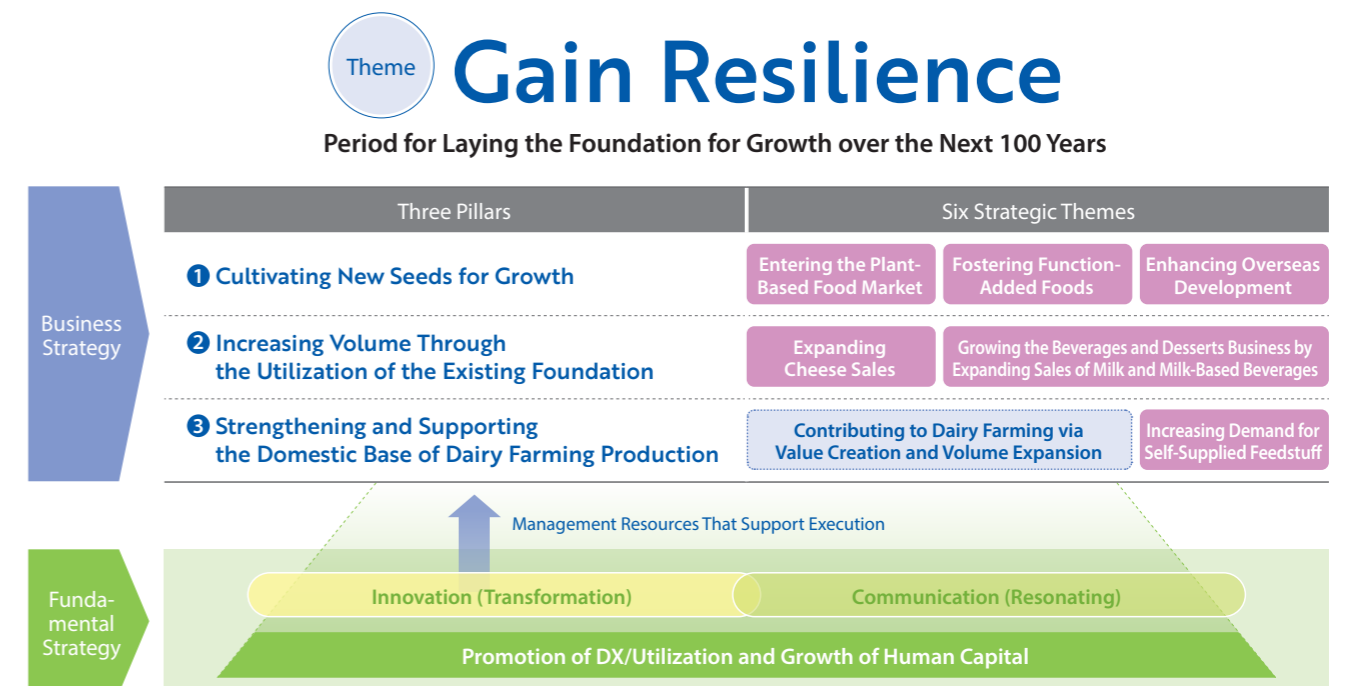


How Will We Move Forward to Help Achieve Food Sustainability?

At the Megmilk Snow Brand Group, we have a clear vision of the path we must take to help achieve food sustainability. Our own management must also be sustainable if we are to continue helping to build a world where everyone can live in prosperity. To this end, we will work to help achieve food sustainability by addressing our material issues, which synchronize social and economic value, pursuing the Group Medium-Term Management Plan 2025, and building a resilient management system.

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Progress on Group Medium-Term Management Plan 2025



Overview of Group Medium-Term Management Plan 2025

One of the main initiatives of the previous medium-term management plan, the Group Medium-Term Management Plan 2022 was to improve our production system. As a result, we have now established a production system organized efficiently around our main product categories, including butter, cheese, and dairy beverages. However, changes in consumer behavior since the pandemic and other factors have also affected the sales of the Megmilk Snow Brand Group, so we could not fully leverage the benefits of the improved production system. In addition, we also faced soaring prices of fuel and materials worldwide. As a result, operating profit declined in fiscal 2021 and in fiscal 2022.

The challenge for the Group is to gain resilience to environmental changes like these that may occur in the future, while at the same time paving the way to higher corporate value in the future. The Group will celebrate its 100th anniversary next year in 2025. The theme of the Group Medium-Term Management Plan 2025 is "Gain Resilience," and we have designated the period of this plan as a time to prepare for the next 100 years by building a resilient business structure and reinforcing the foundations essential for growth.

With our business strategy, we are working on six specific strategic

themes, with a focus on three pillars: "cultivating new seeds for growth" to ensure sustainable growth; "increasing volume through the utilization of the existing foundation" to improve business continuity; and "strengthening and supporting the domestic base of dairy farming production" to boost Japan's food self-sufficiency.

With our fundamental strategy, we aim to promote innovation by aligning our organization with the direction of the medium-term management plan and by strengthening R&D, to strengthen communication with internal and external parties by emphasizing empathy through dialogue, and to promote DX and make the most of and grow human capital as the foundation for all business activities.

The six strategic themes in the business strategy are: entering the plant-based food market; fostering function-added foods; enhancing overseas development; expanding cheese sales; growing the Beverages and Desserts Business by expanding sales of milk and milk-based beverages; and increasing demand for self-supplied feedstuff. KPIs have been set for each of these, and we are disclosing the progress we have made. In addition, initiatives to improve ROE linked to financial and capital strategies, as well as cash allocation plans, are being disclosed and implemented.

Progress on Six Strategic Themes

Steady Progress on Strategic Themes

Entering the Plant-Based Food Market: We entered the plant-based food yogurt and beverage markets in March 2024, launching a new brand called Plant Label that will be used for products to be launched in the future.

In addition, in order to manufacture ingredients for plant-based foods, we established Agro Snow Pte Ltd in 2023, and in February 2024, we completed the acquisition of land for the construction of a new plant in Malaysia, with plans to start operations in the second half of fiscal 2025 or 2026.

Fostering Function-Added Foods: This is a high-value-added field where we can demonstrate our unique attributes based on the R&D results achieved by the Megmilk Snow Brand Group. We will share the results of our research and development departments, including the initiatives taken by our Hirosaki University COI-NEXT location, which started in 2023, as new health-function values and health claims. In addition, Megmilk Snow Brand's unique ingredients, such as "MBP" and Gasserri Bacteria SP Strain, which have a proven track record in Japan, are attracting more inquiries from overseas, particularly in Asia, where populations are aging. We will build up sales of functional ingredients in overseas markets as one of our future growth drivers.

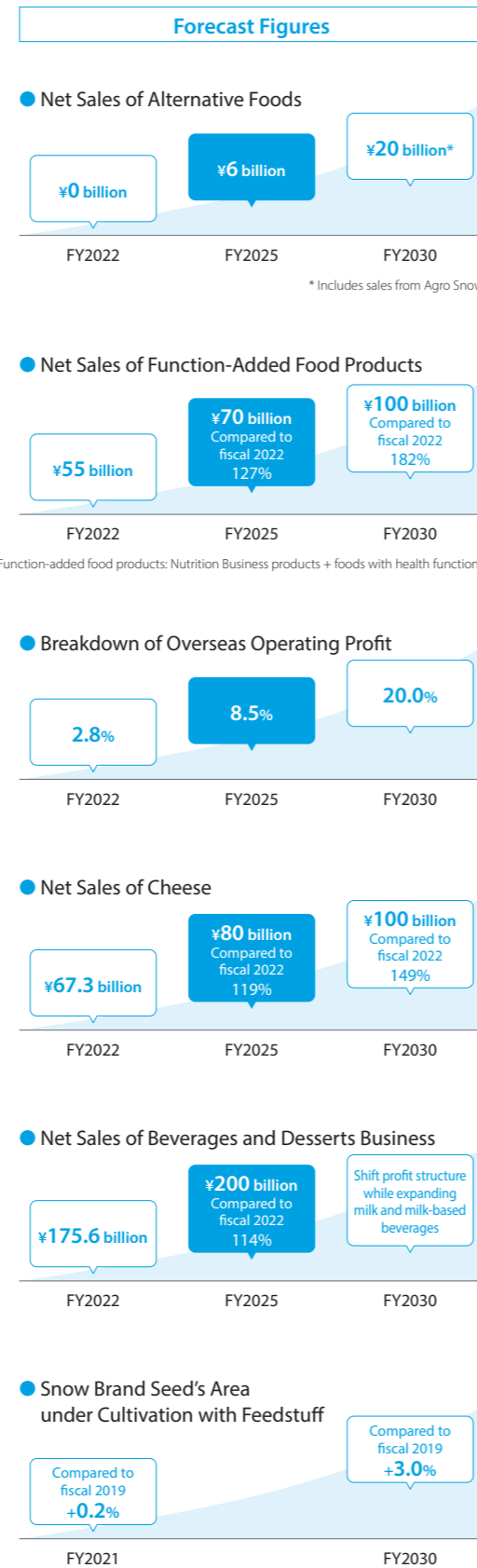
Enhancing Overseas Development: We have established a new manufacturing site for processed cheese in Vietnam, and we aim to start full-scale operations in fiscal 2026. This brings the total number of overseas cheese production bases to four, including one in Indonesia (processed cheese) and two in Australia (natural cheese), and the number is steadily increasing. We need technology to localize products to meet local needs to capture the Asian market. We will utilize the technological capabilities that our Group has cultivated to penetrate this market.

Expanding Cheese Sales: The production capacity for Sakeru Cheese at the Taiki Plant was expanded, and after the new line began operating in July 2023, sales volume grew by double digits. In addition, in July 2024, we acquired shares in Yoshida Corporation (making it a subsidiary), and we will utilize it as a strategic partner that will become a base for innovation, such as the development and manufacture of plant-based foods, as well as cheese.

We will quickly launch products based on new concepts.

Growing the Beverages and Desserts Business by Expanding Sales of Milk and Milk-Based Beverages: As the prices for products such as milk continue to be revised, beverages such as Mainichi Honebuto "MBP" supported demand and achieved growth. "MBP" Drink continued to grow, with sales exceeding 2 billion yen in fiscal 2023. Among our yogurt products, family-size types such as Nachure Megumi performed well. We are also working to improve asset efficiency, and in April 2024 we sold the site of the Nagoya Plant, which had been closed after being integrated with the Toyohashi Plant.

Increasing Demand for Self-Supplied Feedstuff: The area cultivated with grass and feedstuff seeds decreased in fiscal 2023 due to factors such as a delay in sowing caused by low temperatures in early spring. We will continue to work to expand sales of grass and feedstuff seeds by improving grassland renewal.



Four Areas Driving Growth

High Market Growth × High Capital Efficiency (Profitability × Asset Efficiency)

	Japanese Market	4 Overseas Markets
1 Plant-Based Food	<ul style="list-style-type: none"> Plant Label × Market entry with existing brands 	<ul style="list-style-type: none"> Launch of BtoB business after the startup of the new Agro Snow plant
2 Function-Added Foods	<ul style="list-style-type: none"> Launch of new health claims Growing recognition of the functions of existing ingredients 	<ul style="list-style-type: none"> Aggressive expansion of functional ingredients
3 Cheese	<ul style="list-style-type: none"> Growth of domestic natural cheese Discontinuous growth through M&A 	<ul style="list-style-type: none"> Acceleration of Asian market acquisition Discontinuous growth through M&A

Overview of Fiscal 2023 Financial Results

As shown on the right, we achieved gains in sales and profit in fiscal 2023. The increase in profit attributable to owners of the parent was due to the recording of gains on the sale of investment securities. We also addressed rising raw material costs by revising our prices, and profitability recovered as a result.

	FY2023	Y-on-Y
Net sales	¥605.4 billion	+¥21.1 billion (+3.6%)
Operating profit	¥18.4 billion	+¥5.4 billion (+41.4%)
Ordinary profit	¥19.8 billion	+¥5.4 billion (+37.3%)
Profit attributable to owners of the parent	¥19.4 billion	+¥10.3 billion (+112.8%)

Net Sales by Business Segment

Dairy Products Segment

	FY2023	Y-on-Y (¥billion)	Y-on-Y change (%)
Butter	27.8	+0.5	+2.2
Margarine	8.6	+0.3	+3.9
Cheese	59.9	+2.4	+4.2
Other than the above	27.9	-0.4	-1.7
Subsidiaries, etc.	134.8	+4.3	+3.3
Total	259.2	+7.1	+2.8

Nutrition Business (of the Dairy Products Segment)

	FY2023	Y-on-Y (¥billion)	Y-on-Y change (%)
Functional foods	9.1	+0.1	+1.7
Powdered milk and other	10.6	-0.1	-1.7
Total	19.7	-0.0	-0.1

Beverages and Desserts Segment

	FY2023	Y-on-Y (¥billion)	Y-on-Y change (%)
Milk and milk-based beverages	78.6	+7.0	+9.8
Other beverages	29.7	+0.6	+2.1
Yogurt	50.8	+3.0	+6.3
Desserts and fresh cream	25.8	+2.5	+10.9
Other than the above	4.0	+0.4	+11.6
Subsidiaries, etc.	66.8	+1.3	+2.0
Total	256.0	+14.9	+6.2

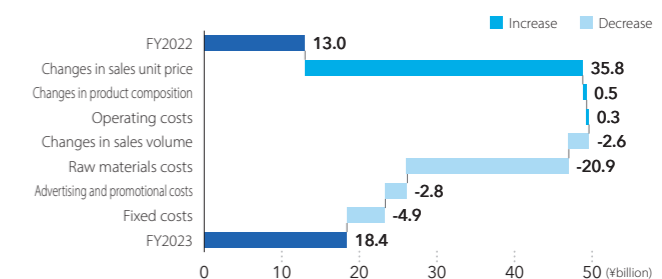
Feedstuffs and Seed Segment

	FY2023	Y-on-Y (¥billion)	Y-on-Y change (%)
Feedstuff	41.5	-2.6	-6.0
Seeds and other	9.3	0	0
Total	50.8	-2.6	-4.9

Net Change in Consolidated Operating Profit

Operating profit increased by 5.4 billion yen over fiscal 2022. Price revisions resulted in a significant positive difference in the unit sales price, which exceeded the negative impact from higher raw material costs. Advertising and promotional expenses increased due to efforts to bolster advertising. The increase in fixed costs was due to factors such as increased depreciation and labor costs (base pay increase).

Factors in Net Change in Consolidated Operating Profit





Dairy Products Business



Business Environment and Potential

Between 2022 and 2023, this business was significantly affected by milk price revisions attributable to the rise in the costs of raw milk production in Japan and a sharp rise in energy costs and raw material prices. We adapted by revising prices and absorbing costs. We will continue to launch new products, carry out promotions to stimulate demand, and capture robust inbound demand. Furthermore, we will accelerate business development by taking advantage of the geographical advantages of our local subsidiaries in the Asian region, an area expected to grow in the future, and by identifying local markets and their needs, developing markets, and expanding exports.

Basic Strategies and Strengths

- We will continue to work to stimulate demand among customers for our main brands, which have a high market share, such as Snow Brand Hokkaido Butter, Neosoft, 6P Cheese, and Sakeru Cheese. We will also aim to further expand the market by building on our range of products that create new demand.
- We are utilizing the cheese processing technology and quality control system that we have cultivated over the past 90 years since the 1930s to enable Megmilk Snow Brand Indonesia to develop products that meet local needs and develop the cheese market in Southeast Asia.

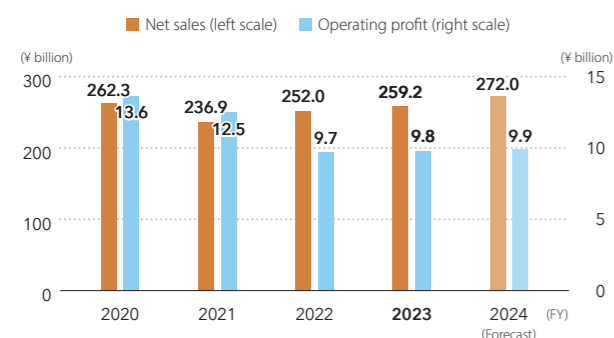
Progress on Group Medium-Term Management Plan 2025

In the Dairy Products Segment in fiscal 2023, we implemented price revisions to offset various cost increases and also carried out promotional activities to stimulate demand, achieving increased sales and profits. As part of the Group Medium-Term Management Plan 2025 strategy of cheese sales expansion, the production system for Sakeru Cheese at the Taiki Plant was expanded in the second quarter to launch a new product, Sakeru Cheese Consommé Flavor. This helped to drive double-digit growth. In July 2024, Yoshida Corporation was made a subsidiary as a strategic partner in our expansion of the cheese business. We will accelerate the growth of our cheese business by selling a cheese

sauce called "torochi," which is designed to create a new cheese food culture, and by entering the plant-based food market. We will work to attract and retain new customers by actively promoting our mainstay 6P Cheese and Sakeru Cheese products.

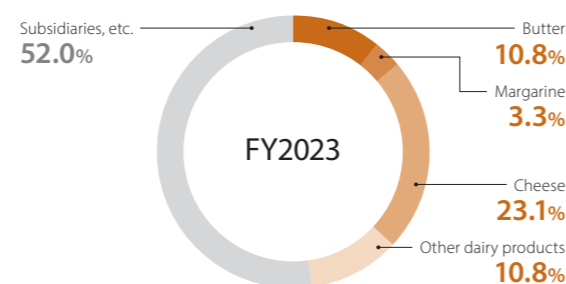
Overseas, we are establishing a new processed cheese manufacturing and sales base in Vietnam. We will leverage the technology and expertise of the Megmilk Snow Brand Group to develop processed cheese that is aligned with local needs and the value chain. Together with Megmilk Snow Brand Indonesia, we are promoting development in the Asian market, which is expected to achieve impressive growth.

Net Sales and Operating Profit (Dairy Products Segment)



(Notes) 1. Includes Nutrition Business.
2. Net sales figures for fiscal 2020 is before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Percentage of Net Sales (Dairy Products Segment)



Beverages and Desserts Business



Business Environment and Potential

In this business, we responded to cost increases, such as the rise in the price of raw milk, by revising prices, and this improved profitability. Greater health consciousness means that consumers are demanding that companies meet a wide range of needs. We will continue to work to improve profitability by increasing the composition of high-value-added products, such as "MBP" Drink, yogurt containing the *Lactobacillus gasseri* SBT2055, and Nyu-San-kin Helve (*Lactobacillus helveticus* SBT2171) Yogurt.

Basic Strategies and Strengths

- We will work to develop products that meet consumer needs by linking the health claims of our products to research results, for instance on Megmilk Snow Brand's original "MBP" and lactobacillus, as well as by capitalizing on the value of milk.

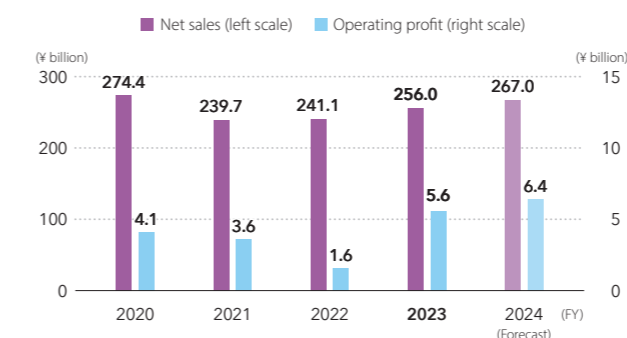
Progress on Group Medium-Term Management Plan 2025

In fiscal 2023, the Beverages and Desserts Segment recorded an increase in both sales and profits because the effect of price revisions outweighed higher costs, among other factors. In the milk and milk-based beverage category, while there was a tendency for consumers to slow down on purchases due to price increases and to switch to lower-priced products, demand for milk-based beverages such as Mainichi Honebuto "MBP" was strong, and sales grew significantly. In the yogurt category, family-use products such as Nachure Megumi and Makiba no Asa performed well.

The strategies in the Group Medium-Term Management Plan 2025 being carried out by the Beverages and Desserts

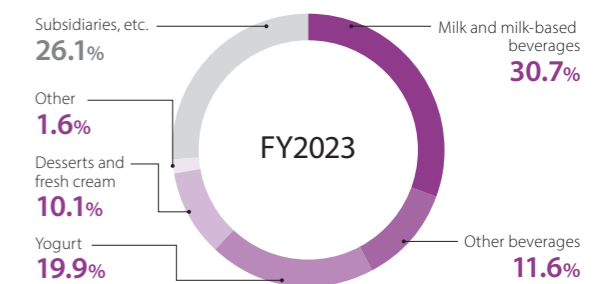
Business, include "fostering function-added foods" and "entering the plant-based food market." "MBP" Drink, a mainstay of our functional food lineup, has continued to grow. Partly due to the impact of new products with no added sugar or low calories, sales in fiscal 2023 reached the 2 billion yen mark. In spring 2024, we launched a new plant-based food brand called Plant Label, and we released two new products in the yogurt category and two in the beverage category. For these four products, we are targeting sales of 2 billion yen in fiscal 2024. We will add health claims to our yogurts that use Snow Brand Megmilk's proprietary *Lactobacillus gasseri* SP strain lactic acid bacteria to capture new demand.

Net Sales and Operating Profit (Beverages and Desserts Segment)



(Note) Net sales figures for fiscal 2020 is before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Percentage of Net Sales (Beverages and Desserts Segment)





Nutrition Business



Feedstuffs and Seed Products Business



Business Environment and Potential

As the number of elderly people in Japan increases, there is a growing need for products that can be used in everyday life to prevent locomotive syndrome and help extend healthy life expectancy. Populations are also rapidly aging in other Asian countries, so the market that could be a target for selling materials and developing cross-border e-commerce continues to expand.

Basic Strategies and Strengths

- We will promote the unique value of Mainichi Hone Care "MBP," the only Food for Specified Health Uses in Japan that is permitted to display the claim "helps to increase bone density," and aim to expand our mail-order business.
- We are reinforcing our system for selling functional ingredients such as "MBP" to overseas markets on a BtoB basis.

Progress on Group Medium-Term Management Plan 2025

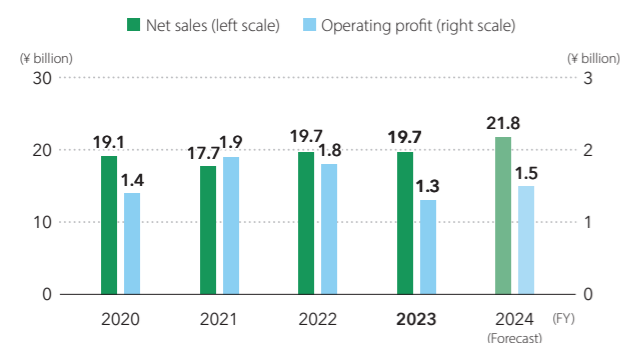
The Nutrition Business is incorporated in "foster function-added foods," one of the strategies of the Group Medium-Term Management Plan 2025. In fiscal 2023, growth in the overall health food mail-order market was sluggish due to an increase in opportunities for people to go out after COVID-19 was downgraded to a Class 5 infectious disease in Japan. Nevertheless, the functional food business of Megmilk Snow Brand achieved higher sales. In fiscal 2024, we will strengthen our product lineup with the launch of One Daily Joint Care. In addition, we are strengthening sales not only on our own mail-order website, but also via other major platforms, diversifying our sales channels.

In the medium to long term, sales of functional ingredients outside Japan will be a growth driver. At present, we are

expanding in the North American and South Korean markets, focusing on Megmilk Snow Brand's proprietary "MBP."

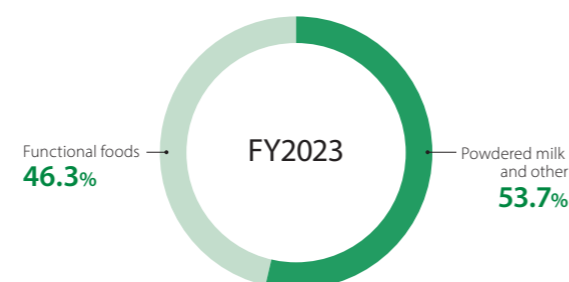
In particular, sales in the South Korean market are growing due to the acquisition of government approval for health functional foods. In fiscal 2023, we concluded contracts with distributors in multiple countries and began sales activities, such as exhibiting at trade shows. In fiscal 2024, in addition to expanding sales in existing markets, we will also work to develop new markets. We believe that there is demand for functional ingredients in many countries besides the United States and South Korea, and by responding to these needs in the future, we will further increase the share of high-value-added products and aim for sales of 4 billion yen in fiscal 2030, thereby driving up consolidated operating profit.

Net Sales and Operating Profit (Nutrition Business)



(Note) Net sales figures for fiscal 2020 is before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

Percentage of Net Sales (Nutrition Business)



Business Environment and Potential

In fiscal 2023, demand for feedstuffs was sluggish, due to factors such as restraints on raw milk production in Japan.

There is growing interest in self-sufficient feedstuffs, since the price of compound feed, which depends on imported materials, fluctuates greatly due to factors such as trends in the international market for grains.

Basic Strategies and Strengths

- One of the Group's strengths is its sales capabilities based on comprehensive proposals, through which the Group provides support by leveraging its high-level technical expertise in areas such as dairy cattle feed and management. We will utilize our sales capabilities to expand sales of high-value-added grass and crop seeds that meet the needs of producers.

Progress on Group Medium-Term Management Plan 2025

In fiscal 2023, sales decreased due to restraints on raw milk production and the impact of a gradual decline in compound feed prices, but profits increased thanks to cost-cutting measures and other factors. In fiscal 2024, we can expect an expansion in raw milk production in the Hokkaido region, so we will work to solidify our profit base by acquiring new customers and taking other measures.

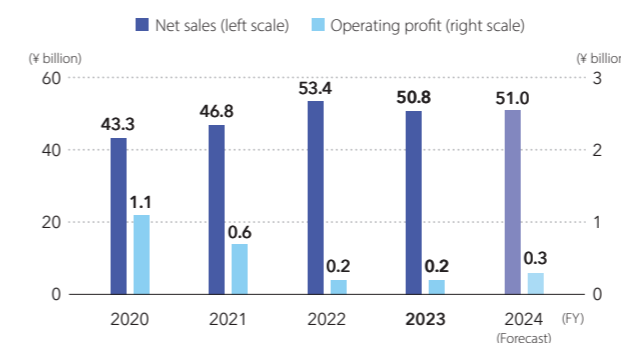
In the seed production business, we will work to expand sales of grass and feedstuff seeds by improving grassland regeneration. We will also add depth to the business with green manure, vegetables, and plant-activating materials.

In the feedstuff business, the profit margin has declined due to the impact from a range of cost increases over the past few years, and we recognize that this is an issue.

One of our strengths is that we not only provide feedstuff but also operate a seed production business. This means we are able to offer a wide range of products, including a combination of compound feed, grass feedstuff seeds and silage additives.* Another strength is that, in addition to selling products, we are also able to provide comprehensive technical support to our customers, including advice on animal feed, grassland management and silage preparation. We will make use of these strengths to promote self-sufficient dairy farming, contribute to sustainable dairy production and help strengthen its foundations. In addition, we will work to restructure our business portfolio by focusing on carefully selected businesses.

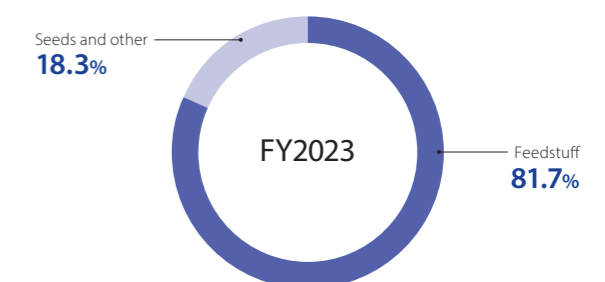
* Lactic acid bacteria that promote fermentation when added to grass and forage crops

Net Sales and Operating Profit (Feedstuffs and Seed Products Segment)



(Note) Net sales figures for fiscal 2020 is before the application of the Accounting Standard for Revenue Recognition. Figures for fiscal 2021 and after are after the application of the Accounting Standard for Revenue Recognition.

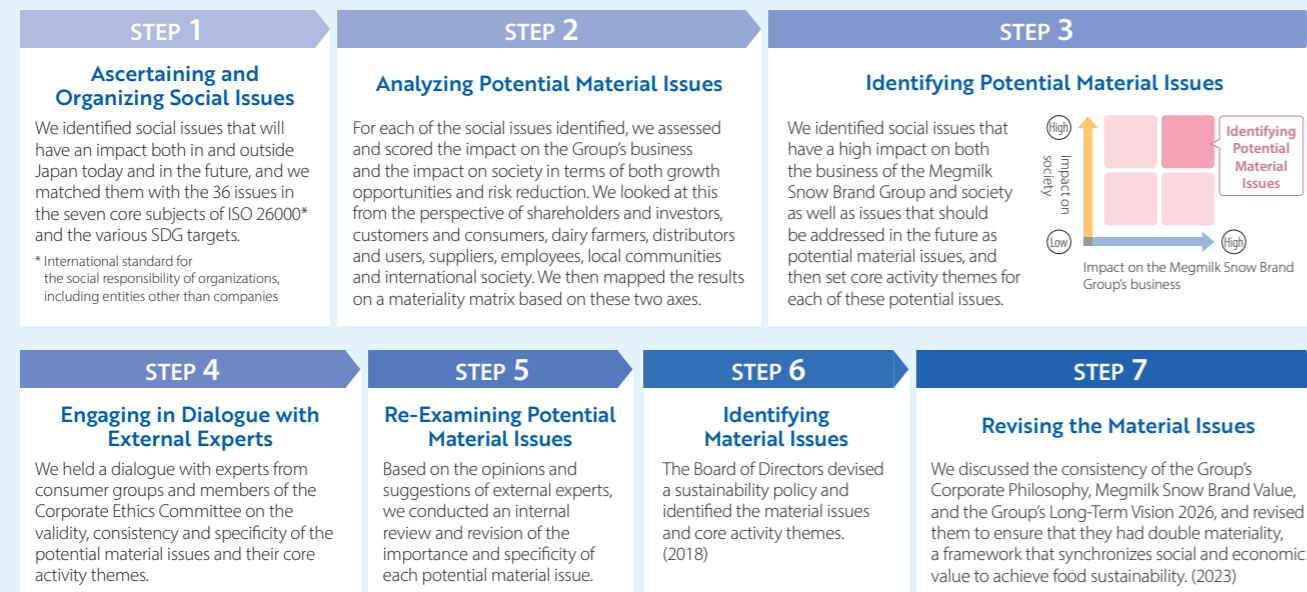
Percentage of Net Sales (Feedstuffs and Seed Products Segment)



Material Issues

In order to improve the sustainability of society and the Megmilk Snow Brand Group, the Group has identified social issues that have a significant impact on both society and the Group's business. Based on these, the Group has identified six material issues and set related KPIs.

Process of Identifying Material Issues



Reasons for Selecting Each Material Issue

Field	Material Issues	Reasons for Selecting
Food	Provision of Sustainable Food	<ul style="list-style-type: none"> To contribute to food sustainability, an issue of growing difficulty driven by factors including the rapid growth of the world's population, climate change, and conflict.
	Contributions to Health through Food	<ul style="list-style-type: none"> To promote healthy growth and development and extend healthy life expectancy through food, even as the birthrate declines and the population ages.
Dairy Farming	Contributing to Sustainable Dairy Farming	<ul style="list-style-type: none"> To build a foundation for sustainable raw milk production, since the number of dairy farms in Japan is decreasing due to a lack of successors and rising production costs.
Environment	Reducing Environmental Impact	<ul style="list-style-type: none"> Global warming caused by greenhouse gas emissions is a major cause of climate change, and could seriously affect the sustainability of society and businesses. To help protect the environment by procuring and using sustainably produced raw materials and materials that are properly managed and produced. Because it is necessary to make effective use of resources and reduce the environmental impact of waste emissions.
People and Society	Promotion of Diversity and Respect for Human Rights	<ul style="list-style-type: none"> To create a comfortable working environment where a diverse range of people can demonstrate their individuality and abilities. To take concrete steps to show respect for human rights, since the globalization of business activities and supply chains are exacerbating the negative impact of business activities on human rights.
	Contributing to Local Communities	<ul style="list-style-type: none"> To help solve the issues faced by local communities that are intertwined with the Megmilk Snow Brand Group.



Provision of Sustainable Food / Contributions to Health through Food

The Megmilk Snow Brand Group views providing sustainable food and contributing to health through food to be material issues. Addressing these priorities will help the Group contribute to food sustainability through its business activities, for instance by providing new options for ensuring sufficient protein intake and extending healthy life expectancy.

Material Issues	Core Activity Themes	Fiscal Year Achieved	KPIs	Result (FY2023)	Scope	Related SDGs
Provision of Sustainable Food	Providing Appealing Milk and Dairy Products	Every year	Promote initiatives to expand domestically produced milk and dairy products and contribute to strengthening the domestic dairy farming production platform	Strengthened sales in Japan by improving production capacity and marketing activities for Sakeru Cheese, and expanded exports overseas	H	
	Providing New Options Leveraging Our Expertise and Functionality Developed through Milk	FY2030	Increase the ratio of overseas sales to operating profit to more than 20% by leveraging our expertise and functionality and strengthening overseas development	-0.2%	I	
		FY2030	Increase net sales of alternative foods*1 such as plant-based foods to 20 billion yen or more	Four products launched in spring 2024	M	2
	Providing Safe Products and Services	Every year	Maintain and renew certification under international food safety schemes (FSSC, SQF, etc.) accredited by GFSI at all domestic and overseas food facilities that manufacture Megmilk Snow Brand products, and continuously implement improvement	96% have earned certification (as of April 2024)	C	3
Contributions to Health through Food		FY2026	Introduce the Megmilk Snow Brand Sensory Evaluator System at contract manufacturers of Megmilk Snow Brand products	Introduced sensory evaluation staff system at 41 production facilities, with a total of 519 people certified	A	4
		FY2026	Train certified sensory evaluation technicians with the ability to evaluate flavor as an effort to improve quality control [Number of certified sensory evaluation technicians (including contract manufacturers): 105% or more of the fiscal 2022 level]	131%	A	4
		FY2030	Increase net sales of function-added food products*2 to 100 billion yen or more	¥58 billion	J	12
		Every year	Carry out research and development, product development, service provision, and information dissemination to contribute to extending healthy life expectancy via our expertise and functionality developed through milk	Gave 11 presentations on extending healthy life expectancy at conferences, and published five papers in academic journals	A	
		FY2026	Conduct food education activities on the key theme of contributing to health through food, aiming for an average of 45,000 participants per year from fiscal 2019 to 2026	62,764 participants (138.4% of target)	A	

Scope: A Megmilk Snow Brand, C Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. / Snow Brand Australia Pty. Ltd. / PT. Megmilk Snow Brand Indonesia / Luna Bussan / Miruiku no Sato Co., Ltd. H Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Parlor Co., Ltd. I Megmilk Snow Brand / Bean Stalk Snow Co., Ltd. / Udder Delights Australia Pty Ltd / Snow Brand Taiwan Co., Ltd. / Snow Brand Australia Pty. Ltd. / PT. Megmilk Snow Brand Indonesia / MEGMILK SNOW BRAND SINGAPORE PTE. LTD. J Megmilk Snow Brand / Belle Neige Direct Co., LTD. / Bean Stalk Snow Co., Ltd. / Snow Brand Taiwan Co., Ltd. / Snow Brand Australia Pty. Ltd. / MEGMILK SNOW BRAND SINGAPORE PTE. LTD. M Megmilk Snow Brand / Agro Snow

*1 Megmilk Snow Brand's own standard. Does not include existing products such as margarines and vegetable fat whips
*2 Megmilk Snow Brand's own standard. Nutrition business products, food with health functions

Providing New Options Leveraging Our Expertise and Functionality Developed through Milk

Development of Plant-Based Foods

In spring 2024, Megmilk Snow Brand launched a new plant-based food brand called "Plant Label" and released four products in this line. Plant-based foods are attracting attention as a new option for ensuring protein intake, as the world's growing population makes a stable supply of food a critical issue. The market for plant-based foods is expanding worldwide, and one of the fastest-growing plant-based ingredients is the pea. It is a sustainable ingredient that uses less water and emits less CO₂ during production than soybeans and almonds, and it is also low in fat, high in protein and rich in dietary fiber. Megmilk Snow Brand has utilized the blending technology it has acquired with milk to create a flavor that is easy to enjoy every day, while also bringing out the flavor of the main ingredient. In the yogurt category, we use our proprietary lactic acid bacteria (*Lactobacillus gasseri* SBT2055 and *Bifidobacterium longum* SBT2928). In autumn 2024, we will release "Plant Label Pea-Derived Snack with Salt Flavor/Smoked Flavor," which highlights the great flavor of peas, and "Mochi-Mochi Shreds Made from Rice Flour," made entirely using flour from rice grown in Japan.



Plant Label products launched in spring 2024

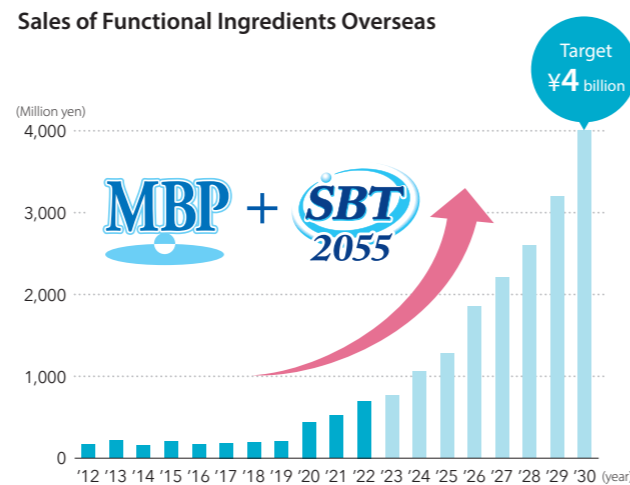
Food with Function Claims

Initiatives for Extending Healthy Life Expectancy

Expanding the Overseas Development of Function-Added Foods

The Megmilk Snow Brand Group sells functional ingredients in Asia, Oceania, Europe, North America and other regions. One of these is “MBP,” a unique ingredient developed by Megmilk Snow Brand that increases bone mineral density by promoting bone formation and inhibiting bone resorption. It has been certified as a Generally Recognized As Safe (GRAS)* ingredient by the U.S. Food and Drug Administration. In order to fulfill the many inquiries we have received from countries around the world, we are expanding our sales staff and supply capacity, while also pursuing trademark registration in many countries. Following the U.S. and South Korea, we are providing the functional ingredients to launch functional foods in Taiwan in 2024, and each user company is moving ahead with commercialization.

In addition, there is a lot of evidence that “MBP” improves bone conditions, and we are aiming to obtain health claims in multiple countries. Sales of functional ingredients outside Japan nearly tripled over the three years starting in 2019. Beginning in 2024, we will begin selling the functional lactic acid bacteria ingredient *Lactobacillus gasseri* SBT2055. This ingredient has a function that reduces visceral fat, and we are aiming for sales of 4 billion yen by 2030.



* This is a certification system for food safety in the U.S. that has broad international recognition.

Joint Research Program with Hirosaki University

[P.52](#) Refer to Research Topics in the Spotlight

In April 2023, the Milk Science Research Institute established a joint research program with Hirosaki University called the Milk Nutrition Research Program. In this program, we are analyzing the effects of diet and intestinal flora on health using the large amount of data on humans obtained from large-scale health checkups at Hirosaki University. By clarifying the relationship between the intake of dairy products and health, we are exploring the less widely understood benefits of milk, in addition to going further in our research on bones and lactic acid bacteria, which are Megmilk Snow Brand's strengths. Our previous analysis has found that the consumption of dairy products has a positive effect on bone health and blood pressure management. We reported these results at the Hirosaki University COI-NEXT Well-being Innovation Summit 2024 held in February 2024.



Giving a report at the Hirosaki University COI-NEXT Well-being Innovation Summit 2024, and participants in the hall

Developing and Supplying Medical Food Formulas for Inherited Metabolic Diseases

Medical food formulas are infant formulas specially prepared for people who were born without the ability to sufficiently metabolize amino acids. Babies undergo a blood test four to five days after birth. If the tests reveal metabolic abnormalities, babies undergo nutritional therapy using medical food formulas under the doctor's direction. For more than half a century, the Megmilk Snow Brand Group has been manufacturing and supplying medical food formulas for the healthy growth and wellness of such patients. In 2022, the Minister of Health, Labour and Welfare presented us with a letter of appreciation in recognition of our work over the years. As the first company in Japan to develop medical food formulas, Megmilk Snow Brand will continue to strive to ensure a stable supply of medical food formulas as a social responsibility that we must fulfill.



Example of medical food formulas



Contributing to Sustainable Dairy Farming

Dairy farming is an essential industry that plays an important role in supplying high-quality protein. Dairy farming is also the basic source of the Megmilk Snow Brand Group's profits, and making it more sustainable is one of our key management issues.

Material Issues	Core Activity Theme	Fiscal Year Achieved	KPIs	Results (FY)			Scope	Related SDGs
				2021	2022	2023		
Contributing to Sustainable Dairy Farming	Activities to Strengthen the Dairy Farming Production Platform	FY2030	Expand the area of land planted with Snow Brand Seed's grass and feedstuff seeds by 3% compared to fiscal 2019 levels in order to promote self-sustaining feedstuff dairy farming	+0.2%	+3.7%	-3.7%	B	2, 4, 8
		Every year	Provide administrative and technical support for sustainable dairy farm management through operational support for the Japan Young Dairy Farmers Research Association and the activities of the Research & Development Center for Dairy Farming	<ul style="list-style-type: none"> Provided operational support for various training programs held by the Japan Young Dairy Farmers Research Association and for the Japan Dairy Farmer's Research Association and Dairy Farming Conference Held the Research & Development Center for Dairy Farming Symposium in a hybrid in-person and online format on the theme of "Now Is the Time to Produce Feedstuff Domestically" 			A	9, 15

Scope: A Megmilk Snow Brand B Snow Brand Seed Co., Ltd.

Activities to Strengthen the Dairy Farming Production Platform

Initiatives to Contribute to the Reduction of Greenhouse Gas (GHG) Emissions

Calculating the amount of methane gas emitted by dairy cows is a crucial step in reducing GHG emissions and developing mitigation strategies. Megmilk Snow Brand's Research & Development Center for Dairy Farming is working in collaboration with JA Kitaokhotsk and Kitasato University to conduct ongoing baseline surveys using the simple methane gas monitoring system Samoni Methane at "Farm to-mo," a JA-funded corporation in Okoppe-cho, a town in Hokkaido. We are working with related organizations to verify the effect of the feed given to cows in reducing methane gas emissions, using a gas analyzer that employs the sniffer method and the Samoni methane system together. We have also started to consider the possibility of creating carbon credits.



Location of the Samoni methane device installed in the milking robot (section circled in red)



Collecting measurement data

Promoting Self-Sustaining Feedstuff Dairy Farming

The recent rise in production costs due to the high price of imported feed is having a major impact on dairy farming. As a result, initiatives intended to increase the production of self-sufficient feed are attracting a lot of attention, since these can result in a strong business model that is not dependent on imported feed. The production of self-sufficient feed using livestock waste effectively creates an environmentally friendly, self-perpetuating cycle. Using rice paddies and abandoned farmland to grow feed crops can lead to sustainable agriculture and the revitalization of rural areas. In order to expand the production and use of self-sufficient feed, Snow Brand Seed is working on the development of new varieties with a long-term perspective, including promoting collaboration between crop farmers and livestock farmers, popularizing cultivation techniques such as frost seeding,* and introducing feed crops that can adapt to climate change. In fiscal 2023, as a result of changes to the direct payment subsidy system for the use of rice paddies, there was a significant decrease in demand for the replanting of grass crops, and the planting area decreased by 3.7% compared to fiscal 2019. However, we will continue to promote the increased production and effective use of self-sufficient feed that is suited to the local environment, and help revitalize dairy and livestock farming and the region by these means.

* A method by which grass is sown when the soil is frozen, overwinters and then germinates in the spring to balance seasonal workload and prevent weeds.

VOICE

Sustainable Dairy Farming That Is Kind to Both Cows and People

Since 2013, I have been learning a lot at the demonstration farm of Megmilk Snow Brand's Research & Development Center for Dairy Farming, including the importance of selecting and observing grass species. I have also been trying to reduce the amount of concentrated feed, with a focus on self-sufficient feed, and also to decrease the amount of chemical fertilizer I use, by effectively using compost. As a result, the cows became healthier than when they were fed a high-concentration diet, and by returning the compost from the healthy cows to the fields, we were able to avoid the risks associated with weather changes in grass farming. We created a positive cycle in which the cows' appetites grew even healthier. We will continue with these efforts in the future, and pass on sustainable and stable management to the next generation.



Takaichi Murasaki
Dairy farmer

Reducing Environmental Impact

The Megmilk Snow Brand Group is implementing a wide range of initiatives to help solve material issues related to the environment in order to practice successful sustainability management.

Material Issues	Core Activity Themes	Fiscal Year Achieved	KPIs	Results (FY)			Scope	Related SDGs
				2021	2022	2023		
Reducing Environmental Impact	Preventing Global Warming	2030	Reduce CO ₂ emissions by 50% (compared to FY2013)	18.4%	23.5%	26.9%	E	13
		2025	Use 100% environmentally friendly raw materials in paper used	87.1%	97.7%	99.0%	F	12
	Sustainably Using Resources	2026	Procure 100% certified palm oil* *Applies to refined palm oil	20.4%	14.5%	54.4%	L	7
		2030	Reduce the amount of petroleum-derived plastic used (per unit of sales) by 25%* (compared to FY2018) * Reduction includes replacing petroleum-derived plastics with recycled plastics and mass-balanced bioplastics	2.5%	5.3%	12.2%	F	8
	Building a Recycling-Based Society	Every year	• Prioritize using paper and biomass plastic containers • Encourage the use of personal cups and bottles in office to reduce the number of plastic bottles used	Conducted educational activities via Group internal magazines, etc.			A	11
		2030	Reduce waste product emissions by 30% (compared to FY2013)	23.1%	19.6%	34.4%	G	12
	Building a Recycling-Based Society	2030	Maintain waste recycling rate at 98% or higher	95.2%	98.8%	98.8%	G	12
		Every year	Increase food waste product recycling rate of 95% or higher	86.2%	94.8%	96.3%	K	12
	Building a Recycling-Based Society	Every year	Pursue product development that considers the environment (extend expiration dates for existing products and new products, actively promote labeling of expiration date by year and month)	• Extended shelf life of two dairy products • Used paper containers made of plant-derived polyethylene			A	13
		2030	Reduce the amount of water used at manufacturing sites by 9% (compared to FY2013)	8.2%	7.6%	10.5%	G	14
Building a Recycling-Based Society	Every year	Confirm water risks at manufacturing sites and assess risks to business continuity	Conducted a risk assessment of the Group's business continuity			G	15	
	2030	As a proposal to reduce environmental impact, expand the area of land planted with green manure crop seeds from Snow Brand Seed Co., Ltd. by 20% compared to FY2019	—	—	3.9%	B	15	

Scope: Megmilk Snow Brand Snow Brand Seed Co., Ltd. Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Chokuhan Haisou Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. Megmilk Snow Brand / Kohnan Oils and Fats Mfg. Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd.

Addressing Climate Change

2050 Carbon Neutrality Declaration

In May 2023, Megmilk Snow Brand issued a carbon neutrality declaration, stating its aim to reduce greenhouse gas emissions to virtually zero by 2050. We have also set a KPI of reducing CO₂ emissions by 50% from the fiscal 2013 level by fiscal 2030, and we are promoting Group-wide decarbonization efforts.

Approach to TCFD*1 Recommendations

Megmilk Snow Brand announced its endorsement of the TCFD Recommendations in October 2021 and began disclosing non-financial information based on them in its *Megmilk Snow Brand Report (Integrated Report)* in September 2022. The content is reviewed every year.

Governance

Refer to Sustainability Promotion Structure

In order to promote the sustainability of the entire Megmilk Snow Brand Group at the management level, the Group Sustainability Committee, chaired by the president of Megmilk Snow Brand, was established to confirm progress on KPIs for material issues and discuss ways to achieve them. The committee reports to the Board of Directors.

Strategy

In fiscal 2023, we categorized risks and opportunities into two scenarios (a scenario in which temperatures rise by 1.5°C and one in which they rise by 4°C) based on the transition risks and physical risks identified, and organized our steps going forward. In the future, we aim to integrate this with the TNFD*2 framework, which we are currently working on. We also conducted a business impact assessment for both 2030 and 2050.

*1 Abbreviation for the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB) at the behest of the G20 finance ministers and central bank governors
*2 An abbreviation for the Taskforce on Nature-related Financial Disclosures, an international initiative that aims to develop and provide a framework for nature-related financial information.

Climate Change Risks and Opportunities and Megmilk Snow Brand Group's Responses

Items	Categories	Transition Risks	Opportunities
Carbon Price	Risks/ Opportunities	<ul style="list-style-type: none"> If our response to climate change is sluggish, the competitiveness of the entire business could decline, including the burden of carbon taxes If our efforts to achieve carbon neutrality are inadequate, our brand image could suffer damage (decline in reliability) 	<ul style="list-style-type: none"> Active capital investment (energy-saving and photovoltaic systems, etc.) using ICP* to reduce the burden of carbon taxes Active use of next-generation energy to build a new supply chain and improve our brand image
	FY2023 action plan	<ul style="list-style-type: none"> Reduce CO₂ emissions by 50% (compared to FY2013) Reduce waste product emissions by 30% (compared to FY2013) 	<ul style="list-style-type: none"> Introduce photovoltaic systems (Megmilk Snow Brand's Ebina Plant, Ami Plant and Kyoto Plant) Raise funds using sustainability-linked loans and green bonds Introduce ICP (from fiscal 2024)
Changes in Consumer Awareness	Risks/ Opportunities	<ul style="list-style-type: none"> With the increasing use of materials and packaging that take the environment and human rights into account, procurement costs could increase If our efforts to achieve a circular economy are inadequate, our brand image could be damaged (decline in reliability) 	<ul style="list-style-type: none"> Raise corporate value by actively adopting materials and packaging that take into account the environment and human rights Create new markets by ensuring product development takes into account the environment and consumer trends (changes in consumer awareness)
	FY2023 action plan	<ul style="list-style-type: none"> Procure 100% certified palm oil Reduce amount of petroleum-derived plastic used (per unit of sales) by 25% (compared to FY2018) 	<ul style="list-style-type: none"> Use 100% environment-friendly raw materials in paper used Promote greater use of paper and bioplastic materials Maintain waste recycling rate at 98% or higher Maintain food waste recycling rate at 95% or higher Ensure product development considers the environment
Increase Average Temperature	Risks/ Opportunities	<ul style="list-style-type: none"> Raw material procurement costs could increase due to heat control measures Growth in dairy production could stagnate due to water resource depletion, and sales could decrease and corporate value be damaged due to insufficient production capacity 	<ul style="list-style-type: none"> Expansion of water source conservation through forest conservation (also contributing to biodiversity) Expansion of the area under cultivation using green manure crop seeds
	FY2023 action plan	<ul style="list-style-type: none"> Reduce water usage by 9% at manufacturing sites (compared to fiscal 2013) (water-saving initiatives at production sites) 	<ul style="list-style-type: none"> Expand the area under cultivation using green manure crop seeds by 20% (compared to FY2019)
Increase in Frequency and Severity of Extreme Weather Events	Risks/ Opportunities	<ul style="list-style-type: none"> Manufacturing and logistics facilities could be affected by natural disasters Food supply and demand in Japan could further decline, and the global protein supply and demand balance could collapse 	<ul style="list-style-type: none"> Gaining resilience by restructuring production and distribution systems to take into account natural disasters and by reinforcing BCP (business continuity planning) Provision of sustainable food by expanding the alternative food market, including food tech
	FY2023 action plan	<ul style="list-style-type: none"> Confirm water risk at manufacturing sites and assess risk to business continuity 	<ul style="list-style-type: none"> Achieve sales of more than 20 billion yen for alternative foods, including plant-based foods Reinforce BCP
Dairy Farming Infrastructure	Risks/ Opportunities	<ul style="list-style-type: none"> Scrutiny of the environmental impact of dairy production (e.g. cow belching) could be rigorous International milk production could decrease and costs could go up 	<ul style="list-style-type: none"> Developing new products such as compound feed for dairy cows and popularizing feeding management technology Strengthening the dairy production base in Japan (improving the competitiveness and value of milk and dairy products) Free dairy farms from reliance on imported feed
	FY2023 action plan	<ul style="list-style-type: none"> Reduce greenhouse gases from cow intestinal tracts (methane gas produced when a cow belches) 	<ul style="list-style-type: none"> Expand the area under cultivation of grass and feed crop seeds from Snow Brand Seed by 3% (compared to FY2019) to promote self-sufficient feed-based dairy farming Hold a Research & Development Center for Dairy Farming symposium (strengthen the dairy farming production base)

*A mechanism that allows companies to set their own carbon prices, make long-term investment decisions, and promotes decarbonization leveling.

Business Impact Assessment Table

	Important Items	Impact on Megmilk Snow Brand	Parameters Set	Level of Impact in 2030*		Level of Impact in 2050*	
				1.5°C	4°C	1.5°C	4°C
Transition Risks	Carbon price	<ul style="list-style-type: none"> Increase in manufacturing and transportation costs and cost of sales due to the introduction of a carbon tax 	Carbon tax	Medium	—	Large	—
	Changes in consumer awareness	<ul style="list-style-type: none"> Consumer interest in the use of natural materials, recycling of packaging materials, CO₂ emissions, etc. Increase/decrease in net sales due to the purchase of products from companies that proactively address climate change 	Financial impact of measures to reduce plastic use, etc.	Small	—	Medium	—
Physical Risks	Increase average temperature	<ul style="list-style-type: none"> Insufficient water resources due to the increasing average temperature Increase in raw material procurement costs due to heat control measures 	Milk production volume Increase in livestock stall operating costs	Small	Small	Medium	Medium
	Increase in frequency and severity of extreme weather events (heavy rain, flood, etc.)	<ul style="list-style-type: none"> Impact of natural disasters (heavy rain, flood, etc.) on manufacturing and distribution facilities (suspension of operations, suspension of deliveries, etc.) 	Number of days per year of torrential rain	—	—	—	Small

* Definition of impact level (financial range): Large: 5 to 3 billion yen; Medium: 3 to 1 billion yen; Small: Less than 1 billion yen

Risk Management

Climate change risks are reported and discussed at the Sustainability Promotion Subcommittee, and progress is shared throughout the Group via the Group Sustainability Committee.

Metrics and Targets

We have set KPIs on addressing the identified risks, and we added some new KPIs in fiscal 2023.

Progress of Main KPIs

Items	KPIs	FY2021	FY2022	FY2023
Carbon Price	CO ₂ emissions* ¹ Target FY2030: Reduce by 50% (compared to FY2013)	18.4%	23.5%	26.9%
Changes in Consumer Awareness	Amount of petroleum-derived plastic used (per unit of sales) Target FY2030: Reduce by 25% (compared to FY2018)	2.5%	5.3%	12.2%
	Switch paper used to environmentally friendly raw materials Target FY2025: Use 100%	87.1%	97.7%	99.0%
	Certified palm oil Target FY2026: Procure 100%	20.4%	14.5%	54.4%
	Net sales of function-added products Target FY2030: ¥100 billion or more	* ²	* ²	¥58.1 billion
Increasing Average Temperature	Amount of water used at manufacturing sites Target FY2030: Reduce 9% (compared to FY2013)	8.2%	7.6%	10.5%
	Increase the area under cultivation using green manure crop seeds Target FY2030: 20% increase (compared to FY2019)	* ²	* ²	3.9%
Increase in Frequency and Severity of Extreme Weather Events (Heavy Rain, Flood, etc.)	Confirm water risks and assess risks to business continuity (every year)	Conducted risk assessments using Aqueduct* ³	In addition to using Aqueduct, implemented our own evaluation and took drainage/flood countermeasures.	In addition to using Aqueduct, implemented our own evaluation and took drainage/flood countermeasures.
	Sales of alternative foods such as plant-based foods Target FY2030: ¥20 billion or more	* ²	* ²	¥20 million
Dairy Farming Infrastructure	Increase the area cultivated with grass and forage crop seeds Target FY2030: 3% increase (compared to FY2019)	0.2% increase	3.7% increase	3.7% reduction
	Provide management and technical support for sustainable dairy farming through the activities of the Japan Young Dairy Farmers Research Association and the Research & Development Center for Dairy Farming	Over 250 people participated	Over 260 people participated	Over 320 people participated

*¹ Scope 1 + Scope 2 *² KPI set from fiscal 2023. *³ A water risk assessment tool developed by the World Resources Institute.

Carbon Neutrality Initiatives

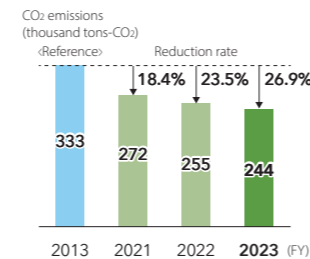
1 Trends in CO₂ Emissions Reduction for the Entire Megmilk Snow Brand Group

The Megmilk Snow Brand Group aims to reduce CO₂ emissions by 50% by fiscal 2030 (compared to fiscal 2013). Third-party verification has been obtained for CO₂ emissions since fiscal 2021.

CO₂ Emissions Reduction Rate

	2021	2022	2023	2024	2025	2026	2030
Target value* (%)		22.3		30.8		35.0	50.0
Actual value (%)	18.4	23.5	26.9	—	—	—	—

* The figures for FY2022, FY2024, and FY2026 are the Sustainability Performance Targets (SPT) set in the Sustainability Linked Loan (SLL).



2 Photovoltaic System Installation Initiative

Megmilk Snow Brand has been installing photovoltaic systems. They went into operation at the Kyoto Plant in May 2024 (340 MWh/year), followed by the Ami Plant in July of the same year (1,323 MWh/year). This will reduce CO₂ emissions by a total of approximately 691 t-CO₂/year. We are also considering introducing systems at the Taiki, Isobunnai, Noda, and Toyohashi plants.

3 Methane Fermentation Equipment and Utilization of Hydrogen Energy

In May 2023, Megmilk Snow Brand's Taiki Plant began operating methane fermentation equipment that effectively utilizes whey* and waste as energy. The equipment is currently being adjusted to achieve 100% operation capacity. The operation of this equipment is expected to reduce emissions by approximately 8,400 t-CO₂/year. Also, the Horonobe Plant has announced its plans to reduce CO₂ emissions by utilizing hydrogen energy. The plant will introduce a boiler facility that burns a mixture of hydrogen created from unused gas produced in the area near Horonobe Plant (Toyotomi hot spring) and liquefied natural gas, the existing boiler fuel, and will begin trials in the second half of 2025.



Methane fermentation equipment (Taiki Plant)

* A byproduct of cheese production

Circular Economy Initiatives

1 Steps to Reduce Use of Petroleum-Derived Plastics

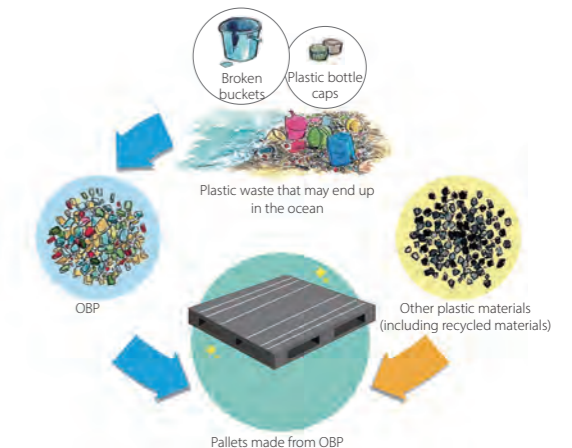
We are currently considering introducing containers made from biomass plastics and switching to paper for yogurt containers. In addition, we introduced strawless containers for school milk in Tokyo, Kanagawa, Chiba, Fukuoka and other prefectures in April 2023. As a result of these efforts, we were able to reduce the amount of petroleum-derived plastic by approximately 24 tons in fiscal 2023. We also worked to decrease plastic use by reducing the thickness and weight of plastic caps used for packaging.

Progress of KPIs

	FY2021	FY2022	FY2023	Target
Reduction rate (per unit of sales) (compared to FY2018)	2.5%	5.3%	12.2%	25.0%

2 Adoption of Ocean Bound Plastic Blended Pallets

Megmilk Snow Brand has introduced pallets made from Ocean Bound Plastic (OBP) for use as loading platforms for transporting and storing products. By adopting pallets made from OBP, we aim to further promote the recycling of plastic resources. We plan to introduce approximately 6,000 of these pallets in fiscal 2024.



Biodiversity Conservation Initiatives

In the Megmilk Snow Brand Group Environmental Policy, which we revised in 2021, we added that "we will conserve biodiversity and contribute to the creation of a future society by using resources in a sustainable way in business activities." Living organisms on Earth depend on each other, forming ecosystems such as forests and rivers that are unique to each place and land, and human life is supported by these ecosystems. Since Megmilk Snow Brand's plants use a large amount of water resources, we have set a KPI to reduce the amount of water used at manufacturing sites by 9% compared to fiscal 2013 levels by fiscal 2030. Beginning in fiscal 2022, we expanded the scope of the target to include the entire Megmilk Snow Brand Group, and we are actively pursuing water-saving initiatives.

1 TNFD Initiatives

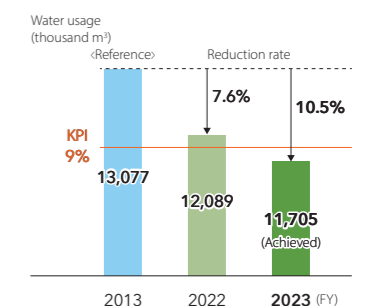
[TNFD Initiatives \(in Japanese\)](https://www.meg-snow.com/csr/pdf/tnfd_240822.pdf) ▶ https://www.meg-snow.com/csr/pdf/tnfd_240822.pdf

In the initial disclosure, we assessed the dependence and impact on nature throughout the entire value chain, but particularly that of Megmilk Snow Brand, using ENCORE.* We also conducted a location analysis to assess the natural environment in the areas directly surrounding Megmilk Snow Brand plants, and identified nature-related risks and opportunities. As these risks have the potential to affect the business of the Megmilk Snow Brand Group in the medium to long term, we will continue to conduct in-depth analysis and consider countermeasures. The content disclosed in August 2024 is available at the link provided above (in Japanese).

* This is an abbreviation for "Exploring Natural Capital Opportunities, Risks and Exposure," a tool for evaluating how a company's business activities affect biodiversity and the risks and opportunities this poses for the company itself, and for managing these impacts.

2 Water Conservation Initiatives

We have set a KPI for water usage reduction at manufacturing bases by 9% in fiscal 2030 compared to fiscal 2013, and we are implementing water-saving measures. At Megmilk Snow Brand's Ebina Plant, a reverse-flushing water recovery facility* has been in operation since May 2023, delivering a reduction of 26,000 m³/year. In addition, the plant has been gradually implementing other initiatives to reduce water usage, and in fiscal 2023, water usage was down to 11,705,000 m³/year. This represents steady progress on the KPI.



* Equipment to recover water used to rinse filters

③ Initiatives to Conserve Water through Forest Conservation

Since fiscal 2014, Megmilk Snow Brand has been working to protect forests by planting trees, using carbon offset systems, and other such efforts. The Kawagoe Plant has been using credits created through a forest conservation project in the headwaters of the Tone River (Forest Thinning Promotion Project for the Sudagai Company-Owned Forest of Nippon Paper Lumber Co., Ltd. in Gunma) since fiscal 2023. In fiscal 2024, we will expand the scope of our forest conservation activities to include the head office of Megmilk Snow Brand (Forest Thinning Promotion Project for the Company-Owned Forests of Nippon Paper Industries Co., Ltd. in Fuji and Kitayama) and the Fukuoka Plant (Fukuoka City-run Forest Thinning Promotion Project). We will continue to expand the scope of our forest conservation initiatives and promote forest conservation activities throughout the entire company.



J-Credit for the Forest Thinning Promotion Project for the Company-Owned Forests of Nippon Paper Industries Co., Ltd. in Fuji and Kitayama

Content of Initiative	Location	Start Year	Target Area* (ha)
Hokkaido: "Hokkaido-owned Forest Offset Credit Scheme"	Megmilk Snow Brand Museum	2014	6
Nakashibetsu Town, Hokkaido: "Nakashibetsu Town Town-owned Forest J-Credit Scheme"	Nakashibetsu Plant	2017	2
Kanagawa Prefecture: "Reforestation Partner" Naming Rights Forest "Megumi no Mori"	Ebina Plant	2022	3
J-Credits related to the "Forest Thinning Promotion Project for the Sudagai Company-Owned Forest of Nippon Paper Lumber Co., Ltd. in Gunma"	Noda Plant	2022	8
	Kawagoe Plant	2023	8
Fukuoka City: "J-Credits related to the Fukuoka City-run Forest Thinning Promotion Project"	Fukuoka Plant	2023	0.8
"J-Credits related to the Forest Thinning Promotion Project for the Company-Owned Forests of Nippon Paper Industries Co., Ltd. in Fuji and Kitayama"	Head Office	2023	3
Total			30.8

* The area is calculated by Megmilk Snow Brand.

Sustainable Finance Initiatives

[Sustainable Finance \(in Japanese\)](https://www.meg-snow.com/csr/finance/) ▶ <https://www.meg-snow.com/csr/finance/>

① Progress on Sustainability-Linked Loan SPT

The Sustainability-Linked Loan implemented in March 2022 is tied to the Megmilk Snow Brand Group's KPI of reducing CO₂ emissions by 50% in fiscal 2030 (compared to fiscal 2013), as a Sustainability Performance Target (SPT). Based on this SPT, the contract specifies annual targets for the reduction rate of CO₂ emissions during the borrowing period, and in fiscal 2022, we achieved the annual target.

② Green Bond Reporting

The status of the use of the funds procured through the green bond issued in December 2022, an overview of the target projects, and indicators related to environmental benefits, among other information, are disclosed on the Megmilk Snow Brand website on an annual basis.

Target Projects

Eligible Projects	Effect of Environmental Improvements	KPI for Relevant Material Issues
<ul style="list-style-type: none"> Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas 	Reduction in CO ₂ (t-CO ₂)	Reduction in environmental impact: Reduce CO ₂ emissions by 50% by FY2030 (compared to FY2013)
<ul style="list-style-type: none"> Wastewater treatment facility capacity expansion and renewal (Taiki Plant) Wastewater treatment facility capacity expansion and renewal (Isobunnai Plant) Introduction of sludge volume reduction equipment (Noda Plant) Introduction of sludge volume reduction equipment (Taiki Plant) 	Reduction in sludge (t)	Reduction in environmental impact: Reduce waste emissions by 30% by FY2030 (compared to FY2013)



Promoting Diversity and Respect for Human Rights

The Megmilk Snow Brand Group has established a Group Human Resource Development Policy to shape its human capital management and is implementing initiatives to respect human rights under the Megmilk Snow Brand Group Human Rights Policy.

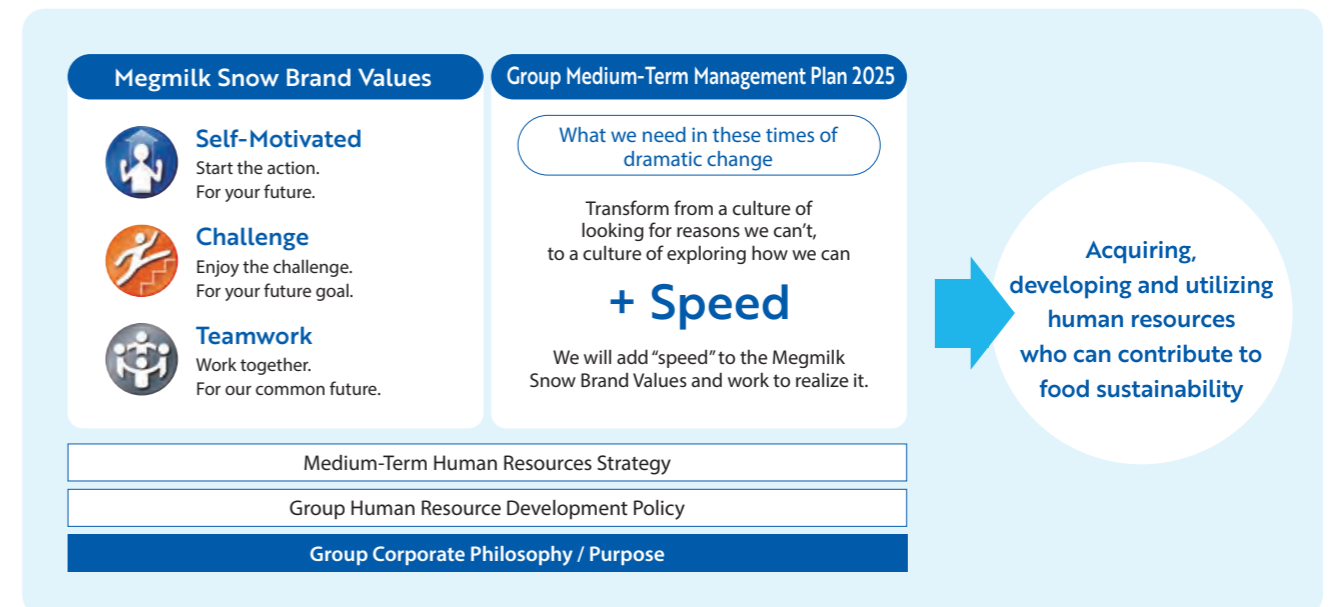
Material Issues	Core Activity Themes	Fiscal Year Achieved	KPIs	Results (FY)			Scope	Related SDGs
				2021	2022	2023		
Promoting Diversity and Respect for Human Rights	Diversifying and Developing Human Resources	FY2025	More than 10% of management positions held by women	5.0	6.1	7.2	A	
	Achieving Work-Life Balance and Improving Labor Productivity	Every year	Earn recognition as a Certified Health & Productivity Management Outstanding Organization	Recognized	Recognized	Recognized	A	3, 4, 5
	Respecting Human Rights	Every year	Conduct due diligence and awareness-raising activities on human rights based on the "Megmilk Snow Brand Group Human Rights Policy" to identify, prevent, and reduce human rights risks in business activities	Results (FY2023)			A	8, 10

Scope: A Megmilk Snow Brand

* A system that allows for recourse to be sought when there is concern over human rights violations.

Basic Concept of Human Capital Management

Group's Vision for Human Capital Management



At the Megmilk Snow Brand Group, we believe that human resources are our greatest management asset. In a world of rapid change and uncertainty, we cannot help achieve food sustainability while at the same time firmly fulfilling our Group Corporate Philosophy and Purpose unless we acquire, develop and make the most of the human resources who can create the added value that drives our ability to do any of this. Accordingly, we are striving to develop human resources who have a strong awareness of these shared values by adding "speed" to the existing Megmilk Snow Brand Values, which are "self-motivated, challenge, and teamwork."

In order to acquire and develop human resources, our group has established the Group Human Resource Development Policy to serve as the cornerstone for human resources development throughout the Group. We are working on four initiatives to promote specific human resource development measures as part of our Medium-Term Human Resources Strategy: "improve labor productivity by promoting workstyle reforms"; "create added value by promoting diversity and inclusion"; "acquire, assign and develop talent to realize management strategies"; and "improve employees' work engagement."

Four Measures of the Medium-Term Human Resources Strategy

1 Improve Labor Productivity by Promoting Workstyle Reforms

Contributions to Improving Corporate Value

Ensure a stable labor force, improve productivity, reduce employee risks

Creation of Social Value

Ensure and increase employment, thereby contributing to the creation of a prosperous society

■ Providing New Workstyles

The telecommuting system that was rolled out across the company in fiscal 2018 has been expanded with the aim of ensuring every employee can work energetically at any time, in any place, and in any organization. Anticipating the advent of a world where remote work is the norm, we also worked on creating policies such as Megmilk Snow Brand Remote Work Management (YMR). Remote work, which became common during the pandemic, is still being utilized even after the pandemic has ended, and it is also helping to improve productivity and establish diverse ways of working. The Megmilk Snow Brand Group will continue to develop new workstyles aligned with the times, and in so doing we will work to raise both corporate value and employee satisfaction. At the same time, we will expand the range of options available to employees so that they can choose the way they work, seeking to make a wide range of workstyles possible.

■ Improving the Working Environment and Healthcare

At Megmilk Snow Brand, in order to prevent industrial accidents and provide a good working environment, workplaces are managed based on health and safety targets, and health and safety education is tailored to the conditions of each workplace. In the event of an accident, we promptly share information about the accident throughout the company and work to prevent similar accidents from occurring.

We also look after the mental health of our employees as well as their physical health, and provide education and guidance to prevent problems and improve mental health. We also have a program that supports employees returning to work after taking time off due to mental or physical health issues.

2 Create Added Value by Promoting Diversity & Inclusion

Contributions to Improving Corporate Value

Create innovation, raise productivity, improve human resource value

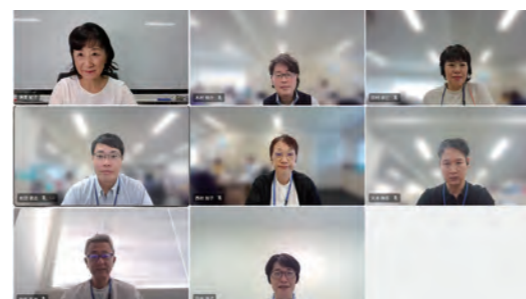
Creation of Social Value

Respect human rights, contribute to the creation of an equitable society

■ Promoting Diversity and Inclusion

The Group strives to create a workplace environment where diverse groups of people of different ages (young, mid-level, senior), gender identities, nationalities, career histories (new graduate, mid-career, returning to work), and levels of ability can recognize and respect each other's individuality and use their abilities to create synergy and added value. Specifically, we are working to promote understanding of the importance of diversity, including reinforcing initiatives to promote the advancement of women, and we are implementing measures accordingly. Beginning in fiscal 2023, we launched the D&I Project, which is led by the executive vice president in charge of human resources and the managing executive officer in charge of sustainability, and its membership includes the person who is in charge of each department. We are also continuing

to hold internal forums and implement e-learning to improve understanding of the LGBTQ+ community and uncover unconscious bias. We are rapidly creating effective systems that allow a diverse group of human resources to play an active role.



D&I Project meeting

■ Working to Promote Women's Participation

Since issuing the Declaration on Promoting Women's Active Participation in the Workplace in December 2015, Megmilk Snow Brand has positioned women's participation at the core of its diversity initiatives and is promoting it as a corporate strategy. Female consumers, who have a large influence in the food market, have diverse needs and values, and these change with their age and life stage. In order to respond quickly to these changes, we are asking women to take on active roles in a variety of different areas. Of the 32 departments at Megmilk Snow Brand's head office, 84% include women on staff. In the Marketing Dept., which must quickly identify consumer needs and then translate them into businesses, 62% of the total workforce are women. The percentage of management positions held by women increased from 2.5% in fiscal 2015 to 7.8% in April 2024, and we continue to work to hit our target of 10% or more by the end of fiscal 2025. Specifically, we are working on developing women in leadership and offering career development programs both in and outside the company to support career advancement, and we are also devising training plans.

■ Supporting a Balance Between Work, Childcare, and Nursing Care

In the area of childcare, we have introduced a Postpartum Partner Leave (paid) system with the aim of encouraging men (including regular and non-regular employees) to take childcare leave, as well as a system that provides 10 days of paid leave at the start of childcare leave for both men and women (regular employees). In fiscal 2023, the percentage of eligible men taking childcare leave was 112.6%,* and the total number of days of childcare leave taken by men was 25.2 days. We have also introduced the Program to Support the Work-Life Balance of Employees on Childcare Leave so that employees returning from childcare leave can quickly become effective members of the workforce again, and we have also begun developing a system that would allow employees to communicate with supervisors during their leaves. We also hold Mirai Cafe events for employees returning to work after childcare leave and are making efforts to create a system that will help them to return to work smoothly. In addition, we hold seminars to provide information on nursing care insurance, facilities, dementia, and other matters. The number of employees using nursing care leave is gradually increasing.

*The childcare leave utilization rate exceeds 100% because it includes employees who had a child in fiscal 2022 but did not take childcare leave in that same year, and instead took childcare leave in fiscal 2023.

	(FY)	2019	2020	2021	2022	2023
Number of people using nursing care leave (people)		57	35	36	45	55

3 Acquire, Assign, and Develop Talent to Realize Management Strategies

Contributions to Improving Corporate Value

Reinforce growth potential, strengthen profitability, improve management sustainability

Creation of Social Value

Secure and expand stable employment, increase number of human resources who contribute to food sustainability

■ Career Support

The Group recognizes that corporate growth is only possible when each and every employee is able to work with enthusiasm and create their own career path. As part of our "self-career dock" program, we encourage older employees to reflect on their career to date and create a vision and action plan for the future. We also hold workshops open to all employees, regardless of age, as an opportunity to review their career. In addition, we have a "career interview" system in place for employees to discuss their careers. Using this system, employees can discuss their future career development with their direct supervisor when they wish, and they can also have a "career supporter interview" with a career consultant (a qualified person from the Personnel Dept.) who is available at any time, separate from their supervisor.

■ Providing Participation Opportunities

We provide opportunities for all motivated and enthusiastic employees, from young staff to experienced employees, to develop their skills and utilize them through internal recruitment, career challenge programs, participation in large-scale projects, and secondment to Group companies.

■ Fostering Next-Generation Leaders (Management-Level Candidates)

The Group is training leaders who will become the next generation of Group managers. Specifically, in fiscal 2023 we introduced a program that connects department heads who are candidates for the next executive level with selective leadership development training and executive training.

	(FY)	2021	2022	2023
Annual training cost per person (thousand yen)		19	20	42

4 Improve Employee Work Engagement

Contributions to Improving Corporate Value

Strengthen growth potential, reinforce organizational capabilities, create innovation

Creation of Social Value

Support employee wellbeing, increase the number of healthy people who can support society

■ Megmilk Snow Brand Health Declaration

As a company that delivers the joy of food and good health and creates the future of food, Megmilk Snow Brand values the physical and mental health of its employees, and believes that it is important for them to take action to maintain and improve their health. For this reason, in 2021, we issued the Megmilk Snow Brand Health Declaration, and we are promoting and supporting the following initiatives.

- 1 We promote efforts to improve health by providing self-care knowledge and implementing health counseling and guidance with the aim of preventing lifestyle-related diseases.
- 2 We conduct stress checks on all employees and promote efforts to support mental health-related care and preventive care.
- 3 We promote workstyle initiatives to ensure the health of our employees. In addition, we implement a company-wide health challenge initiative to improve lifestyle habits, in order to maintain and improve the health of our employees. By reducing the number of people at risk of lifestyle diseases and improving employee productivity, we aim to enhance the lives of our employees and achieve sustainable growth for the company, with the health of each and every employee as the cornerstone of this growth. In March 2024, we were recognized as a Certified Health & Productivity Management Outstanding Organization by the Nippon Kenko Kaigi.

■ Engagement Survey and Reflecting Results in Policies

We believe that if employees can increase their engagement and put the Megmilk Snow Brand Values into practice, each and every employee will achieve personal growth while also feeling a sense of fulfillment in their work. This, in turn, will drive the sustainable growth of the Megmilk Snow Brand Group. The strengths of Megmilk Snow Brand that were identified in an engagement survey conducted in fiscal 2023 included "it is easy to achieve a good work-life balance" and "it is possible to collaborate with members of the workplace in times of difficulty." The weaknesses included "there is little sense that the mission and vision is shared by everyone" and "the culture makes it difficult to take on challenges." These results suggested that there is a lack of communication within the company, including between management and employees and between superiors and subordinates. Beginning in fiscal 2024, each department head has been working on creating action plans to improve engagement in their own departments.

■ Revision of Our Personnel System

We revised our personnel system to reward employees for their roles, demonstrated abilities, behavior, and expertise according to changes in the labor market and workers' awareness. This is designed to enhance job motivation (ease of work + job fulfillment) and growth for the diverse human resources who practice the Megmilk Snow Brand Values, from young employees to veteran employees.

■ Use of Skill Maps

At Megmilk Snow Brand's plants, a skill map is created for each workplace based on manuals, such as work procedures, to evaluate the skills of employees. The introduction of skill maps has made it possible to visualize employees' work performance. They are now being used for purposes such as human resource development in the workplace, improving the skill level of the workplace as a whole, and making decisions on transfers between workplaces. It has also become easier for employees to understand their own skill levels and to take on the challenge of acquiring new skills, which leads to their own self-driven growth and motivation.

Initiatives to Improve Engagement



Department Heads	Create and promote action plans to improve engagement
Managers	Set and implement specific goals related to improving engagement in operational goals
Personnel Dept.	<ul style="list-style-type: none"> ● First survey: July 2023 ● Second survey: July 2024 ● Third survey: January 2025 (plan)

* In May 2024, we held a workshop for managers to exchange information together.

Initiatives Promoting Respect for Human Rights

In order to respect the human rights of all people who are directly or indirectly affected by our business activities, we are working to respect human rights by carrying out human rights due diligence* in the business activities and supply chain of the Megmilk Snow Brand Group.

* Efforts to prevent and mitigate "negative impacts on human rights" in the supply chain due to business activities, and to disclose information about these efforts.

■ Human Rights Workgroup

The workgroup, which meets once a month, is attended by members from the Personnel Dept., Production Dept., Dairy Dept., Purchasing Dept., International Business Division, Affiliated Company Control Dept., Logistics Dept., and Sustainability Promotion Dept. It examines and promotes initiatives to respect human rights within the Group. As part of our human rights due diligence for the priority human rights risks, the workgroup carries out human rights impact assessments, conducts self-assessment questionnaires (SAQ surveys) at overseas subsidiaries, and has introduced grievance mechanisms* based on its 2030 Roadmap.

* Systems that allow people to seek redress when there are concerns about human rights violations

■ Interviews with Foreign Workers

The Human Rights Workgroup visits the Group's business sites where foreign workers with "specified skills/technical intern training" status are employed, and it conducts direct interviews with them about the ease of working and their living conditions. This augments the human rights due diligence done by external experts recommended in the UN Guiding Principles on Business and Human Rights, and it is intended to assess human rights issues more thoroughly for a larger number of foreign workers. In fiscal 2023, the workgroup held direct discussions with 26 foreign workers at four business sites and confirmed that there were no human rights issues.



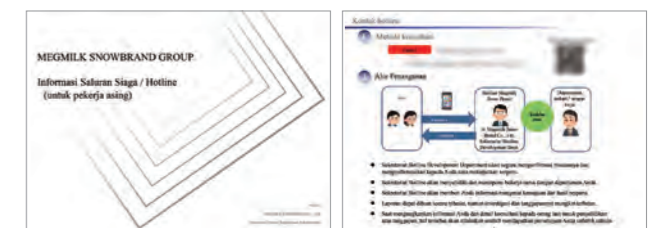
Interview with foreign workers (Kyoto Plant)

Interviews Carried Out

Business Site	Nationality of interviewee	Number of interviewees	Interviewer	Time of implementation
Kyoto Plant, Megmilk Snow Brand Co., Ltd.	Indonesia	4	Purchasing Dept.	November 2023
Taiki Plant, Megmilk Snow Brand Co., Ltd.	Indonesia	16	Dairy Dept.	January 2024
Higashi-urawa Center, Chokuhan Haisou Co., Ltd.	China	2	International Business Division	February 2024
Kobuchisawa Plant, Yatsugatake Milk Industry Co., Ltd.	Vietnam	4	Personnel Dept.	March 2024

■ Establishing a Grievance Mechanism for Foreign Workers

In November 2023, we set up a contact point for foreign workers employed within the Group. We introduced a function to the Megmilk Snow Brand Hotline, an internal reporting and consultation line, that allows workers to use Indonesian, Vietnamese, Chinese or Thai when contacting the hotline. We provided information on this mechanism to approximately 70 foreign workers within the Group.



Information for foreign workers (Indonesian version)



Contributing to Local Communities

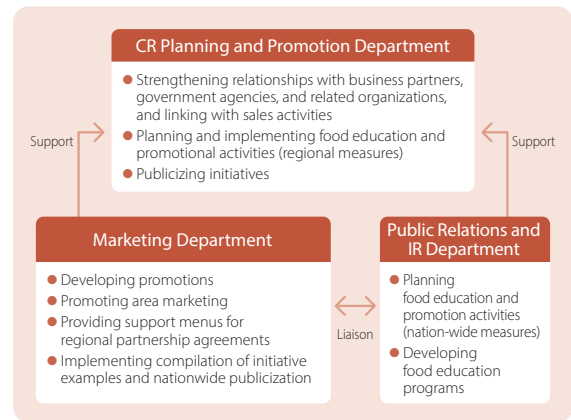
We will strengthen our ties with local communities and work together to achieve the sustainable development of both local communities and the Megmilk Snow Brand Group.

Material Issue	Core Activity Theme	Fiscal Year Achieved	KPI	Results (FY2023)	Scope	Related SDGs
Contributing to Local Communities	Partnering with Local Communities	Every year	Working with communities to help resolve social issues	<ul style="list-style-type: none"> Worked with local communities in Ibaraki Prefecture, including expanding consumption of agricultural products from Ibaraki Prefecture and Megmilk Snow Brand dairy products, and participating in Ibaraki Prefecture's "Low Sodium Promotion Project" In order to help solve health issues in the Chubu region, developed menus using fish and dairy products rich in EPA, which is effective in preventing heart attacks, and introduced these menus to local mass retailers 	A	

Scope: A Megmilk Snow Brand

Solving Social Issues through Area Marketing

As part of its reorganization in fiscal 2024, Megmilk Snow Brand established a Customer Relationship (CR) Planning and Promotion Department in each of its six regional hubs and branch offices. These departments will plan and support sales activities that drive community-oriented activities, and further strengthen area marketing. With the support of the Marketing Department and the Public Relations and Investor Relations Department, the new department will deepen our collaboration and partnerships with local governments and business partners, and work to solve local social issues by pursuing activities that are rooted in the community throughout the organization.



Partnering with Local Communities

[WEB](https://www.meg-snow.com/csr/link/) Partnering with Local Communities (in Japanese) ▶ <https://www.meg-snow.com/csr/link/>

Partner	Description of Collaboration	Start Date
Hokkaido	Comprehensive partnership agreement	October 2007
Sapporo City	Sapporo Urban Development Partner Treaty	March 2012
Urban Renaissance Agency	Agreement on regional cooperation and collaboration (UR rental housing complexes and surrounding areas in the western Japan area)	March 2020
Sapporo City	Sapporo Wellness Partner Agreement	August 2023
Nagakute City, Aichi	Promoting better health for the public	October 2023
Toyokawa City, Aichi	Comprehensive partnership agreement on regional development	February 2024
Toyama	Partnership agreement on health promotion	March 2024

Initiatives at Mass Retailers

Megmilk Snow Brand signed a memorandum of understanding with local governments in the Chubu region regarding health promotion, and worked to address the increasing number of heart attacks among young people, which has become a health issue in the area. They developed a menu using fish and dairy products rich in EPA, which is effective in preventing heart attacks, and introduced it at mass retailers alongside Megmilk Snow Brand dairy products. This initiative received high praise from local governments and mass retailers. We plan to continue to strengthen our ties with the local community, particularly by providing sample menus. In addition, in the Hokuriku region, we have been promoting initiatives that contribute to the bone health of local residents, such as participating in events to prevent frailty and conducting bone health checks. We have also introduced menus that use locally produced agricultural products and dairy products to boost the intake of vegetables and calcium at stores in the Kanto region.



Sales display connecting dairy products and fish



Menu leaflet for dairy products and fish