

## Message from the President



*Masatoshi Sato*

**Masatoshi Sato**  
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## 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

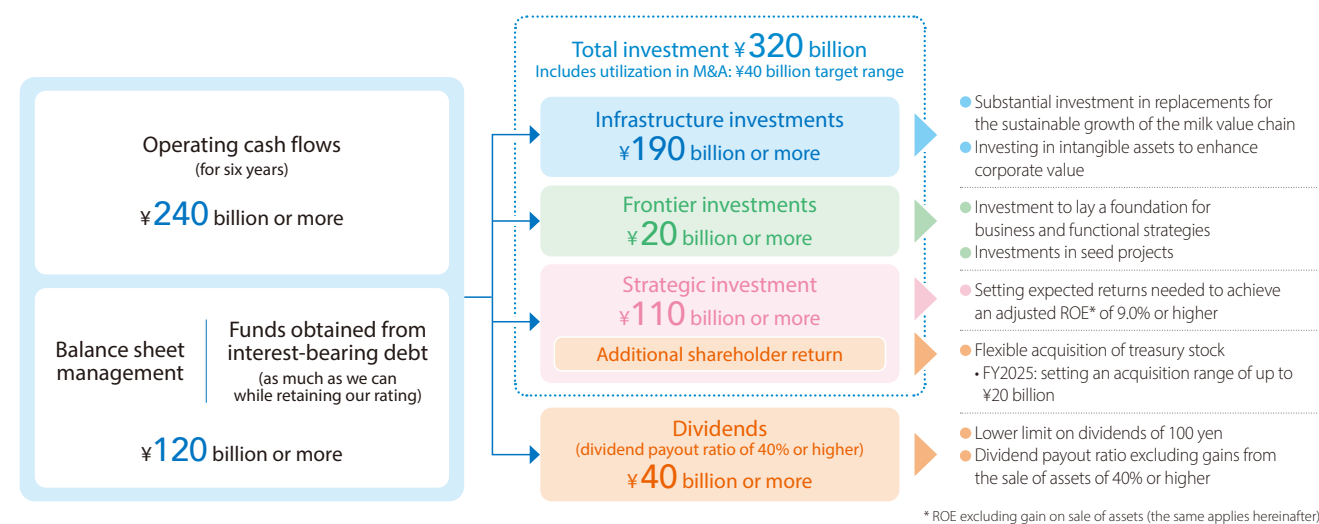
- Examine sale of idle assets, including plant restructuring and head office relocation



### 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

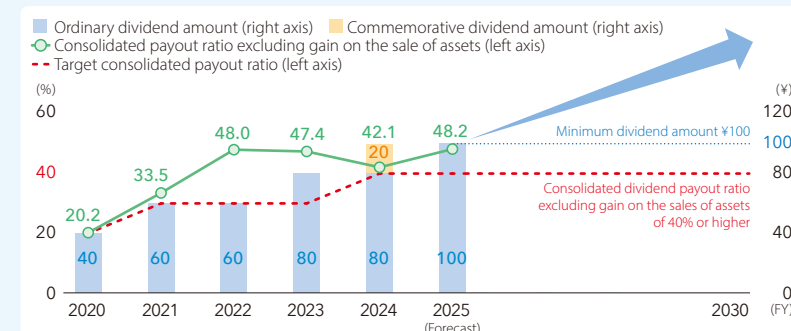


### Capital Measures

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

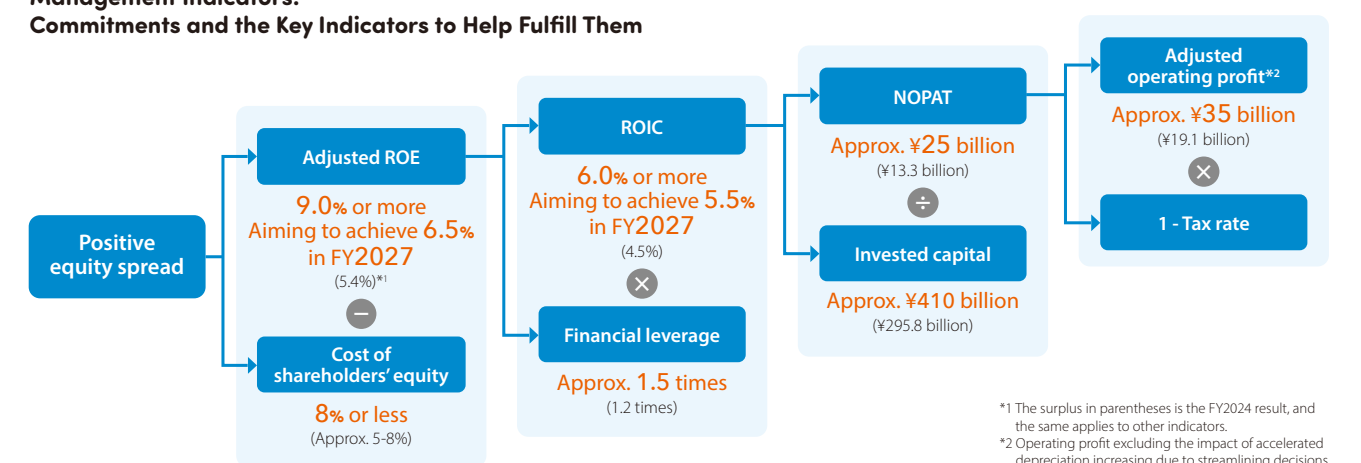
- Gradual optimization toward a target net DE ratio of 0.5 in line with the status of investment

### 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.