

# 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

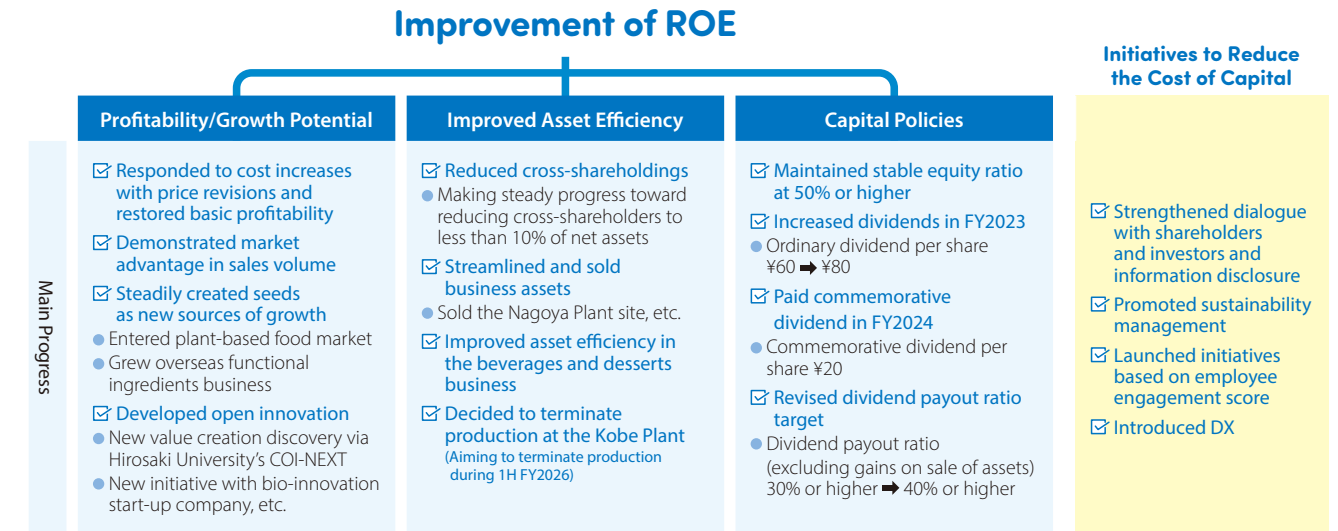
Special Feature to Commemorate the 100th Anniversary

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.



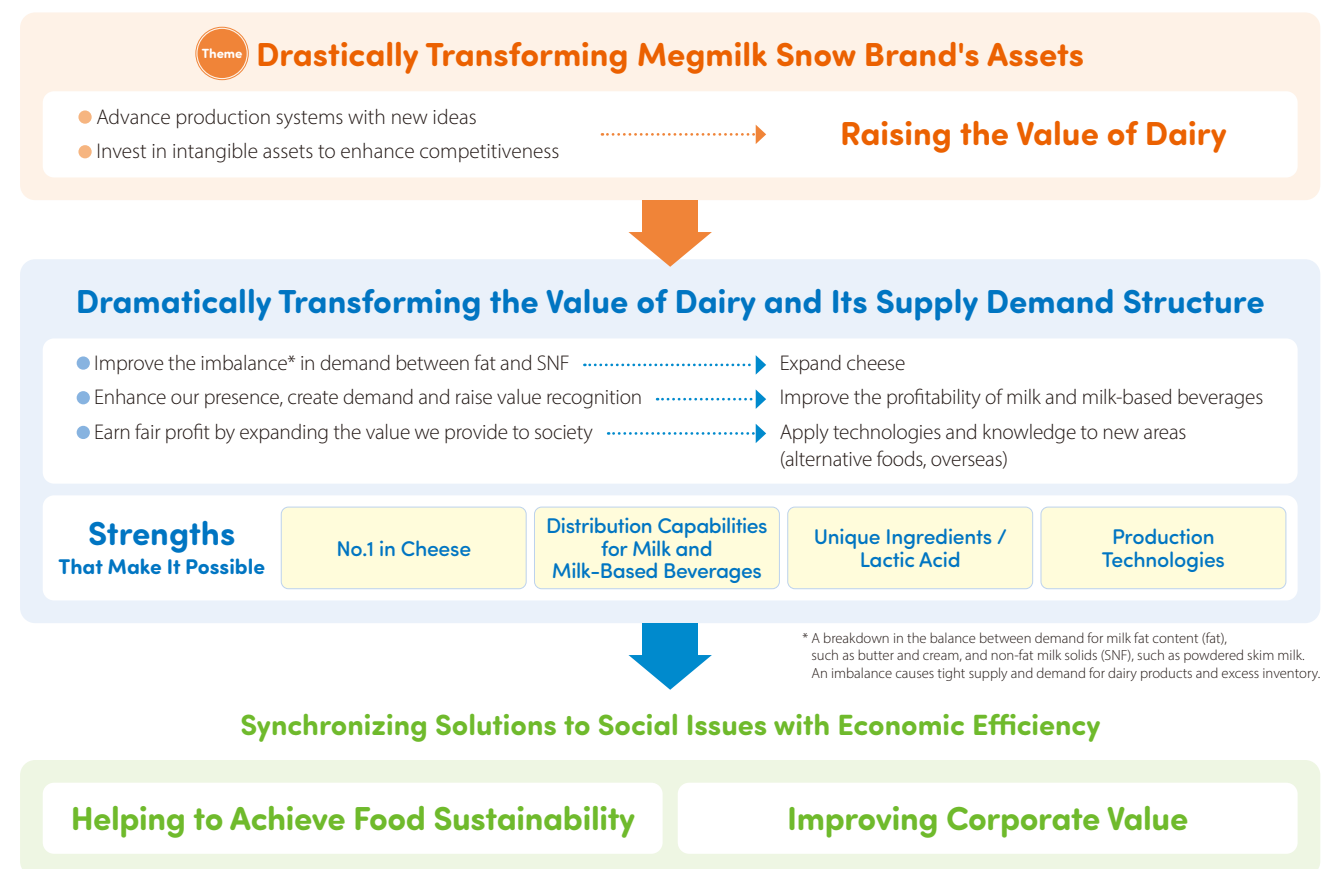
New Business Plan

# Next Design 2030

## 2030 Vision: The Social Issues We Recognize



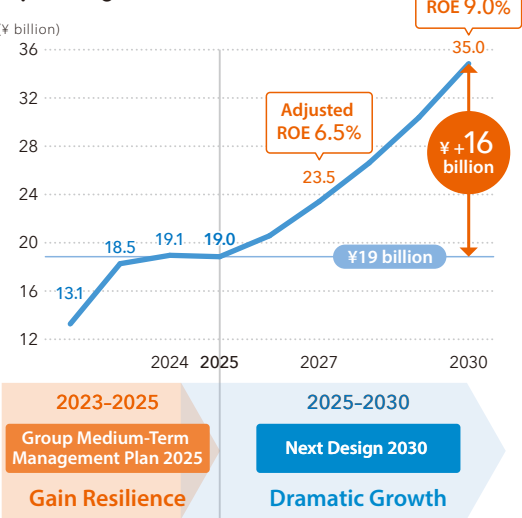
## Concept



## Management Indicators

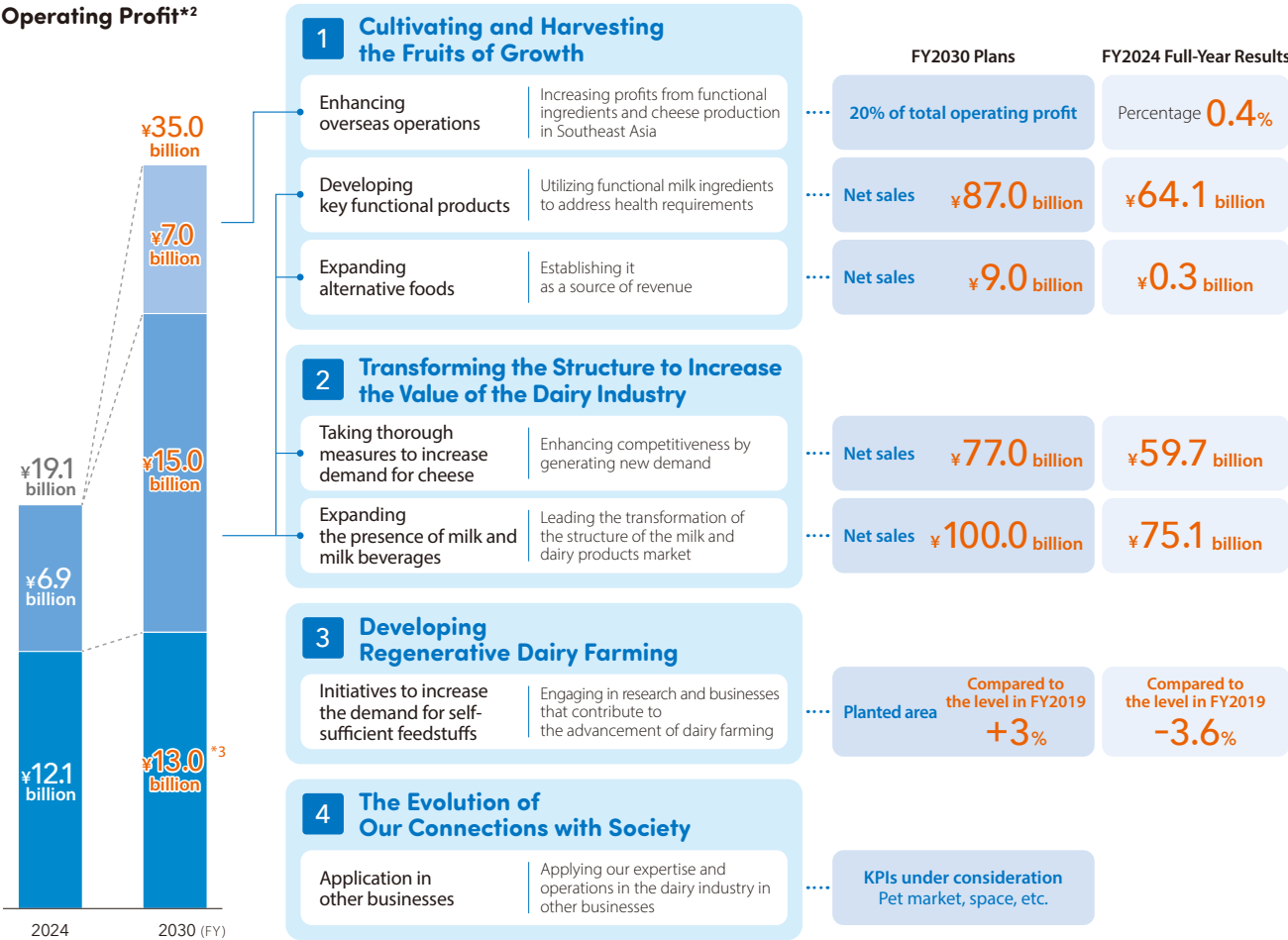
Basic Policy	Items	Indicator and Target	FY2024 Full-Year Results	Intermediate Milestone (FY2027)
Maintain financial soundness (continue to have an A rating in external assessments)	Commitments	Adjusted ROE*1: 9.0%	5.4%	6.5%
		ROIC: 6.0%	4.5%	5.5%
Reduce assets and invest in the business foundation and 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.)

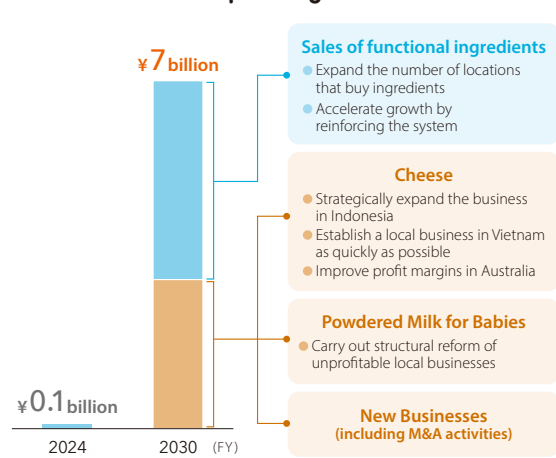
## Business Strategy: Overseas Business

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.

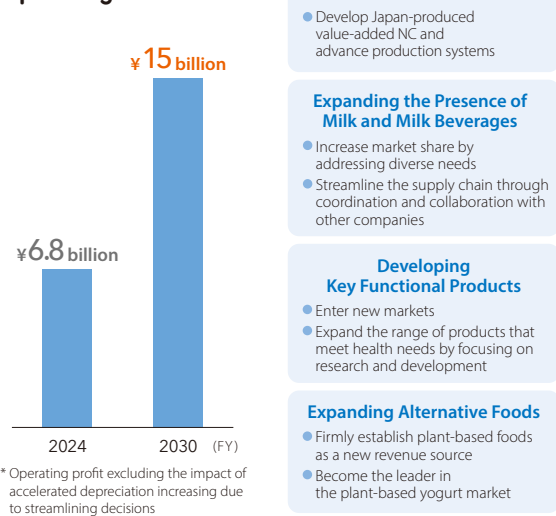
**Functional Ingredients:** We are expanding ingredients with health functions, including “MBP” in Asia, Oceania, North America, and other regions. As in Japan, there are high needs for improving quality of life (QOL) due to the aging population, and business opportunities will expand significantly as 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.

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Enhancing Overseas Operations

Increasing profits from functional ingredients and cheese production in Southeast Asia

KPI

FY2030: 20% of total operating profit

Result

FY2024: 0.4% of total operating profit

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

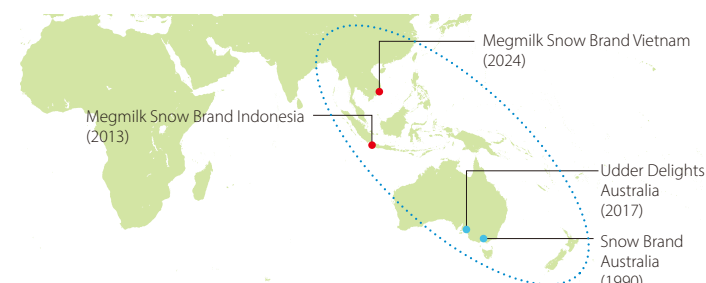
- Achieve the discontinuous growth in sales of functional ingredients
- Build milk VC by establishing local milk production bases
- M&A actions in the Asian dairy product and functional ingredients sales areas

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.

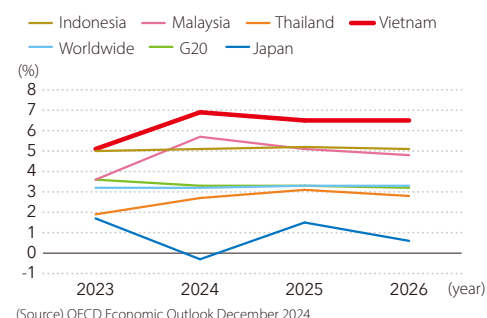


Establishment of Vietnam Subsidiary  
<https://contents.xj-storage.jp/xcontents/AS08619/d1b27ecf/83cc/47ac/816d/cb698c4d4c8f/20240520131219538s.pdf>

### 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)



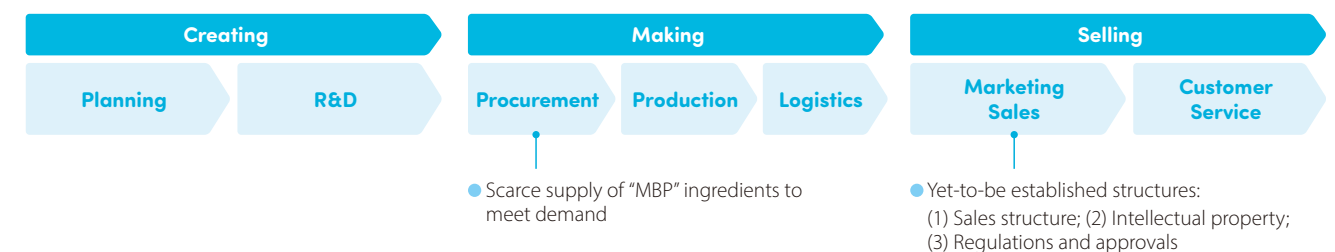
## BtoB Sales of Functional Ingredients Focused on “MBP”

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

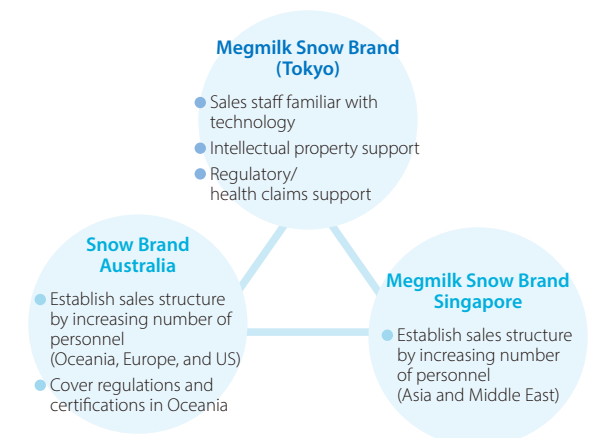
#### Establish Structures to Respond to Requests from Around the World

- 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

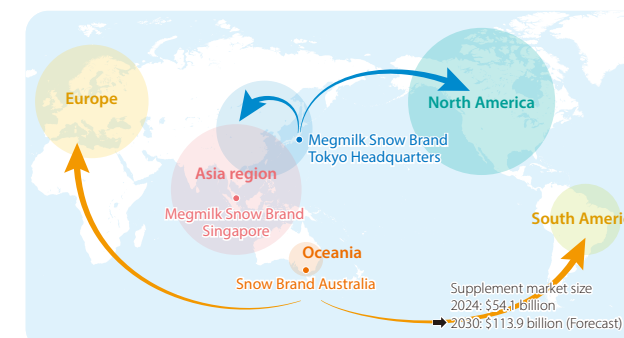
#### Strengthen Evidence and Increase Awareness

- 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

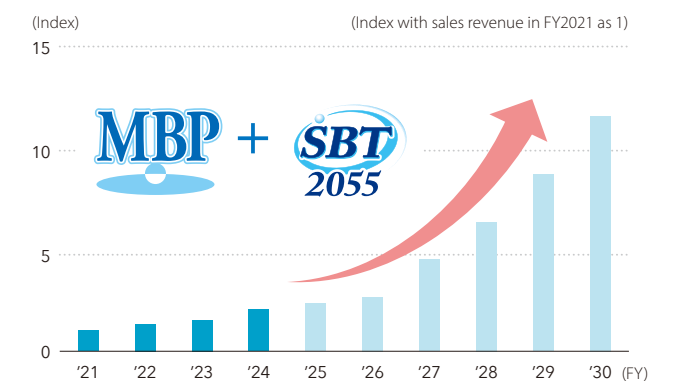


(Source) Market size: Personalized Nutrition and Supplements Market and Global Industry Size, Market Research Report by Global Information, Inc.

### 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”



- Sales have remained strong since the full-scale expansion of sales overseas in 2020
- Aiming to expand net sales with sales of “SBT2055” (*Lactobacillus gasseri* SBT2055) and other functional ingredients in addition to “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

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## Taking Thorough Measures to Increase Demand for Cheese



Enhancing competitiveness by generating new demand

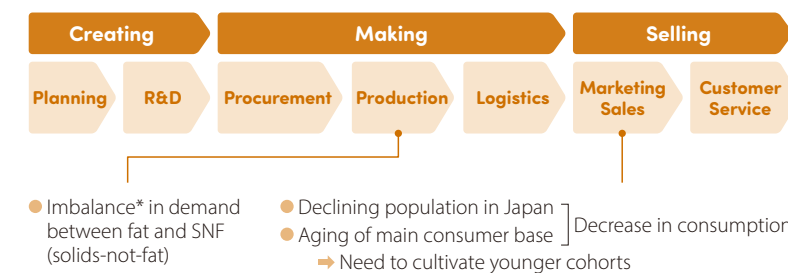
KPI FY2030: Net sales ¥77.0 billion

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.

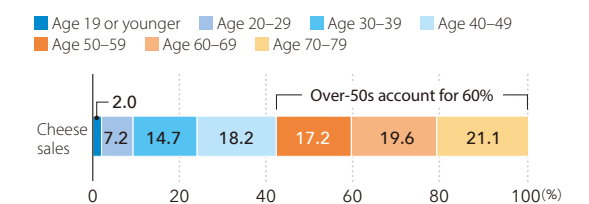
### Issues in the Value Chain



\* 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



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## 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

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## 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

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## 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.

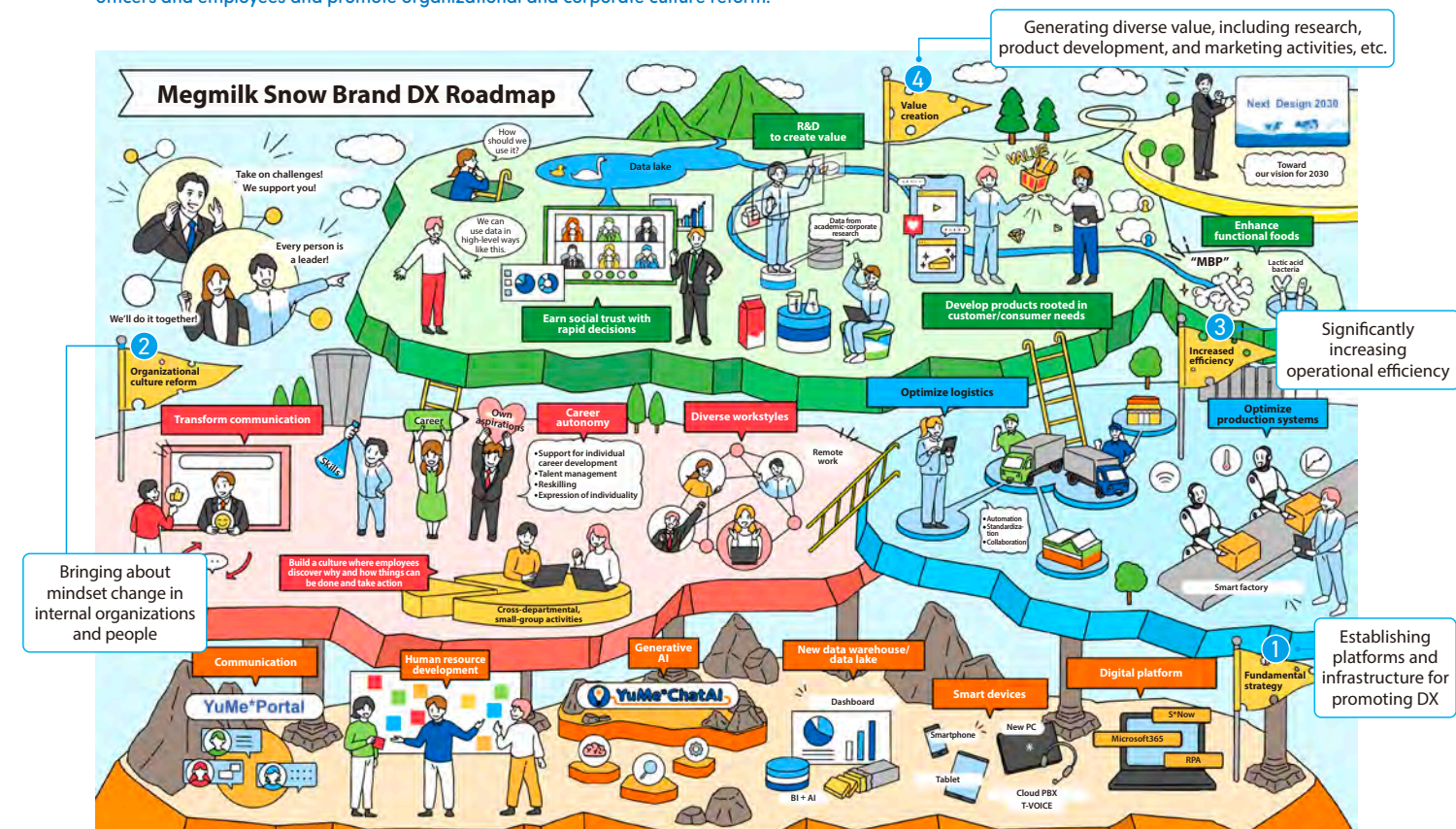
### Issues

- 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.



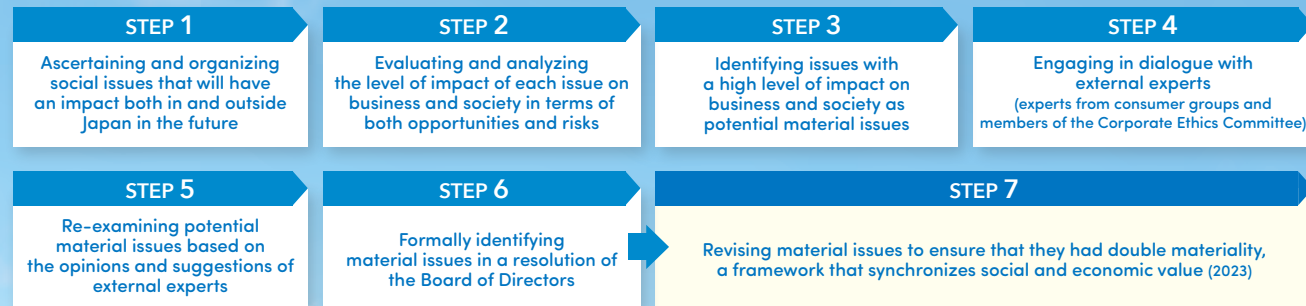


# Material Issues

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	● 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 CO<sub>2</sub>, 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\*<sup>1</sup>

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\*<sup>2</sup> 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

\*<sup>1</sup> Farmers who plough fields and cultivate crops \*<sup>2</sup> 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)



## 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 <sub>2</sub> emissions* by 50% (compared to FY2013) * Scope 1 + Scope 2	18.4%	23.5%	26.9%	26.7%	E
		2025	Use 100% environmentally friendly raw materials in paper used	87.1%	97.7%	99.0%	99.7%	F
	Sustainably Using Resources	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
		2030	Reduce waste product emissions by 30% (compared to FY2013)	23.1%	19.6%	34.4%	33.4%	G
	Building a Recycling-Based Society	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](https://www.meg-snow.com/csr/pdf/tnfd_250731.pdf)

### Responding to TNFD\*<sup>1</sup> 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\*<sup>2</sup> 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\*<sup>3</sup> and TNFD.

#### ① Governance P.72

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

\*<sup>1</sup> 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.

\*<sup>2</sup> The concept of halting and reversing biodiversity loss and restoring biodiversity

\*<sup>3</sup> 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

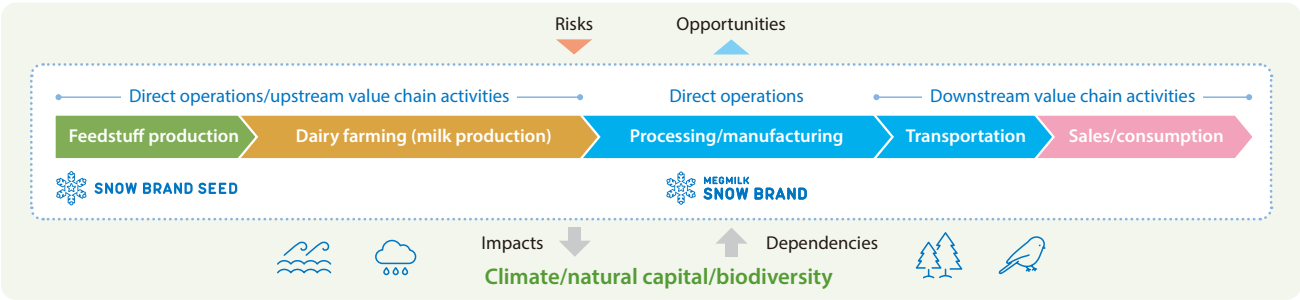


### ②Strategy

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

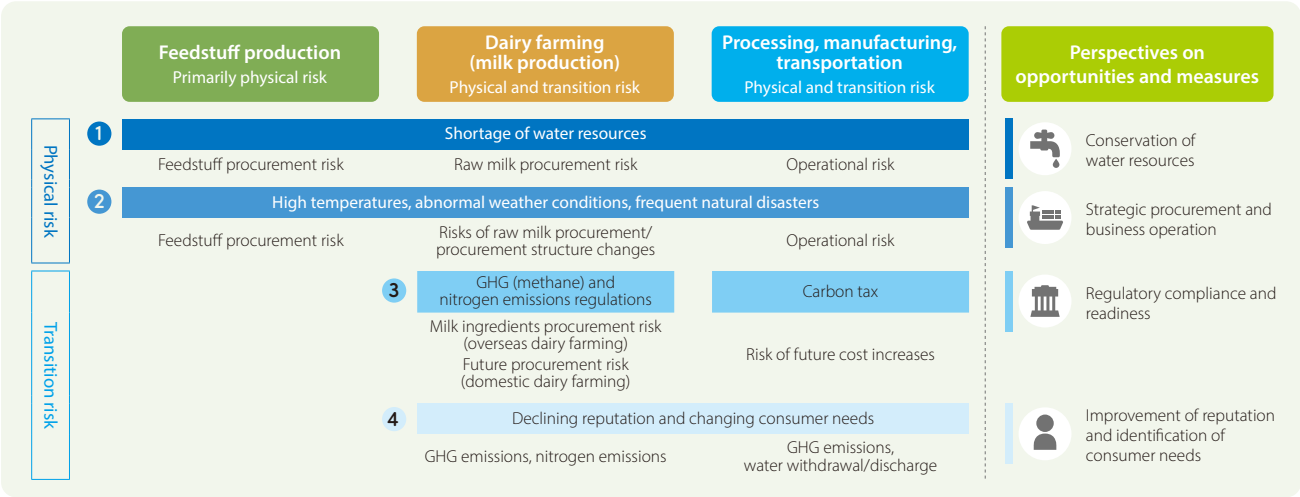
Minor impact

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℃	4℃			
					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 (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		●	●	●				
	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	
Processing, manufacturing, transportation	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>	Reduce the amount of water used at manufacturing sites: 9% reduction by FY2030 (compared to FY2013)
	Monitor water risk and ecosystems: Implement every year
	Assess amount of recharge of groundwater used in our products, consider water-neutrality target
<div>Strategic procurement and business operation</div>	Improve the sustainability of dairy farming (provide support for sustainable dairy farm management)
	Calculate amount of contribution to carbon reduction in dairy farming
	Produce feedstuffs in Japan and diversify suppliers: 3% increase in planting of grass feedstuff crops by FY2030 (compared to FY2019)
	Implement water risk and business continuity risk assessments: Implement every year
<div>Regulatory compliance and readiness</div>	Reduce nitrogen emissions in feedstuff production: 20% increase in planting of green manure crop seed by FY2030 (compared to FY2019)
	Decarbonization amount of reductions in Scope 1 and 2 emissions: 50% reduction by FY2030 (compared to FY2013)
<div>Improvement of reputation and identification of consumer needs</div>	Reduce use of petroleum-derived plastics: 25% reduction by FY2030 (compared to FY2018)
	Use environmentally friendly paper: 100% use
	Percentage use of certified palm oil (refined): 100% by FY2026
	Develop environmentally friendly products and collaborate with local environmental strategies
	Net sales of key functional products: ¥87.0 billion or more by FY2030
	Net sales of alternative foods such as plant-based foods: ¥9.0 billion or more by FY2030

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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions by a total of 700 t-CO<sub>2</sub>/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-CO<sub>2</sub>/year.

② Fuel Conversion Initiative for Boiler Facilities

Megmilk Snow Brand has been reducing CO<sub>2</sub> 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-CO<sub>2</sub>/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 CO<sub>2</sub> emissions reduction (1,400 t-CO<sub>2</sub>/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-CO<sub>2</sub>
- 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 CO<sub>2</sub> emissions)

\* A method by which companies set their own internal carbon price to promote reductions in CO<sub>2</sub> 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.



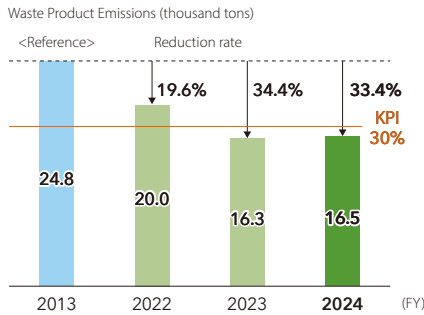
3 Upcycling Powdered Skim Milk

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

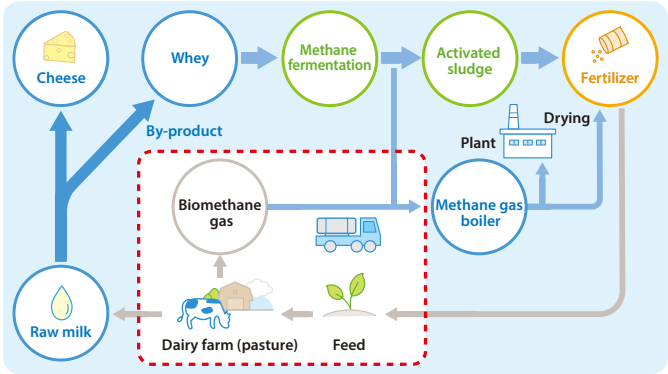
The Group has set KPIs to reduce waste product emissions by 30% (compared to fiscal 2013) and maintain a waste recycling rate of 98% or higher by fiscal 2030 to effectively utilize limited resources. We have introduced equipment to reduce the volume of sludge that is often produced in plants and are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

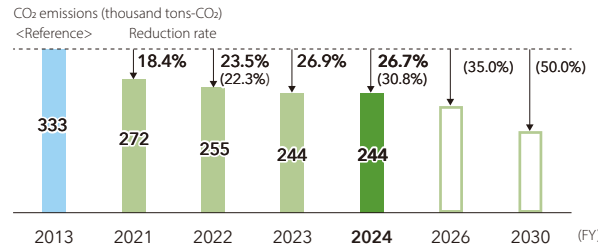
In fiscal 2025, we will begin supporting sustainable dairy farming utilizing dairy farming J-Credits. The process of making manure from livestock waste generates greenhouse gas. However, through the introduction of forced fermentation equipment, the process for making compost, which previously required 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-CO<sub>2</sub>) generated by the method to assist dairy farmers in Hokkaido with the cost of introducing the equipment.

Sustainable Finance Initiatives

WEB Sustainable Finance (in Japanese) ▶ <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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.

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



# 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		
Foreign workers	Human rights impact assessment	Ami Plant		●		●	●		●	●		(Goal)	
		Megmilk Snow Brand		●	●		●	●				Establishment of mechanisms to identify, prevent, and mitigate human rights risks in business activities	
		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.





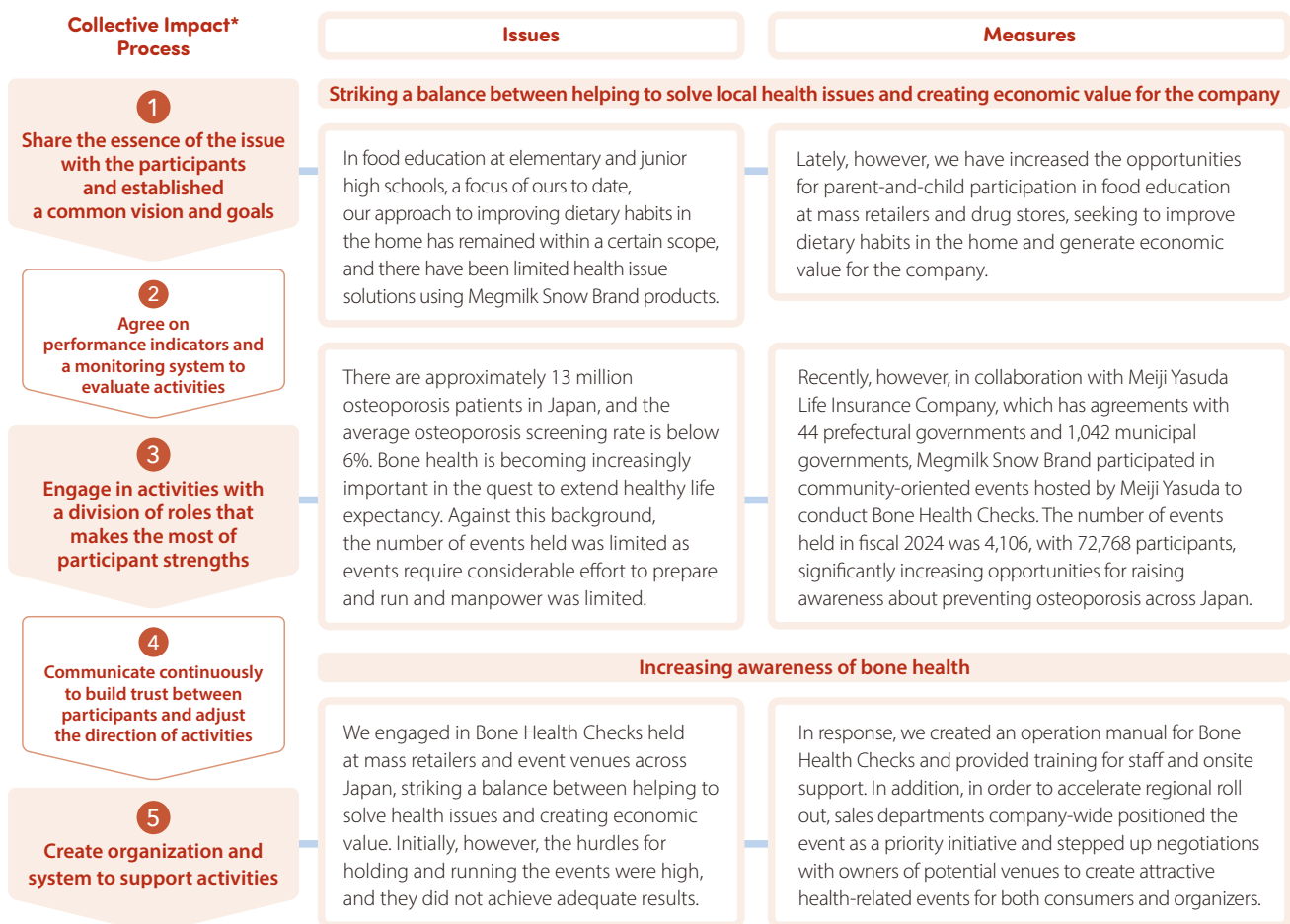
## Contributing to Local Communities

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"> <li>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.</li> <li>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</li> </ul>	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.



### Example Initiative

We held the “Cooking Class for Parents and Children Using Ibaraki-Produced Vegetables and Dairy Products” in January in a three-way collaboration between Ibaraki Prefecture, Kasumi Co., Ltd., and Megmilk Snow Brand. Professional “vegetable sommelier” Minato Ogata took part as a speaker. We promoted the sale of dairy products in stores.

Vegetable quiz by Minato Ogata



\* An approach in which a number of organizations and groups collaborate in working toward a common goal in order to maximize results in solving social issues (Reference: Cabinet Office website)