



Why Can We Do It?

To achieve dramatic growth, the Megmilk Snow Brand Group is working to strengthen and enhance its management base. Enhancing intangible assets and strengthening corporate governance hold the keys to attaining this goal.

Increasing the Value of Intangible Assets

Creating Value in the R&D Area

Competitive R&D Structure Delivers Constant Innovation to Drive Corporate Value

Hiroshi Kondo
Executive Officer



R&D Structure Creates Competitive Advantages

Megmilk Snow Brand's R&D functions work, based on close and high-level collaboration between three organizations. These are the Milk Science Research Institute, the largest and lead R&D center, the Products Development Dept., which fulfills business division needs and develops seeds from the research institute to create new products and improve existing ones, and the Research & Development Planning Dept., which plans and promotes R&D in collaboration with business and production divisions.

In order to deliver delicious taste and health functions to customers, the Milk Science Institute carries out extensive R&D on milk and dairy products. This fosters new product development meeting the needs of business divisions. The institute also focuses on future-oriented R&D, discovering seeds through basic research, which it translates into product development and new business growth. Group-wide, we promote human resources development and exchange through domestic and international study programs as well as intra-group collaboration. Our R&D divisions also implement personnel rotations that include human resources from production and business divisions, seeking to foster a highly diverse organization. We also work to build an open, transparent

R&D Structure

Milk Science Research Institute

Continuously creating new value for milk by pursuing delicious taste and health functions

Creating Value for Milk and Dairy Products

Research & Development Planning Dept.

Translating ideas, plans and seeds for the future from each business division into technological themes, and formulating strategies, including for turning them into intellectual property

Products Development Dept.

Developing products such as cheese, margarine, yogurt and beverages, and desserts

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

R&D Strategy Drives Growth in Corporate Value

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

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

R&D Themes Pioneer the Future

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

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



Iwaki Health Promotion Project health checks conducted at Hirosaki University

Example of Highly Competitive R&D

Development of Sakeru Cheese

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

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



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

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Leveraging Intellectual Property

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

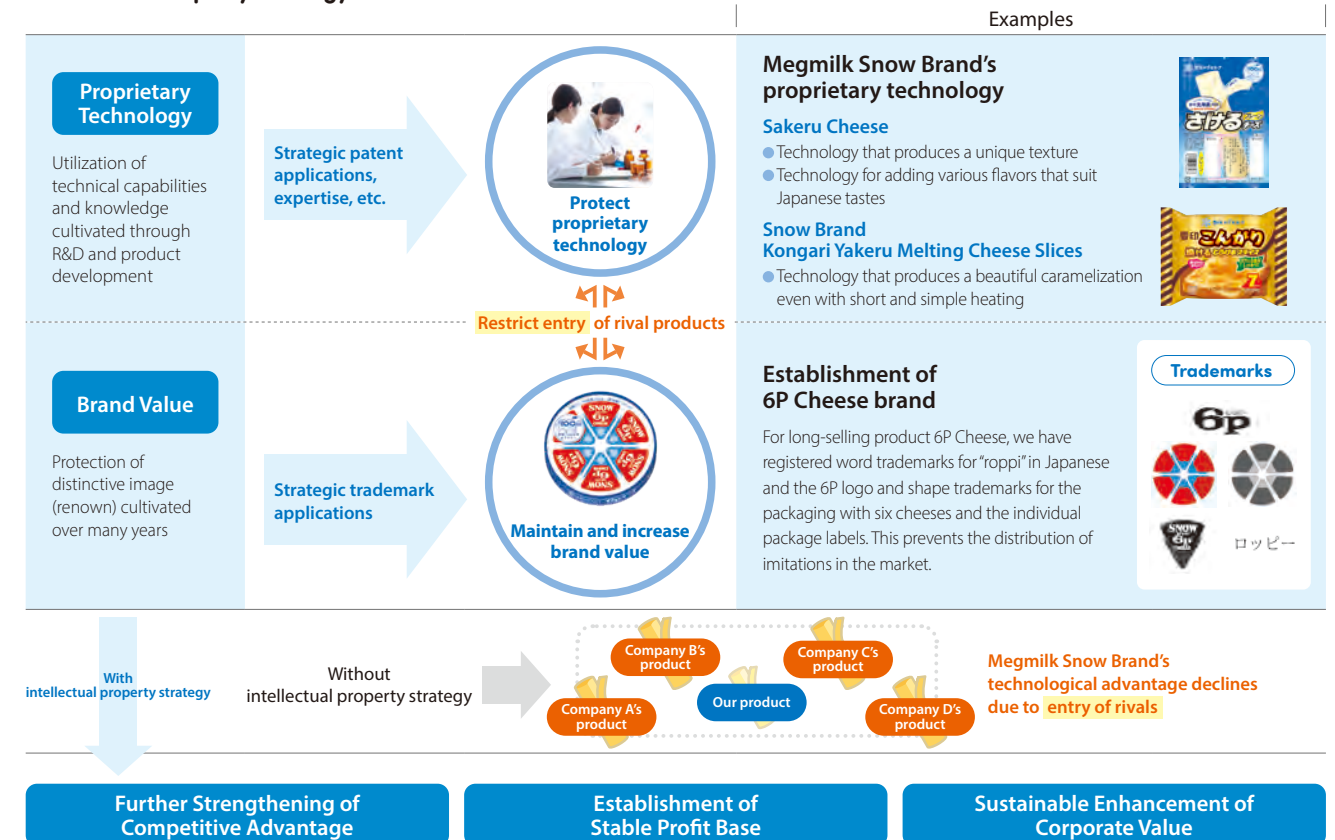


Philosophy on Intellectual Property and Promotion of R&D Capabilities
▶ <https://www.meg-snow.com/english/rd/philosophy-and-promotion/>

Basic Approach to Intellectual Property Policy

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

Intellectual Property Strategy



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

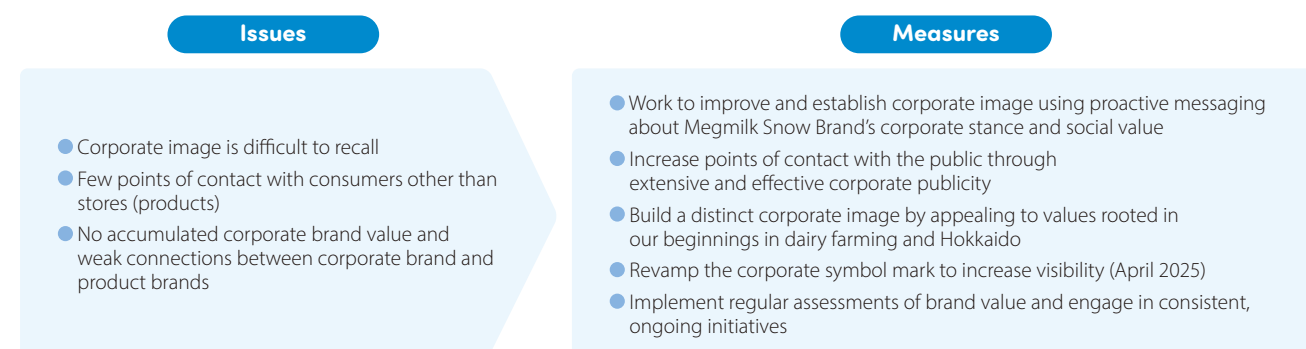
Brand Management

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



Strengthening the Corporate Brand

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



Brand Revitalization for Core Product: Sakeru Cheese



Enhancing Human Capital

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

Why Can We Do It?



A Human Capital Management Approach for Achieving Our Purpose and Commitment

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



Basic Strategy Align Management and HR Strategies

■ Addressing Personnel Issues in Hokkaido

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

Issues

Region-Specific Recruitment Issues and Environmental Changes

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

Measures

Reviewing Working Conditions and Systems

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

Hokkaido-Specific Initiatives

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

■ Securing Talent for Overseas Operations

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

Issue

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

Measures

Strengthening In-House Training

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

Recruiting External Talent

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

Basic Strategy Improving Employee Engagement

■ Fostering a Corporate Culture of High Job Satisfaction

—Efforts to Improve Engagement under Next Design 2030

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

Issue

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

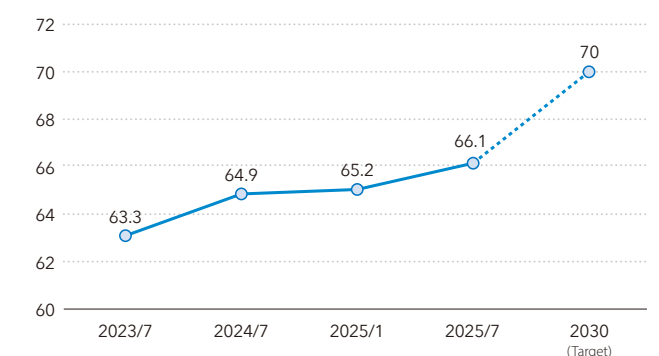
Measures

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

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

2.8pt increase

Employee Engagement Score



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

All eight workplaces improved scores in key metrics

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

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

Full-Scale Development of Health Management

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

Issues

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

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

Measures (Excerpt)

Healthy Lifestyle Challenge

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

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

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

Achieved a record-high participation rate!

Specific Health Guidance*

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

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

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

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

Basic Strategy Group HR Development and Career Development

Rebuilding the HR Development System

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

Issues

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

Measures

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

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

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Sharing and Spreading Values

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



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

1 Megmilk Snow Brand Group Concept Book

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



Megmilk Snow Brand Concept Book

2 Purpose and Commitment Workshops

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

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

Making Our Purpose and Commitment Personally Relevant



- STEP 1 ▶ Awareness and understanding
Understand the ideas and background of the Purpose and Commitment by watching the video, etc.
- STEP 2 ▶ Digesting and making it personal
Make the Purpose and Commitment personally relevant through workshops and dialogue

3 Megmilk Snow Brand Group Awards

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



Megmilk Snow Brand Group Awards 2024 Ceremony

Sustainability Management

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

Fumi Hatamoto Managing Executive Officer



Focusing on Consumers to Support Food Sustainability

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

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

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

Leveraging the Group's Special Features to Promote Sustainability

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

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

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

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

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

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

Basic Consumer Act

Eight Basic Consumer Rights

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

Five Business Operator Responsibilities, etc.

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

Our Response

Megmilk Snow Brand Group's Initiatives

Expanding Education about Food

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

Website Operation

- Proactively disclosing information
- Clarity in business operations

Establishing a Quality Assurance Structure

- Megmilk Snow Brand Quality Assurance System (MSQS)

Establishing a Risk Management System

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

Megmilk Snow Brand Group's Four Approaches

Providing safe and reliable products and services

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

Proactively disclosing information

Embracing consumers' feedback and reflecting it in management

Customer Relations Center

- Open 365 days per year
- Customer satisfaction improvement meeting

Corporate Ethics Committee

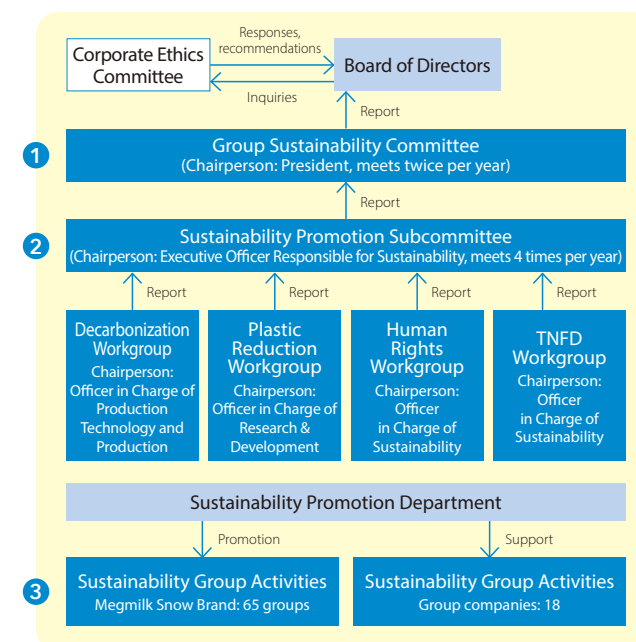
- Quality Subcommittee (plant quality audit from outside the company)
- Consumer Subcommittee (opinions on consumer-focused business operations)
- Product Information Subcommittee (consideration of product labeling from a consumer perspective)

* Numbers added for clarification of content

Sustainability Promotion Structure

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

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



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

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

2 Sustainability Promotion Subcommittee

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

3 Group Sustainability Activities

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

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

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

Solid Governance

Interview with an External Director

Supporting Steady Progress of the New Business Plan

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

Tomohiko Manabe

External Director, Audit & Supervisory Committee Member

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

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

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

before the meeting. These are important matters, and the external directors include a lawyer, a person with experience as a global company's director, and a person with experience in government administration, in addition to me, a financial expert. Therefore, I would very much like to see the agenda items provided sufficiently in advance of the board meetings, as this will facilitate more careful and in-depth discussions.

President Masatoshi Sato serves as the chair of the Board of Directors, and I am impressed with his facilitation skills. It is excellent that he has a deep understanding of all business execution-related agenda items, and he also provides the external directors with easy-to-understand explanations of the points at issue from the executive perspective. At times when discussions between the external directors and the executive team become unproductive, he ultimately steps in from a neutral perspective to separate the management oversight function and business execution function and determine the policy as a company. Therefore, I think that the Board of Directors is operating well.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

Corporate Governance

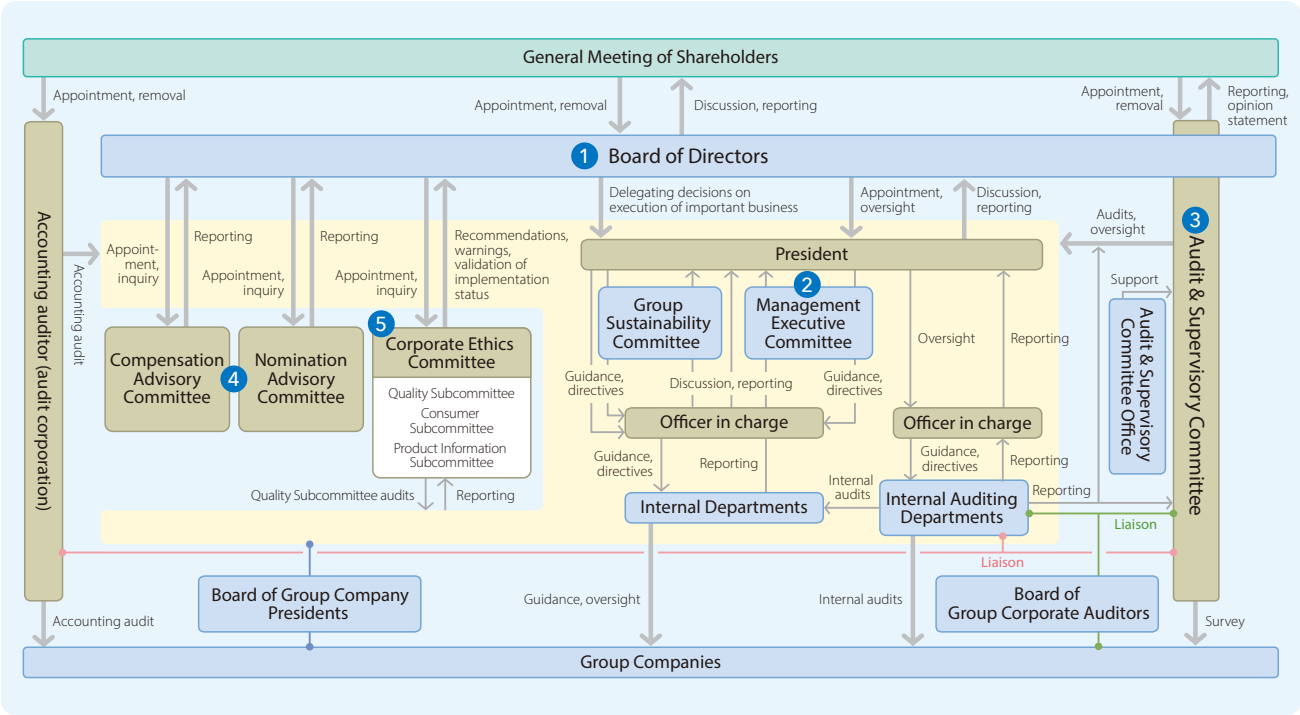
Corporate Governance Basic Policy

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

Changes in Corporate Governance Structure

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

Corporate Governance Organization Chart



Corporate Governance Organization

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

Expert Subcommittees of the Corporate Ethics Committee

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

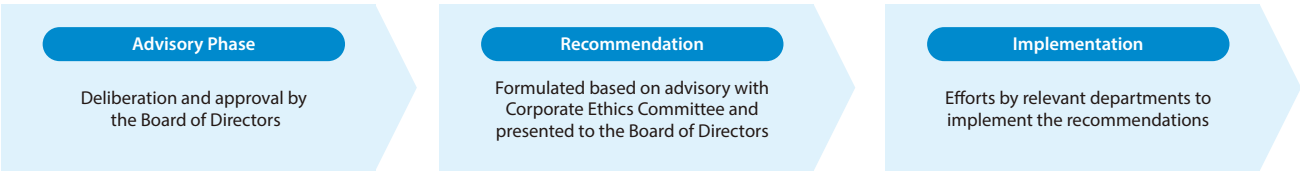
	Members	Activities
Quality Subcommittee	Experts in quality and hygiene management	To improve quality control in plants, this subcommittee conducts quality audits at plants and exchanges opinions with employees on the working environment and quality control. Plants draft and implement improvement proposals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

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

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

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

Advisory and Recommendation Process



Board of Directors Efficacy Assessment

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

1. Assessment method (self-assessment using questionnaires)

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

2. Overview of assessment results

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

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

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

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

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

4. Future initiatives and issues in FY2025

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

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

Policy Related to Decision on Concept of Compensation for Individual Directors

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

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

(1) Basic Policy

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

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

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

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

① Short-term incentive (cash bonus)

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

② Long-term incentive (stock-based compensation)

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

Weighting of Each Indicator for Long-Term Incentive

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

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

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

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

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

Total Amount of Compensation by Director Category in Fiscal 2024

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

Standards for Appointing and Dismissing Officers

■ Nominating Candidates for Director

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

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

■ Dismissal of Directors

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

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

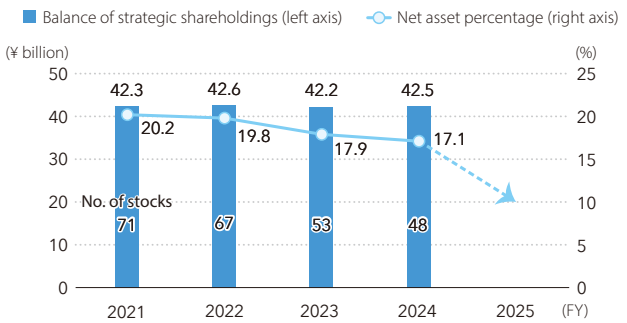
Strategic Shareholdings (Methods of Verifying Policy and Rationales for Holding)

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

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

■ Results of Initiatives in Fiscal 2024

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



Approach to Compliance

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

How Megmilk Snow Brand Ensures Thorough Compliance

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

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

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

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

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

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

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

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



Lecture

1 Harassment Prevention

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

2 Tax Compliance

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

Past Incidents

1 Snow Brand Milk Products Food Contamination Incident

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

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

2 Snow Brand Food Fraudulent Beef Labeling Incident

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

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

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

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

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

Risk Management

Risk Management Structure

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

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

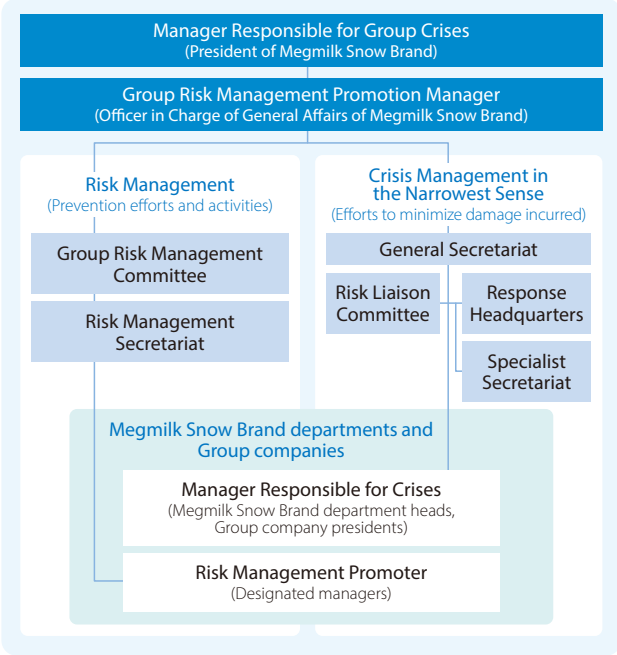
Three Basic Principles

1 (Individual responsibility) to not create risks

2 (Individual responsibility) to prevent colleagues from creating risks

3 (Mutual responsibility) to prevent escalation of risks

Megmilk Snow Brand Group Risk Management Structure



“Crisis management” is divided into the following two categories, and we address it based on the organization chart above.

► Risk Management (Prevention Efforts and Activities)

The Group Risk Management Committee, which carries out overall risk management, discusses the risks for priority management, as well as information on recent risk cases and trends provided by the secretariats, to confirm the direction of risk management. Each location receives direction from the committee, identifies and analyzes risks, and implements risk prevention efforts. In addition, regular training is provided to raise the risk sensitivity of risk management promoters.

► Crisis Management in the Narrowest Sense (Efforts to Minimize Damage Incurred)

Risks that arise within the Group are reported to the General Secretariat, which discusses the initial response as well as temporary and ongoing countermeasures in accordance with the level of impact, and then works to minimize the damage. The Risk Liaison Committee, which meets regularly, also manages risks that arise. In the event of a risk that is expected to have a significant impact on the Group, a task force headed by the president is established to share information and respond promptly.

Business Continuity Initiatives

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

Basic Policy on Business Continuity

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

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

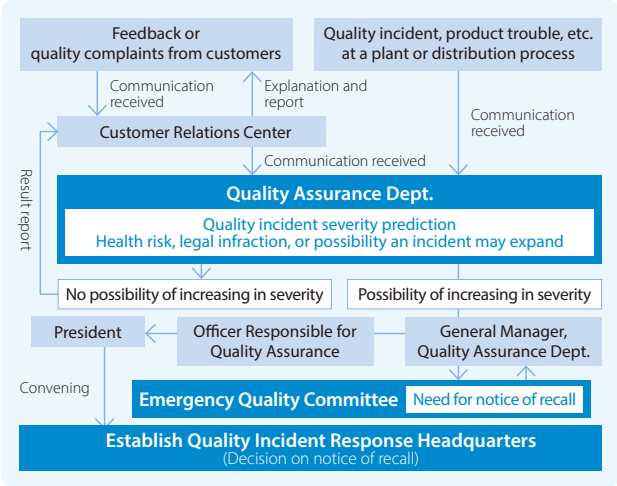
3 We maintain or restore key operations as quickly as possible.

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

Quality Incident Response

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

Quality Incident Response



Whistleblowing System

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

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

Number of Hotline Reports

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

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

Reporting and Corrective Action

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

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

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