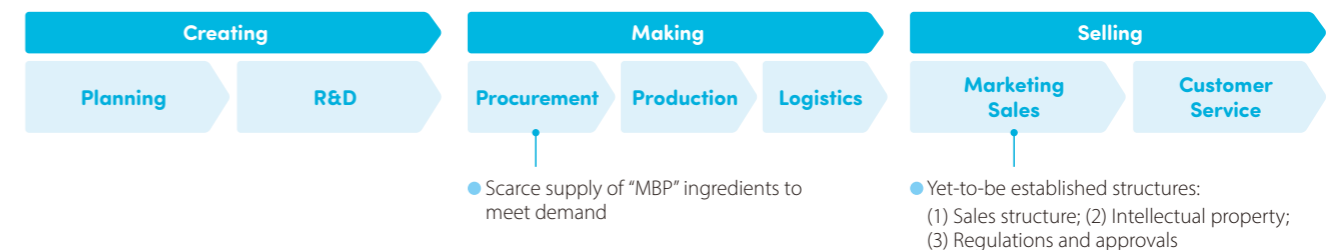
BtoB Sales of Functional Ingredients Focused on “MBP”

Amid the aging of the global population and rising interest in extending healthy life expectancy, “MBP,” Megmilk Snow Brand’s proprietary ingredient that is effective for bone health, is receiving more attention. We are aiming to generate dramatic growth by establishing structures to respond to requests from around the world, as well as strengthening evidence and improving awareness.

Business Opportunities

- Competitive advantage of “MBP,” Megmilk Snow Brand’s proprietary ingredient that other companies cannot emulate
- Aging of the global population

Issues in the Value Chain



Measures

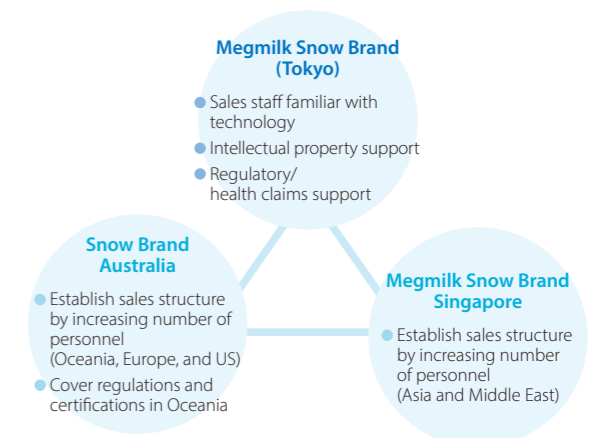
Establish Structures to Respond to Requests from Around the World

- Expand the number of personnel at sales locations
 - Establish a system for direct follow-up of users from each location
- Increase supply capacity by expanding production locations
- Integrate management of intellectual property, certifications, and contracts with Megmilk Snow Brand (Tokyo) as the headquarters

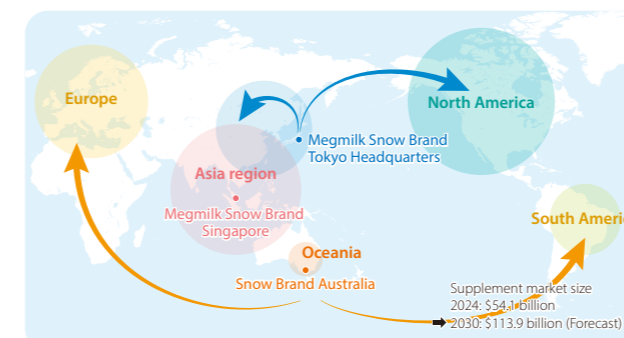
Strengthen Evidence and Increase Awareness

- Continue testing to obtain evidence in countries where business is expanding
- Obtain new health claim approvals in countries where business is expanding

Sales Structure for Functional Ingredients



Supplement Market Size and Global Sales Locations

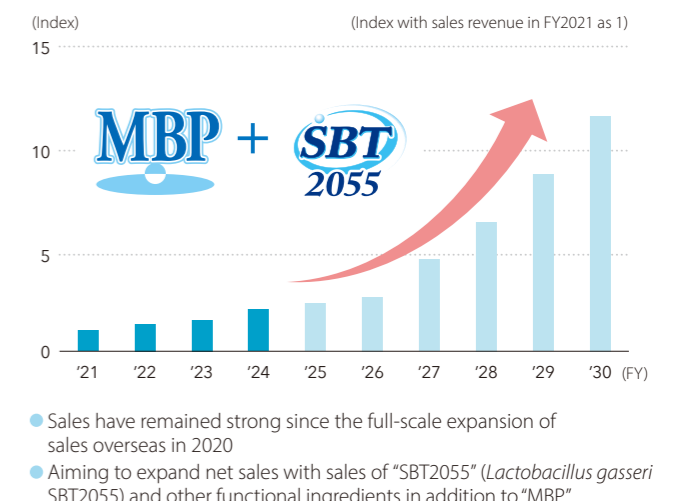


(Source) Market size: Personalized Nutrition and Supplements Market and Global Industry Size, Market Research Report by Global Information, Inc.

Market Overview

- The Asian market is the second-largest after North America
- The market is large and includes products for elderly people with osteoporosis, sports nutrition products for muscle and bone, and products for growing children

Sales Revenue for Functional Ingredients, Including “MBP”



2

Developing Key Functional Products



Utilizing functional milk ingredients to address health requirements

KPI FY2030: Net sales ¥87.0 billion

Result FY2024: Net sales ¥64.1 billion



Against a backdrop of rising health needs, we will expand products with excellent functionality as key functional products. In particular, we will develop and strengthen sales of products related to “MBP” and *Lactobacillus gasseri* SBT2055 to maintain bone density and address health issues for middle-aged and elderly people, as well as providing proposals to address new demands from active senior citizens. We will lead market growth by rolling out high-value-added products such as supplements and beverages for specified health uses and work to enhance our brand strength and improve profitability.

Issues

- Loss of opportunities to expand share of potential market due to lack of awareness and understanding of functionality

Measures

- Continuously implement advertising and sales promotion activities, including sales activities aimed at solving health issues (P.61)

Growth Strategies

Enhancement to increase revenue in existing businesses

- Increase domestic BtoB sales of ingredients (functional products, products for commercial purposes)
- Expand products related to “MBP” and *Lactobacillus gasseri* SBT2055

Embrace Challenges to seize business opportunities

- Research and develop products to meet health needs (beverages and desserts, functional products and lactic acid research)
- Provide new fermented dairy experiences
- Enter the femcare and athlete markets

Strengths that make it possible

- Knowledge about functional ingredients and the lactic acid bacteria library developed through many years of research and development
- Marketing and product development capabilities to meet needs, capabilities that we have developed through our online sales business

WEB TOPIC Conclusion of supplier agreement with women's ekiden (long-distance relay) club at Meijo University (in Japanese)
▶ <https://www.meg-snow.com/news/2019/pdf/20191114-1608.pdf>

3

Expanding Alternative Foods



Establishing it as a source of revenue

KPI FY2030: Net sales ¥9 billion

Result FY2024: Net sales ¥0.3 billion



Based on collaboration with joint venture Agro Snow Pte. Ltd., we will establish a value chain encompassing procurement through sale of pea-based raw ingredients, and we are seeking to expand our alternative foods business in and outside Japan. The plant in Malaysia is set to start operation in fiscal 2026. We will work on BtoB sales of pea-based materials with the aim of further business expansion. In Japan, we launched five products in 2024, including Natulait Megumi Born from Plants. We will use communication with customers to continue making improvements rapidly and promote the features of our products, which will lead to development of the market.

Issues

- Responding to the diverse values of consumers
- Lack of awareness and understanding of plant-based foods (pea-based)
- Establishing structures for production and stable procurement

Measures

- Step up initiatives through advertising and in-store activities
- Explore functions and improve flavor of plant-based foods (pea-based) (implemented in spring 2025)
- Procure stable supply of pea-based raw ingredients through Agro Snow

Growth Strategies

Enhancement to increase revenue in existing businesses

- Establish plant-based foods as a new source of revenue (become the leading brand in the plant-based yogurt market)

Embrace Challenges to seize business opportunities

- Hybrid products
- Enter the milk alternative protein business
- Agro Snow's alternative ingredients business

Strengths that make it possible

- Ability to utilize existing production lines in Japan
- Production technology and quality management developed in the milk production process
- Ability to procure a stable supply of pea-based ingredients from our overseas raw ingredient manufacturing subsidiary

4

Taking Thorough Measures to Increase Demand for Cheese



Enhancing competitiveness by generating new demand

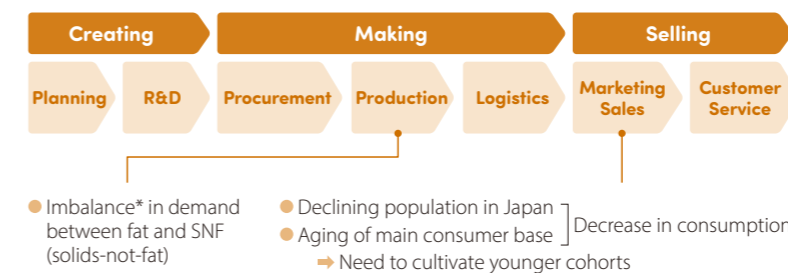
KPI FY2030: Net sales ¥77.0 billion

Result FY2024: Net sales ¥59.7 billion



Japan's declining population and the aging of the customer base have led to a decrease in consumption. We will aim to expand the market by broadening the target consumer base while pioneering new applications and developing and launching sales of high-value-added products to generate new demand.

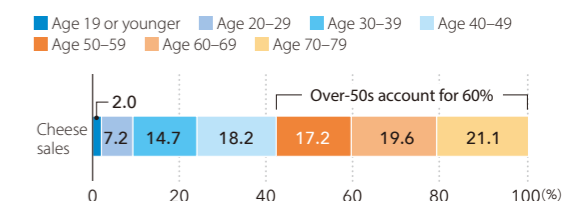
Issues in the Value Chain



* A breakdown in the balance between demand for milk fat content (fat), such as butter and cream, and non-fat milk solids (SNF), such as powdered skim milk. An imbalance causes tight supply and demand for dairy products and excess inventory.

Percentage of Purchases by Generation

(Source) Calculated based on average purchase amount (by age cohort) in SCI Data (April 2024 to March 2025), INTAGE Inc.



We will aim to expand market share by increasing purchases by younger cohorts.

Measures

Enhancement to increase revenue in existing businesses

- Increase sales of Sakeru Cheese and soft cheese
- Concentrate management resources on value-added products
 - Remodel commodity products
 - Rebranding

Embrace Challenges to seize business opportunities

- Develop and expand domestic high-value-added cheese
- Review product mix and strategically use fat and SNF (solids-not-fat)
- Achieve discontinuous growth through M&A

Strengths that make it possible

- Development capabilities and production technologies for highly unique products that generate new demand (e.g. Sakeru Cheese and torochi)
- Marketing skills that generate demand among target consumers (e.g., Sakeru Cheese and 6P Cheese)
- (P.65) Refer to Brand Management

TOPIC

Advancing Cheese Production Systems

We will invest a total of approximately 47.5 billion yen in the Nakashibetsu Plant and the Ami Plant. We will coordinate and advance the production systems of both plants with new ideas to produce high-value-added cheese and expand capacity of powdered milk equipment. Both plants are expected to commence operations in the first half of fiscal 2028. We will further increase our presence in the cheese market while also improving the demand imbalance between fat and SNF, which is a current issue. We will also adapt flexibly to future raw milk supply and demand by upgrading equipment for producing powdered whey to triple production capacity.



Conceptual rendering of the completed Nakashibetsu Plant

5

Expanding the Presence of Milk and Milk Beverages



Leading the transformation of the structure of the milk and dairy products market

KPI FY2030: Net sales ¥100.0 billion

Result FY2024: Net sales ¥75.1 billion



To expand the presence of milk and milk beverages, we will collaborate with other companies and streamline our product lines while also pursuing optimization of our assets and structural reform of the supply chain. We will increase profitability by proposing new product containers and volumes and increasing high-value-added products.

Issues

- 1 Improve revenue structure
- 2 Product differentiation

Measures

- 1 Rationalize assets and carry out structural reform of the supply chain
- 2 Add new product containers and volumes and increase high-value-added products

Growth Strategies

Enhancement to increase revenue in existing businesses

- Rationalize assets through line consolidation, production consignment, joint ventures and other collaborations
 - ▶ Asset consolidation, etc.
- Promote the fundamental value of milk to enhance cash generation
 - ▶ Increase product brand strength
 - ▶ Strengthen development of product containers and volumes for milk and milk beverages
 - ▶ Cultivate new users through school meals
 - ▶ Transform home delivery channels (bottle line upgrades, logistics streamlining)

Embrace Challenges to seize business opportunities

- Reform the supply chain structure to adapt to changes in social structure
 - ▶ Collaborate with other companies to establish low-cost production systems
 - ▶ Improve logistics and environmental sustainability by extending used by dates, transporting milk packaged at Hokkaido, introducing one-way containers
 - ▶ Streamline sales activities and demonstrate Group synergies by making the wholesale subsidiary Mitsuwa Distribution Industry a sales company

Strengths that make it possible

- Nationwide supply network
- System for procuring dairy products as raw materials ourselves

6

Initiatives to Increase the Demand for Self-Sufficient Feedstuffs



Engaging in research and businesses that contribute to the advancement of dairy farming



KPI FY2030: Planted area +3.0% compared to the level in FY2019

Result FY2024: Planted area -3.6% compared to the level in FY2019

In response to the significant impact that climate change and the volatile market price of imported feedstuff ingredients currently have on dairy farming, we will seek to reduce environmental impact and realize sustainable dairy farming by making the most of our relationships of trust with dairy farmers and the comprehensive proposal-based sales capabilities that Snow Brand Seed Co., Ltd. has cultivated.

- Expand grass and feedstuff seeds to increase production of self-sufficient feedstuffs
- Increase the percentage of self-sufficient feedstuffs by enhancing and disseminating the study and research at the demonstration farm and with management demonstration farmers
- Propose compound feed to supplement nutritional content lacking in self-sufficient feedstuffs

7

Application in Other Businesses

Applying our expertise and operations in the dairy industry in other businesses



KPI Under consideration

We will expand into food and non-food businesses by leveraging the diverse knowledge and functions related to milk that the Group has developed up to this point. Our New Business Creation Department will explore co-creation with other companies and industries to develop new businesses. We have also begun participating in a space-related consortium. We will seek to maximize corporate value by taking on the challenge of new areas in parallel with our efforts to strengthen our existing businesses.

Promoting Digital Transformation

The Megmilk Snow Brand Group's DX Vision aims to leverage digital transformation to drive organizational and corporate culture reform. The DX Strategy Department, new in April 2025, is dedicated to promoting DX to make the most of the platforms and infrastructure we have already built.

Megmilk Snow Brand Group's DX Vision

- By accelerating the cycle of identifying issues and linking them to solutions and improvements, we will be able to better innovate and enhance management decision-making.
- Each and every person on our team will acquire a high level of digital literacy.

We will use digital technology and data to accelerate our progress on material issues by transforming our organizational culture, operations and business.

DX in Next Design 2030

We will allocate approximately 3.0 billion yen of the increased investment in intangible assets under Next Design 2030 to productivity reforms using DX.

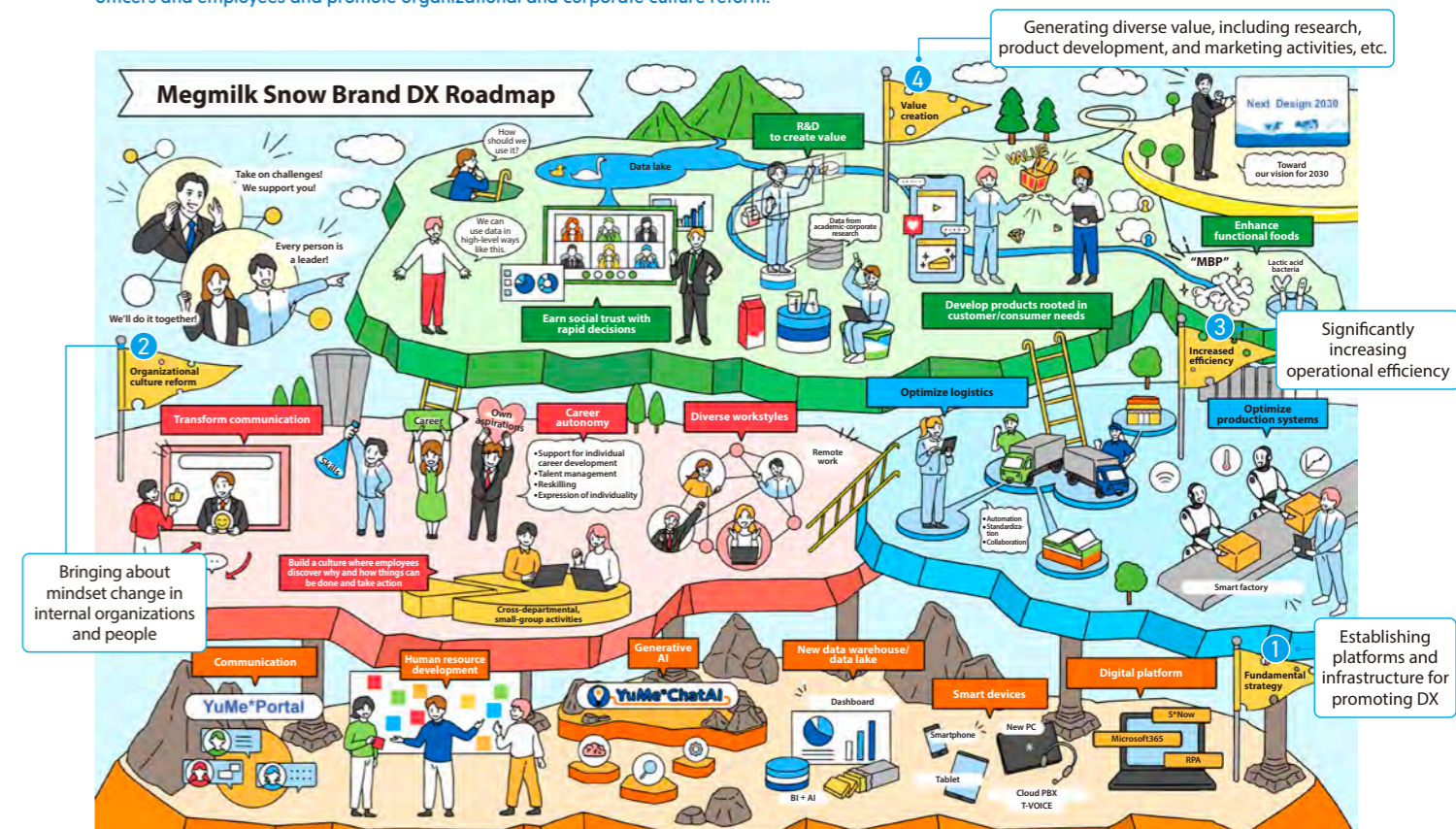
Issues

- Avoiding falling into an organizational culture of waiting for instructions, following precedent, and sectionalism
- Further strengthening empathy with our mission and vision, a culture that embraces challenges, and trust in the management team
- Eliminating inefficiencies in the use of internal information

Ideal State

- Firmly established Megmilk Snow Brand values
- Fully entrenched organizational culture of creating and enhancing new corporate value
- Stronger internal communication
- Operational reforms achieved by consolidating and leveraging internal information
- DX human resources developed and fully deployed

In May 2025, we opened YuMe*Portal on the Group's intranet to encourage dialogue and interaction between officers and employees and promote organizational and corporate culture reform.

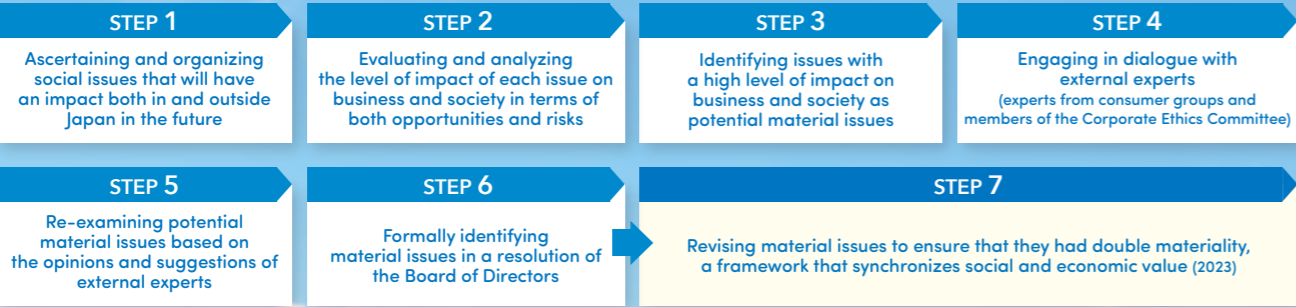


Material Issues

In order to improve the sustainability of society and the Megmilk Snow Brand Group, the Group has identified social issues that have a significant impact on both society and the Group's business. Based on these, the Group has identified six material issues and set related KPIs.

Process of Identifying Material Issues

Identification Process (in Japanese) ▶ <https://www.meg-snow.com/csr/policy/process/>



Reasons for Selecting Material Issue, and Opportunities and Risks

Field	Material Issues	Reasons for Selection	Opportunities	Risks
Food	Provision of Sustainable Food	● Against the backdrop of the world's rapidly growing population, there is expected to be a tight supply of protein, which is essential for maintaining human health and life, and an increase in demand for milk and dairy products, which have an excellent nutritional balance. Solving the problem of nutritional deficiencies that could arise in the future and raising the value of dairy as a luxury item will lead to the acquisition of business opportunities and an increase in product brand value.	● Consumption of milk and dairy products will increase due to the world's rapidly growing population, and sales will expand. ● With the risk of a "protein crisis" due to a shortage of animal-based protein, we will actively develop and launch alternative foods, establishing a competitive advantage as a pioneering company.	● It could become more difficult to continue business activities due to the tight supply of raw materials driven by factors including the rapid growth of the world's population, climate change, and conflict.
	Contributions to Health through Food	● Increases in the value of intangible assets in the R&D area, such as innovations that further raise the value of dairy, exploration of new materials and functions, and utilization of health-related big data, will enhance our ability to solve health issues and strengthen our competitiveness in the market.	● Our sales will expand and our brand strength will improve as we provide products that solve health and nutrition issues both in and outside Japan and disseminate information that contributes to health.	● Delays in responding to social issues such as the declining birthrate and aging population in Japan, extending healthy life expectancy, including overseas, and preventing disease could lead to missed business opportunities.
Dairy Farming	Contributing to Sustainable Dairy Farming	● The establishment of a foundation for sustainable dairy farming and production is essential for stable procurement of high-quality raw materials and improvement of business continuity. Furthermore, our relationships with producers built up over many years are an advantage for comprehensive proposal-based sales and are expected to create opportunities for research and business expansion that will contribute to the development of a sustainable dairy industry, including an expansion in demand for self-sufficient feed.	● We will ensure business continuity through stable procurement of raw milk, which we will use to create products that sell with added value. ● Provision of technology to reduce the environmental impact of dairy farms will create business opportunities.	● It could become more difficult to procure raw milk due to the weakening of the raw milk production base (the exodus from farming, rising costs, and climate change). ● Sales could decline due to rising social criticism of the environmental impact of dairy production (cow burps, etc.)
Environment	Reducing Environmental Impact	● Reducing environmental impact is a corporate social responsibility. At the same time, proactive initiatives will reduce future costs and will also gain the trust of stakeholders, including investors and consumers, and lead to an appropriate corporate valuation.	● Profit will increase due to reductions in energy consumption and waste disposal costs. ● The company's social reputation will improve due to its response to consumer and investor concerns about environmental considerations.	● Procurement of raw materials, including raw milk, and continuation of business activities could become difficult as the sustainability of the entire Earth can no longer be ensured. ● Corporate competitiveness could decline as costs associated with legal regulations increase and stakeholder trust decreases due to inadequate or delayed compliance.
People and Society	Promotion of Diversity and Respect for Human Rights	● Promoting diversity encourages innovative thinking and the generation of ideas that meet diverse social needs, as well as strengthening corporate competitiveness and competitive advantages in securing human resources. In addition, the establishment of a working environment that enables diverse human resources to demonstrate their individuality and skills reduces the risk of losing existing human resources. Furthermore, by eliminating reputational risks such as violation of human rights including in the supply chain, we can gain the trust of stakeholders as a people-oriented company.	● We will encourage innovation sparked by diverse human resources and their values, thereby enabling the creation of products that meet social needs and increasing corporate competitiveness.	● The shortage of human resources in the labor market could make it more difficult to secure human resources essential for innovation and business activities, and the lack of development of future business leaders could lead to a decline in competitiveness. In addition, there is a possibility of exposure to reputational risk due to human rights violations in the supply chain.
	Contributing to Local Communities	● As a company that contributes to lifestyle and health, the Group's recognition and trust increase through the provision of product proposals, services, and information tailored to local community characteristics and issues to improve the health of local people, leading to long-term support for product brands and enhancement of corporate value.	● We can expect an expansion in the corporate and brand fan base by increasing trust and recognition among local people, local governments, and distribution partners through initiatives rooted in community needs and issues.	● Inadequate consideration for local communities and lack of communication could lead to distrust and opposition from the local community, which could undermine the corporate and brand image and make it more difficult to secure human resources.



Provision of Sustainable Food / Contributions to Health through Food

The Megmilk Snow Brand Group views providing sustainable food and contributing to health through food to be material issues. Addressing these priorities will help the Group contribute to food sustainability through its business activities, for instance by providing new options for ensuring sufficient protein intake and extending healthy life expectancy.

Material Issues	Core Activity Themes	Fiscal Year Achieved	KPIs	Results (FY)		Scope
				2023	2024	
Provision of Sustainable Food	Providing Appealing Milk and Dairy Products	Every year	Promote initiatives to expand domestically produced milk and dairy products and contribute to strengthening the domestic dairy farming production platform	Recorded all-time-high sales as a result of strengthening sales in Japan for Sakeru Cheese and began exporting to the Philippines, increasing the number of export destinations to seven countries		H
	Providing New Options Leveraging Our Expertise and Functionality Developed through Milk	2030	Increase overseas operating profit to 7.0 billion yen or more (20% of total operating profit) by leveraging our expertise and functionality and strengthening overseas development (P.43)	– ¥0.03 billion (–0.2%)	¥0.08 billion (0.4%)	I
		2030	Increase net sales of alternative foods*1 such as plant-based foods to 9.0 billion yen or more (P.45)	¥0.3 billion		I
		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	25 out of 26 facilities, or 96%, have earned certification (as of April 2025)		C
	Providing Safe Products and Services	2026	Introduce the Megmilk Snow Brand Sensory Evaluator System at contract manufacturers of Megmilk Snow Brand products	Introduced at 41 production facilities, with a total of 519 people certified	Introduced at 46 production facilities, with a total of 613 people certified	A
Contributions to Health through Food		2026	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]	131%	141%	A
		2030	Increase net sales of key functional products*2 to 87.0 billion yen or more (P.45)	—	¥64.1 billion	I
	Initiatives for Extending Healthy Life Expectancy	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	Results (2024) ● Launched the Strong Bones, Strong Future Project to promote awareness-raising activities about bone health and broader recognition of "MBP" ● Stepped up promotion of "MBP" blended products and increased recognition rate of "MBP" ● Gave 19 presentations on extending healthy life expectancy at academic conferences, and published six papers in academic journals		A
		2026	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	62,764 participants (138.4% of target)	50,785 participants (112.8% of target)	A

Scope: Megmilk Snow Brand 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. / PT. Megmilk Snow Brand Indonesia / YOSHIDA CORPORATION / Luna Bussan / Miruku no Sato Co., Ltd. Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Parlor Co., Ltd. Megmilk Snow Brand Group (consolidated)
*1 Megmilk Snow Brand's own standard: Does not include existing products such as margarines and vegetable fat whips
*2 Megmilk Snow Brand's own standard: Yogurt, functional foods (mail-order business), functional ingredients (changed the scope in fiscal 2024).

Life-Saving Special Milk for Congenital Metabolic Diseases

The Group has been providing special milk for treating infants with congenital metabolic disorders for over 60 years. This milk is an essential source of nutrients for infants born without the ability to sufficiently metabolize amino acids, and demand for it among pregnant women and adults has also risen over the past few years. In December 2022, we received a letter of appreciation from Japan's Minister of Health, Labour and Welfare in recognition of our efforts. As there are no domestic substitute products for this special milk manufactured by the Group, providing a stable supply is a social responsibility we must fulfill. The Great East Japan Earthquake reaffirmed the importance of ensuring a steady supply. At present, we supply two types of the special milk as pharmaceutical products and six types as registered milks. However, as regulations become tighter, procurement of raw materials is becoming more difficult, and issues related to the quality management system have increased. We will meet the continually rising demand by leveraging the research into breastmilk and baby formula manufacturing technology we have cultivated as a dairy manufacturer and strengthening advanced quality control and collaboration among departments. Going forward, we will continue to support the lives of people who need this special milk.



Employees involved in manufacture and quality control for food formulas



Contributing to Sustainable Dairy Farming

Dairy farming is an essential industry that plays an important role in supplying high-quality protein. Dairy farming is also the basic source of the Megmilk Snow Brand Group's profits, and making it more sustainable is one of our key management issues.

Material Issue	Core Activity Theme	Fiscal Year Achieved	KPIs	Results (FY)				Scope
				2021	2022	2023	2024	
Contributing to Sustainable Dairy Farming	Activities to Strengthen the Dairy Farming Production Platform	2030	Expand the area of land planted with Snow Brand Seed's grass and feedstuff seeds by 3% compared to fiscal 2019 levels in order to promote self-sustaining feedstuff dairy farming	+0.2%	+3.7%	-3.7%*	-3.6%*	B
		Every year	Provide administrative and technical support for sustainable dairy farm management through operational support for the Japan Young Dairy Farmers Research Association and the activities of the Research & Development Center for Dairy Farming ● Provided operational support for various training programs held by the Japan Young Dairy Farmers Research Association and for the Japan Dairy Farmer's Research Association and Dairy Farming Conference ● Held the Research & Development Center for Dairy Farming Symposium in a hybrid in-person and online format on the theme of "Now Is the Time to Produce Feedstuff Domestically Part III"	Results (2024)				A

Scope: ■ Megmilk Snow Brand ■ Snow Brand Seed Co., Ltd. *In fiscal 2022, planted area expanded significantly due to the impact of the direct payment subsidy system for the use of rice paddies, but planted area shrank in fiscal 2023 and fiscal 2024 with a significant decrease in sowing demand due to changes to the system.

Activities to Strengthen the Dairy Farming Production Platform

■ Promoting Self-Sustaining Feedstuff Dairy Farming

In recent years, as a result of global warming, there has been an increase in summer dieback of pasture as well as changes in land suitable for cultivation. To respond to such climatic variations, Snow Brand Seed has been promoting pasture planting proposals and mixed sowing of many grass species to diversify the risk of a decline in harvest volume. Furthermore, to increase production of self-sufficient feed, the company is working to promote warm-climate grasses, which were previously difficult to grow, in Hokkaido and proposing expansion in the double-cropping of corn for feed in the Kanto region.

Self-sustaining feedstuff dairy farming plays an important role as a part of sustainable dairy farming, since producing feedstuff on one's own land reduces dependence on imported feed. As a result, this can reduce environmental impact by reducing the volume of transportation from overseas in addition to supporting more stable business management. Additionally, effectively using compost can create a cycle consisting of feed, livestock, and compost, which is very positive for the environment.

■ Initiatives Contributing to Reduction of Greenhouse Gas (GHG)

Reducing GHG emissions is a key issue in sustainable dairy farming. Methane has a warming effect that is more than 20 times that of CO₂, and it is said that approximately one quarter of Japan's GHG emissions are derived from the belching of livestock. Snow Brand Seed explored compounds that suppress the emission of methane, which are found in legumes that can be cultivated with little fertilizer, and found that water-soluble compounds in the hairy vetch and the common vetch, both from the vicia family, suppress the methane contained in cow belching. It was confirmed that adding 3% to feed suppresses the emission of methane. However, as the fresh forage is toxic, the company will develop a processing method that increases effectiveness while reducing toxicity. Furthermore, the company aims to establish cultivation and manufacturing techniques with lower costs and energy usage throughout the entire production process, including production of raw materials and manufacturing processes, with the aim of achieving designation as a feed additive for the purpose of reducing GHG emissions.

VOICE

Dairy Farm Management Supporting the Future of Local Agriculture in Collaboration with Crop Farmers*¹

In 2021, I established the LA Alliance, a general incorporated association, in partnership with crop farmers where I live in Tsuyama, Okayama Prefecture. We produce whole crop rice silage*² and grass for self-sufficient feedstuff using surplus and abandoned farmland. This initiative has mutual advantages for dairy farmers who need stable production of self-sufficient feed that is not affected by market prices, and crop farmers who need tactics for dealing with fluctuating prices for rice and preserving local farmland. Going forward, I hope to continue building platforms that will support the future of local agriculture in collaboration with local farmers.



Junichi Nagare
Dairy farmer

*¹ Farmers who plough fields and cultivate crops *² Feedstuff for cattle produced by harvesting the whole rice plant including the ears and stems, rolling and wrapping it in film and fermenting it with lactic acid (silage fermentation)

Introduction

Messages from Management

Special Feature to Commemorate the 100th Anniversary

Value Creation Story

Management and Financial Information

How Will We Proceed to Achieve Our Vision?



Reducing Environmental Impact

The Megmilk Snow Brand Group builds on its internal initiatives and leverages the knowledge gained to expand collaboration with other companies, working together to reduce environmental impact.

🏆 Achieved

Material Issue	Core Activity Themes	Fiscal Year Achieved	KPIs	Results (FY)				Scope
				2021	2022	2023	2024	
Reducing Environmental Impact	Preventing Global Warming	2030	Reduce CO ₂ emissions* by 50% (compared to FY2013) * Scope 1 + Scope 2	18.4%	23.5%	26.9%	26.7%	E
	Sustainably Using Resources	2025	Use 100% environmentally friendly raw materials in paper used	87.1%	97.7%	99.0%	99.7%	F
		2026	Procure 100% certified palm oil* *Applies to refined palm oil	20.4%	14.5%	54.4%	73.5%	L
		2030	Reduce the amount of petroleum-derived plastic used (per unit of sales) by 25%* (compared to FY2018) * Reduction includes replacing petroleum-derived plastics with recycled plastics and mass-balanced bioplastics	2.5%	5.3%	12.2%	10.5%	F
		Every year	● Prioritize using paper and biomass plastic containers ● Encourage the use of personal cups and bottles in office to reduce the number of plastic bottles used	Result (2024) Conducted educational activities via the Group's internal magazines, etc.				A
	Building a Recycling-Based Society	2030	Reduce waste product emissions by 30% (compared to FY2013)	23.1%	19.6%	34.4%	33.4%	G
		2030	Maintain waste recycling rate at 98% or higher	95.2%	98.8%	98.8%	98.2%	G
		Every year	Increase food waste product recycling rate of 95% or higher	86.2%	94.8%	96.3%	96.0%	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)	Result (2024) Extended shelf life for two functional food products and one commercial product				A
		2030	Reduce the amount of water used at manufacturing sites by 9% (compared to FY2013)	8.2%	7.6%	10.5%	11.3%	G
		Every year	Confirm water risks at manufacturing sites and assess risks to business continuity	Result (2024) Conducted a risk assessment of the Group's business continuity				G
		2030	As a proposal to reduce environmental impact, expand the area of land planted with green manure crop seed from Snow Brand Seed Co., Ltd. by 20% compared to FY2019	—	—	3.9%	1.2%	B

Scope: ■ Megmilk Snow Brand ■ Snow Brand Seed Co., Ltd. ■ 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. ■ Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. ■ Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. ■ Megmilk Snow Brand / Kohnan Oils and Fats Mfg. Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd.

Responding to TCFD Recommendations (in Japanese)
▶ <https://www.meg-snow.com/csr/environment/tcf/>
 Responding to TNFD Recommendations (in Japanese)
▶ https://www.meg-snow.com/csr/pdf/tnfd_250731.pdf

Responding to TNFD*¹ Recommendations

Rising temperatures due to global climate change impact raw milk production volume and breeding of replacement heifers. They give rise to various problems, including changes in the ecosystems that form the foundation for production of feedstuff. To address these conditions, Megmilk Snow Brand is committed to achieving carbon neutrality by 2050, in accordance with the Paris Agreement. We also aim to contribute to building a nature-positive*² world, which is an international biodiversity goal. We believe that we can help to solve social problems by acting on climate change, natural capital, and biodiversity while paying close attention to global trends. To improve the sustainability of both our business and the environment by reconsidering the relationship between our business, climate change, natural capital, and biodiversity, and identifying and addressing the risks and opportunities involved in this relationship, we practice integrated disclosure in accordance with TCFD*³ and TNFD.

① Governance

The Group is focusing its efforts in sustainability management on the aim of achieving food sustainability. We have taken the initiatives shown on the right through the Group Sustainability Committee, the Sustainability Promotion Subcommittee, and the Corporate Environmental Meeting, all based on the Megmilk Snow Brand Group Sustainability Policy.

- Identifying material issues and establishing KPIs
- Formulating an initiative plan for sustainability management and verifying progress on KPIs

*¹ An abbreviation for the Taskforce on Nature-related Financial Disclosures, an international initiative that aims to develop and provide a framework for nature-related financial information.

*² The concept of halting and reversing biodiversity loss and restoring biodiversity

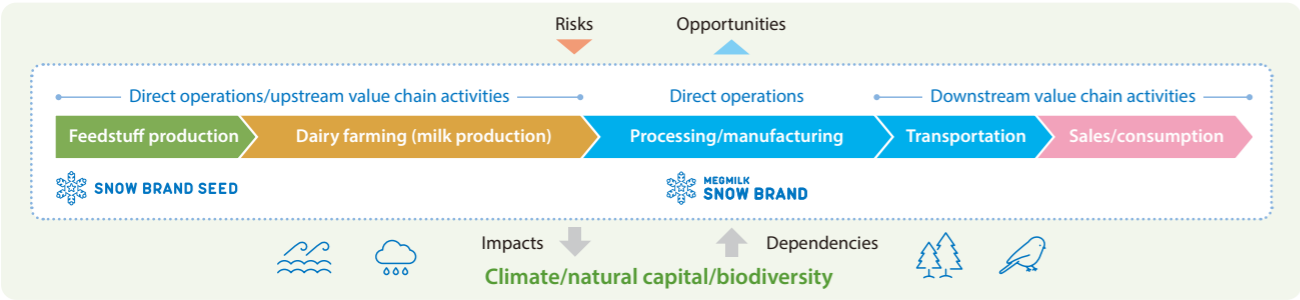
*³ Abbreviation for the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB) at the behest of the G20 finance ministers and central bank governors

②Strategy

The Group's mainstay business is the production and sale of milk and dairy products, and we also engage in businesses that are directly connected to nature, such as providing materials to dairy farmers through the production of feedstuff and sale of grass seed. Our value chain is also strongly connected to nature, from the perspective of producing the feedstuff and grass fed to dairy cattle. Our business structure has dependencies and impacts on nature. This means there is a risk that degradation of nature will disrupt the production of feedstuff and raw milk, which are upstream activities in our value chain. On the other hand, we can create new opportunities and contribute to local communities by engaging in businesses with a positive impact on nature and providing support for transitioning to dairy farming that is in harmony with nature.

In addition, we recognize that there are nature-related risks and opportunities and close connections with nature not only in our direct business activities (production and sale of milk and dairy products, etc.) but also in the upstream and downstream activities of our value chain, including procurement, distribution, and consumption.

Megmilk Snow Brand Group's Value Chain and Its Relationship with Climate and Nature



We prioritized the regions that require a focus on relationships with nature by evaluating interactions with nature for each industry involved in the value chain, as well as identifying the regions where there are strong interactions between the Group's manufacturing sites and nature. In addition, based on future scenarios considering interactions with nature as well as climate change and biodiversity, we identified nature-related risks and opportunities in the value chain and examined countermeasures. We implemented this series of processes based on the LEAP^{*1} approach.

We evaluated the important dependencies and impacts on nature in the value chain using ENCORE^{*2} analysis, concentrating on water resources and terrestrial ecosystems. In order to pinpoint the manufacturing sites that require a focus on the status of nature, we analyzed the condition of nature surrounding each site on the horizontal axis and the impact on the vertical axis. As a result, we concluded that it is appropriate to examine risks, opportunities, and measures with a focus on the Ebina, Noda, and Kyoto plants, from the perspective of conserving water resources, and with a focus on the Taiki Plant, from the perspective of conserving healthy terrestrial ecosystems. Considering the sites we had identified, we examined and identified climate- and nature-related risks and opportunities together with a timeframe (short-term, medium-term, long-term) and conducted a qualitative assessment of the level of impact and the probability of occurrence. Furthermore, we identified the important risks and opportunities for each stage of the value chain based on four scenarios for the future changes in the world's climate, nature, and society.

^{*1} An integrated approach to assessing nature-related issues, including interface with nature, nature-related dependencies, impacts, risks, and opportunities
^{*2} Exploring Natural Capital Opportunities, Risks and Exposure: A tool developed to help financial institutions to assess the natural capital-related opportunities and risks of investees. It is used for companies to assess relationships with nature in their own value chains.

Climate- and Nature-Related Risks and Opportunities (timeframe shows an assessment based on Scenario #2 × 4°C^{*1})

Major impact

Medium impact

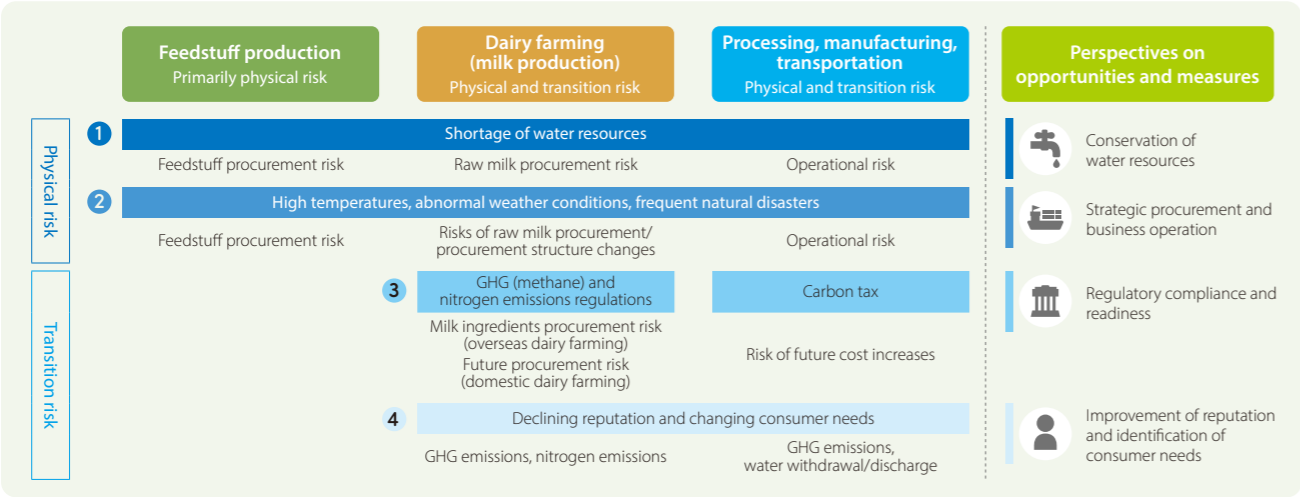
Minor impact

Value chain		Risks (Environmental impact → business impact)	Region	Cause of environmental/ social change	Relevant natural category			Level of impact		Timeframe	Probability of occurrence
		TCFD			TNFD		1.5°C	4°C			
					Climate	Water			Biodiversity		
Feedstuff production	Risk (physical)	Difficulties procuring seed and feedstuff in a stable manner due to water shortages	Overseas	Water supply Tighter environmental regulations	●	●		▲		Medium to long term Short to long term	Minor to major
	Risk (physical)	Difficulties procuring seed and feedstuff in a stable manner due to abnormal weather conditions and frequent natural disasters	Japan Overseas	Climate regulation*2/ disaster mitigation	●	●		▲		Medium to long term	Medium to major
	Risk (physical)	Decline in productivity of feedstuff crops due to rising temperatures, widespread pest damage and diseases, ecosystem changes, etc.	Japan	Climate regulation	●		●	▲		Medium to long term	Medium to major
	Opportunity (products/markets)	Development of varieties that are resistant to high temperatures, water shortages, and pest damage, etc.	Japan Overseas		●		●				
	Opportunity (products/markets)	Contribution to reducing GHG emissions in the value chain by expanding use of self-sufficient feedstuffs	Japan		●						
	Opportunity (products/markets)	Development of varieties that help to absorb GHG and reduce chemical fertilizers	Japan Overseas		●	●	●				
Dairy farming (milk production)	Risk (physical)	Difficulties procuring milk ingredients due to water shortages	Overseas	Water supply Tighter environmental regulations	●	●				Medium to long term Short to long term	Minor to major
	Risk (regulatory)					●					
	Risk (physical)	Increase in countermeasure costs and changes in raw milk procurement structure with shift in major production areas resulting from decline in dairy production due to rising temperatures	Japan Overseas	Climate regulation	●			▲		Medium to long term	Medium to major
	Risk (regulatory)	Difficulties procuring milk ingredients due to increasing criticism and tighter regulations resulting from the impact of dairy farming-derived GHG/nitrogen emissions	Japan Overseas	Tighter environmental regulations/ damage to brand and image	●		●			Medium to long term	Medium to major
	Opportunity (reputational/services/capital flow)	Support for reduction of GHGs emitted from dairy farming and support for generation of credits	Japan		●						
	Opportunity (reputational/services)	Implementation of initiatives to increase circularity of GHG/nitrogen emitted from dairy farming (methane fermentation, use of compost)	Japan		●		●				
	Opportunity (reputational/products/markets)	Promotion of increased production and effective utilization of self-sufficient foodstuffs to advance self-sufficient feed-based dairy farming	Japan		●						
	Opportunity (reputational/services)	Support for sustainable dairy farm management	Japan		●	●	●				
Processing, manufacturing, transportation	Risk (physical)	Decline in productivity resulting from plant operating restrictions due to water shortages	Japan	Water supply Tighter environmental regulations	●	●		▲		Medium to long term Short to long term	Minor to major
	Risk (physical)	Decline in productivity resulting from plant operating restrictions due to frequent natural disasters	Japan	Climate regulation/ disaster mitigation	●			▲		Medium to long term	Medium to major
	Risk (regulatory)	Increase in raw material procurement, manufacturing, and transportation costs due to introduction of carbon tax on use of fuel	Japan	Tighter environmental regulations	●			▲		Short to long term	Minor to major
	Opportunity (restoration of ecosystems/sustainable utilization of natural resources)	Contribution to forest and water resource conservation in river basins	Japan		●	●					
	Opportunity (restoration of ecosystems/sustainable utilization of natural resources)	Active utilization of locally produced, locally consumed energy, such as biomethane gas derived from dairy farming	Japan		●		●				
Sales, consumption	Risk (reputational)	Expansion in social and consumer needs for environmentally friendly products	Japan Overseas	Advancement of technology to reduce environmental impact, changes in consumer needs, damage to brand and image	●	●	●	▲		Medium to long term	Medium to major
	Opportunity (products/services)	Development of products and services with awareness of conserving the natural environment	Japan Overseas		●	●	●				

^{*1} A scenario under which degradation of nature and a rising social trend toward environmental conservation take place at the same time with an increase of 4°C in average temperatures
^{*2} A natural mechanism that stabilizes climate, which is classified under "regulation services" as part of ecosystem services. The mechanism is considered a service because it benefits human social and economic activities. In Japan, it contributes to creating four seasons, stabilizing feedstuff and dairy production, and preventing frequent natural disasters.

Key Risks and Perspectives on Opportunities and Countermeasures in the Megmilk Snow Brand Group’s Value Chain

Because climate change and degradation of natural capital have the potential to impact the Group’s business, we must implement mitigation measures and adapt to market needs based on an awareness of climate- and nature-related risks. We have therefore organized our measures into four categories (conservation of water resources; strategic procurement and business operation; regulatory compliance and future readiness; and improvement of our reputation and identification of environment-related consumer needs).



③ Risk Management

Climate- and nature-related risks and impacts are reported and discussed at the Sustainability Promotion Subcommittee and shared throughout the Group via the Group Sustainability Committee. In addition, the Risk Liaison Committee manages risks and issues throughout the Group, works to share information promptly, and considers responses.

④ Metrics and Targets

We have set metrics and targets to manage and monitor the mitigation of risks and the creation of opportunities. We have incorporated our responses to climate- and nature-related risks and opportunities into concrete measures and set targets that the Group must aim to achieve, as well as examining and identifying useable metrics. Going forward, we will continue to improve our metrics as we amass experience and knowledge, and we will consider new metrics as needed.

Measures for climate- and nature-related risks and opportunities	Measures	Metric category*	Metrics	Results (FY2024)	Targets
<div>Conservation of water resources</div>	Reduce the amount of water used at manufacturing sites	GC	Percentage reduction in amount of water used	11.3%	Reduce by 9% in FY2030 (compared to FY2013)
	Recharge groundwater		Amount of recharge of groundwater used in our products	—	Target under consideration (water neutrality by FY2030)
	Monitor water risk and ecosystems	GC	Implementation of monitoring	—	Target under consideration (implement every year)
<div>Strategic procurement and business operation</div>	Produce feedstuffs in Japan and diversify suppliers	SO	Planted area of grass feedstuff crops	– 3.6%	3% increase by FY2030 (compared to FY2019)
	Engage with dairy farms (reduce carbon emissions)		Amount of contribution to carbon reductions	—	Target under consideration (set amount of contribution for FY2030)
	Conduct assessment of business continuity risk	GC	Implementation of assessment	Implemented	Implement every year
	Provide business management and technical support for sustainable dairy farm management	SO	Provision of support	Implemented	Implement every year
<div>Regulatory compliance and readiness</div>	Reduce nitrogen emissions in feedstuff production	SO	Planted area of green manure crop seed	1.2%	20% increase by FY2030 (compared to FY2019)
	Decarbonize plants	GC	Amount of reduction in carbon emissions	26.7%	Reduce by 50% by FY2030 (compared to FY2013)
<div>Improvement of reputation and identification of consumer needs</div>	Reduce use of petroleum-derived plastics	GC	Percentage of reduction in use	10.5%	Reduce by 25% by FY2030 (compared to FY2018)
	Use environmentally friendly paper	SC	Percentage of use	99.7%	100%
	Use certified palm oil (refined)	GC	Percentage of use	73.5%	100% by FY2026
	Provide key functional products	SO	Net sales of key functional products	¥64.1 billion	¥87 billion or more in FY2030
	Provide alternative foods such as plant-based foods	SO	Net sales of plant-based foods	¥0.3 billion	¥9 billion or more in FY2030

*Global core (GC) metric, sector core (SC) metric, other additional metric (SO)

Nature Positive Roadmap

	2030
<div>Conservation of water resources</div>	<div>Reduce the amount of water used at manufacturing sites: 9% reduction by FY2030 (compared to FY2013)</div> <div>Monitor water risk and ecosystems: Implement every year</div> <div>Assess amount of recharge of groundwater used in our products, consider water-neutrality target</div>
<div>Strategic procurement and business operation</div>	<div>Improve the sustainability of dairy farming (provide support for sustainable dairy farm management)</div> <div>Calculate amount of contribution to carbon reduction in dairy farming</div> <div>Produce feedstuffs in Japan and diversify suppliers: 3% increase in planting of grass feedstuff crops by FY2030 (compared to FY2019)</div> <div>Implement water risk and business continuity risk assessments: Implement every year</div>
<div>Regulatory compliance and readiness</div>	<div>Reduce nitrogen emissions in feedstuff production: 20% increase in planting of green manure crop seed by FY2030 (compared to FY2019)</div> <div>Decarbonization amount of reductions in Scope 1 and 2 emissions: 50% reduction by FY2030 (compared to FY2013)</div>
<div>Improvement of reputation and identification of consumer needs</div>	<div>Reduce use of petroleum-derived plastics: 25% reduction by FY2030 (compared to FY2018)</div> <div>Use environmentally friendly paper: 100% use</div> <div>Percentage use of certified palm oil (refined): 100% by FY2026</div> <div>Develop environmentally friendly products and collaborate with local environmental strategies</div> <div>Net sales of key functional products: ¥87.0 billion or more by FY2030</div> <div>Net sales of alternative foods such as plant-based foods: ¥9.0 billion or more by FY2030</div>

Carbon Neutrality Initiatives

Megmilk Snow Brand has implemented various carbon neutrality initiatives. In fiscal 2025, we strengthened the commitment of our senior management team by linking the incentive compensation for officers to CO₂ emissions. [P.81](#)

① Photovoltaic System Installation Initiative

Megmilk Snow Brand has been installing photovoltaic systems to expand the use of renewable energy. Such systems went into operation at the Kyoto and Ami plants in fiscal 2024. This has reduced CO₂ emissions by a total of 700 t-CO₂/year. In fiscal 2025, we plan to launch operations of systems at the Taiki, Isobunnai, Noda, and Toyohashi plants, bringing the number of plants with operating systems to eight. This is expected to reduce emissions by a total of 1,620 t-CO₂/year.

② Fuel Conversion Initiative for Boiler Facilities

Megmilk Snow Brand has been reducing CO₂ emissions by converting boiler facilities at its plants to gas. Up to this point, we have built new LNG satellite stations and updated heavy fuel oil-fired boilers to gas, mainly at our plants in Hokkaido. Boiler facilities at the Nakashibetsu Plant went into operation at the end of October. This is expected to reduce emissions by 5,000 t-CO₂/year. We plan to install the new facilities at the Kyoto Plant in fiscal 2025.

③ Initiative for Utilization of Renewable Energy (Virtual PPA)

In September, Megmilk Snow Brand concluded a new virtual Power Purchase Agreement (PPA) for using renewable energy with Toshiba Energy Systems & Solutions Corporation. A virtual PPA is a means of procuring the environmental value (non-fossil certificates) of renewable energy generated at a power plant outside the site of the power user. The environmental value procured through this agreement will be used as a CO₂ emissions reduction (1,400 t-CO₂/year) at the Kawagoe Plant. This will advance efforts to achieve greenhouse gas reduction targets under the fourth compliance period (fiscal 2025 to 2029) of Saitama Prefecture’s Target Setting Emissions Trading System.

④ Initiative for Use of Hydrogen Energy

Megmilk Snow Brand’s Horonobe Plant will carry out tests on the use of hydrogen energy in the second half of fiscal 2025. The plant will use a mixture of hydrogen created from unused gas produced in the area (Toyotomi hot spring) near Horonobe Plant and liquefied natural gas, the existing boiler fuel, as fuel for a boiler facility.

5 Introduction of an Internal Carbon Pricing Scheme*

Megmilk Snow Brand introduced an internal carbon pricing scheme in April 2025. We convert investment in applicable equipment into a cost using our internal carbon price and refer to it when selecting equipment.

- Internal carbon price : ¥10,000 t-CO₂
- Applicability : Investment in energy conservation and installation of new technology (Applies to utility equipment in FY2024)
- Target scope : Scope 1 and 2 (Megmilk Snow Brand's CO₂ emissions)

* A method by which companies set their own internal carbon price to promote reductions in CO₂ emissions and use for organizational strategies and decision-making.

Circular Economy Initiatives

1 Reducing Use of Petroleum-Derived Plastics

In March, we introduced containers made from 10% biomass plastics for three brands: Natulait Megumi, Makiba no Asa Yoghurt, and Megumi *Bifidobacterium longum* SBT2928 Yoghurt. We expect this change will reduce the amount of petroleum-derived plastics used by Megmilk Snow Brand by over 500 tons a year.



2 Recycling of Plastic Resources

Megmilk Snow Brand has commenced a new joint project with Lion Corporation to recycle plastic resources. Under the project, caps from the bottle products used in Megmilk Snow Brand's home delivery service will be collected and utilized as recycled plastic for Lion Corporation's containers for daily commodities. We are working toward commercialization in 2026. We aim to secure a sustainable future by realizing resource recycling through a structure of cooperation that transcends the boundaries between the food industry and the daily commodities industry.

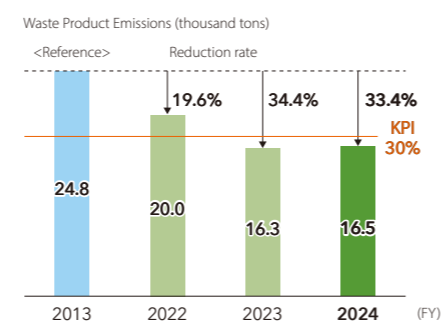


3 Upcycling Powdered Skim Milk

Megmilk Snow Brand has been recycling substandard products that arise during the manufacturing and distribution processes into feedstuff and fertilizer. However, we implemented our first upcycling initiative by fermenting powdered skim milk that could not be shipped due to damaged packaging and other reasons and using it as an ethanol raw material to make wet wipes.

4 Reducing Waste

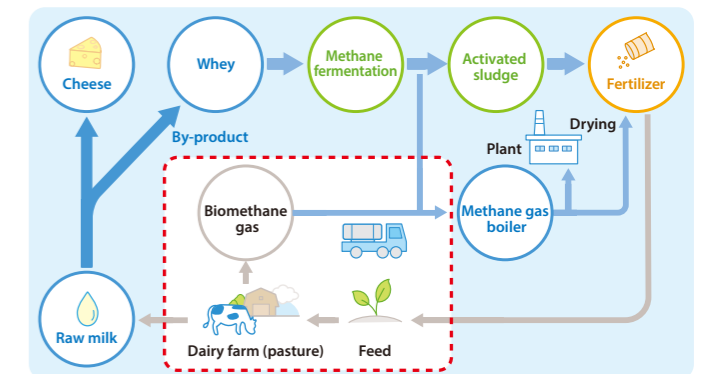
The Group has set KPIs to reduce waste product emissions by 30% (compared to fiscal 2013) and maintain a waste recycling rate of 98% or higher by fiscal 2030 to effectively utilize limited resources. We have introduced equipment to reduce the volume of sludge that is often produced in plants and are working with foodbanks to reduce food loss.



Biodiversity Conservation Initiatives P.52-56

1 Utilizing Biomethane Gas from Dairy Farms at the Taiki Plant

Megmilk Snow Brand's Taiki Plant has been implementing an initiative to ferment whey into methane and use it as biogas since May 2023. In January, the plant began Japan's first initiative using a mixture of biogas produced at the plant and biomethane gas refined at livestock waste treatment plants on dairy farms as fuel for a methane gas boiler.



2 Utilizing Dairy Farming J-Credits

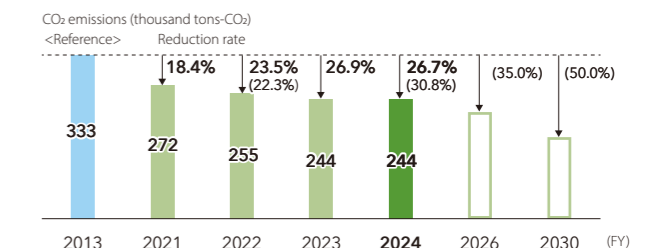
In fiscal 2025, we will begin supporting sustainable dairy farming utilizing dairy farming J-Credits. The process of making manure from livestock waste generates greenhouse gas. However, through the introduction of forced fermentation equipment, the process for making compost, which previously required four to six months, is reduced to 24 hours, leading to reductions in greenhouse gas emissions. We will utilize the J-Credits (total 11,500 t-CO₂) generated by the method to assist dairy farmers in Hokkaido with the cost of introducing the equipment.

Sustainable Finance Initiatives

[Sustainable Finance \(in Japanese\)](https://www.meg-snow.com/csr/finance/) ▶ <https://www.meg-snow.com/csr/finance/>

1 Progress on Sustainability-Linked Loan SPT

This Sustainability-Linked Loan is tied to the Megmilk Snow Brand Group's KPI of reducing CO₂ emissions by 50% in fiscal 2030 (compared to fiscal 2013), as a Sustainability Performance Target (SPT). Based on this SPT, the contract specifies annual targets for the reduction rate of CO₂ emissions during the borrowing period. In fiscal 2024, we did not meet the annual target.



(Note) Figures in parentheses are the Sustainability Performance Targets (SPTs) set by the Sustainability-Linked Loan (SSL).

2 Green Bond Reporting

The status of the use of the funds procured through the green bond, an overview of the target projects, and indicators related to environmental benefits, among other information, are disclosed on the Megmilk Snow Brand website on an annual basis.

Target Projects

Eligible Projects	Effect of Environmental Improvements	KPI for Relevant Material Issues
<ul style="list-style-type: none"> ● Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas 	Reduction in CO ₂	Reduction in environmental impact: Reduce CO ₂ emissions by 50% by FY2030 (compared to FY2013)
<ul style="list-style-type: none"> ● Wastewater treatment facility capacity expansion and renewal (Taiki Plant) ● Wastewater treatment facility capacity expansion and renewal (Isobunnai Plant) 	Reduction in sludge	Reduction in environmental impact: Reduce waste emissions by 30% by FY2030 (compared to FY2013)
<ul style="list-style-type: none"> ● Introduction of sludge volume reduction equipment (Noda Plant) ● Introduction of sludge volume reduction equipment (Taiki Plant) 		



Promoting Diversity and Respect for Human Rights

The Megmilk Snow Brand Group has established a Group Human Resource Development Policy to shape its human capital management and is implementing initiatives to respect human rights under the Megmilk Snow Brand Group Human Rights Policy.

Material Issue	Core Activity Themes	Fiscal Year Achieved	KPIs	Results (FY)				Scope
				2021	2022	2023	2024	
Promoting Diversity and Respect for Human Rights	Diversifying and Developing Human Resources	2030	More than 20% of management positions held by women	6.1	7.2	7.8	8.6	A
	Achieving Work-Life Balance and Improving Labor Productivity	Every year	Earn recognition as a Certified Health & Productivity Management Outstanding Organization	Recognized	Recognized	Recognized	Recognized	A
	Respecting 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	Results (2024) ● Conducted face-to-face interviews (external evaluation) of foreign workers at plants and logistics drivers ● Conducted face-to-face interviews (internal confirmation) of foreign workers at Group companies				J

Scope: A Megmilk Snow Brand J Megmilk Snow Brand / Nichiraku Machinery Co., Ltd. / Snow Brand Seed Co., Ltd.

Advancement of Women and Diverse Perspectives in Management

Megmilk Snow Brand regards the advancement of women as an important aspect of diversity. We recognize that reflecting diverse perspectives in decision-making is directly linked to competitiveness and growth, so we are working on related initiatives.

- We have created an environment that enables women to succeed, seeking to ensure that we can meet the diverse needs across the life span of female consumers, the main drivers of the food market.
 - Concrete implementation of workplace development to take advantage of diversity: Women work in 90% of the 31 head office departments
 - Workplace development focused on consumer perspective: 54% of marketing department positions are held by women
- In fiscal 2025, we strengthened the commitment of our senior management team by linking the incentive compensation for officers to progress on the target for the percentage of management positions held by women. [▶ P.81](#)

① Raising the Target for the Percentage of Management Positions Held by Women (10% → 20%)

Under Next Design 2030, our new business plan, we have raised our fiscal 2030 target for the percentage of management positions held by women to 20%, based on the recognition that this is essential for generating innovation and gaining resilience.

② Increasing the Percentage of Management Positions Held by Women

In some cases, reduced working hours due to childbirth and childcare continue for nearly 10 years, creating structural issues that impede career development and growth into management positions. We are working to transform this situation in terms of both systems and mindsets.

Issues

- Limited involvement in responsibility for results and high-difficulty tasks makes it challenging to build up experience
- Supervisors lack awareness of women as candidates for management positions and tend not to provide development opportunities
- Even after working-hour constraints are resolved, women's self-evaluations and motivation to be promoted tend to be lower

Measures

- Transform the mindset of supervisors and the organizational culture to enable more women to take on the challenge of high-difficulty tasks and appropriately recognize results even during periods of reduced working hours
- Work to reform the corporate culture so that diverse human resources and workstyles are utilized, regardless of working arrangements
- Strengthen support measures for women, combining leader development, internal community building, and cross-departmental management mentoring

Initiatives Promoting Respect for Human Rights

Respect for human rights is positioned as a key theme for strengthening the sustainability initiatives in Next Design 2030, our new business plan, and we recognize that working to solve human rights issues throughout the supply chain is the foundation that supports our business sustainability. The Megmilk Snow Brand Group has established a system for human rights due diligence, which we work on continuously, to ensure that we respect the human rights of all people involved directly or indirectly in our business activities.

① Cross-Departmental Human Rights Workgroup

In order to promote effective human rights-related initiatives, we operate the Human Rights Workgroup. This workgroup brings together the Affiliated Company Control Dept., Personnel Dept., Sustainability Promotion Dept., Production Dept., Logistics Dept., Dairy Dept., Purchasing Dept., and the International Business Division. The workgroup holds a regular meeting once a month and implements initiatives based on its 2030 Roadmap.

2030 Roadmap			● ...Human rights impact assessment (external evaluation)		● ...Human rights impact assessment (internal confirmation)		(Note) Results for 2022 to 2024 and plans from 2025				(Note) Results for 2022 to 2024 and plans from 2025	
			(FY)	2022-2023	2024	2025	2026	2027	2028	2029	2030	Establishment of mechanisms to identify, prevent, and mitigate human rights risks in business activities
Foreign workers	Human rights impact assessment	Ami Plant		●		●	●		●	●	(Goal)	
		Megmilk Snow Brand		●	●		●	●				
		Kyoto Plant			●							
		Taiki Plant		●	●		●	●				
		Kuki Center		●		●	●		●	●		
		Chokuhan Haisou Co., Ltd.		●		●		●	●			
		Higashi-urawa Center										
		Tomisato Center			●	●		●	●			
Yatsugatake Milk Industry Co., Ltd.	Kobuchizawa Plant		●		●		●	●				
	Chino Plant				●	●		●	●			
	Dairy farmers		●	(To be pursued as an industry thereafter)								
Small-scale palm oil farmers	Human rights impact assessment	Farmer questionnaires, dialogue with local farms (Indonesia)	Farm inspections (Malaysia)									
	Disclosure of mill list	Create/update mill list	Update	Update	Update	Update	Update	Update	Update			
	Purchase of RSPO-certified palm oil	Megmilk Snow Brand	Purchase from FY2018	Replace full amount								
	Group companies	Purchase from FY2022			Replace full amount							
Logistics drivers	Human rights impact assessment		●	(To be determined thereafter)								
Grievance mechanisms (systems that allow people to complain or seek redress when there are human rights violations or concerns about human rights violations)		Establish for foreign workers within the Group										
Initiatives for respect of human rights at Group companies			Select companies to be first adopters and provide education	Identify priority human rights risks, human rights impact assessments								

② Human Rights Impact Assessment Targeting Logistics Drivers

In September, we added logistics drivers to our priority human rights risks, and we conducted a human rights impact assessment (via interviews) in February, targeting drivers at Chokuhan Haisou Co., Ltd., based on the Dhaka Principles. An external expert (CRT Japan) presented four issues to be addressed. We subsequently addressed the four issues onsite, and the Human Rights Workgroup confirmed that the issues had been addressed in April 2025.

③ Expanding Human Rights Due Diligence to Group Companies

Based on Megmilk Snow Brand's experience in human rights due diligence since fiscal 2021, and with the aim of Group-wide implementation of human rights due diligence, we selected Nichiraku Machinery Co., Ltd. and Snow Brand Seed Co., Ltd. in December as the companies for early implementation, taking the advice of external experts (lawyers Hideaki Umetsu and Chihiro Tsukada of Mori, Hamada & Matsumoto). In March, we provided education for the officers and staff of relevant departments at the two companies, and we held workshops to identify priority human rights risks in July.

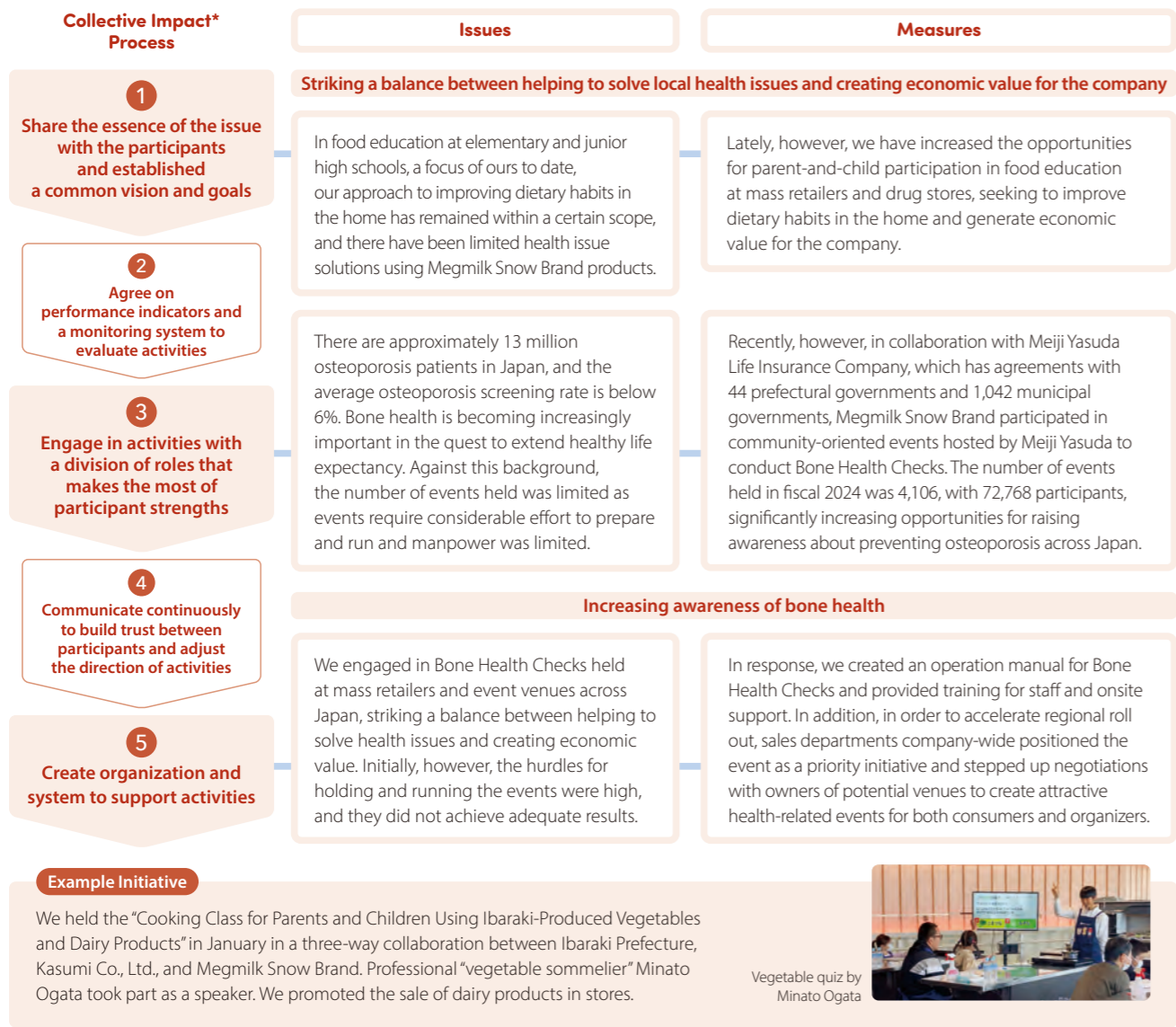
Contributing to Local Communities

We seek to strike a balance between helping to solve local health issues and creating economic value for the company by strengthening area marketing focused on the functions and value of milk. We aim to be recognized as a company that supports consumer health, particularly bone health.

Material Issue	Core Activity Theme	Fiscal Year Achieved	KPI	Results (2024)	Scope
Contributing to Local Communities	Partnering with Local Communities	Every year	Working with communities to help resolve social issues	<ul style="list-style-type: none"> Implemented the “Delicious Health with Vegetables and Milk” project supervised by professional “vegetable sommelier” Minato Ogata in a three-way collaboration between Ibaraki Prefecture, mass retailers in the prefecture, and Megmilk Snow Brand. The project sought to promote and expand sales of Ibaraki-produced vegetables and dairy products by creating vegetable-based menus, running campaigns, and holding cooking classes for parents and children. Promoted and expanded sales of Megmilk Snow Brand products and increased awareness of bone health among local residents through collaborative events with local governments and other companies, including mass retailers, using Bone Health Checks 	A

Scope: A Megmilk Snow Brand

In fiscal 2024, Megmilk Snow Brand established a department for customer relationship planning and promotion in each of its six regional hubs and branch offices. These departments have been promoting community-oriented sales activities and further strengthening area marketing. Each department works to solve local social issues in collaboration with local governments and business partners and provides support tailored to the needs of its community, with the goal of helping to build a sustainable society.



culture by holding the R&D Open Day once a year. At this event, R&D staff exchange information directly with officers and head office staff, thereby spurring innovation. In other initiatives, we focus on open innovation including industry-academia collaboration research with universities such as Hirosaki University and cooperation with start-up companies, and we are engaged in highly innovative projects in a variety of fields.

R&D Strategy Drives Growth in Corporate Value

In the R&D divisions, we create new value and technology through flexible management of research and product development themes and strategic utilization of intellectual property, seeking to secure sustainable growth for the Group and drive strategic growth of each business.

Our R&D strategy for growing corporate value is clearly aligned with the new business plan, Next Design 2030. We will work to strengthen existing evidence and explore new functions for functional ingredients, functional lactic acid bacteria, and bifidobacteria to grow priority functional products and step up overseas expansion. To expand the cheese sales, we are developing new cheeses through large-scale capital investment and creating high-value-added dairy-based raw materials such as powdered skim milk and powdered whey. Furthermore, the Department of Precision Nutrition for Dairy Foods joint research group with Hirosaki University continues pursuing research to clarify the relationship between milk and dairy product intake and health using big data obtained from health checks done by the Iwaki Health Promotion Project, which will help increase added value. In the development of plant-based food, we will make further efforts to develop and improve products, leveraging our knowledge from research into milk and dairy products, while also focusing on functional research, thereby contributing to the expansion of alternative foods connected to food sustainability. The utilization of intellectual property is also an important theme. The Group's distinctive approach is the integrated management and operation of patents and trademarks. With a shared sense of purpose, we leverage both patents and trademarks to maintain and improve the value of our products while enhancing our brand strength.

R&D Themes Pioneer the Future

From a long-term perspective, we also implement initiatives aligned with the worldview in Future Vision 2050. More specifically, we will establish research themes that translate into contributions to health, improvements in productivity, and the development of a regenerative society. We also plan other initiatives such as developing new ingredients utilizing food tech and personalized nutritional recommendations through AI analysis of big data.

As the officer responsible for R&D, my biggest mission is supporting the achievement of Next Design 2030 and Future Vision 2050 on the R&D front. This is immensely exciting, but our vision cannot be achieved by merely continuing with what we have been doing up to this point. I believe that creating the organizational culture and environment that enables R&D staff to feel secure in taking on bold challenges is a critical task for me to fulfill.



Iwaki Health Promotion Project health checks conducted at Hirosaki University

Example of Highly Competitive R&D

Development of Sakeru Cheese

Sakeru Cheese is a well-loved product that has achieved great success in the Japanese cheese market for its distinctive texture and taste. The fun of tearing it into strips of one's preferred thickness makes it even more enjoyable. Our proprietary milk coagulation technology is the secret behind its fiber-like stringy texture. Furthermore, Megmilk Snow Brand has proprietary technology for adding various flavors that suit Japanese tastes to natural cheese, and we currently have products in six different flavors. Our Cheese Research Laboratory* led efforts to extensively explore traditional and new production methods to create a mass-production process using a unique manufacturing method.

* The Cheese Research Laboratory is part of the Milk Science Research Institute and is based in Kobuchisawa-cho in Yamanashi Prefecture. It primarily conducts research related to technology development and quality improvement of natural cheese, and develops new cheese products that suit the tastes of Japanese people.



The fiber-like structure of Sakeru Cheese seen with an electron microscope (photo on right)

Introduction

Messages from Management

Special Feature to Commemorate the 100th Anniversary

Value Creation Story

Management and Financial Information

Why Can We Do It?

Leveraging Intellectual Property

The utilization of intellectual property is a key factor in supporting the Megmilk Snow Brand Group's R&D capabilities and brand strength. We protect our research results and brand to maintain and increase their value as intangible assets.

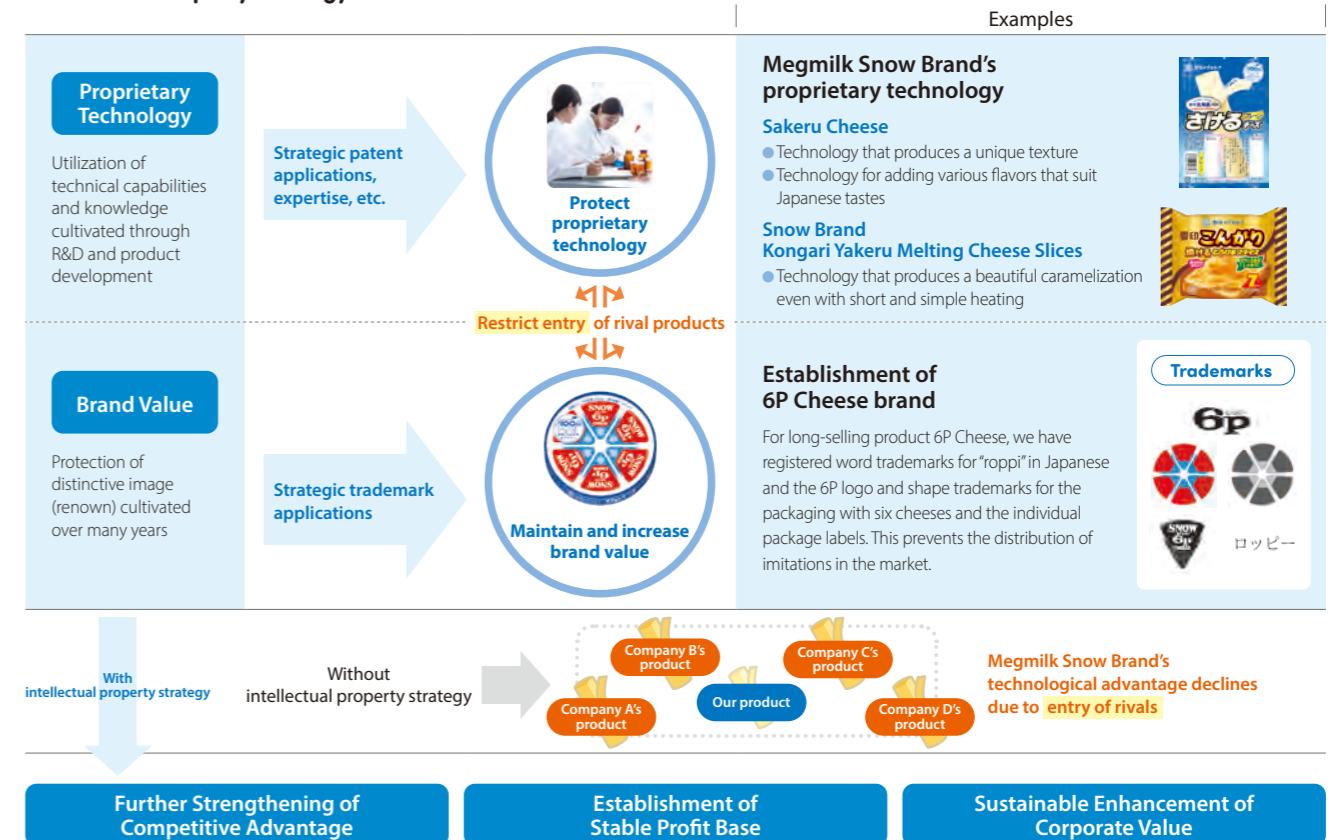


Philosophy on Intellectual Property and Promotion of R&D Capabilities
▶ <https://www.meg-snow.com/english/rd/philosophy-and-promotion/>

Basic Approach to Intellectual Property Policy

Megmilk Snow Brand objectively analyzes its own strengths and creates value utilizing the technology and knowledge cultivated through R&D and product development. We strategically protect our proprietary technologies and unique brands with multiple types of intellectual property rights, such as patents and trademarks, to ensure freedom in our business activities and to maintain and increase brand value. Furthermore, we implement risk management that will ensure operations continue stably into the future by respecting the intellectual property rights of other parties. We will continue to leverage intellectual property to increase the value and profit base of our business activities.

Intellectual Property Strategy



As a result of our strategy, both these products have built strong market positions, with Sakeru Cheese accounting for a 90% share of the Japanese market and 6P Cheese earning top position in the cheese category for recognition, consumer experience, and sales. We will continue to strengthen our competitive advantage both by protecting the proprietary technology unique to the Group and increasing brand value.

Brand Management

The delicious taste, safety, and high quality of our products have a positive impact on our business as forms of intangible value (brand strength). We continue to focus on improving quality and communicating with consumers to further enhance this value.



Enhancing Human Capital

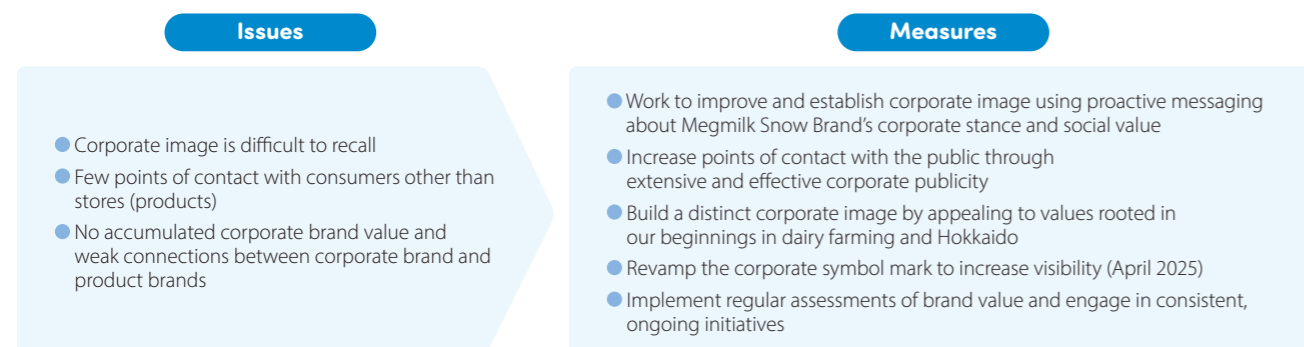
We aim to grow corporate value continuously by creating workplaces where our diverse human resources can make the most of their abilities.

Why Can We Do It?



Strengthening the Corporate Brand

In contrast to the high recognition of product brands at Megmilk Snow Brand, our corporate brand is not functioning to its full potential, and there is no link between the corporate brand and product brands, which is an issue. Under our new business plan, Next Design 2030, we have positioned the strategic development of the corporate brand as one aspect of "investing in intangible assets to enhance competitiveness."



Brand Revitalization for Core Product: Sakeru Cheese



Next Design 2030 | Our HR Strategy Vision

As **partners in helping achieve food sustainability**, the company and its employees share our Purpose and Commitment and are contributing to society through mutual growth.



A Human Capital Management Approach for Achieving Our Purpose and Commitment

We recognize that securing, developing, and growing foundational talent is crucial for realizing *Kendo Kenmin* ("a healthy earth ensures healthy people"), the Group's Purpose and Commitment. To this end, we practice human capital management and consider human resources an important management asset, making strengthening that asset a priority management task.



Basic Strategy Align Management and HR Strategies

■ Addressing Personnel Issues in Hokkaido

In Hokkaido, maintaining production functions and securing personnel at the seven Megmilk Snow Brand plants will be essential for securing a stable production system in Japan.

Issues

Region-Specific Recruitment Issues and Environmental Changes

- In Hokkaido, the number of high school graduate job hunters has fallen by roughly 30% over five years, while the job-to-applicant ratio has risen from 1.95 to 2.82, making it harder to secure talent.
- The low number of scheduled days off at plants and the aversion to late-night work and shift work also make improvements to ease of working and work-life balance matters of urgency.

Measures

Reviewing Working Conditions and Systems

- Wage hikes that exceed rises in prices:
Average base pay increase of ¥12,400 per employee (3.8%, FY2025)
* Added to regular raises, total pay raise rate is 6.0%
* Also give same level of raises to non-employees
- Raising starting salaries
High school grads: ¥192,000 ➡ ¥207,000 (+¥15,000)
University grads : ¥230,000 ➡ ¥245,000 (+¥15,000)
* Scheduled raises of ¥10,000 & up in FY2026
- Review of scheduled off days: Aim for 104+ days at all plants by FY2025, and 122 days+ by FY2030

Hokkaido-Specific Initiatives

- Allocate dedicated recruiters to strengthen local hiring (FY2024–)
- Expand plant tours and outreach classes to strengthen points of contact with schools and students
- Revise the regional work limit system (FY2025): Install a new Hokkaido-only work category and relax the ceiling on the proportion of employees eligible for regional work limits

■ Securing Talent for Overseas Operations

Enhancing overseas operations, one of the seven key strategic initiatives in Next Design 2030, is a pillar of our growth strategy, and we are practicing prioritized resource allocation. Securing and developing talent who can excel overseas, including those who will take on the roles of management and market development, is an urgent priority.

Issue

Until now, Megmilk Snow Brand's overseas operations have been run on limited resources, as historically more weight has been put on the domestic business. Market approaches have relied on local personnel, and the company has had a lack of internal talent for filling management and market development roles.

Measures

Strengthening In-House Training

We recruit personnel who have the motivation for overseas assignment through an in-house recruitment system, and we implement phased training that includes language training and overseas study. In particular, we deploy domestic personnel with sales and marketing experience to our overseas locations to enhance on-site understanding and market readiness.

Recruiting External Talent

We actively utilize mid-career hires in management, new market development, and other areas that require special expertise. Applications from candidates with practical experience overseas are increasing, and hiring is steadily advancing.

Basic Strategy Improving Employee Engagement

■ Fostering a Corporate Culture of High Job Satisfaction

—Efforts to Improve Engagement under Next Design 2030

Megmilk Snow Brand classes “utilization and growth of human capital” as the foundation for enhancing corporate value in Next Design 2030. We particularly see the cultivation of a “corporate culture where employees truly feel motivation and a sense of growth” as the basis of innovation and the core of building a trusted brand. We are continuing with workplace-led initiatives geared toward improving employee engagement.

Issue

A clear challenge that has emerged is a lack of communication throughout workplaces and hierarchical levels. While the fiscal 2023 engagement survey showed high ratings for “work-life balance” and “support from colleagues,” scores for “agreement with mission and vision” and “challenging work environment” were relatively low.

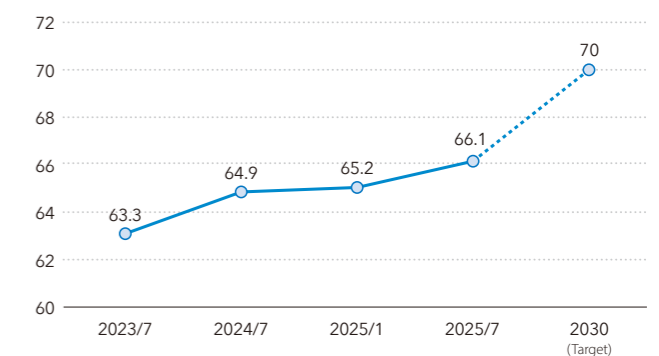
Measures

- Starting in fiscal 2024, we developed a system for each workplace head to formulate and carry out action plans, thereby promoting workplace-led improvement activities.
- We set the fiscal 2030 engagement score target at 70 points, referencing the benchmark score.* In fiscal 2025 and beyond, we are linking progress toward this target to executive incentive compensation, thus strengthening management's commitment. **P.81**

* Food / 1,001–5,000 employees / Average score: 70.5

2.8pt increase

Employee Engagement Score



- In fiscal 2025, with the support of external instructors, we introduced the Engagement Challenge, a model team activity designed to systematize activity outcomes and facilitate cross-departmental deployment. Eight workplaces voluntarily participated and worked on improvement activities for six months.

All eight workplaces improved scores in key metrics

Overview of Workplace Initiatives and Outcomes from the Engagement Challenge (Excerpt)

Department	Key Metrics	Score Change	Initiatives and Results Summary
National Chain Store Sales Dept.	Job motivation	65.1pt ↓ 71.4pt (+6.3pt)	The dept. held weekly team meetings to discuss “job motivation.” They shared the value of work that is often overlooked, and energized intergenerational communication and idea exchange. They also carried out cross-departmental exchanges and changed up seating places.
East Japan Logistics Center, Fermentation Team	Stress management	50.0pt ↓ 66.7pt (+16.7pt)	The team set “stress management” as a key metric, and fostered psychological safety by building trust and promoting dialogue. This invigorated work improvements, DX promotion, and expressions of opinion, which led to vastly improved scores.
Sustainability Promotion Dept.	Challenging work environment	51.4pt ↓ 67.5pt (+16.1pt)	On the theme of “challenges,” the dept. put into effect ongoing dialogues and information-sharing. Weekly challenge-sharing, psychological safety, building, and cross-departmental proposals helped build collaborative relationships. This formed a virtuous cycle of member opinions leading to action.

Full-Scale Development of Health Management

Megmilk Snow Brand sees employee physical and mental health as the foundation for sustainable corporate growth and is strategically promoting health management. We formulated a Health Management Strategy Map that visualizes the process for resolving health management issues and the cost effect, and we are using it to make systematic and ongoing efforts.

Issues

We are focusing on the following three key areas to realize company-wide health management.

- Health promotion (Preventing and limiting the seriousness of lifestyle-related diseases, addressing women's health issues)
- Mental health (Care and preventive support for psychological well-being)
- Workstyle reform (Maintaining health-conscious work environments)

Measures (Excerpt)

Healthy Lifestyle Challenge

An initiative in which all officers and employees concentrate on health and challenge themselves to improve their lifestyle habits.

- Streaming of the President's message video
- Promoting participation through active encouragement from department heads
- Mandatory online health seminars for all employees (on sleep and other subjects)

(FY)	2021	2022	2023	2024
Healthy Lifestyle Challenge participation rate	—	71.3%	79.9%	99.3%

Achieved a record-high participation rate!

Specific Health Guidance*

We support employees at high risk of lifestyle-related diseases, helping them improve their habits and reduce risk of disease.

- Use of consultations to visualize lifestyle challenges and set action goals
- Approximately 5 months of ongoing support
- Discount sales support for our product Gasseri SP Strain Capsules

(FY)	2021	2022	2023	2024
Specific Health Guidance eligibility rate	21.4%	20.0%	19.5%	19.2%

* Health guidance provided to individuals diagnosed with metabolic syndrome or its precursor conditions, aimed at preventing lifestyle-related diseases

Basic Strategy Group HR Development and Career Development

Rebuilding the HR Development System

Helping to achieve food sustainability requires developing human resources that can shape their own careers and create social value even in quickly changing environments. We have rebuilt our human resources development system with a focus on career autonomy, and we are working to create a corporate culture where people can learn, think, and act proactively.

Issues

- While awareness exists of proactive learning and action in career development, it has not led to concrete actions or mindset transformation in work.
- Job responsibilities and necessary skill areas are not visualized, making it difficult for employees to picture career paths that leverage their strengths and aspirations.
- Fewer employees are taking advantage of open-enrollment training and other self-directed learning opportunities. It is unclear how learning opportunities lead to career advancement, resulting in a lack of motivation to learn.

Measures

- Building programs that help employees proactively acquire skills needed to address each challenge of their career vision, and guiding them toward self-driven growth.
- Reeducating on the importance of career consultations and supporting self-driven career development by establishing ongoing opportunities for dialogue between managers and subordinates.
- Uploading and visualizing career case studies of employees who excelled at the company to the intranet to broaden career path perspectives.

https://www.meg-snow.com/csr/philosophy/health-declaration/common/pdf/health-declaration_p_1.pdf

Introduction

Messages from Management

Special Feature to Commemorate the 100th Anniversary

Value Creation Story

Management and Financial Information

Why Can We Do It?

Sharing and Spreading Values

The redefinition of our Corporate Philosophy serves as an opportunity for each and every employee to understand, empathize with, and implement our Purpose and Commitment as well as the Megmilk Snow Brand Values in order to grow corporate value.



Fostering Employees' Understanding, Ownership, and Implementation of Our Purpose and Commitment, and the Megmilk Snow Brand Values

1 Megmilk Snow Brand Group Concept Book

In April 2025, we distributed a book that summarizes the redefined Corporate Philosophy and CI design and the ideas embedded in them to employees to promote understanding and ownership of the new Corporate Philosophy.



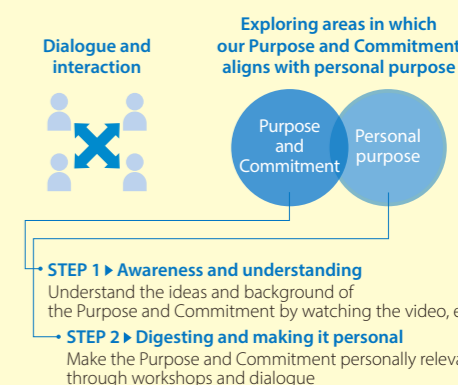
Megmilk Snow Brand Concept Book

2 Purpose and Commitment Workshops

We held Group-wide workshops for all employees from April through June 2025, based on the theme of understanding and taking ownership of our Purpose and Commitment and the Megmilk Snow Brand Values, encouraging everyone to make them personally relevant.

The workshops fostered interaction among employees, seeking to make our Purpose and Commitment and our Values more personally relevant for employees by inviting them to consider their alignment with these principles.

Making Our Purpose and Commitment Personally Relevant



3 Megmilk Snow Brand Group Awards

This system recognizes initiatives that contribute to the enhancement of corporate value by demonstrating the Megmilk Snow Brand Values of "initiative, challenge, and teamwork." By widely communicating these initiatives, we seek to spread our values to each and every employee and realize our Corporate Philosophy. Starting from fiscal 2024, we expanded the scope of the awards to all 25 Group companies. The "Ikegami Branch Plant's smart factory (SF) reform utilizing digital tools" from the Megmilk Snow Brand Kyoto Plant was selected for the Grand Prize. A video bringing together the process involved in the initiative and the thoughts of team members was shared throughout the entire Group. At Megmilk Snow Brand, all employees watched the video at the Sustainability Group Activities in December, and exchanged their opinions on the links with their own work and values.



Megmilk Snow Brand Group Awards 2024 Ceremony

Sustainability Management

Delivering and Circulating Value to Stakeholders by Practicing Sustainability Management to Achieve *Kendo Kenmin*

Fumi Hatamoto Managing Executive Officer



Focusing on Consumers to Support Food Sustainability

In April 2025, we redefined the phrase *Kendo Kenmin* ("a healthy earth ensures human health") as our new Purpose and Commitment. Going forward, this phrase will serve as the cornerstone of the Megmilk Snow Brand Group's sustainability management. Food sustainability is an issue of modern society, and we believe this redefinition enabled us to clarify the significance of our efforts to address this issue.

Additionally, the foundation for achieving our Purpose and Commitment is consumer-focused management. Recently,

we explicitly incorporated this principle into the Megmilk Snow Brand Group Charter of Corporate Behavior to clearly state that our basic approach is to listen to consumer feedback and reflect it in our management practices. By practicing consumer-focused management thus far, we have developed many frameworks and initiatives. One example of these is our creation of a system to ensure compliance, and our stance will not change no matter what happens in terms of the sustainability trends that companies must address in the future.

Leveraging the Group's Special Features to Promote Sustainability

Among the Group's six material issues, initiatives aimed at Contributing to Sustainable Dairy Farming and Reducing Environmental Impact embody the philosophy of *Kendo Kenmin* particularly strongly. We view such initiatives as ones we are uniquely qualified to undertake, given that we have evolved together with dairy farming.

For example, in April 2025, we began utilizing dairy-derived J-Credits. Reducing GHG emissions is an issue in the dairy farming sector and requires large amounts of investment to introduce the equipment needed to implement the necessary measures. We believe utilizing J-Credits will enable the provision of support to farmers for the costs related to introducing equipment. Furthermore, at Megmilk Snow Brand's Taiki Plant, we were successful in blending biomethane gas produced at the manure treatment biogas plants of nearby dairy farms with biomethane gas derived from the Taiki Plant's

whey residues and using the mixture as fuel for a methane gas boiler. This is the first attempt to use two types of biomass fuel simultaneously in Japan.

Above all, it is most important for each and every Group employee to have a deep understanding of the significance of sustainability management and to apply this understanding to daily business activities and value judgments. As the officer responsible for sustainability, I consider it my mission to actively disclose the information for achieving this, disseminate the information within the Group, and to engage in detailed explanations and dialogue. Going forward, we will create new possibilities by delivering value to even more stakeholders and expanding the positive cycle beyond the dairy area to the food area, and then even further to various areas beyond food.

Introduction

Messages from Management

Special Feature to Commemorate the 100th Anniversary

Value Creation Story

Management and Financial Information

Why Can We Do It?

Our Approaches to Consumers—Our Focus on Consumers Based on the Basic Consumer Act

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

Basic Consumer Act

Eight Basic Consumer Rights

1. the satisfaction of the basic demands of consumers,
2. a healthy living environment,
3. consumer safety, and
4. the opportunity for consumers to make autonomous and reasonable choices about products and services shall be guaranteed,
5. the opportunity for consumers to receive the necessary information, and
6. education shall be provided,
7. the opinions of consumers shall be reflected in the Consumer Policies, and
8. when consumers suffer damage, such damage shall be appropriately and promptly relieved.

Five Business Operator Responsibilities, etc.

- (i) Duty to secure the safety of consumers and fairness in transactions with consumers.
- (ii) Duty to provide necessary information to consumers in clear and simple terms.
- (iii) Duty to consider the state of consumers' knowledge, experience, and the status of their assets, etc. in dealings with consumers.
- (iv) Duty to endeavor to establish systems necessary to appropriately and promptly process complaints by consumers, and to appropriately process said complaints.
- (v) Duty to cooperate with the Consumer Policies implemented by the State and local governments.

Our Response

Megmilk Snow Brand Group's Initiatives

Expanding Education about Food

- Communicating the importance of food and milk
- Understanding dairy farming

Website Operation

- Proactively disclosing information
- Clarity in business operations

Establishing a Quality Assurance Structure

- Megmilk Snow Brand Quality Assurance System (MSQS)

Establishing a Risk Management System

- Regular reporting of calls received by the Customer Relations Center
- Risk Liaison Committee

Megmilk Snow Brand Group's Four Approaches

Providing safe and reliable products and services

- Establishing a risk management system to rapidly and appropriately respond to unexpected incidents

Proactively disclosing information

- Embracing consumers' feedback and reflecting it in management

Customer Relations Center

- Open 365 days per year
- Customer satisfaction improvement meeting

Corporate Ethics Committee

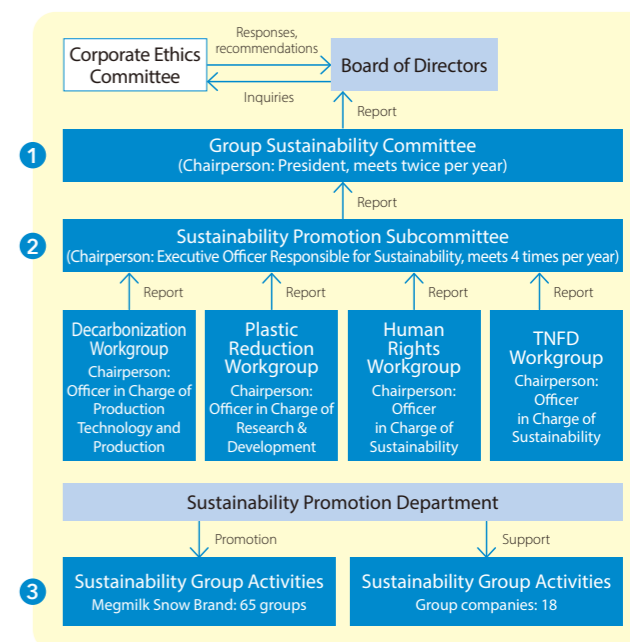
- Quality Subcommittee (plant quality audit from outside the company)
- Consumer Subcommittee (opinions on consumer-focused business operations)
- Product Information Subcommittee (consideration of product labeling from a consumer perspective)

* Numbers added for clarification of content

Sustainability Promotion Structure

The Group Sustainability Committee, chaired by the president of Megmilk Snow Brand, has been established to promote the sustainability of the entire Group at the management level. The committee confirms the progress of KPIs for material issues, conduct discussions on achieving them, and report to the Board of Directors. In addition, the Sustainability Promotion Subcommittee has been established under the Group Sustainability Committee to examine specific measures to resolve material issues based on reports from the workgroups on decarbonization, plastic reduction, human rights and TNFD.

In addition, we promote understanding of sustainability among employees and other specific initiatives, including the sustainability Group activities that are led by sustainability leaders assigned to each department and Group company of Megmilk Snow Brand.



1 Group Sustainability Committee 5th (Jul. 24) / 6th (Feb. 27)

Each company reported its plans and progress on the KPIs for the Group's material issues and compliance initiatives. Megmilk Snow Brand explained TCFD initiatives and the status of TNFD disclosure, as well as the utilization of biogas at the Taiki Plant, the purchase of dairy-derived J-Credits, the revision of priority human rights risks and other matters. Information was also exchanged on foreign workers employed, the method of delivering products to community cafeterias for children, initiatives to reduce CO₂ emissions, and other topics.

2 Sustainability Promotion Subcommittee

Meetings in FY2024	Content of Discussions
11th (Jun. 19)	(1) FY2023 TCFD Disclosure (2) Report from each workgroup ① Decarbonization Workgroup: Response of the Kawagoe Plant to the Saitama Prefecture Global Warming Countermeasures Plan and utilization of biomethane gas at the Taiki Plant ② Plastic Reduction Workgroup: Confirmation of progress on roadmap, including study of bio-polyethylene formulation, and participation in Circular Partners ③ Human Rights Workgroup: Confirmation of progress on roadmap, reporting on human rights impact assessment (internal confirmation), workshop on priority human rights risks, foreign worker employment situation ④ TNFD Workgroup: Confirmation of content of initial disclosure
12th (Sep. 18)	(1) Report from each workgroup ① Decarbonization Workgroup: Progress of Kawagoe Plant's virtual PPA agreement, progress on utilization of biomethane gas at Taiki Plant, installation of photovoltaic systems, updating of roadmap ② Plastic Reduction Workgroup: Updating of master plan for achieving KPIs, confirmation of progress on roadmap ③ Human Rights Workgroup: Results from revision of priority human rights risks, SAQ questionnaires at overseas subsidiaries, human rights due diligence at Group companies, confirmation of impact from purchase of palm kernel oil and palm-based blended oil, establishment of Megmilk Snow Brand Group Supplier Guidelines, foreign worker employment situation ④ TNFD Workgroup: Initiatives for full-scale disclosure
13th (Dec. 18)	(1) Report from each workgroup ① Decarbonization Workgroup: Progress on utilization of biomethane gas at Taiki Plant, purchase of dairy-derived J-Credits, confirmation of progress on roadmap ② Plastic Reduction Workgroup: Confirmation of progress on roadmap, plastic recycling collaboration initiative ③ Human Rights Workgroup: Reporting on human rights impact assessment (external assessment), updating of palm oil mill list, human rights impact assessment of logistics drivers, human rights due diligence at Group companies, foreign worker employment situation ④ TNFD Workgroup: Sustainability solutions and strategy for contributing to dairy farming and Hokkaido, governance, disclosure work
14th (Mar. 18)	(1) FY2024 water risk assessment (2) Report from each workgroup ① Decarbonization Workgroup: Measures for reducing CO ₂ emissions (conversion of boilers to gas, heat pumps), progress on photovoltaic systems, Internal Carbon Pricing (ICP) for FY2025 ② Plastic Reduction Workgroup: Confirmation of progress on roadmap, plastic recycling collaboration initiative, collection and recycling of lactic acid beverage containers ③ Human Rights Workgroup: Reporting on human rights impact assessment (internal assessment), human rights due diligence at Group companies, foreign worker employment situation ④ TNFD Workgroup: Results of evaluation of risks and opportunities based on integrated climate and nature scenario, measures for responding to risks and opportunities, metrics and targets, nature-positive roadmap

3 Group Sustainability Activities

At Megmilk Snow Brand, officers and employees have continued to take part in Group sustainability activities since 2003 after the two incidents* in order to strengthen compliance and foster awareness of sustainability. The exchange of opinions on the activity themes among employees facilitated by sustainability leaders assigned to each department also strengthens communication. The participation rate was 98.2% in fiscal 2024. We also carry out Group sustainability activities at Group companies in alignment with each company's issues focused on compliance.

* Snow Brand Milk Products Food Contamination Incident (2000), Snow Brand Food Fraudulent Beef Labeling Incident (2002)

Month	Theme in Fiscal 2024
May	Solving issues in each department based on the results of the FY2023 Compliance Questionnaire
Jun.	Watching a video of people who experienced the Snow Brand milk products food contamination incident
Jul.	Company-wide activities on the "Days of Pledging to Strongly Recognize and Fulfill Food Responsibility" under the theme of "To Keep the Snow Brand Incidents from Fading Away" P.83
Aug.	Selection of (1) or (2) in each workplace (1) Promoting health and productivity management; (2) Free choice of theme in each workplace
Sep.	Building a circular economy
Oct.	Understanding the whistleblower system
Nov.	Understanding the creation of corporate value and sustainable growth based on the Message from the President in the Megmilk Snow Brand Report 2024 (Integrated Report)
Dec.	Considering the Megmilk Snow Brand Values from the perspective of the efforts that won the top prize in the Megmilk Snow Brand Awards 2024
Jan.	Grey areas in harassment
Feb.	Company-wide activity on the "Days of Pledging to Strongly Recognize and Fulfill Food Responsibility" under the theme of "To Solve Social Issues for the Future" P.83

Solid Governance

Interview with an External Director

Supporting Steady Progress of the New Business Plan

My key mission as an external director is guiding business portfolio transformation to success by ensuring serious discussions take place at meetings of the Board of Directors.

Tomohiko Manabe

External Director, Audit & Supervisory Committee Member

Q How do you rate the quality of Board of Directors' operations and discussions at Megmilk Snow Brand?

A The in-depth, high-quality discussions by the Board of Directors show the resolve to achieve growth

I was appointed to serve as an external director and member of the Audit & Supervisory Committee in June 2024. My specialization is in corporate finance and taxation, and I also have experience as an external corporate auditor and external director. I give Megmilk Snow Brand a high rating for the serious attitude of its Board of Directors, which includes engaging in discussion without time limits when needed. The internal directors and the external directors, including members of the Audit & Supervisory Committee such as myself, take part in open discussions. Some of the external directors have quite extensive experience at Megmilk Snow Brand and ask questions based on a deep understanding of the company. I only have around one year of experience, and I speak from my own unique perspective. There is a very positive atmosphere in which discussion from various perspectives is welcomed. In fiscal 2024, there were many key agenda items, such as the new business plan Next Design 2030, events for the 100th anniversary of the company's founding, and Future Vision 2050, in addition to deliberations on overseas M&A. Sometimes the materials for the board meetings provided by the company were only shared with us immediately

before the meeting. These are important matters, and the external directors include a lawyer, a person with experience as a global company's director, and a person with experience in government administration, in addition to me, a financial expert. Therefore, I would very much like to see the agenda items provided sufficiently in advance of the board meetings, as this will facilitate more careful and in-depth discussions. President Masatoshi Sato serves as the chair of the Board of Directors, and I am impressed with his facilitation skills. It is excellent that he has a deep understanding of all business execution-related agenda items, and he also provides the external directors with easy-to-understand explanations of the points at issue from the executive perspective. At times when discussions between the external directors and the executive team become unproductive, he ultimately steps in from a neutral perspective to separate the management oversight function and business execution function and determine the policy as a company. Therefore, I think that the Board of Directors is operating well.

Q What is your view of governance overall at Megmilk Snow Brand? How do the various committees work?

A The opinion sessions held prior to the resolutions of the Board of Directors have improved governance functions. The four committees are also striving to enhance governance functions.

The agenda to be submitted to the Board of Directors is basically deliberated and reported at board meetings after being considered by internal management meetings. However, when it comes to key matters for deliberation, views are exchanged several times at opinion sessions in which the external directors also take part before being put before the Board of Directors. In fiscal 2024, repeated and intensive discussions were held on the management philosophy and the new business plan. The opinion sessions are an outstanding initiative and embody the high level of governance functions at the Group. In fiscal 2024, there were a very large number of events and issues to be considered, such as the 100th anniversary of the company's founding and the new business plan. In addition, many issues related to the increasingly complex and rapidly changing external environment had to be considered.

In terms of the governance system, the inclusion of a Corporate Ethics Committee in addition to a Nomination Advisory Committee and a Compensation Advisory Committee, is a feature of the Group. The external directors participate in each of the committees. At a Compensation Advisory Committee

meeting, I suggested that progress on DE&I, such as increasing the percentage of management positions held by women, should be incorporated into performance-linked compensation. DE&I initiatives, including those that involve board members, are a governance issue the Group should focus on moving forward, and I also intend to monitor progress in this area.

In terms of governance, institutional investors often point out issues concerning the interests of minority shareholders. It is true there are directors on the board who come from organizations that are major shareholders. However, as an external director, I have never been aware of discussions that are biased toward the interests of major shareholders, and, conversely, no actions are taken that disregard the interests of minority shareholders.

Furthermore, speaking from the position of an Audit & Supervisory Committee member, I consider there is close communication between the Audit & Supervisory Committee and the accounting auditor, and the auditing staff also plays an appropriate role as a bridge between the Audit & Supervisory Committee and the Internal Audit Dept.

promoting business portfolio transformation. Rather than letting the commitment to the company-wide operating profit target, the overseas business operating profit target, and the 9% level of adjusted ROE end up as nothing more than a paper promise, it is important to ensure steady progress by assessing the short-term business environment one or two years from now. I believe that the detailed analysis of this progress to fulfill the oversight function is a crucial role of an external director.

The current valuation from the capital markets in terms of the PBR has not reached the level of 1 as required by the Tokyo Stock Exchange, and ROE and ROIC at 5.4% and 4.5%, respectively, fiscal 2024 are also low. To achieve the targets for ROE and ROIC, the Group plans total investment of 320.0 billion yen, divided into "infrastructure investments," "frontier investments," and "strategic investment." Infrastructure investments are for further expanding the value chain, such as investment in production facilities, to enhance corporate value,

and the Group has considerable experience and knowledge in this kind of investment. On the other hand, frontier and strategic investments will require us to take on new challenges to further enhance corporate value. From my standpoint as a corporate finance expert, the natural focus is the company's M&A investment. In fiscal 2024, the company conducted an M&A in Japan, and subsequently incurred an impairment loss. Even assuming the pre-acquisition due diligence was adequate, the Group does not have sufficient experience and knowledge in areas such as PMI.* It is important for the external directors to take the lead in providing strong support and oversight here. In order to achieve a 183% increase in operating profit over six years, we must ensure that investment succeeds without the company over-extending itself. I believe that the extent to which the company can effectively execute these three areas of investment will be key to boosting its "earning power" and making the new business plan a success.

* Post merger integration: The integration process conducted after the completion of M&A

Q As an external director of Megmilk Snow Brand, what is your message for people reading this report, including a statement of your own mission?

A As a corporate finance and taxation expert, I support business portfolio transformation and enhancement of corporate value.

Given current circumstances, while implementing a variety of analyses is obviously important in aiming to achieve the new business plan, the timely execution of the plan is more important than anything else. The Group's business segments consist of Dairy Products, Beverage and Dessert, Feedstuffs and Seed Products, and Other. While some of these segments have high operating profit margins, others do not. As presented in the new business plan, the Group must obtain an appropriate valuation from capital markets by ensuring a path to higher profitability to be accomplished with the further strengthening of strong businesses while implementing business restructuring as well as consolidation and withdrawal in weaker areas through the business transformation currently underway. During this process, deeper discussions will be needed on areas such as implementing M&A and the subsequent follow-up or closure of businesses and business sites. I intend to utilize my knowledge in these various scenarios as a corporate finance and taxation expert, and to support the enhancement of corporate value, without shying away from expressing opinions that may be hard for the company to hear at times.



Q The new business plan has been launched. What kind of discussions did the Board of Directors have about it?

A There were in-depth discussions on the direction of business portfolio transformation and KPIs for strategic issues.

There had been some discussion of the new business plan before I was appointed as an external director, but there were in-depth discussions on the feasibility of the 35.0-billion-yen target for operating profit in fiscal 2030 and the specifics for achieving that target after my appointment. In particular, there were several discussions on the direction of business portfolio transformation and the specific content of the KPIs for strategic issues in light of that direction at the opinion sessions I mentioned earlier, and I believe the results of these discussions are reflected in the new business plan. I felt that increasing operating profit by 183% over six years from 19.1 billion yen in

the fiscal year ended March 31, 2025 was quite a high bar, and I expressed with great interest my opinions on the details of profit growth for each business and the concrete strategies for achieving it. The same applies to operating profit in overseas business. The target-setting reflects the preparations that have been made so far to expand overseas and the company's resolve to achieve aggressive expansion in these areas. However, overseas business makes practically no contribution to profit at present, and increasing operating profit from this to 7.0 billion yen will not be an easy task. I also initiated discussion on the feasibility of this goal. Ensuring feasibility is an important issue in

Corporate Governance

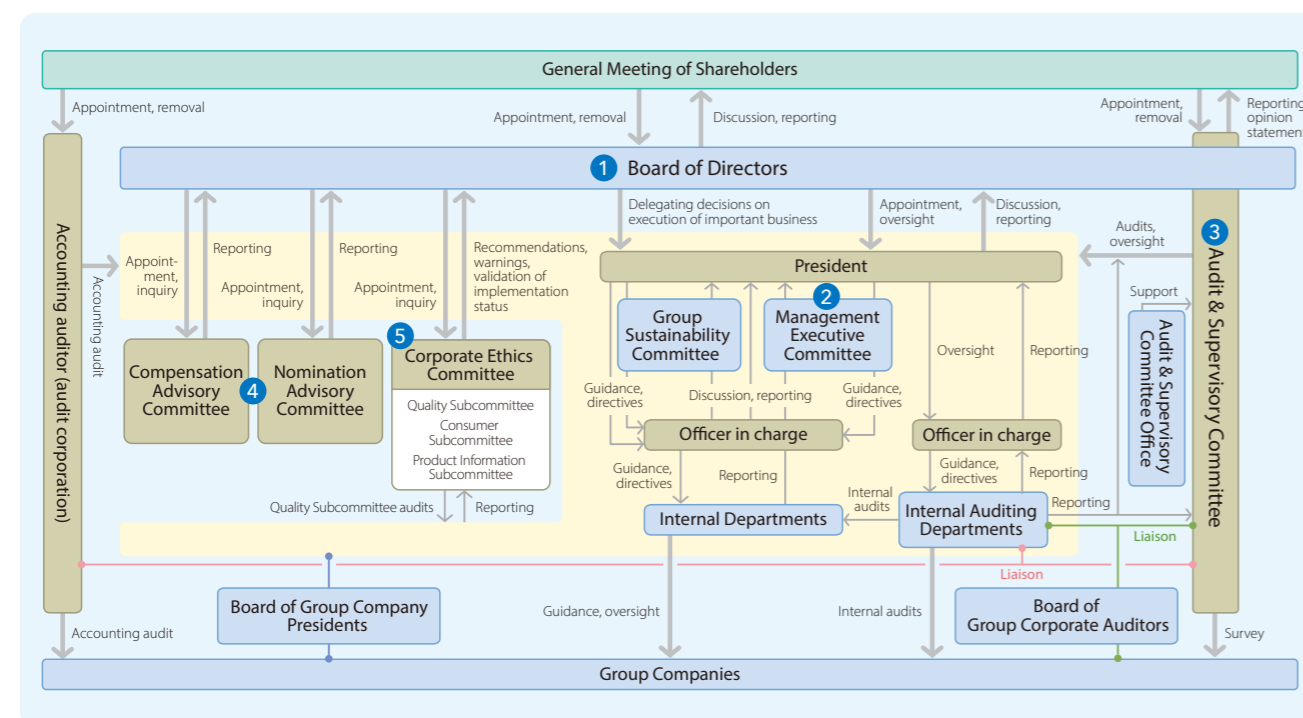
Corporate Governance Basic Policy

Our basic policy is to enhance our corporate value by ensuring transparency in management, strengthening oversight functions from outside the Company, and establishing a management structure that can respond swiftly to changes in the market. In accordance with this basic policy, we actively work to strengthen governance in order to fulfill all our responsibilities to our shareholders and stakeholders. Furthermore, as a Company with an Audit & Supervisory Committee, we have established a Board of Directors and an Audit & Supervisory Committee as stipulated in the Companies Act. We have also adopted an executive officer system in which individual business execution is delegated to executive officers, including executive directors.

Changes in Corporate Governance Structure

(FY)	2014	2016	2018	2019	2022	2024	2025
Institutional design	Company with a Board of Corporate Auditors	Company with an Audit & Supervisory Committee					
Directors Excluding directors who are Audit & Supervisory Committee members	Internal 15 External 1	Internal 9 External 1	Internal 8 External 1	Internal 5 External 1	Internal 7 External 1	Internal 6 External 1	Internal 6 External 1
Auditors / Directors who are Audit & Supervisory Committee members	Internal 2 External 2	Internal 1 External 2	Internal 1 External 2	Internal 1 External 2	Internal 1 External 2	Internal 1 External 2	Internal 1 External 2
Percentage of external directors / auditors	15.0% (3)	23.1% (3)	25.0% (3)	33.3% (3)	33.3% (4)	36.4% (4)	36.4% (4)
Percentage of directors who are women	5.0% (1)	7.7% (1)	8.3% (1)	11.1% (1)	8.3% (1)	9.1% (1)	
Board of Directors efficacy assessment		Start of assessment			Interviews carried out		
Nomination Advisory Committee and Compensation Advisory Committee							
Committee members				Internal 2 External 2	Internal 3 External 3		Internal 3 External 3
Percentage of external directors				60.0% (3)	57.1% (4)		57.1% (4)
Percentage of directors who are women				20.0% (1)	14.2% (1)		14.2% (1)

Corporate Governance Organization Chart



Corporate Governance Organization

	Overview
1 Board of Directors FY2024: 17 meetings	<p>In fiscal 2024, the Megmilk Snow Brand Board of Directors consists of 11 directors (including three directors who are Audit & Supervisory Committee members). Among the total, four are external directors (including two directors who are Audit & Supervisory Committee members). In addition, in accordance with the provisions of the Articles of Incorporation and resolutions of the Board of Directors, the majority of important business execution decisions are delegated to the directors, with the exception of legal matters. This system allows the Board of Directors to concentrate on matters stipulated by law as well as particularly important decisions on basic management policies and on supervising the execution of business by executive officers. In principle, the Board of Directors meets once a month, and additionally as needed.</p> <p>FY2024: Main agenda items</p> <ul style="list-style-type: none">Group management policyNew management planImportant matters related to business executionOther matters stipulated by law and the Articles of IncorporationReports on the progress of business execution
2 Management Executive Committee FY2024: 43 meetings	<p>The Management Executive Committee, consisting of the representative directors, the executive officers in charge of each topic, and the heads of headquarters departments, has been established as a body to discuss important matters related to business execution.</p>
3 Audit & Supervisory Committee FY2024: 16 meetings	<p>The Committee comprises three directors serving as Audit & Supervisory Board Committee members, two of whom – the majority – are external directors. The Audit & Supervisory Committee conducts audits of the overall status of business execution, including that of Group companies, utilizing the internal control system. In addition, to ensure the effectiveness of these activities, one full-time Audit & Supervisory Committee member is elected from among the Audit & Supervisory Committee members to attend important management meetings to appropriately understand and monitor the status of management execution. The Committee conducts close cooperation with regular exchanges of information and opinions with the Internal Audit Dept., Internal Control Dept., accounting auditor, representative directors, and others. To support these activities of the Audit & Supervisory Committee, the Audit & Supervisory Committee Office has been established and assists in the smooth execution of audits and other work.</p>
4 Nomination Advisory Committee FY2024: 5 meetings Compensation Advisory Committee FY2024: 6 meetings	<p>The Nomination Advisory Committee and the Compensation Advisory Committee, which each consist of a majority of independent external directors, are established as voluntary advisory bodies to the Board of Directors.</p> <ul style="list-style-type: none">Each committee consists of at least three members, the majority of whom are independent external directors. In addition, the chairperson of each committee is elected by resolution from among the Committee members who are independent external directors.The Nomination Advisory Committee deliberates on the nomination of candidates for directors (including directors who are Audit & Supervisory Committee members), the executive structure and division of duties, and issues to be addressed as the Nomination Advisory Committee.The Compensation Advisory Committee deliberates on revisions to the executive compensation system including performance-linked compensation under the next medium-term management plan, setting compensation for external directors, and issues to be addressed as the Compensation Advisory Committee.
5 Corporate Ethics Committee FY2024: 6 meetings	<p>The Corporate Ethics Committee was established in 2002 to serve as an advisory body to the company's Board of Directors and is composed of external experts including one external director, a representative of the Labor Union, and internal committee members. The committee holds regular meetings bimonthly and serves as an external oversight entity for all aspects of business management. The validation work and recommendations for the Board of Directors conducted by the committee are applied to the Company's business activities.</p>

Expert Subcommittees of the Corporate Ethics Committee

In addition to regular committee meetings, members of the Corporate Ethics Committee also meet in three subcommittees to strengthen customer-focused management.

	Members	Activities
Quality Subcommittee	Experts in quality and hygiene management	To improve quality control in plants, this subcommittee conducts quality audits at plants and exchanges opinions with employees on the working environment and quality control. Plants draft and implement improvement proposals in response to audit recommendations and issue reports to the Corporate Ethics Committee. During fiscal 2024, audits were conducted at five plants, including Group company plants.
Consumer Subcommittee	Representatives of consumer groups and opinion leaders on consumer issues	This subcommittee gives evaluations and opinions on the Group's corporate activities from the consumer's point of view. In fiscal 2024, meetings were held in the Kanto area in November and the Kansai area in December, where the subcommittee gave opinions on the Honebuto Future Project.
Product Information Subcommittee	External experts in the field of labeling	This subcommittee checks product package labeling to ensure it is easily comprehensible to consumers and information is being properly conveyed, thereby providing external oversight. As necessary, the subcommittee also shares information about internal labeling rules and reviews and updates the Voluntary Product Labeling Basic Manual. In fiscal 2024, the subcommittee met six times.

FY2024 Recommendations of the Corporate Ethics Committee and the Results of Initiatives

(Excerpts) https://www.meg-snow.com/csr/pdf/2024_Initiative_report.pdf (in Japanese)

Advisory Topics	Recommendation	Results of Initiatives
Material Issue Initiatives	<div>1</div> In order to promote sustainability management that synchronizes economic and social value, qualitative and quantitative progress management should be carried out using KPIs and other indicators and specific measures taken to ensure that Group companies and divisions achieve their targets.	A Group Sustainability Committee meeting was held, and progress on KPIs confirmed. Discussions were lively, with the time primarily allocated to a question-and-answer session and the exchange of opinions.
	<div>2</div> Environment, society, and governance (ESG) information should be actively disclosed to earn the understanding and trust of a wide range of stakeholders.	We actively disclosed the fiscal 2024 integrated report and ESG data, etc. on our website. We actively provided opportunities for dialogue with shareholders and institutional investors through a forum for dialogue with external directors and an inspection tour of a plant and nearby large-scale corporate dairy farm.
Consumer-Focused Management	<div>1</div> In order to earn more trust from consumers, products that meet consumer desires and needs should be developed and provided by collecting and analyzing information and utilizing the wide-ranging knowledge that the Group has built up in the dairy industry thus far as its unique strength.	As customers regularly reported that they could not find the right number of butter pats in the Snow Brand Hokkaido Butter Mini Pack, we changed to a design that makes the correct opening more easily recognizable on the surface of the package in spring 2025.

Advisory and Recommendation Process



Board of Directors Efficacy Assessment

The Company's Board of Directors conducts an annual self-assessment to ensure and improve their efficacy, and a summary of the self-assessment results is made public. An overview of the assessment and the results of fiscal 2024 is as follows.

1. Assessment method (self-assessment using questionnaires)

- Subjects: All directors, including directors who are Audit & Supervisory Committee members (11 in total, including four external directors)
- Assessment method: (1) Self-assessment using an anonymous questionnaire (2) Individual interviews of the directors conducted by the Board of Directors Secretariat

2. Overview of assessment results

The self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2024.

3. Response to issues in the previous fiscal year (fiscal 2023)

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

Issue	Response
Continue discussions about the diversity of the composition of the Board of Directors and other topics that will contribute to the achievement of medium- and long-term goals	● The Nomination Advisory Committee discussed the composition of the Board of Directors of Megmilk Snow Brand
Continue efforts to invigorate deliberations further and enhance discussions related to management strategies	● Held meetings to exchange opinions on important matters before discussions by the Board of Directors meetings ● Discussed medium- to long-term management issues, including strategies for strengthening corporate communication and improvement of production systems
Augment discussions on governance of Group companies	● Held meetings to exchange opinions on the Group's portfolio ● Continued to report Group companies' quarterly earnings and other topics at the Board of Directors meetings ● Important matters pertaining to Group companies were reported at each Board of Directors meeting
Efforts for sustainability issues	● Discussed the content of the revised Megmilk Snow Brand Group Charter of Corporate Behavior ● Discussed initiatives to address sustainability issues through the reports of the Group Sustainability Committee (progress of KPIs on material issues, etc.)
Enhanced discussions that take the perspective of stakeholders and address non-financial information	● The Board discussed non-financial information, including stakeholder relations, health, dairy farming, the environment, people and society, human capital, from the perspective of improving corporate value over the medium to long term.

* Important agenda items were discussed from multiple perspectives at meetings in exchanges of opinions that included the external directors held separately from the Board of Directors meetings. In particular, vigorous discussions were held on the corporate philosophy and the new medium-term management plan in fiscal 2024.

4. Future initiatives and issues in FY2025

The following five key issues were identified as issues that the Board of Directors should continue to address.

- ① Enhanced discussions on the composition and diversity of the Board of Directors
- ② Continue efforts to invigorate deliberations and enhance discussions related to management strategies
- ③ Enhanced discussions on Group governance
- ④ Efforts for sustainability issues
- ⑤ Enhanced discussions that take the perspective of stakeholders and address non-financial information

Policy Related to Decision on Concept of Compensation for Individual Directors

At the Board of Directors meeting held on February 24, 2021, Megmilk Snow Brand decided to adopt the Policy on Decisions on Compensation for Individual Directors, and then revised it at the Board of Directors meeting held on May 14, 2025. These resolutions of the Board of Directors are discussed in advance by the Compensation Advisory Committee, which is mainly composed of independent external directors. In addition, the Board of Directors confirmed that decisions on the content of the compensation for each individual director for the fiscal year under question as well as the content of the compensation decided are consistent with the policies on such decisions, and that the discussion in the Compensation Advisory Committee has been respected. Accordingly, the compensation is consistent with this policy.

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

(1) Basic Policy

- ① The compensation for directors (excluding directors who are Audit & Supervisory Committee members) is within the range resolved by the General Meeting of Shareholders. This level is benchmarked against compensation at other manufacturers and food companies of a similar size and amounts are determined based on the Company's performance. Compensation for each position reflects the weight of work responsibilities and the extent to which they contribute to and achieve the Group's consolidated earnings results. The compensation for directors who are Audit & Supervisory Committee members is within the range resolved by the General Meeting of Shareholders. This level is set at an appropriate amount in comparison with other companies of a similar size based on an external survey.
- ② The compensation consists of base compensation and performance-linked compensation. Base compensation consists of a salary for oversight as compensation for overseeing management and an executive salary component for the execution of operations. Performance-linked bonuses consist of a short-term incentive (cash bonus) that is determined based on the consolidated operating profit for the Megmilk Snow Brand Group and a long-term incentive (stock-based compensation) based on the financial indicators related to the Group's medium- and long-term performance.

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

The ratio of the base compensation, short-term incentive (cash bonus) linked to performance and long-term incentive (stock-based compensation) is approximately 6:2:2 (in the event that earnings indicators for the performance-linked bonus are achieved).

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

① Short-term incentive (cash bonus)

This is paid as an incentive based on the extent to which the Group achieved its consolidated earnings target for the fiscal year and evaluation of individual performance. The earnings indicator is the Group’s consolidated operating income.

② Long-term incentive (stock-based compensation)

From the perspective of improving profitability and capital efficiency, as well as focusing on the link with indicators related to the environment, society, and governance (ESG), there are five indicators linked to performance: EBITDA, ROE, CO₂ emissions, employee engagement, and the percentage of management positions held by women. When including the portion not linked to performance, the weightings of EBITDA, ROE, CO₂ emissions, employee engagement, the percentage of management positions held by women, and the portion not linked to performance are as shown in the table below (in the event that the respective performance indicator is achieved).

Weighting of Each Indicator for Long-Term Incentive

Indicator	EBITDA	ROE	CO ₂ emissions	Employee engagement	Percentage of management positions held by women	Not linked to performance
Weighting (%)	25	25	10	10	10	20

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

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

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

The compensation for each individual is resolved at the Board of Directors meeting after being discussed in advance by the Compensation Advisory Committee, which is mainly composed of independent external directors. An Audit & Supervisory Committee member selected by the Audit and Supervisory Committee may give his/her opinion on compensation for directors who are Audit & Supervisory Committee members at the General Meeting of Shareholders.

Total Amount of Compensation by Director Category in Fiscal 2024

Director Category	Total Compensation (¥ million)	Total Compensation by Type (¥ million)			Number of People
		Base Compensation	Short-Term Incentive (Cash Bonus)	Long-Term Incentive (Stock-Based Compensation)	
Directors (excluding Audit & Supervisory Committee members) (external directors in parentheses)	313 [19]	221 [19]	52 [—]	40 [—]	10 (2)
Directors (Audit & Supervisory Committee members) (external directors in parentheses)	42 [19]	42 [19]	—	—	5 (3)
Total (external directors in parentheses)	355 [38]	263 [38]	52 [—]	40 [—]	15 (5)

Standards for Appointing and Dismissing Officers

■ Nominating Candidates for Director

Resolutions by the Board of Directors concerning the appointment of directors are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee’s deliberations.

Subjects	Overview
Candidates for Director (excluding Directors Serving as Audit & Supervisory Committee Members)	Candidates are appointed based on the prerequisite that they are not subject to any of the reasons for disqualification set out in Japan’s Companies Act. They are also selected from a pool of candidates with the excellent character, insight, skills and wealth of experience needed to monitor management overall and supervise the execution of operations while possessing a high sense of ethics with consideration given to the balance and diversity of the Board of Directors to avoid any overconcentration in their areas of expertise.
Candidates for Director Positions Who Are Audit & Supervisory Committee Members	Candidates are appointed based on the prerequisite that they are not subject to any of the reasons for disqualification set out in the Companies Act. They are also selected based on whether they can remain independent from executive officers and can remain unswervingly impartial from among a pool of candidates with the excellent character, insight, skills and wealth of experience needed to monitor management overall and supervise the execution of operations, while possessing a high sense of ethics. Furthermore, candidates shall include one or more individuals with knowledge of finance and accounting.

■ Dismissal of Directors

Resolutions by the Board of Directors concerning dismissal of directors are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee’s deliberations. If a proposal of dismissal is approved, the Company discloses the information in a timely and proper fashion.

Subjects	Overview
Directors (including the chief executive officer)	Persons shall be subject to a proposal of dismissal in the event that they meet any of the following conditions: acknowledged to have a relationship with anti-social forces subject to criticism by society; caused the Group large losses or hindered the performance of business duties by violating laws, regulations, the Articles of Incorporation, or other regulations of the Group; caused significant hindrance to the execution of duties; or it is revealed they no longer satisfy the conditions of policies for nomination of candidates.

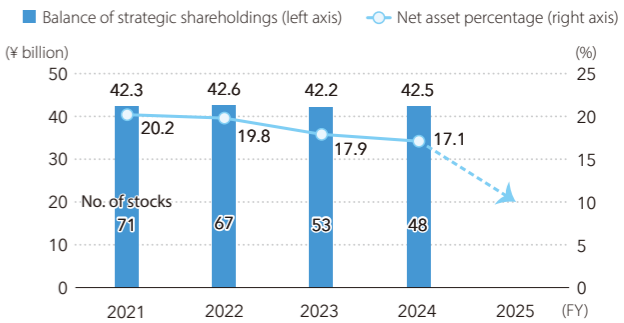
Strategic Shareholdings (Methods of Verifying Policy and Rationales for Holding)

The Company does not hold the shares of related parties and business partners unless it determines that it is reasonable to maintain shareholdings for the purpose of strengthening the Company’s business and functions. Every year, the Board of Directors makes comprehensive decisions by examining the shares of listed companies that the Company owns to verify the qualitative reasons for holding each individual stock (background of purchase, stable supply of raw materials or use of distribution routes, joint development, and other transactional plans, etc.) and the quantitative benefits anticipated from ownership (confirmation of economic rationale). To verify the economic rationale for holding the shares, the Company compares the business revenues, the increase in BPS and dividends of the issuer whose shares have been acquired to the Company’s targeted ROE benchmark of 9% and evaluates these factors.

Even for stocks that are recognized as reasonable to hold based on the abovementioned decision-making, we will use the proceeds of sales to fund growth investments as determined in Next Design 2030, our new business plan, after holding dialogue with business partners, and we will gradually reduce holdings to less than 10% of net assets at the end of fiscal 2025.

■ Results of Initiatives in Fiscal 2024

In fiscal 2024, the Company sold six listed stocks (including deemed holdings) and bought one new unlisted stock. As a result, the net asset percentage decreased by 0.8 points compared to the previous year to 17.1%, and the number of stocks decreased by five stocks to 48 stocks.



Approach to Compliance

In order to realize the Megmilk Snow Brand Group Corporate Philosophy, the Group conducts its business activities in accordance with the Megmilk Snow Brand Group Charter of Corporate Behavior, which includes observing corporate ethics (compliance). We believe that compliance is the foundation of sustainability management, which in turn leads to improvements in the Group's corporate value by contributing to food sustainability.

How Megmilk Snow Brand Ensures Thorough Compliance

	FY2024											
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Overall Management Corporate Ethics Committee P.78		●		●		●		●		●		●
Executives and Employees Sustainability group activities P.73		●	●	●	●	●	●	●	●	●	●	
Activities of the Days of Pledging to Strongly Recognize and Fulfill Food Responsibility			●							●		
Compliance-related questionnaire (conducted every two years)*												
Dissemination of the Megmilk Snow Brand Code of Conduct		●	●	●	●	●	●	●	●	●	●	
Signing of the Megmilk Snow Brand Code of Conduct compliance pledge							●					
Raising awareness through the Sustainability Information Journal	●	●	●	●	●	●	●	●	●	●	●	●
Compliance e-learning						●						
Harassment prevention	●											

* To be implemented next in fiscal 2025. The questionnaire is conducted once every two years rather than every year to allow a period of time for measures in response to the results and verification of their implementation.

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

To ensure the food contamination incident at Snow Brand Milk Products and the fraudulent beef labeling incident at Snow Brand Food are not forgotten, the Group holds Days of Pledging to Strongly Recognize and Fulfill Food Responsibility every year in June and January, the respective months in which the two incidents occurred. In those days, lectures are mainly held, and department heads and sustainability leaders participate. These activities were held for the 44th time in fiscal 2024 since first being held in fiscal 2003.

Until fiscal 2019, the activities were held with the primary objectives of ensuring that the incidents are not forgotten and seeking thorough compliance. However, since fiscal 2020, the activities have been further developed to include a future-oriented perspective while maintaining the spirit of these objectives. In June, we held activities looking back on the incidents as usual by watching a recorded video on the two past incidents under the theme of “what is needed to properly understand the two incidents and prevent them from recurring.” In January, we created the opportunity to reconsider our Purpose and mission under the theme of “solutions to social issues that the Megmilk Snow Brand Group will address in the future to achieve sustainable growth.”

At the Sustainability Group Activities held the following month, all officers and employees* watched a lecture video and exchanged opinions.

* Full-time employees, senior employees, contract employees, part-time employees, non-regular employees, dispatched employees

Month of Implementation	Lecture Theme	Lecturer
June 2024	Consideration of the Snow Brand Milk Products food contamination incident from a business management perspective	Yujin Taniguchi, Professor, School of Management, Chukyo University
January 2025	Taking on the challenge of the decarbonization revolution: global trends and issues for Japan	Kyoko Gendatsu, Executive Producer, NHK Enterprises, Inc.



Lecture

1 Harassment Prevention

At Megmilk Snow Brand, we raise awareness about harassment throughout the workplace by holding case study review sessions for all management staff and having officers and employees exchange views in group sustainability activities. We also hold lectures and case study review sessions in training for newly appointed management staff.

2 Tax Compliance

The Megmilk Snow Brand Group complies with tax laws and pays appropriate taxes in all countries and regions in which it operates. In order to respond appropriately and in a timely manner to annual tax system revisions and changes in international tax rules, such as tax treaties and the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, the entire Group is working to improve tax compliance by taking steps such as carrying out employee education and creating and maintaining appropriate accounting procedures and records (ledgers and account books).

Past Incidents

1 Snow Brand Milk Products Food Contamination Incident

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

* The current Milk Ordinance (Ministerial Ordinance on Milk and Milk Products Concerning Compositional Standards, etc. based on the Regulations for Enforcement of the Food Sanitation Act)

2 Snow Brand Food Fraudulent Beef Labeling Incident

In the year 2002, there was an incident of fraud in which Snow Brand Food Co., Ltd., at the time a subsidiary of Snow Brand Milk Products Co., Ltd., manipulated Japan’s national BSE Countermeasures Program* to register cheap imported beef as domestically produced beef, thereby fraudulently receiving subsidies through the program. The incident came to light in a newspaper article published on January 23 of that year. In the background of this incident was the outbreak of BSE among cattle that occurred in 2001, which caused widespread consumer pessimism about beef. This left the entire meat industry faced with excessive inventory. However, the ultimate cause was the unethical thinking of the employees and their supervisors, who instructed them to engage in such practices. Snow Brand Food was forced to dissolve as a company at the end of April that year, three months after the fraud was discovered.

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

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

The incident involving Snow Brand Seed Co., Ltd., which came to light in April 2018, was triggered by information provided by individuals through internal whistleblowers, and had received indications from Japan’s Ministry of Agriculture, Forestry and Fisheries (MAFF) in 2014 and 2017. Internal investigations discovered a large number of labeling violations, and the company received a Report Collection Order from MAFF in February 2018. Investigations by the third-party committee that was set up discovered not only improper certificate labeling but also breed falsification and attempts to conceal those acts. The third-party committee made recommendations that included reforms to corporate culture, improvement of the governance system, measures to prevent labeling violations and breed falsification, more mobility of personnel, and improvement of the whistleblowing system, and the company announced a concerted company-wide effort to implement the measures. The contents of the announcement were widely reported by the media, resulting in a significant loss of trust among customers and the broader society.

Snow Brand Seed formulated measures to prevent recurrence based on the recommendations, and it implemented these measures by the end of March 2020 as planned. Subsequently, the company also held Compliance Promotion Activities and “activities to prevent the incident from fading from memory.” Meetings of the Compliance Committee, which is an advisory body to the Board of Directors, and the Labeling Subcommittee were convened to provide recommendations on measures as external oversight entities.

Risk Management

Risk Management Structure

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

In addition, the Group has set out basic principles for ensuring that officers and employees are always aware of and working on crisis management.

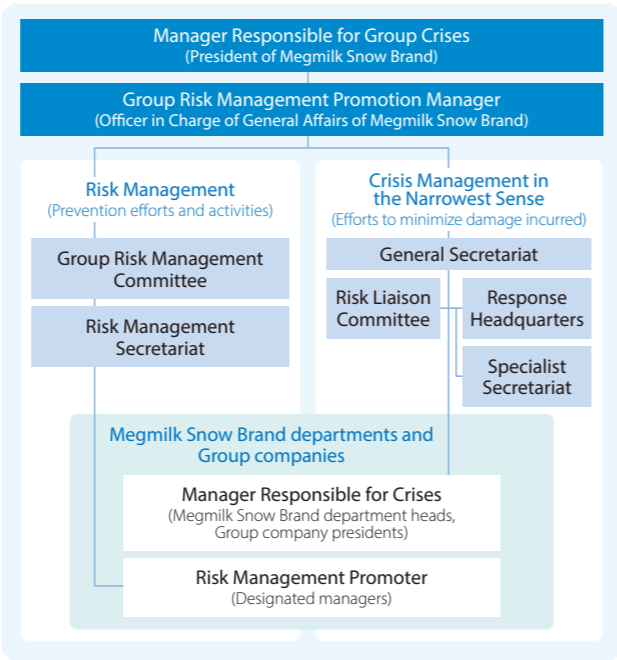
Three Basic Principles

1 (Individual responsibility) to not create risks

2 (Individual responsibility) to prevent colleagues from creating risks

3 (Mutual responsibility) to prevent escalation of risks

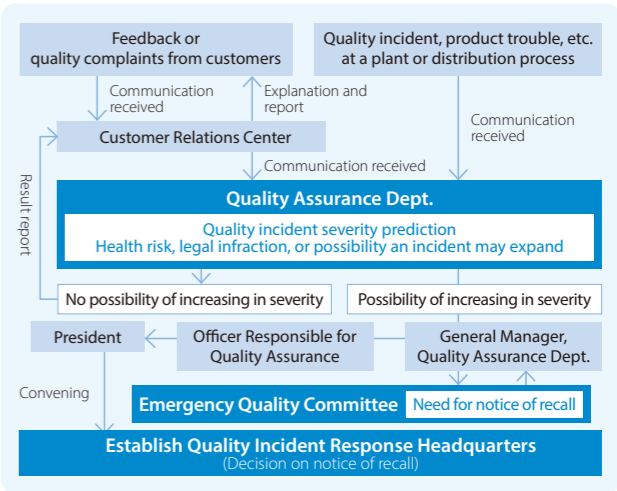
Megmilk Snow Brand Group Risk Management Structure



Quality Incident Response

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

Quality Incident Response



Whistleblowing System

The Megmilk Snow Brand Group has established both an internal whistleblowing hotline, the Megmilk Snow Brand Hotline, and an external hotline (attorney) for external whistleblowing consultations, both of which are available to the entire Group. The Internal Reporting Rules protect whistleblowers by prohibiting any disadvantageous treatment and by allowing whistleblowers to report anonymously. In the event of a report, the information is strictly managed and the progress of the response and the absence of any disadvantageous treatment are reported and confirmed to the Corporate Ethics Committee. If a compliance violation, discrimination, or harassment is identified, we promptly take corrective measures and also take disciplinary action depending on the severity of the case. We also work to prevent such violations through compliance education.

Reports can also be made to management personnel, and we have informed such personnel how to respond in the event they receive a report. In addition, we use our Sustainability Information Journal and group sustainability activities to encourage employees to utilize the hotline.

Number of Hotline Reports

Content	FY2022		FY2023		FY2024	
	Internal	External	Internal	External	Internal	External
Human relationships	30	0	32	4	23	1
Quality	1	0	0	0	0	0
Compliance	3	1	1	1	3	0
Problematic behavior in the workplace	5	2	10	0	9	1
Questions about internal systems and mechanisms	13	4	9	1	10	0
Others	1	1	9	0	4	0
Total	53	8	61	6	49	2

Note: Internal: Megmilk Snow Brand Hotline [the Group's internal whistleblowing hotline]
External: The Group's external hotline (attorney) [for external whistleblowing consultations]

Business Continuity Initiatives

Under the Megmilk Snow Brand Group Crisis Management Basic Policy, we have established a business continuity plan (BCP) in order to deliver products and services to customers wherever possible even in the event of a crisis such as a major natural disaster. To ensure the effectiveness of our business continuity plan, we implement drills assuming a natural disaster and a cyber-attack every year. We implement ongoing improvements to our business continuity plan based on the results of the drills and changes in the environment.

Basic Policy on Business Continuity

1 We prioritize ensuring the life and safety of our customers, employees, and their families.

2 We cooperate with the emergency recovery response of the local community.

3 We maintain or restore key operations as quickly as possible.

4 We conduct regular drills and revisions and implement ongoing improvements.

Reporting and Corrective Action

Megmilk Snow Brand has stipulated, in the Internal Reporting Rules and the Performance and Disciplinary Guidelines, the reporting, corrective action, and disciplinary action (reprimand, pay cut, suspension, leave of absence, demotion, disciplinary dismissal, etc.) for when compliance violations, discrimination, or harassment arise. In fiscal 2024, we took disciplinary action in two cases (one of which was a compliance violation).*

In cases of harassment, we take disciplinary action for particularly egregious misconduct that falls into the categories of sexual harassment, power harassment, moral harassment, maternity harassment, and paternity harassment, as stipulated in the Employment Rules.

*Number of cases of disciplinary action at the level of "leave of absence" or above

Officers (As of June 25, 2025)

Directors

	Name	Position	Area of Responsibility	Reason for Appointment
	Masatoshi Sato	Representative Director and President	Overall management	Mr. Sato possesses abundant experience and wide-ranging insight as a manager. He is also well-versed in Megmilk Snow Brand's businesses, such as the household products business, and demonstrates leadership as a chief executive officer by clearly setting forth management policies. Accordingly, the Company has determined that he possesses experience and ability befitting the role of representative director and president and appointed him to the position.
	Tomihiko Tagawa	Representative Director and Executive Vice President	Overall management (Administration management) and assistant to the president, in charge of Internal Audit and Secretarial Dept., and Deputy Manager of Personnel Dept.	Mr. Tagawa has abundant experience as a manager and is particularly familiar with fields such as livestock and feedstuffs. Accordingly, the Company has determined that he possesses experience and ability befitting the role of representative director and executive vice president of Megmilk Snow Brand and appointed him to the position.
	Seiki Todaka	Representative Director and Executive Vice President	Overall management (Operations management) and assistant to the president, Executive General Manager of International Business Division, in charge of Purchasing	Mr. Todaka has abundant experience in the finance and accounting division and is particularly familiar with the fields of digital transformation (DX) and investor relations (IR). He demonstrates leadership as a senior executive of Megmilk Snow Brand. Accordingly, the Company has determined that he possesses experience and ability befitting the role of representative director and executive vice president and appointed him to the position.
	Takehiko Inoue	Director and Managing Executive Officer	In charge of Production Technology and Production	Mr. Inoue has abundant and wide-ranging experience in the production division and is particularly familiar with the fields of production technology and production control. Accordingly, the Company has determined that he possesses experience and ability befitting a director of the Company and appointed him as director.
	Satoshi Inaba	Director and Managing Executive Officer	In charge of Marketing, Household Products Business, National Chain Store Sales, supervising Hokkaido sales, East Japan regional sales, West Japan regional sales	Mr. Inaba has experience as general manager of the Corporate Planning Div. and as a president of a Group company, and is particularly familiar with Group management, the nutrition business, and the household dairy and milk products business. Accordingly, the Company has determined that he possesses experience and ability befitting a director of the Company and appointed him as director.
	Teiji Iwahashi	Director and Managing Executive Officer	In charge of General Affairs, Administration, and Affiliated Company Control	Mr. Iwahashi possesses abundant experience in the consumer dairy foods business and milk beverages and desserts business, and he has also handled responsibilities core to Group management. Accordingly, the Company has determined that he possesses experience and ability befitting a director of the Company and appointed him as director.
	Kumiko Bando	<div>ExternalIndependent</div> External Director		Although Ms. Bando has not been previously involved directly in corporate management, given her abundance of experience dealing with administrative, consumer, and other issues, she is expected to provide important advice and supervision for our focus on consumers. She also possesses a great deal of experience and knowledge about matters such as human rights, diversity, work-life balance, and contributing to local communities and partnerships. Accordingly, the Company has determined that she can provide constructive advice and appointed her as independent officer.
	Hiroshi Fukushi	<div>ExternalIndependent</div> External Director		Mr. Fukushi has an abundance of multifaceted experience, including overseas and business management experience, research and development experience, and promotion of corporate reforms as CDO. He is expected to provide advice on the growth strategy of the Megmilk Snow Brand Group. The Company also believes that he can provide guidance based on his knowledge as an experienced manager of a company that is making leading efforts toward sustainability, and thus appointed him as independent officer.
	Hiroyuki Ito	Director Serving as Audit & Supervisory Committee Member	Full-time Audit & Supervisory Committee Member	Mr. Ito has extensive and deep knowledge and insight based on his abundant management experience, including in finance and auditing. Accordingly, the Company has determined that he possesses experience and ability befitting an individual who supervises and audits directors' business execution and appointed him as a director serving as an Audit & Supervisory Committee member.
	Akito Hattori	<div>ExternalIndependent</div> External Director, Audit & Supervisory Committee Member		As Mr. Hattori is well-versed in corporate law as an attorney, the Company determined that he can utilize his highly specialized background in the supervision and auditing of directors' business execution and appointed him as director serving as Audit and Supervisory Committee member.
	Tomohiko Manabe	<div>ExternalIndependent</div> External Director, Audit & Supervisory Committee Member		Although Mr. Manabe has not been previously involved directly in corporate management, he has specialized knowledge and wide-ranging experience regarding finance and accounting as a certified public accountant. The Company has determined that he is able to draw on his background in the supervision and auditing of Megmilk Snow Brand and appointed him as an external director serving as Audit and Supervisory Committee member.

Executive Officers

Seiki Hori Managing Executive Officer In charge of Corporate Planning, Administration and Personnel	Takashi Mori Managing Executive Officer In charge of New Business Creation (General Manager, New Business Creation Dept.), and Functional Food Marketing	Fumi Hatamoto Managing Executive Officer In charge of Public Relations & Investor Relations and Sustainability	Shin Kawamoto Managing Executive Officer In charge of Accounting and IT Planning and Deputy General Manager, Public Relations & Investor Relations	Yuji Kawakami Managing Executive Officer In charge of Institutional Foods and Logistics
Takehiko Wakabayashi Executive Officer In charge of Dairy (General Manager, Dairy Dept.)	Hiroshi Kondo Executive Officer In charge of Quality Assurance, Research & Development Planning, Product Development, and the Milk Science Research Institute	Tomoaki Tsuda Executive Officer In charge of Research & Development Center for Dairy Farming, Deputy General Manager in charge of Dairy Farming (General Manager in charge of Research & Development Center for Dairy Farming)	Eiichiro Matsumura Executive Officer General Manager, International Business Planning Dept.	Tadaki Fukusaku Executive Officer General Manager, International Business Promotion
Makio Uesaka Executive Officer Senior General Manager, Hokkaido Headquarters and Hokkaido Sales Branch	Koji Fukuta Executive Officer Senior General Manager, East Japan Regional Sales Headquarters	Tomo Takeda Executive Officer Senior General Manager, West Japan Regional Sales Headquarters	Toshihide Kabuki Executive Officer General Manager, Milk Science Research Institute	

Board of Directors Skills Matrix

Name	Position	Corporate Management Management Strategy	Global	Financial Accounting	Legal Affairs Risk Management	Consumer Perspective Sustainability	Sales Marketing	Production and Technology R&D SCM	Dairy Farming and Procurement Agricultural Management Foundation	IT, DX	Personnel Management and Labor Relations Human Resources Development
Masatoshi Sato	Representative Director and President	●				●	●		●		
Tomihiko Tagawa	Representative Director and Executive Vice President	●	●				●		●		
Seiki Todaka	Representative Director and Executive Vice President	●		●					●	●	
Takehiko Inoue	Director and Managing Executive Officer					●		●			
Satoshi Inaba	Director and Managing Executive Officer	●					●				
Teiji Iwahashi	Director and Managing Executive Officer				●		●				
Kumiko Bando	<div>ExternalIndependent</div> External Director				●	●					●
Hiroshi Fukushi	<div>ExternalIndependent</div> External Director	●	●			●	●	●		●	
Hiroyuki Ito	Director Serving as Audit & Supervisory Committee Member			●						●	●
Akito Hattori	<div>ExternalIndependent</div> External Director, Audit & Supervisory Committee Member				●						
Tomohiko Manabe	<div>ExternalIndependent</div> External Director, Audit & Supervisory Committee Member			●							

Definitions of Skills

Corporate Management Management Strategy	Advisory, information provision, and oversight functions based on knowledge and perspectives gained from management experience, as well as experience and knowledge that includes formulation and implementation of management strategy
Global	Creativity and management skills related to business activities acquired through overseas and other experience
Financial Accounting	Advisory and oversight functions related to financial integrity, appropriate disclosure of financial information, and investment (returns), etc.
Legal Affairs Risk Management	Opinion and verification functions related to the internal control system, including advice based on specialized knowledge and perspectives related to major risks and crisis response, as well as risk management, and crisis control
Consumer Perspective Sustainability	Experience and knowledge related to sustainability, including the SDGs and TCFD to solve social issues, based on the premise of focusing on consumers
Sales Marketing	Experience and knowledge related to developing consumer needs and increasing profit, improving customer satisfaction, product and brand strategy, and the nutrition market (including the e-commerce business)
Production and Technology, R&D, SCM	Experience and knowledge in building production systems in line with business strategy, quality assurance, manufacturing technology, intellectual property, logistics strategy, and SCM
Dairy Farming and Procurement Agricultural Management Foundation	Experience and knowledge related to raw milk procurement, demand and supply adjustment, procurement strategy for ingredients, primarily raw dairy products, and collaborating and conducting business with producers (groups)
IT, DX	Experience and knowledge in operations and management related to IT and DX
Personnel Management and Labor Relations Human Resources Development	Experience and knowledge related to human capital management, including human resources development and diversity management

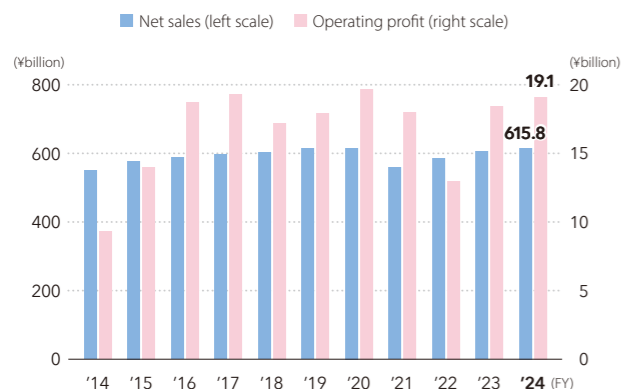
Financial Summary*1

(FY)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fiscal year											(¥million)
Net sales*2	549,816	578,328	587,935	596,158	603,378	613,405	615,186	558,403	584,308	605,424	615,819
Operating profit	9,381	14,004	18,753	19,363	17,230	17,998	19,780	18,059	13,054	18,460	19,125
Profit attributable to owners of parent	3,931	15,047	12,988	13,386	10,754	12,165	14,913	12,068	9,129	19,430	13,904
Earnings per share (EPS) (¥)	57.95	221.81	191.48	197.36	158.64	179.71	220.64	178.70	135.18	287.67	205.93
Capital expenditures	17,593	15,090	14,680	15,915	14,448	24,388	26,651	18,798	19,582	17,129	17,482
Depreciation and amortization	14,558	14,081	15,140	15,157	15,901	16,157	15,917	16,957	17,190	17,590	17,295
R&D costs	3,780	3,846	3,942	4,330	4,382	4,297	4,255	4,348	4,548	5,030	4,983
Net cash provided by (used in) operating activities	11,241	26,433	29,934	22,817	21,938	24,322	26,567	29,421	26,807	30,465	21,100
Net cash provided by (used in) investing activities	(27,617)	4,567	(14,408)	(11,799)	(14,248)	(16,629)	(27,076)	(20,206)	(19,624)	(6,308)	(18,512)
Net cash provided by (used in) financing activities	14,854	(25,332)	(14,376)	(12,904)	(7,396)	(6,651)	6,771	(11,262)	(7,286)	(15,645)	(10,375)
Free cash flow*3	(16,376)	31,001	15,526	11,017	7,690	7,693	(508)	9,215	7,183	24,157	2,588
End of fiscal year											
Total assets	345,597	344,194	341,507	351,240	359,445	370,434	398,650	401,890	410,130	431,222	431,073
Cash and cash equivalents	9,188	14,797	15,940	14,076	14,303	15,524	21,829	19,979	20,338	28,988	21,319
Interest-bearing debt	113,662	94,274	83,588	75,051	71,704	69,393	79,374	72,230	69,885	58,873	55,859
Net assets	122,209	132,401	145,485	157,338	168,782	178,094	198,255	209,528	215,899	235,300	248,037
Book value per share (BPS) (¥)	1,767.71	1,917.33	2,110.80	2,286.11	2,456.35	2,586.86	2,890.65	3,061.75	3,151.74	3,436.02	3,626.93
Dividend per share (¥)	30	30	40	40	40	40	40	60	60	80	100 *5
Other indicators, etc.											
Equity ratio (%)	34.7	37.8	41.9	44.1	46.3	47.3	49.0	51.5	51.9	53.8	56.8
Return on equity (ROE) (%)	3.4	12.0	9.5	9.0	6.7	7.1	8.1	6.0	4.4	8.7	5.8
Dividend payout ratio (%)	51.8	13.5	20.9	20.3	25.2	22.3	18.1	33.6	44.4	27.8	48.6
Return on equity (ROE) (%) (excluding gain on sale of assets)	—	—	—	—	—	—	7.2	6.0	4.0	5.1	5.4
Dividend payout ratio (%) (excluding gain on sale of assets)	—	—	—	—	—	—	20.2	33.5	48.0	47.4	42.1 *6
Price earnings ratio (PER) (times)	24.9	12.8	16.0	14.6	17.0	13.7	10.2	11.1	13.0	9.5	12.5
Price-to-book ratio (PBR) (times)	0.8	1.5	1.5	1.3	1.1	0.9	0.8	0.6	0.6	0.8	0.7
Interest coverage ratio (times)	12.0	28.7	42.8	42.2	49.3	62.6	67.5	75.1	77.4	82.6	57.1
D/E ratio (times)	0.9	0.7	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2
Net interest-bearing debt / EBITDA ratio (times)	4.3	2.8	2.0	1.8	1.7	1.6	1.6	1.5	1.6	0.8	1.0
Strategic shareholdings*4 (¥million)	23,151	21,101	23,619	23,906	29,354	28,749	38,900	42,293	42,647	42,184	42,513
Number of stocks held	95	93	89	81	80	76	73	71	67	53	48

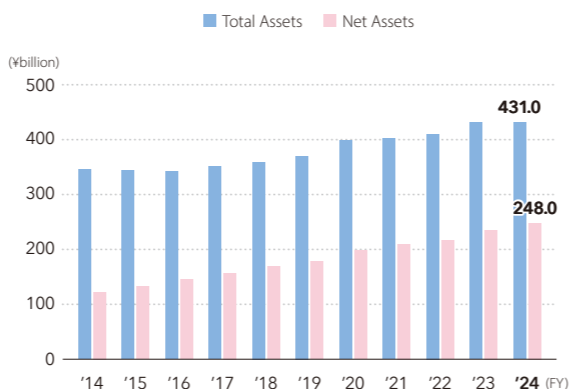
*1 Figures in millions of yen are rounded down to the nearest million yen, and other figures are rounded to the indicated digit. *2 After applying Accounting Standard for Revenue Recognition, etc. from fiscal 2021

*3 Cash flows from operating activities + cash flows from investing activities *4 Including deemed holdings *5 Including commemorative dividend of ¥20 *6 Excluding commemorative dividend

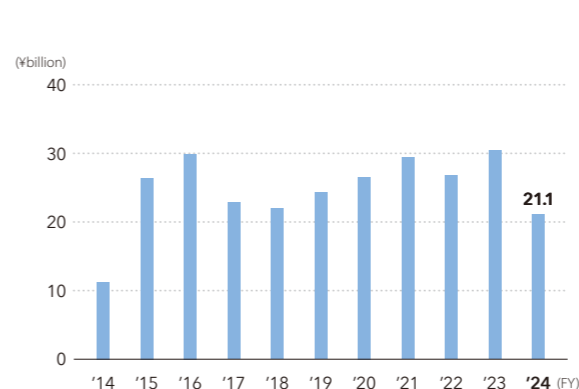
Net Sales / Operating Profit



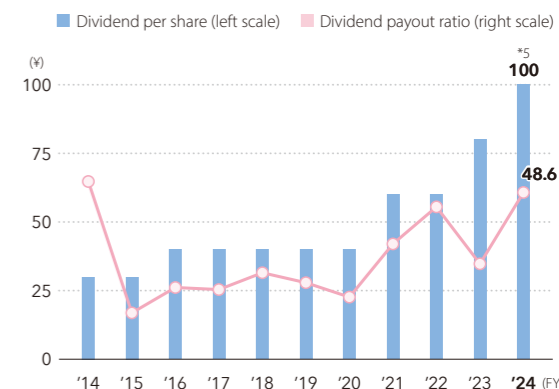
Total Assets / Net Assets



Net Cash Provided by (Used in) Operating Activities



Dividend per Share / Dividend Payout Ratio



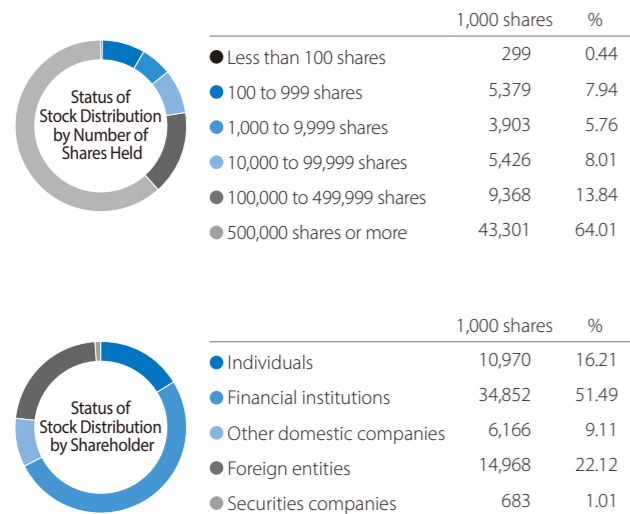
Investor Information

Stock and Stock Price Information

Status of the Company's Stock

Total number of shares.....280,000,000
Total number of issued shares.....70,751,855
Number of shareholders.....46,573

Status of Stock Distribution



(Notes) 1. Number of shares displayed rounded down to nearest 1,000 shares.
2. Although the Company holds 3,072,659 shares of treasury stock, the Company is excluded from the above list.

Major Shareholders (Top 10)

Shareholder Name	Shares Held (1,000 shares)	Investment Ratio (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237	13.64
The Master Trust Bank of Japan, Ltd. (Trust account)	8,445	12.47
The Norinchukin Bank	6,728	9.94
Custody Bank of Japan, Ltd. (Trust Account)	2,667	3.94
Custody Bank of Japan, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	2,469	3.64
STATE STREET BANK AND TRUST COMPANY 505001	2,328	3.44
Megmilk Snow Brand Employee Shareholding Association	1,346	1.98
HOKUREN Group	1,074	1.58
National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN)	1,008	1.48
STATE STREET BANK AND TRUST COMPANY 505223	921	1.36

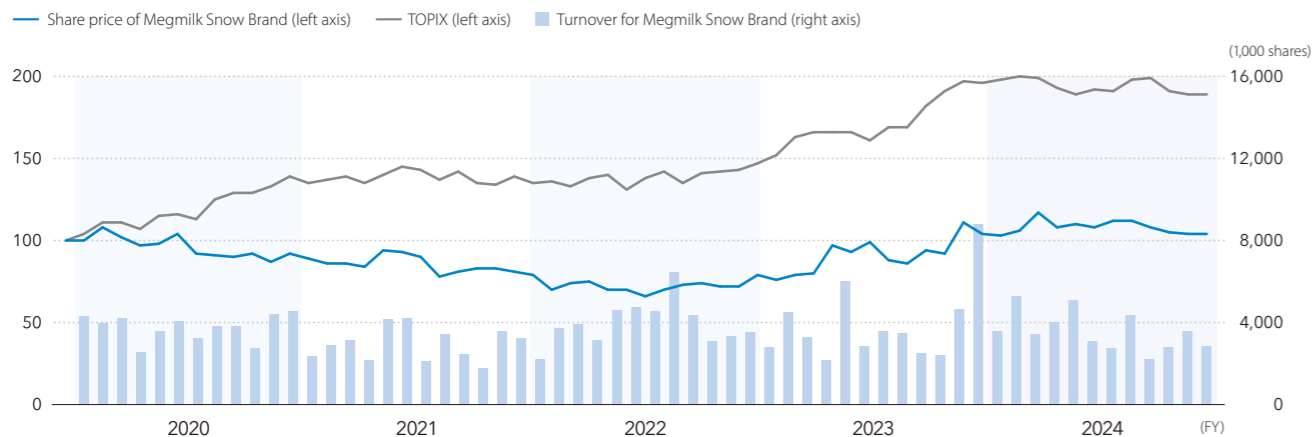
(Notes) 1. Number of shares displayed rounded down to nearest 1,000 shares.
2. The Company holds 3,072,659 shares of treasury stock, but these are excluded from the above list of major shareholders. The investment ratio is calculated excluding treasury stock.

Status of Shares Granted to Officers of Megmilk Snow Brand Co., Ltd. as Consideration for Execution of Duties During the Fiscal Year Under Review

Category	Shares Held (shares)	Number of eligible persons
Directors (excluding directors who are Audit and Supervisory Committee members and external directors)	12,100	2

(Notes) The above shares were granted to directors who retired.

Status of Stock Distribution



(Notes) Trends for the share price and TOPIX are calculated using March 31, 2020 as 100. (Monthly, Based on the closing price)

Dialogue with Shareholders and Investors

Status of Dialogue

	Participants from Megmilk Snow Brand			No. of times	Attributes and details of dialogue counterparty
	President	Officers	Investor relations staff		
Financial results briefing	●	●		4	Analysts, fund managers, etc.
Small meeting	●	●		5	Analysts, fund managers, etc.
Meeting with external directors hosted by securities firm		●		1	Analysts, fund managers, etc.
IR Day		●	●	2	Sell-side analysts, buy-side analysts ● September: Dialogue involving natural cheese plant and nearby large-scale dairy farm corporation ● March : R&D value creation initiatives
Briefing session for individual investors		●		4	Individual investors
Small meeting for foreign investors		●	●	3	Overseas institutional investors and securities firms
Dialogue on ESG and integrated report		●	●	6	Dialogue with proxy advisory firms and institutional investors

Number of One-on-One Meetings

		Japan		Overseas		Total
		Securities firms	Institutional investors	Securities firms	Institutional investors	
FY 2023	First half	4	9	0	15	28
	Second half	8	16	0	13	37
	Total	12	25	0	28	65
FY 2024	First half	4	20	0	15	39
	Second half	3	18	0	13	34
	Total	7	38	0	28	73

(Notes) Includes meetings with the same counterparty

System for Providing Feedback to the Senior Management Team and Its Implementation Status

Feedback recipient	No. of times	Details of feedback
Board of Directors	4	Summary of dialogue with shareholders and investors, stock price-related information (comparison with industry peers), summary of analysts' reports
Corporate Ethics Committee*	6	Summary of dialogue with shareholders and investors, stock price-related information (comparison with industry peers), summary of analysts' reports
Management Executive Committee	8	Specific content of dialogue with shareholders and investors, stock price-related information (comparison with industry peers), summary of analysts' reports
Emails sent to internal officers	32	Updates on securities firm analysts' reports

* An advisory committee to the Board of Directors that serves as an external oversight entity for all aspects of business management providing validation and recommendations.

Main Topics of Dialogue

① Reasons for PBR below 1 and countermeasure ② Specific initiatives for improving profitability and growth potential ③ Future growth of functional ingredients overseas ④ Expansion of plant-based foods business ⑤ Human capital ⑥ Capital policies ⑦ Industry restructuring and business structure reform

Initiatives Adopted Based on Dialogue

Disclosure

- Resolved to abolish takeover defense measures at the Board of Directors meeting at the conclusion of the 15th Annual General Meeting of Shareholders and provided timely disclosure
- Began disclosing the content of the agenda for small meetings attended by the President in English
- Began to disclose the employee engagement score starting with the 15th Annual Securities Report
- Analyzed relationships between Megmilk Snow Brand and nature and provided initial disclosure in accordance with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)
- Disclosed operating profit of the Nutrition Business in Megmilk Snow Brand Report 2024 (the Integrated Report) issued in September
- Disclosed the breakdown of domestic and overseas net sales for growth-driver functional foods and ingredients starting with the Supplementary Information for the Nine Months Ended December 31, 2024


Dialogue

- Held IR Day
 - September : Inspection of and dialogue with plant for Japan-produced natural cheese and nearby large-scale dairy farm corporation and dialogue
 - Provided information on cheese (growth area) and dairy farming (business foundation) and held dialogue on environmental initiatives
- March : Explanation and dialogue on R&D value creation initiatives
 - Held dialogue on initiatives to create value over the medium to long term in R&D
- Held a meeting between external directors and investors and analysts hosted by a securities firm

Company Information





Main Group Companies

Japan

Ibaraku Co., Ltd. Representative Director and President: Hiroshi Izumi Capital: ¥117 million Group total equity ratio: 100%	Developing Milk and Yogurt Products Made with Ibaraki Milk This company develops milk and yogurt products made with Ibaraki Prefecture milk, helping to promote and develop local dairy farming, and also to enhance and expand a rich, healthy food culture.	
SI System Corporation Representative Director and President: Yoshiro Ota Capital: ¥400 million Group total equity ratio: 100%	Supporting the Seven & i Group This company supports the Seven & i Group in developing valuable products, while also ensuring their safe and reliable delivery in the recognition that they are essential to people's daily lives.	
Greenservice Co., Ltd. Representative Director and President: Yu Shibata Capital: ¥30 million Group total equity ratio: 70%	Transporting Milk and Operating CVS Joint Distribution Centers This company is responsible for transporting raw milk from dairy farmers to dairy manufacturers, transporting pasteurized milk from dairy manufacturers to beverage manufacturers, and providing safe, secure products by operating CVS joint distribution centers.	
Cresco Corporation Representative Director and President: Shiro Nakamichi Capital: ¥38 million Group total equity ratio: 100%	Providing Safe and Secure Food Packaging Materials This company strives to provide safe and secure products and excellent services to satisfy its customers, with employees who have a wealth of knowledge and experience in food packaging materials, including certified packaging managers.	
Kohnan Oils and Fats Mfg. Co., Ltd. Representative Director and President: Takahiro Shibata Capital: ¥100 million Group total equity ratio: 51%	Contract Manufacturing of Margarine and Soft Cheeses This company manufactures margarine and soft cheese on a contract basis, providing high-quality products at a stable, low cost.	
Chesco Ltd. Representative Director and President: Hiromi Uchida Capital: ¥472 million Group total equity ratio: 99.68%	Supporting a Rich Diet with Plentiful Cheese With the motto "Delicious, plentiful and healthy meals on the table," this company contributes to society by supporting a diet with plenty of cheese.	
Chokuhan Haisou Co., Ltd. Representative Director and President: Takuya Inoue Capital: ¥30 million Group total equity ratio: 70%	Providing Transport Services in Three Temperature Zones: Chilled, Room-Temperature, and Frozen Based on the strict quality control expertise built up by operating a joint distribution center, this company handles transport in three temperature zones—chilled, room-temperature, and frozen—and is adapting to the diversifying needs of consumers.	
Nichiraku Machinery Co., Ltd. Representative Director and President: Hitoshi Hatamoto Capital: ¥50 million Group total equity ratio: 67.63%	Providing Food Manufacturing Equipment and Other Products This company provides equipment and plant engineering and manufacturing technologies for the production of foods such as milk and dairy products, thereby contributing to the development of a sustainable society.	
Belle Neige Direct Co., Ltd. Representative Director and President: Tomohide Yoshikawa Capital: ¥79 million Group total equity ratio: 66.66%	Developing Mail-Order and Advertising Businesses for Functional Foods By developing mail-order and advertising businesses for functional foods, this company provides valuable products, information and services to each and every customer.	

Introduction	Messages from Management	Special Feature to Commemorate the 100th Anniversary	Value Creation Story	Management and Financial Information
Michinoku Milk Co., Ltd. Representative Director and President: Atsushi Yamamoto Capital: ¥466 million Group total equity ratio: 100%	Developing Products Based on High-Quality Milk and Ingredients This company delivers products that are delicious, safe and reliable, made with high-quality milk and other ingredients, thereby contributing to healthy and prosperous lives.			
Mitsuwa Distribution Industry Co., Ltd. Representative Director and President: Tatsuya Murakami Capital: ¥450 million Group total equity ratio: 100%	Providing Delicious Taste and Health with the Freshest Ingredients This company meets its customers' needs with a diverse product lineup and services aligned with current trends, and provides delicious taste and health with the freshest ingredients.			
Yatsugatake Milk Industry Co., Ltd. Representative Director and President: Hiromichi Ichikawa Capital: ¥60 million Group total equity ratio: 100%	Manufacturing and Selling Milk and Dairy Products at the Foot of the Yatsugatake Mountains This company manufactures and sells milk and dairy products at the foot of the Yatsugatake Mountains, which are blessed with a rich natural environment. By offering milk and dairy products, it contributes to a healthy, happy diet.			
Snow Brand Kodomo-no-Kuni Ranch Representative Director and President: Wataru Sugino Capital: ¥10 million Group total equity ratio: 100%	Contributing to the Healthy Growth of Children With the philosophy of protecting children's health and enriching their emotional development, this company provides opportunities for children to interact with animals through its children's zoo and ranch. It also contributes to the healthy growth of children by offering experiences such as milking cows and making butter.			
Snow Brand Seed Co., Ltd. Representative Director and President: Takuya Maruta Capital: ¥4,643 million Group total equity ratio: 100%	Contributing to Sustainable Dairy Production In order to strengthen dairy production infrastructure in Japan and contribute to sustainable dairy production, this company promotes the development of high-quality grass and feedstuff seeds, and disseminates cultivation and utilization techniques for these varieties to dairy farms.			
Snow Brand Parlor Co., Ltd. Representative Director and President: Toshihiro Nakamura Capital: ¥30 million Group total equity ratio: 100%	Providing Delicious Hokkaido Sweets and Memories As a long-established Hokkaido business, this company provides delicious dairy-based sweets such as parfaits and soft-serve ice cream to customers from Hokkaido and around the world.			
Bean Stalk Snow Co., Ltd. Representative Director and President: Masaya Matsunaga Capital: ¥50 million Group total equity ratio: 100%	Manufacturing and Selling Infant Formula and Other Products This company provides baby formula incorporating over 70 years of research into breastmilk, as well as oral care products that help maintain good oral health, to support the health and active lifestyles of infants and their families.			
MEGMILK SNOW BRAND Business Solution Co., Ltd. Representative Director and President: Toshimi Ishimaru Capital: ¥30 million Group total equity ratio: 100%	Responding to the Diversifying Needs of Clients This business support company gives back to society by meeting the expectations of its diverse range of clients, making use of its wide variety of human resources and highly specialized skills.			
YOSHIDA CORPORATION Representative Director and President: Atsushi Sakuma Capital: ¥10 million Group total equity ratio: 51%	Delivering Smiles and Good Health to the Table with Cheese Passion is the corporate culture of YOSHIDA CORPORATION. This company approaches everything with passion, including product development and manufacturing, human resource development, and responding to customer needs. It will continue to contribute to the development of its customers and Japanese food culture.			

Overseas

Udder Delights Australia Pty Ltd Representative Director and President: Gen Nakamura Capital: AU\$15,572,000 Group total equity ratio: 100%	Developing Premium-Brand Bloomy Rind and Blue Cheeses This company manufactures and sells Camembert and Blue cheese in Lobethal, near Adelaide, South Australia. It has around 50 employees and produces around 900 tons per year. These products are widely recognized as premium brands in Australia.	
Snow Brand Taiwan Co., Ltd. Representative Director and President: Tadaki Fukusaku Capital: NT\$7,000,000 Group total equity ratio: 100%	Importing and Selling Powdered Formula Milk and Functional Foods This company sells powdered formula milk for infants and functional foods, including Mainichi Hone Care MBP Blueberry Flavor, and functional milk powder. It will continue to strengthen its business for selling the Megmilk Snow Brand Group's proprietary functional ingredients.	
Snow Brand Australia Pty. Ltd. Representative Director and President: Kenji Kojima Capital: AU\$28,882,000 Group total equity ratio: 100%	Manufacturing and Selling Natural Cheese and Selling Functional Ingredients This company manufactures and sells its own brand of "Unicorn" white mold cheese and other private brand products for major Australian supermarkets. It also promotes the sale of the Megmilk Snow Brand Group's proprietary functional ingredients in overseas markets.	
PT. Megmilk Snow Brand Indonesia Representative Director and President: Sebastianus Ganjar Harimurti Capital: US\$11,000,000 Group total equity ratio: 52.89%	Manufacturing and Selling Processed Cheese in Indonesia This company sells block cheese and sliced cheese in supermarkets and convenience stores for household use and bakeries and food service for commercial use. It is strengthening exports to Central and East Asia in addition to Southeast Asia, including Malaysia.	

TOPIC

Belle Neige Direct Co., Ltd.

Reducing Materials and Streamlining Delivery to Help Reduce Environmental Impact

■ Problems with mainstay product

Belle Neige Direct provides Mainichi Hone Care MBP to customers through home delivery. However, as the product is a drink, there have been problems such as a high volume of packaging materials, time and location constraints for customers when receiving the product, and difficulties responding to the lack of transport capacity that hit Japan in 2024.*

■ Problem-solving initiatives

In response to these issues, the company decided to switch to tablets, which are smaller in volume and lighter in weight, and change to simpler packaging. It also looked into not using cushioning materials for postal mail, as redelivery is rarely required. It carried out a total of 240 delivery tests nationwide to confirm the impact on product quality and the impression of customers due to not using cushioning materials.

Promoting
a switch from
drinks to tablets



■ Effect

As delivery tests confirmed there were no problems, the company promoted a switch from home delivery to postal mail and developed a campaign for customers. As a result, during the campaign period, 8,446 deliveries were switched from home delivery to postal mail, and the number of parcels delivered by postal mail increased by approximately 14%. In addition, packaging materials and CO₂ emissions were reduced, and the total number of deliveries increased. The company also received feedback from customers that the initiative is environmentally friendly because cushioning materials were not being used.

Reductions in packaging	Cushioning materials: Approx. 840 kg/year Cardboard: Approx. 450 kg/year
Reduction in CO ₂ emissions due to decrease in redeliveries	Approx. 500 kg-CO ₂ /year

*There were concerns about a lack of transport capacity due to restrictions on the upper limit for driver overtime in Japan.

Corporate Overview

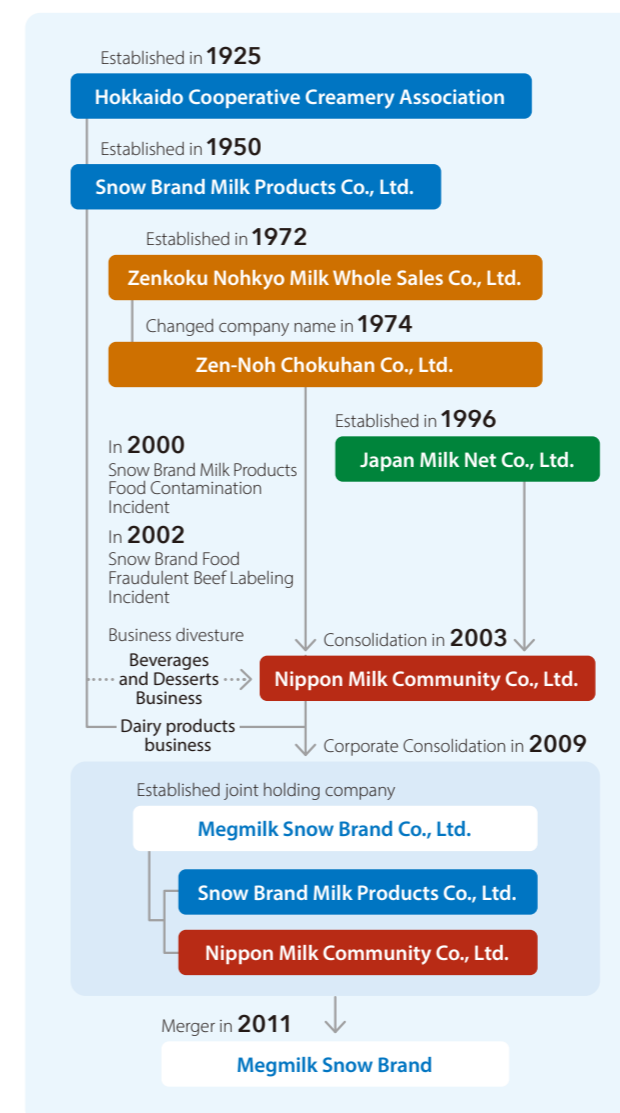
Megmilk Snow Brand Corporate Overview

Corporate name	MEGMILK SNOW BRAND Co., Ltd.
Business	Production and sales of milk, dairy products, beverages, and other foods
Registered head office	1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido
Head office	5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo (Plan to relocate in December 2025)
Established	October 1, 2009

Capital	¥20.0 billion
Fiscal year closing date	March 31
No. of employees (consolidated)	5,751 (as of March 31, 2025)
Stock exchange listing	Tokyo Stock Exchange Prime Market, Sapporo Securities Exchange
Securities code	2270
Shareholder ledger trustee	Mizuho Trust & Banking Co., Ltd.



Chronology of the Establishment of Megmilk Snow Brand



External Ratings

	Year announced (FY)		
	2023	2024	2025
Rating and Investment Information, Inc. (R&I)	A-	A	Yet to be announced
ESG Ratings			
MSCI	BBB	A	Yet to be announced
FTSE Russell	2.6	2.8	2.9
CDP			
● Climate Change			B
● Water Security			B
● Forests			C
Financial Services Agency			
Listed in collection of case studies for reference in responding to issues identified in the fiscal 2024 review of annual securities reports			
Nikko Investor Relations Co., Ltd.			
2024 Listed Companies Website Quality Rankings "Best Site" ranking			
2025 Certified Health & Productivity Management Outstanding Organization			
			
Platinum Kurumin			
			
Sompo Sustainability Index			
			