

# 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

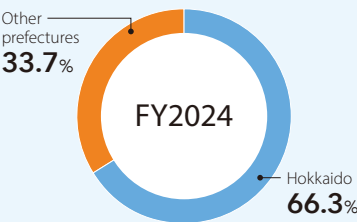
### Raw Milk Procurement

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

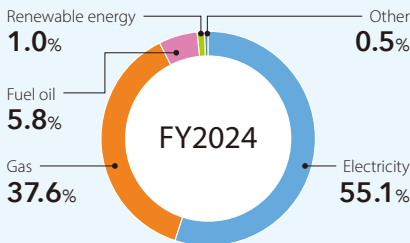
Megmilk Snow Brand has implemented various kinds of initiatives to ensure stable procurement of various types of energy and raw materials (cheese, fruit juices, packaging materials, etc.), which are affected by international conditions and climate change. For energy, we are working to expand the share 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.



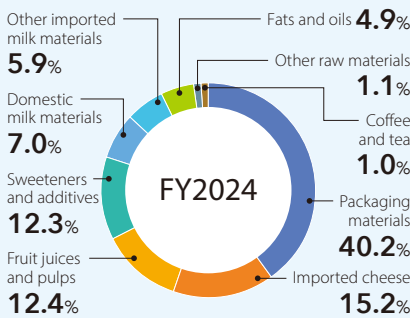
On-site inspection

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

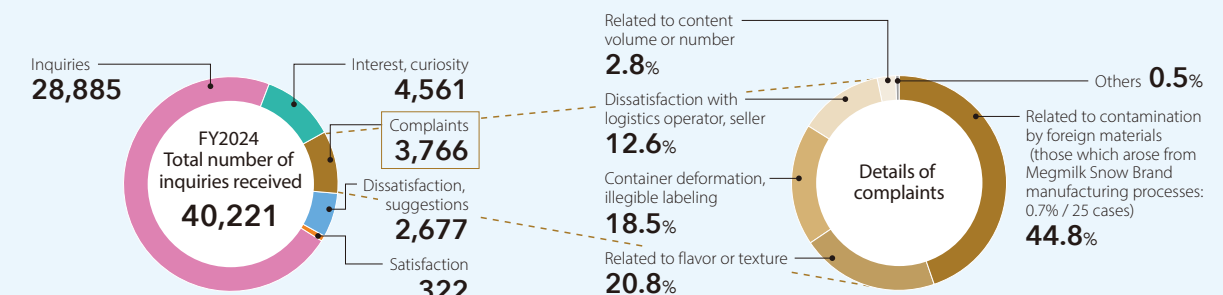
### Focusing Squarely on the Consumer

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

