

Value Creation Story

Why Do We Aspire to Food Sustainability?

Heightened Sense of Crisis (Risk) regarding Food Sustainability

- Japan**
- A dairy farming production base weakened due to a lack of successors
 - Decreased food demand due to a declining birthrate, aging population and falling population
 - Obvious vulnerability of the supply structure for fertilizers, animal feed and food, which is highly dependent on imports
 - Changing interest in food due to the diversification of values

- Global**
- Increased demand for food due to the growth of the world's population, and concerns about a tight supply and demand of protein
 - Harsh views on the environmental impact of the livestock industry
 - Frequent abnormal weather and fluctuations in food supply
 - Rising food prices due to the above-mentioned complex reasons

Business Opportunities for the Megmilk Snow Brand Group

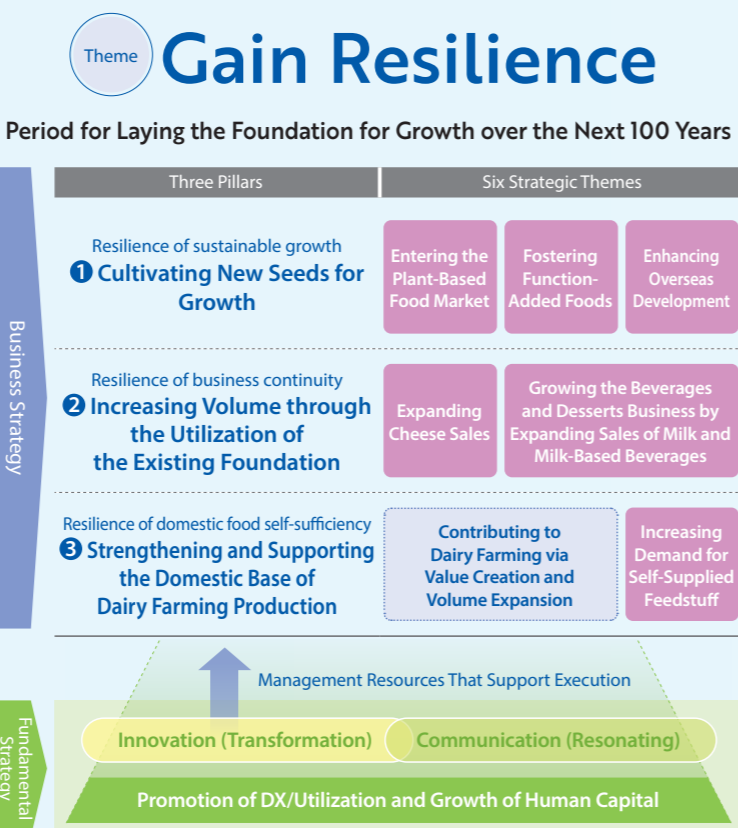
- The need for a stable, sustainable supply of milk and dairy products
- Growing demand for longer healthy lifespans and improved quality of life (QOL)
- Growing interest in living in harmony with nature and eating food with a lower environmental impact
- Development of overseas business to meet the increasing global demand for food
- Expansion of the alternative food market, such as food tech
- Growing desire for delicious taste and genuine products

Our Advantages in Contributing to Food Sustainability



How Will We Move Forward to Help Achieve Food Sustainability?

Steady Implementation of the Group Medium-Term Management Plan 2025



Why Can the Megmilk Snow Brand Group Help with Food Sustainability?

Strengths, Functions and Strategies That Enable Sustainable Management

<p>Insatiable R&D That Supports Food Sustainability P.51</p>	<p>Solid Trust and Brand Strength P.53</p>	<p>Self-Motivated, Challenge, Teamwork + Speed P.54</p>	<p>Our Solid Financial Strategy to Support Food Sustainability P.55</p>	<p>Sustainability Management to Help Achieve Food Sustainability P.58</p>	<p>Ensuring Governance Supports Sustainability Management P.61</p>
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For the Megmilk Snow Brand Group, striving to help achieve food sustainability is absolutely essential. In the "Value Creation Story" section, we clearly explain the dependable way we can achieve this and our current position, as well as the mechanisms that will sustain our management.

Steady Progress on Addressing Material Issues

Field	Material Issues	Core Activity Themes
Food	Provision of Sustainable Food	<ul style="list-style-type: none"> • Providing appealing milk and dairy products • Providing new options leveraging our vast knowledge and skills cultivated through milk • Providing safe products and services
	Contributions to Health through Food	<ul style="list-style-type: none"> • Initiatives for extending healthy life expectancy
Dairy Farming	Contributing to Sustainable Dairy Farming	<ul style="list-style-type: none"> • Activities to strengthen the dairy farming production platform
Environment	Reducing Environmental Impact	<ul style="list-style-type: none"> • Preventing global warming • Sustainably using resources • Building a recycling-based society
People and Society	Promoting Diversity and Respect for Human Rights	<ul style="list-style-type: none"> • Diversifying and developing human resources • Achieving work-life balance and improving labor productivity • Respecting human rights
	Contributing to Local Communities	<ul style="list-style-type: none"> • Partnering with local communities

Ensuring Compliance and Corporate Ethics



Providing Nutrition
Basic value of the dairy farming industry



Considering the Environment
Prerequisite for business continuity



Making the Most of Human Resources
Driving force for business continuity and development

Helping to Achieve Food Sustainability



Value Creation Process

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



Enhancing Management Capital

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

Promoting DX

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 transform our organizational culture, operations and business, accelerate our progress on material issues, and fulfill our vision (Purpose).

Specific Measures (Fiscal 2024)

- Introduce interactive AI "YuMe=ChatAI" for all employees
- Introduce DX human resource development program for all employees